

# **State Appropriations**

## **Allocation Process**

March 2021

## MUS Educational Unit Funding

### Questions:

- #1 How is the State Appropriation for the MUS determined?*
- #2 When are State Appropriations allocated to campuses?*
- #3 How are campus allocations determined?  
(including Performance Funding procedures)*

## **MUS Educational Unit Funding** (a.k.a Program 9 - Appropriation Distribution)

### **Question #1:** *How is the State Appropriation for the MUS determined?*

- **Legislative Appropriation:** Lump Sum Funding to the MUS – since 1995
- **Base + Present Law Adjustments**
  - Statewide Fixed Costs – insurance-tort, legislative audit, ITSD
  - Personnel Costs - annualized pay plan, health insurance, merit/market, leave payouts
  - Higher Ed Specific PLA –IT maintenance, utilities, journals, compliance/safety, rent
  - New Space O&M
  - Pay Plan
  - Key difference from other agencies – no “personal services” funding at Ed. Units
- **New Proposals** –Base or OTO: examples: transferability, workforce equipment, veterans’ success, distance learning, research initiative
- **Shared Policy Goals/MOUs**
  - Tuition Freeze/CCA Metrics/Performance Funding – 2013
  - Tuition Freeze/Performance Funding Continuation – 2015
  - Efficiency Metrics, State Support per Resident Student – 2017
  - Tuition Freeze/Career & Technical Education – 2019

## Board of Regents' Distribution of the Lump

### Question #2: *When are State Appropriations allocated to campuses?*

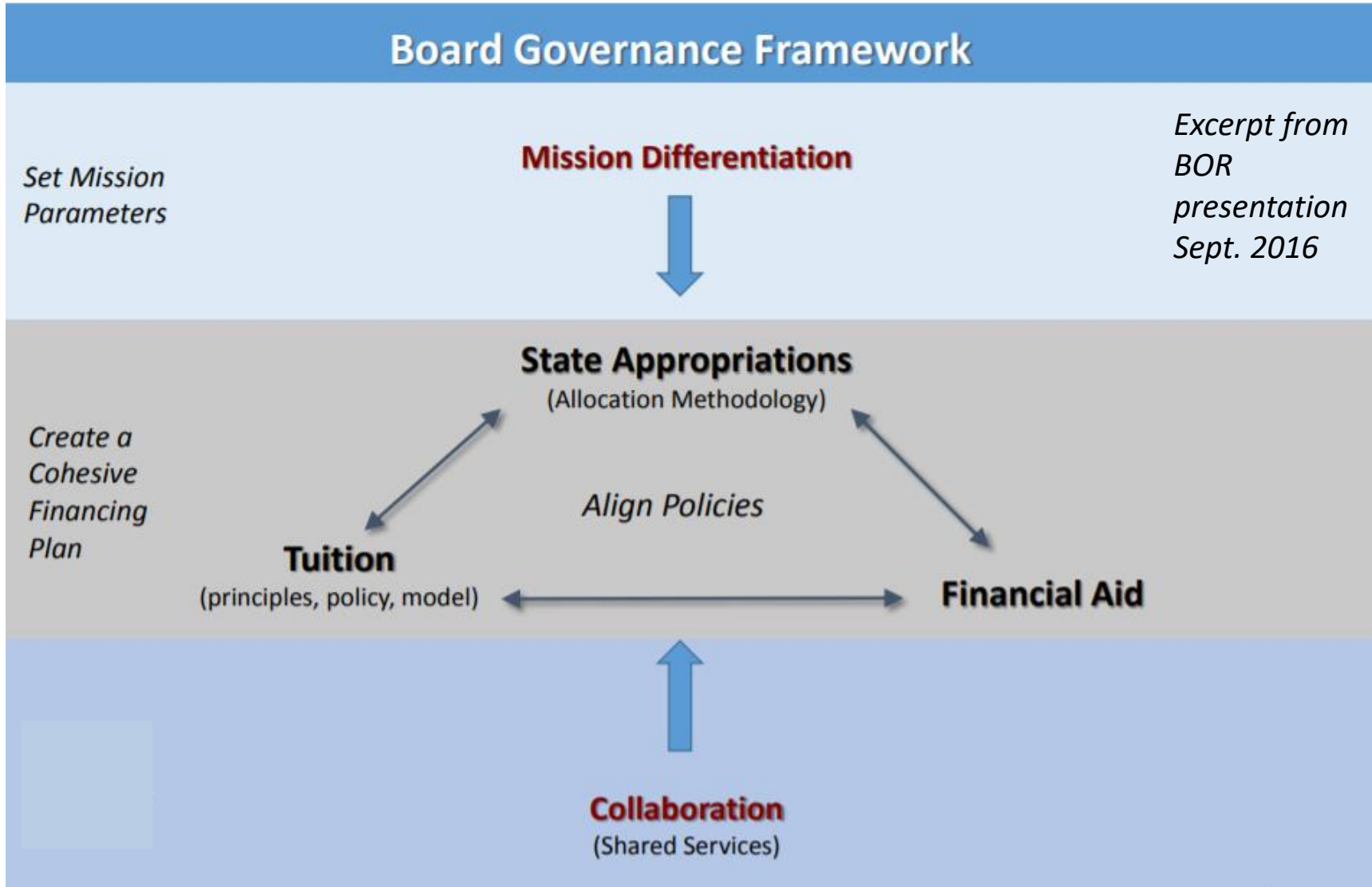
- Biennial distribution, made by the Board of Regents, following the conclusion of Legislature
- Allocation distribution is made in conjunction with setting tuition and fees (important point... connection between Approps -- Tuition -- Fin Aid)

### BOR Policy 970.1 – Biennial Allocation of State Funding to MUS

**Biennial Appropriation:** language included in the Appropriations Act (HB 2) identifies the Appropriation Distribution as a single biennial lump-sum appropriation.

**Biennial Computation:** the allocation calculation and distributions to campuses will be made once each biennium and recommended to the Board of Regents for approval following the adjournment of the Legislature, and normally presented to the BOR for approval at the May meeting in odd numbers years.

## Board of Regents' Distribution of the Lump



## Board of Regents' Distribution of the Lump

### Question #3: *How are campus allocations determined by MUS?*

- Base Plus w/ Allocation Drivers PLUS Performance - determined and approved by the Board of Regents
  
- **Base Plus:** Additional funding allocated based on multiple measures/drivers
  - Present Law Adjustments
  - Pay Plan
  - Tuition Freeze Backfill (3% revenue)
  - Campus Share of Res Enrollment
  - Campus Share of base budget (cuts)
  - State Support per Resident
  - % state share
  - Total revenue per student
  - Peer comparisons
  
- **Performance Funding**
  - Seven-year allocation history in MUS: \$15M per year since FY16 (\$7.5M in FY15)
  - Incentive funding to improve Retention & Completion (Student Success)
  - Specific metrics related to Mission (Flagships = Graduate degrees and research) (2-year College = remedial success and dual enrollment)
  - Increased incentive associated with on under-represented at-risk student groups (American Indians, Veterans, Low-income, and Non-traditional students)

## Board of Regents' Distribution of the Lump

**Question #3:** *How are campus allocations determined by MUS?*

### BOR Policy 970.1 – Biennial Allocation of State Funding to MUS

#### **Procedures: (summarized)**

- 1) Allocation calculations may consider the use of multiple measures, including but not limited to resident FTE, the cost of education per student, and peer comparisons.
- 2) Remove special appropriations before distributions are made
- 3) BOR may adopt Performance Funding
- 4) BOR may allocate funds for Regents' priorities

## Three Step Allocation Process

### MUS Allocation Model

		BASE Year		
		FY 2019	FY2020	FY2021
<b>STEP 1: Calculate Total Ed. Unit Lump</b>				
Sum of HB 2 approps, Pay Plan, and any campus line item approps from restricted OTO funding/and or statutory appropriations	Program 9 Total (HB2)	189,934,040	200,566,363	202,750,037
	Pay Plan		1,317,277	3,895,878
	Legislative Audit		572,108	
	MUS Retirement (SA)		1,784,837	1,785,211
	<b>Total</b>		<b>204,240,585</b>	<b>208,431,126</b>
<b>STEP 2: Remove Special Appropriations</b>				
Remove HB 2 special approps and Regents' Priority funds from Ed Unit Lump	UM, Yellowbay	125,000	125,000	125,000
	MSU, PBS	150,000	150,000	150,000
	Family Practice (GME)	914,769	914,769	914,769
	Motorcycle Safety Training	580,159	580,159	580,159
	Regents Priority		349,973	349,973
	<b>Total</b>	<b>1,769,928</b>	<b>2,119,901</b>	<b>2,119,901</b>
<b>Campus Allocation Amounts</b>		<b>188,164,112</b>	<b>202,120,684</b>	<b>206,311,225</b>

### STEP 3: Allocate Campus Funding

see next tab



## STEP 3: Allocate Campus Funding

### 3a. Base minus Performance Funding

### 3b. Line Item Funding

line item approps/statutory approps to campuses

### 3c. PLA Allocation (DP1)

distribute funds based on campus share of 3-year average of resident FTE and/or campus share of PLA

### 3d. Systemwide Backfill/Reductions (DP2)

systemwide methodology applied equally to all campuses (ex. FY18 reductions made based on campus share of FY17 base, or FY20/21 tuition freeze based on 3% backfill or resident tuition revenue)

### 3e. Resident Student Adjustments (DP3)

adjustments made to balance state support per resident student FTE

### 3f. Pay Plan Distribution

distribute pay plan using a systemwide methodology (ex. hourly increases, % increase to personal services expenditures)

### 3g. Performance Funding Allocation

allocate campus eligible amounts using PF model

Note: \$1.46M in PF residual not initially allocated

FY 2020	Total
State Approps (-PF)	172,814,139
LAD Audit Costs	572,108
MUS RP Statutory Approp	1,784,837
New Space O&M	-
Present Law Adjustments	-
Backfill/reductions	3,722,974
Support per Resident Adj.	6,909,349
Pay Plan	1,317,277
<b>Total State \$\$ Increase</b>	<b>14,306,545</b>
PF Allocation	13,533,917
<b>State Appropriation</b>	<b>200,654,601</b>
State \$\$ per Resident FTE	8,372
State % Share	42.6%
Total Rev per Student	13,842

Decision Points

# Performance Funding History

1. **From 1972 through 2014:** enrollment was utilized as the single metric for determining the allocation of state appropriations to campuses.
2. **FY 2015:** the MUS instituted a performance funding model.
  - 5% state appropriations allocated (\$7.5M)
  - Performance based on the combination of improvement in Retention and Completions
3. **FY 2016 – Present:** MUS developed and implemented a more detailed and diverse performance model.
  - \$15M of state appropriations allocated annually (approx. 7.5% of total approp.)
  - Metrics expanded and aligned with campus mission

## PF Goals

- 1) Utilize performance funding as a strategy to help increase the percentage of the population with a higher education credential. ***Increase degree production.*** [Dashboard](#)
- 2) Incentivize campuses to improve student success and attainment of outcomes. ***Focus on output as well as input.***
- 3) Connect finances with outcomes. ***Pay for what we value.***

## Accountability

## 1. The potential allocation for each campus is based on its share of the system's 3-year resident student FTE average

Campus	Resident FTE (FY17 to FY19 avg.)	Campus Share of Resident FTE	Eligible \$\$ Amount
MSU Bozeman	8,830	35.5%	\$5,322,089
Gallatin College	411	1.7%	\$248,010
MSU Billings	2,332	9.4%	\$1,405,436
City College	648	2.6%	\$390,394
MSU Northern	898	3.6%	\$541,227
Great Falls College	1,070	4.3%	\$645,019
UM Missoula	6,112	24.6%	\$3,684,142
Missoula College	979	3.9%	\$590,346
MT Tech	1,428	5.7%	\$860,558
Highlands College	300	1.2%	\$181,113
UM Western	1,073	4.3%	\$646,875
Helena College	804	3.2%	\$484,791
<b>Total</b>	<b>24,887</b>	<b>100.0%</b>	<b>\$15,000,000</b>

## 2. Each sector (flagship, 4-yr and 2-yr) has a unique set of **metrics**

	<b>Flagships</b> MSU & UM	<b>4-year Regional</b> UMW, MT Tech, MSUB, MSUN	<b>2-year Colleges</b> Missoula, Great Falls, Highlands, Helena, City, Gallatin
<b>METRICS</b>			
Undergraduate Degrees & Certificates Awarded	X	X	X
Retention Rates	X	X	X
Graduate-level Degrees & Certificates Awarded	X		
Research Expenditures	X		
Masters-level Degrees & Certificates Awarded		X MT Tech & MSUB	
Dual Enrollment		X UMW & MSUN	X
Remedial Success			X
Credit Accumulation			X
Under-represented/At-risk - Retention Rates	X	X	X
Under-represented/At-risk - Degrees & Certificates Awarded	X	X	X

## 3. Metrics are measured annually and compared to prior 3-year average. **CAMPUSES compete against themselves!**

### CAMPUS X (example)

3-yr Average	Current Level	% Increase
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### METRICS

<b>Undergraduate Degrees Awarded</b>	<b>200</b>	<b>210</b>	<b>5%</b>
Under-Represented/At-risk Graduates	150	165	10%
<b>Retention</b>	<b>70%</b>	<b>69%</b>	<b>-1%</b>
Under-Represented/At-risk Students	65%	64%	-2%
<b>Graduate Degrees</b>	<b>50</b>	<b>52</b>	<b>4%</b>
<b>Research Expenditures</b>	<b>25,000,000</b>	<b>26,000,000</b>	<b>4%</b>

## 4. Metric values are weighted.

<b><u>METRICS</u></b>	<b>Flagships</b>	<b>4-year Regional</b>	<b>2-year Colleges</b>
Undergrad Degrees & Certificates	30%	40%	30%
Retention Rates	30%	40%	30%
Graduate Degrees & Certificates	15%		
Research Expenditures	15%		
Masters Degrees & Certificates		10% (MT Tech & MSUB)	
Dual Enrollment		10% (UMW & MSUN)	10%
Remediation Success			10%
Credit Accumulation			10%
<b>Under-represented/At-risk</b>			
Retention Rates	5%	5%	5%
# of Degrees & Certificates Awarded	5%	5%	5%

## 5. Metric values are indexed to a standard scale of 1,000 points and growth target established.

**Improvement is based on the composite results of all metrics, rather than independently on individual metrics.**  
Score above 1,000 represents improvement; score below 1,000 represents regression. Growth Target = 1010 (1%)

## 6. A transitional-loss zone is created to account for random, non-systematic fluctuations in the metrics.

- Campuses that fall below the target, but within the transitional-loss zone receive a portion of the eligible funding amount

## 7. Residual funds are produced when a campus does not receive 100% of its performance funding allotment in a given year.

- Campuses that fall short can apply for a portion of the funds to be granted back to the campus for targeted improvement in specific areas (e.g. retention)
- The Commissioner may also allocate residual funds for general operating budget stabilization and/or system initiatives.