

Montana Tech

Guidelines for the Budgeting and Planning Process

Below are guiding principles for the effective budgeting and planning of financial resources. These support our strategic plan and provide opportunities for departments to have input into the budgeting process and allocation of funds.

Guiding Principles

- Budget allocation policies and procedures support core university and departmental mission.
- Budget allocation processes are open, held in a timely manner, equitable to all parties and provides those parties with an opportunity to express input and to be heard.
- Budget allocation processes support the distribution of resources in the best interest of the university.
- Budget allocation process relies on informed leaders who will take action and are accountable for the results.
- Budget allocations will include reasonable reserves as allowed by Board of Regent policy to provide budget stability.
- Budget allocations will include strategic investments in support of the university strategic plan.
- Budget allocation decisions are based on identified data which lead to predictability in the budget development process and provide a consistent basis for planning.
- Funds from all sources must be included in the annual budgeting process to provide leadership with information necessary to make the best possible decision when allocating funds.
- Operating budgets along with faculty and staff positions can and will be reallocated through this budget process using established metrics.

Annual and Biennial Budgeting Processes

The **eight**-step budgeting process described below will be used to allocate resources and incorporates the guiding principles described above. Using the following steps, the university will budget all funds based on revenue and expenditure expectations.

Step 1: Determine the State Allocation. (Lump decided by legislature every two years)

- The state funding is set by the legislature in even years for the next two year period.
- Legislature normally provides a system lump for allocation among the campuses in the university system.
- Once the lump is established, a portion of the general fund allocation is earmarked as performance based funding and the campus must meet completion and retention criteria to retain a part or all of these performance based funds.
- After segregating the performance based funds, the system office allocates general funds to the UM and MSU campuses based on a three year average of FTEs.
- The UM campuses meet to discuss allocation of funds to each campus in the affiliation. In the past a model was developed but allocation is up for discussion each biennium.
- In addition, the legislature will occasionally earmark funds for a specific campus. Those funds are in addition to the general funds mentioned in the previous bullet.

Step 2: Internal Budget Request Process. (During Spring semester for the upcoming fiscal year)

Once current year enrollment is finalized (target February, March), Budget Office will distribute budget planning templates for developing budgets requests for the upcoming fiscal year. These requests should include one-time-only requests.

Departments will first be required to justify continuation for the current level of state funding and then any additional requests. Components of individual budgets requests include, but are not limited to:

- Staffing (includes new or replacement faculty/staff requests)
- Student Wages
- Part-time Faculty (not managed as part of departmental budget)
- Travel
- Operating expenses (base budget and increases)
- One-Time-Only (Equipment, etc.)

Department Directors will meet with the appropriate dean or vice chancellor to review budget requests. These meetings are an opportunity for department leaders to discuss current and future needs of the department with their dean or vice chancellor.

The Chancellor's Office will set up meetings with Deans and Vice Chancellors to present prioritized requests to the Executive Council. These are public meeting and individuals are encouraged to attend.

Step 3: Project Tuition Revenues and Obtain Board Approval for Increases.

The Budget Office and Vice Chancellor for Administration and Finance will do the following:

- Prepare enrollment projections for the next biennium based on information from the Director of Enrollment Management and Director of Institutional Research.
- Calculate tuition and fee increases for the upcoming biennium based on enrollment and estimated expenditures.
- Ask student government to approve or disapprove proposed fee increases.
- Submit proposed tuition and fee increases to and receive approval from the Board of Regents at the March or May meeting preceding the commencement of the biennium.

Step 4: Calculate Enrollment Reserve (State Funds) or Contingency.

Based on metrics previously established by the Board of Regents, each campus is encouraged to maintain a 2% enrollment reserve or contingency to assist the campus in managing fluctuations in enrollment.

Historically, at Montana Tech, approximately 94% of students enrolled in the fall return for spring term. After fall enrollment is finalized (beginning of October) a relatively firm projection of revenue for the year can be made. However, the Executive Council usually doesn't release one-time only funds until spring enrollment is finalized.

Step 5: Decide the Internal Allocation. (During spring term for the upcoming fiscal year)

After budget meetings are conducted and the estimated available funds can be determined, decisions impacting the upcoming fiscal year budget fund allocations can be identified and approved by the Executive Council. Executive Council approves funding of requests based on need and impact relative to the following:

1. Strategic plan prioritization.
2. Performance metrics.

Step 6: Apply Budgeting, Planning and Resource Allocation Model.

All resource allocation decisions are subject to constraints. Notable constraints include the need for reasonable enrollment reserves, annual contracts with faculty and staff requiring termination notices and other contractual operating obligations. It is recognized that each fund type has restrictions that govern fund use and limit allocation options available in the budgeting process.

The same budgeting, planning, and resource allocation process will be used for **growth, stable, recovering, and declining** environments. A different mechanism will be employed in the event of a mid-year budget rescission.

Based on projected enrollment and revenues and subject to the constraints identified the Executive Council will allocate funds. A more prescriptive means of allocating funds may be developed to assist the committee in allocating funds dependent upon the environment in which we are making allocations.

Base Budgets –

Base budgets will be allocated as a result of the budget meetings held in the early spring and may include analysis tied to performance metrics. Possible performance metrics to consider when allocating funds include, but are not limited to, the following:

Metrics:	Enrollment	Student Credit Hours
	Service Courses	Student/Faculty Ratios
	Course Completion	Expenditures Per Graduate
	Degree Completion	Retention Rate
	Recruitment	Regent Dashboard Indicators
	Low Enrolled Courses (<5)	
	Scholarly Activity (paper presentations, publications, research \$)	

As noted in the guiding principles, operating budgets along with faculty and staff positions can and will be reallocated through this budget process using established metrics.

Additional Allocations –

Additional funds and enrollment reserve or contingency one-time only funds should be allocated based on strategic priorities as well as mission critical requirements.

- Examples of strategic priorities may include enrollment growth, expansion of statewide academic or research programs, and new programs.
- Examples of mission critical needs may include program accreditation, instructional coverage of required classes, and infrastructure needs.

All additional fund requests must be accompanied by a business plan that includes:

1. A clear statement of the use(s) of funds or positions being requested,
2. An estimate of increases in revenue expected, or improvement expected in other metrics tied to goals in the strategic plan,
3. A timeline for achieving the results, and
4. An assessment of risk associated with not achieving the results, along with an exit strategy if revenues or metric performance is not achieved within the stated timeframe.

Step 7: Assess Spending, and Reallocate Unused Funds (As Needed)

The main monitoring tool for assessing spending and budget control is the data warehouse. Other tools include monthly reports currently prepared by the Vice Chancellor for Administration and Finance or the Director of Purchasing and Budgeting.

Step 8: Year End Allocations


If current unrestricted (State funds) remain at fiscal year-end, those funds may be transferred to one of the following funds for the corresponding use:

- Revolving Reserve (not to exceed 5% of prior year revenue) – Unanticipated revenue shortfalls or expenditure increases in subsequent years.
- Retirement Revolving Account – Fund to cover payout of unfunded retirement costs.
- Deferred Maintenance Plant Funds – For non-budgeted deferred maintenance on state facilities.
- Scholarship and Stipend Fund – Pursuant to Board of Regent Policy 901.13 is limited to excess operating funds.
- Approved Project Plant Funds – For budgeted but not completed project.

Approved by



Don Blackketter
Chancellor
Montana Tech



Date