



## Joint Subcommittee On Postsecondary Education Policy and Budget

### 60<sup>th</sup> Montana Legislature

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

#### SENATE MEMBERS

BOB HAWKS, CHAIRMAN  
JIM PETERSON

#### HOUSE MEMBERS

ROBIN HAMILTON  
BOB LAKE

#### BOARD OF REGENTS MEMBERS

STEPHEN BARRETT  
CLAYTON CHRISTIAN

#### EXECUTIVE APPOINTEE

JAN LOMBARDI (Ex-Officio)  
LFD Staff: Alan Peura

# MINUTES

June 12, 2008

Room 102 Capitol Building

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division.

**Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

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#### **COMMITTEE MEMBERS PRESENT**

SEN. BOB HAWKS  
REP. ROBIN HAMILTON  
REP. BOB LAKE

#### **COMMITTEE MEMBERS EXCUSED**

SEN. JIM PETERSON

#### **EX-OFFICIO MEMBERS PRESENT**

Commissioner Sheila Stearns

#### **BOARD OF REGENTS MEMBERS**

REGENT STEPHEN BARRETT  
REGENT CLAYTON CHRISTIAN

#### **EXECUTIVE APPOINTEE**

JAN LOMBARDI, Office of the Governor

#### **STAFF PRESENT**

ALAN PEURA, Legislative Fiscal Staff  
LINDA J. KEIM, Interim Committee Secretary

## **Agenda**

Attachment #1

## **Visitors**

Visitors' list, Attachment #2.

## **COMMITTEE ACTION**

The Postsecondary Education Policy and Budget (PEPB) Subcommittee discussed the following agenda:

Shared Policy Goals Discussion

Alan Peura, LFD Staff

Bitterroot Valley Community College (BVCC):

Alan Peura, LFD Staff

Faculty and Staff Retention Issues at MUS

Regent Stephen Barrett

Board of Regents 2011 Biennium Budget Package

Making Opportunity Affordable Grant Update

Commissioner Sheila Stearns

Alan Peura, LFD Staff

Six-Mill Levy Referendum Update

Commissioner Sheila Stearns

HJR 22 Dental Study Report and Recommendations

Senator Bob Hawks

## **CALL TO ORDER AND ROLL CALL**

00:00:20 **SEN. HAWKS, CHAIR** called the subcommittee to order at 8:30 A.M. The secretary called the roll. (see Attachment #3) Without any objections, he welcomed Sen. Laible to the table.

00:01:47 The minutes from the March meeting were unanimously approved.

## **SHARED POLICY GOALS DISCUSSION**

### **Review and Consideration**

00:02:10 Alan Peura, LFD Staff, handed out revised "Shared Policy Goals and Accountability Measures for the Montana University System 2009 Biennium" and discussed final changes that were made as requested. "Performance Measurement Report for Transferability and Student Data" was also handed out and explained.

**Exhibit 1**

**Exhibit 2**

### **Subcommittee Questions & Action**

00:08:28 **MOTION: REP. LAKE MOVED TO ACCEPT THIS REVISED DRAFT OF THE SHARED POLICY GOALS.** Regent Barrett noted his appreciation for all the

effort put into the document.

00:10:19 **MOTION & VOTE: SEN. HAWKS ASKED FOR A VOICE VOTE TO ACCEPT THE LANGUAGE IN SHARED POLICY GOAL I AT THE BOTTOM OF PAGE 2. THE REVISED LANGUAGE IN SHARED POLICY GOALS WAS UNANIMOUSLY APPROVED. SEN. PETERSON VOTED YES BY PROXY.**

**Public Comment: None**

00:11:13 Mr. Peura noted that he will get the final page of the Shared Goals document signed for the permanent record and arrange to have a copy for everyone.

00:12:02 Commissioner Stearns asked whether the signature line should be changed to reflect Regent Barrett's recent appointment as Chairman of the Board of Regents, or whether Regent Hamilton should sign. Mr. Peura suggested using the current Chair as this was just approved today. He will arrange the change.

**BITTERROOT VALLEY COMMUNITY COLLEGE (BVCC)**

00:12:53 Alan Peura handed out "BVCC Budget Analysis Update". Mr. Peura noted Eddy McClure's absence and acknowledged what a privilege it had been to work with her. He commented that all the prep work they had done in readiness for this meeting meant that her efforts can be seen in the joint staff work that will be visible today. **SEN. HAWKS** noted that was the mutual feeling of the committee. He commented there was a void that would be noticeable for a long time. At **REP. LAKE'S** suggestion, the committee observed a moment of silence in honor of Eddy McClure, a very special person.

**Exhibit 3**

00:17:02 Mr. Peura noted that Exhibit 3 consists of three documents: "BVCC Updated Analysis of Preliminary 2011 Biennium Budget dated June 12, 2008; the attached Appendix LC8888, the bill draft for a Joint Resolution of the Senate and House approving BVCC District in Ravalli County; and the bill draft that was deferred by this Subcommittee of a proposed clean-up to the Community College Approval Statute. He continued by explaining the information.

**CONSIDER JOINT RESOLUTION**

00:25:25 Comm. Stearns asked Mr. Peura if the proposed updated budget included an estimate of the mill levies that would be coming from the college district. Mr. Peura advised that the amended budgets submitted by the colleges indicated expenditure changes as well as revenue estimates. The local mill levy in 2010 would create \$390,988 of revenue, an estimated 5.53 mill with an estimated \$299,000 in student tuition. In 2011, the revised revenue side will bring in \$301,000 of revenue, an estimated 4.05 mill, with student tuition projected to be \$484,000. There is no contemplated rate increase; the tuition increase is based upon a projected increase of approximately 90 FTE students from year one to year two.

- 00:27:17 **REP. LAKE** asked Comm. Stearns about the detailed definition of the role of two year education in the higher education system. **SEN. HAWKS** commented this issue is also on the afternoon agenda. Comm. Stearns noted a considerable amount of work is under way, some of which is grant funded. There has also been a change of position in her office; from 'Director of Two Year Workforce', to the creation of 'Deputy Commissioner For Two Year Education'. She introduced Mary Sheehy Moe as the new Deputy Commissioner.
- 00:29:25 **REP. LAKE** asked whether he could assume that the afternoon discussion will also include some of the regional concept for community colleges. He asked whether a local levy budget and the mandatory levy would be taking a larger district into consideration, if the role of two year institutions is going to be further defined. Comm. Stearns said this referred to a previous conversation when she outlined the possibility of a regional approach to two year education in the state. She said she was asked by members of the Board and other State leaders to take a step back to think through whether that is a possibility. She noted there is still a lot of interest, but was advised to wait and get more background first. She stressed they do not intend to slow down their progress, but felt they need to do more consulting before presenting a concise regional proposal. **REP. LAKE** said that move should not be made until they are ready.
- 00:32:35 Regent Barrett had questions on several topics.  
1) The budget may be somewhat understated and accreditation issues need to be considered.  
2) A minimum Information Technology (IT) requirement should be imposed to reduce costs. They could be part of the MUS Banner System or another appropriate system. Currently there are at least three different types of two year education and a system of anomalies that don't line up. One common anomaly is when there is a report about two year colleges with a disclaimer that there is no good reporting mechanism available to gather data on community colleges.  
3) The Resolution suggests an approval. He said they are proceeding along a path that may or may not be the right path. The Regents are looking hard at what two year education will mean in the State. He noted that a conclusion should not be reached because we are trying to decide if this is correct in terms of the institutional structure we may or may not want to create.  
4) There are different budgeting processes. He suggested looking at that, and why that was done. Regent Barrett noted everyone needs to consider reconciling some of the anomalies so we don't perpetuate them inadvertently.
- 00:38:46 **SEN. HAWKS** asked if this should take the form of an additional 'WHEREAS' as it reaches the Board of Regents. Regent Barrett was unsure, and noted the Regents will write a fiscal note and other conditions, but deferred to others for the mechanics.
- 00:39:50 Comm. Stearns asked for clarification of whether consideration or passage of today's Resolution implies or appears to commit the Board of Regents by virtue of the vote of two individuals. They have previously asked to wait and draft their resolution, which could look very different until current research is completed.

- 00:40:36 **SEN. LAIBLE** addressed the current statutory situation in the creation of community colleges. He felt that another 'WHEREAS' is not necessary. He said the Regents' recommendation is not binding upon the legislature. The full committee will consider this on Friday, and hopefully the Resolution will be passed so the Legislature can act on it in the next session. Because we already have existing community colleges, adding one more under the current system still works, providing resources and educational opportunities for a community. This is an opportunity to create one of the best university systems in the country, and regardless of what happens we will be able to adapt.
- 00:44:15 Comm. Stearns asked to have the record reflect that the recommendation could be positive or negative for the one 'WHEREAS'. She said that the two Regents on this committee would not want to mislead the other four members if the Resolution passes with its positive tone, and they may or may not come to a conclusion that is different. She felt it was clear now.
- 00:45:02 **SEN. LAIBLE** noted that the record reflects that this is not to be perceived as a 'positive endorsement', only an 'endorsement', as we must follow the statutes.
- 00:45:26 **SEN. HAWKS** asked Mr. Peura to explain further. Mr. Peura explained that the Attorney General's decision on this Statute said the Legislature is the final authority. Legislative staff's recommendation was that this needed to come in the form of a resolution, not a bill. He said that statute requires some legislative action to occur in order for a decision to be made. Since there needs to be action, the decision indicates it needs to be a resolution. Legislative legal staff has determined that all resolutions are required to be in affirmative language. A vote today by any member of this Subcommittee would not necessarily indicate a vote in favor of the resolution, just an affirmation for entering it into the process.
- 00:48:08 Regent Barrett said that clarified some of his questions and noted the two Regent members can abstain from voting on this. They will be voting in another venue, making another independent decision.
- 00:49:13 Regent Christian noted there has been no guidance from the full Board of Regents at this point, it has only been discussed. He would do the same.
- 00:49:30 **REP. LAKE** asked Mr. Peura about the wording, noting that it says that the legislature will act upon the recommendation of Board of Regents. He asked if we are getting our timing out of position by voting on a resolution prior to Board of Regents' opinion.
- 00:51:04 Mr. Peura clarified that the 'WHEREAS' clause being discussed is on Page Two. Legal staff worded it this way because it is a required part of the statute. Legal staff analysis was to acknowledge that it has been done as required by statute, but the legislature is not required to give any regard to that recommendation in any formal way. The 'WHEREAS' clause could be amended when the legislature receives the Board of Regents' recommendation. This could be perceived as a 'place holder' to get the process started today.

00:52:24 **REP. LAKE** noted the words 'has received' in the document. If taken literally, there should not be any action until an indication is received from the Board of Regents. He asked if a document needed to be received before moving forward.

00:53:06 Mr. Peura explained it was legal staff opinion that the legislature can move independently, and this is written to indicate anticipation of a future moment in the 2009 Session. Legal staff said this is appropriate for the Subcommittee to consider today. Mr. Peura said there is nothing to indicate the legislature cannot start the process without recommendation from the Board of Regents.

00:54:35 **SEN. HAWKS** explained that we are making recommendations as a subcommittee to a broader subcommittee and recommending to the legislature. If we don't move this process along, we won't be prepared for the coming session. He also likened this to a 'place holder'. **REP. LAKE** acknowledged appreciation for the explanation.

#### **Public Comment:**

00:56:40 Victoria Clark, BVCC effort, expressed appreciation for Regent Barrett's comments. She said these reports address some of the data management concerns he expressed. She handed out "Bitterroot Valley Community College (BVCC) Information Technology (IT) Committee Report Summary and BVCC Accreditation Committee Report Summary" and explained them. She noted that these two new committees were just formed to address their needs assessment.

#### **Exhibit 4**

01:00:15 Greg Seltzer, BVCC trustee-elect from Hamilton said he is the one member 'IT' Committee. He asked consideration of Regent Barrett's comment of joining in with the University System in Information Management. They have considered making their IT Director at the 'Dean' level, being in with the University System. He said he could not address fiscal impact as there was nothing to base it upon.

#### **Subcommittee Discussion & Action**

01:02:50 **REP. LAKE** asked Comm. Stearns if she wanted a motion from this Subcommittee to carry the resolution on to the full Committee before moving on to the next item. Comm. Stearns answered in the affirmative.

01:04:05 **MOTION & VOTE: REP. LAKE MOVED TO CARRY BVCC RESOLUTION LC8888 FROM THIS SUBCOMMITTEE ON TO THE FULL EDUCATION-LOCAL GOVERNMENT COMMITTEE. MOTION WAS APPROVED BY SEN. HAWKS, REP. HAMILTON, AND REP. LAKE. SEN. PETERSON VOTED YES BY PROXY. REGENT CHRISTIAN AND REGENT BARRETT ABSTAINED. MOTION CARRIED.**

#### **CONSIDER PROCESS CLEAN-UP BILL DRAFT LC9999**

01:05:04 **SEN. HAWKS** asked Comm. Stearns to proceed. Comm. Stearns deferred to

Mr. Peura, who discussed the Community College clean-up bill draft, LC9999. This will make the rule of law be statute by an amendment to that statute, as opposed to the rule of law being the Attorney General's opinion.

#### **Exhibit 5**

- 01:06:35 Comm. Stearns commented on LC 9999, then asked legal counsel, Kathryn Swift to explain.
- 01:08:18 Kathryn Swift, Lawyer for Board of Regents and the Commissioner of Higher Education, said they involved the Secretary of State, county election officials, and election officials of the six school districts in the election process, but the statute puts the Board of Regents in charge. Ms. Swift stated it may be appropriate for the Board to review the petition that is presented, to order the elections, and to certify election results. However several questions were raised while preparing and providing oversight for the six school district elections:
- 1) Actual oversight of operation for the school district elections might be better under the Secretary of State's office or county election officials
  - 2) The school districts questioned whether their Statute obligation to run elections that were not their issue and bear the cost of those elections was the most effective process for the State.

#### **Subcommittee Questions**

- 01:12:22 Regent Barrett noted one item on Page Two, Line Six of LC9999 that is a change from 'may make' to 'shall issue' and is not a clean up item. He asked if that was addressed in the Attorney General's opinion.
- 01:12:41 Mr. Peura explained that this was left to Legislative Legal Staff, and his understanding was that it was done solely to comply with the Attorney General's (AG) opinion to put that wording in the statute.
- 01:13:14 Regent Barrett answered that he would read the AG opinion, he did not want to pursue the issue. **SEN. HAWKS** clarified this was a matter of substituting 'shall' for 'may'. He asked Ms. Swift to comment.
- 01:13:54 Kathryn Swift felt the statute is clear that if the election is in favor of the organization of a community college district, and the legislature approves, that the Board of Regents orders the organization of the community college and seats the trustees. She explained that the trustees have not been seated yet, and will not be seated until after the legislature acts to organize. She felt that the Regents do not have veto power over the organization of the community college.; The final decision is with the legislature.

#### **Public Comment: None**

- 01:15:30 **SEN. HAWKS** stated that the intent is to accept or reject this to be passed on to the full Education and Local Government Committee.

#### **Subcommittee Discussion & Action**

- 01:15:05 **MOTION: REP. HAMILTON MOVED TO ACCEPT LC9999.**
- 01:16:21 Regent Barrett commented that this is more generic, it will apply to any future community college. He would not feel it is necessary to abstain on this bill.
- 01:16:27 Mr. Peura clarified that this bill draft is intended to change and clarify the process for future community colleges. It is not intended to set the rules for BVCC.
- 01:16:49 Comm. Stearns noted the two concerns raised by her office, and asked If the Subcommittee could clarify the issues raised by Counsel Swift in their behalf. For example, should high school districts bear cost of elections. Should the Board of Regents and their staff (with no election expertise) run elections, or should the Secretary of State. She asked if those could be considered as future amendments to this legislation, or what the advice of staff would be.
- 01:17:45 **SEN. HAWKS** asked if staff would be in a position to offer amendments at the next meeting.
- 01:18:45 Mr. Peura answered that two things could happen: one, if PEPB would like to address that, it could be done at the next meeting, Or, because we are coming to the end of the Interim, if PEPB doesn't feel it is necessary to act on this again, perhaps staff could work overnight with legal staff and conceptual changes could be discussed at tomorrow's Education and Local Government Committee.
- 01:20:50 **SEN. HAWKS** asked if the Subcommittee is in agreement that this would be an appropriate way to move forward, and take action today. **REP. HAMILTON** and **REP. LAKE** voiced agreement.
- 01:21:47 **SUBSTITUTE MOTION: REP. LAKE made a Substitute Motion to approve tentatively with changes that staff will be making overnight.** He then asked if they can take this to the committee tomorrow without approving it here.
- 01:21:24 **SEN. HAWKS** said that their assumption is that the full committee can add this amendment tomorrow to the draft as presented. **REP. LAKE WITHDREW HIS SUBSTITUTE MOTION.** **SEN. HAWKS** determined there was no further discussion.
- 01:21:50 **VOTE: REP. HAMILTON'S MOTION TO APPROVE LC9999 WAS UNANIMOUS. SEN. PETERSON VOTED YES BY PROXY.**
- 01:23:22 The Subcommittee took a ten minute Recess.
- 01:33:47 **SEN. HAWKS** reconvened the committee and introduced the next item.
- FACULTY AND STAFF RETENTION ISSUES AT MUS**
- 01:33:01 Regent Barrett discussed the "Resolution on Faculty/Staff Retention Issues in the



Montana University System" and commended staff for doing a good job. He asked for approval of the Resolution.

## Exhibit 6

### Subcommittee Consideration of PEPB Resolution

- 01:34:46 **REP. LAKE** commented on whether this is the role of the committee and the legislature. With the entire Montana System, once the legislature has established a funding level, the legislative role stops. There is no control over where that money is spent, and little control of many aspects in the education system. He questioned whether they have the role of committing funding levels; their management is to manage the money they have and make it work within the system they have created. He felt the legislature is over-stepping their bounds when talking about managing percentage increases in the retention. He said it is recognized, and the challenges are appreciated, but does not feel they should be managing this.
- 01:36:28 Regent Barrett said he agrees with the statement, but does not believe it is applicable to this Resolution. He felt it recognizes that the legislature is supportive of the use of outside data to make their analysis. It reflects their present law adjustments for the University System as being different, because the University System competes on a national level for labor. He did not feel this would be telling them what to do. The Resolution only says that it is appropriate to look at outside data as a measuring mechanism, but gives no indication of what they should do after that.
- 01:39:00 **REP. HAMILTON** voiced agreement with **REP. LAKE** on the role of the legislature and the Board of Regents. He said he agreed more with Regent Barrett because the only change is in supporting the use of outside data. He felt it was appropriate, and one he would like to see the Regents use.
- 01:39:36 **SEN. HAWKS** explained it has been the pattern in this Subcommittee to come to a common understanding on goals and in supporting a University System, the legislative role is mostly a financial one. He stressed there is a need for a common understanding as to the basis when it comes to the funding cycle, and is used for the purpose of having meaningful discussions.
- 01:40:59 **REP. LAKE** asked about the present limitations on using outside data for determining wage levels.
- 01:41:45 Regent Barrett said there is no limit on where they look for their data, but there have been questions as to why they are using outside data. This is a formalization of last year's budget process, so there is a common understanding.
- 01:42:32 **REP. LAKE** addressed the last sentence of the Resolution about supporting increased funding for staff, saying he felt that is the issue where the legislature is overstepping bounds. It is giving tacit approval to any increases that may come in. He felt this was crossing over into the Board of Regents' authority level.

- 01:43:38 **SEN. HAWKS** discussed another aspect. In the budgeting process, the legislature has not always had itself in a position to have any influence on the Executive budgeting process. In this instance, that is another component they are dealing with, i.e., to get the intent and observations in writing so they are considered by the Executive Branch. He asked Ms. Lombardi to comment.
- 01:44:22 Jan Lombardi, Office of the Governor, commented that this Resolution would let people know what the legislature is interested in.
- 01:44:57 **SEN. HAWKS** noted this gets to be complicated from a comparison standpoint. MUS is becoming a leading research institution, and has more difficulty finding comparable institutions even within WICHE. Some guidelines are needed, since this is a total system. It will be appropriate to want to bring in data from other sources to deal with funding in several sections of their budget. Another criteria is that we need to recognize we are at the 70% level of regional standards in this area, and retention and replacement issues are becoming a problem. It is important for the legislature to recognize the business angle of our relationship with the University System. This may not be necessary if we were funding at a more competitive level, but it becomes problematic at these levels.
- 01:46:38 **SEN. LAIBLE** discussed last session's bill that set the funding formula for community colleges. It did not set in place what the amount of money was that the legislature would use. It just said there needed to be a benchmark of how community colleges would be funded, and it is still up to the legislature to provide the funding. He said he does not have any problem with this Resolution, and feels this is just a tool that provides more data and benchmarks for legislators to make good decisions on how they fund the University System. **SEN. HAWKS** determined there was no further committee discussion.

**Public Comment: None**

#### **Action on PEPB Resolution**

- 01:48:02 **MOTION & VOTE: REGENT BARRETT MADE A MOTION TO ACCEPT THE RESOLUTION ON FACULTY/STAFF RETENTION ISSUES IN THE MONTANA UNIVERSITY SYSTEM. REP. HAMILTON, SEN. HAWKS, REGENT CHRISTIAN AND REGENT BARRETT VOTED YES. REP. LAKE VOTED NO. SEN. PETERSON VOTED NO BY PROXY. MOTION TO ACCEPT THE RESOLUTION PASSED.**

### **BOARD OF REGENTS 2011 BIENNIUM BUDGET PACKAGE**

#### **PRESENT LAW ADJUSTMENTS**

- 01:49:14 Comm. Stearns thanked the committee for making this a much richer Interim process than used to occur, and turned the discussion over to Regent Barrett.

01:51:20 Regent Barrett asked Deputy Comm. Mic Robinson to be ready to answer questions, and handed out and discussed "Present Law Plus Pay Plan Budget Estimate, May 2008". He gave a bit of history first, and noted this is a work in progress, and is intentionally designed to include both the legislature and the agencies earlier in the process to make everyone as informed as possible. A slide show included in the Exhibit was included as information only, Regents saw the slides at a previous meeting. Regent Barrett discussed the slides, which outline priorities and summarize potential initiatives.

## **EXHIBIT 7**

### **LONG-RANGE BUILDING PROGRAM PRIORITIES**

02:08:59 Comm. Stearns commented briefly on the Long Range Building Program sheet. She said deferred maintenance needs are carefully analyzed, and they work closely with Tom O'Connell to develop needs and evaluate priorities. They also want to involve legislators in this process in the future. She stated that Missoula College of Technology (COT) has been climbing a list for many years, and has finally gotten to the top. Butte and Missoula have not been invested in before. Missoula is now the fastest growing and the largest two-year college in Montana. Student enrollment, guidance and analysis from the State's Department of Architecture and Engineering, and the Department of Administration all help guide their decisions.

02:12:57 **SEN. HAWKS** commented about Item #3 of the Missoula COT fund, with a first priority for structures. He did not question the need, but questioned the restructuring process now taking place. He noted that if this is one of the highest priorities, and if we don't know how we are going to align the COT system, then we may have to shift this around. He hopes that by the time this comes to the legislature, they will have made some of those decisions, and are in the position of knowing which direction the system is going.

02:13:50 Regent Barrett noted this is a valid comment, and is one of the difficulties of restructuring two year education. The Board of Regents Committee has raised this same question. The mechanism for funding must be considered, but the need for the physical facility probably won't change. They need to keep moving forward and creating educational opportunities. They can't stop the developmental process in the meantime.

02:15:20 **SEN. HAWKS** commented to make sure restructuring is in long term best interests, without those immediate needs driving the reconstruction.

### **NEW PROPOSAL INITIATIVES**

02:16:30 **SEN. LAIBLE** handed out a chart for Subcommittee consideration and discussed the information he had outlined. He stated that the University System has a new proposal, a two year education initiative, which they will be requesting funding for. He said he had asked staff to prepare the chart for him. It is a vision of what an autonomous two year system could look like, an option that would bring MUS in line with what some neighboring university systems are doing. He stressed

the importance of keeping the process moving forward and investing in education, and noted that priorities could change. He said that this is one vision of how we can move forward, particularly since the University System has asked for funding to create the Deputy Commissioner position.

## **EXHIBIT 8**

- 02:20:13 Regent Barrett commented on Exhibit 8. He noted that what doesn't show here are all the mechanical things that make it cost effective, like sharing data systems, financial aid offices, health services, advising services, etc. He noted some management control issues, but said it is a valid way of looking at this. He noted they look at everything on the table, and are not bound by anything from the past. He thanked **SEN. LAIBLE** for the input.
- 02:23:05 **SEN. LAIBLE** commented that this is his vision of having an autonomous two year system. He noted that in order to be competitive, there will have to be some resource sharing, and that could be accomplished within this format. He said this is working successfully in other states, and is a workable format here.
- 02:22:40 **REP. LAKE** asked **SEN. LAIBLE** about the funding structure; i.e., the 1.5 mill COT levy, and whether moving that directly to all 'two year colleges' would result in diluting COT current funding.
- 02:23:33 **SEN. LAIBLE** commented it is whether the money is sent to the University and they backfill into the two year system, or we take the mill that is in here and give it directly to the two year system. He felt that the bigger issue is the structure. He would be comfortable leaving the Board of Regents to come up with a recommendation of how this could be done. The legislature would determine the final outcome.
- 02:24:24 **REP. LAKE** noted the legislature may need to look at a different level of statewide mill levies if a separate structure of two year institutions is going to be brought into the system. He stressed that this shouldn't come out of the current facilities. There is a need to take a serious look at the funding to allow enough for them to continue at the level being asked for.
- 02:27:33 Regent Barrett said Regents have had this discussion already, and may have to consider this further in legislative session. COT currently have a 1.5 mill levy because their levy came out of some high schools that were established for vocational training. There have been no new ones created. He felt there would be a legal issue if there is statewide delivery of education and the levy remains local. The challenge is to preserve the good things we have, but not destroy them with change, and local involvement and control is a valuable asset. He noted this is a cumbersome financial process to address.
- 02:30:01 **SEN. LAIBLE** noted that on the chart (Exhibit 8) this is phased in through 2011. There is a way to implement this if it is the way we want to go. The taxing component is an important issue in order to move this state forward in higher education funding.

- 02:31:03 **SEN. HAWKS** asked Mick Robinson to clarify the flow of the revenues from the 1.5 mill levy. Mick Robinson, OCHE, said those revenues are deposited directly into the state general fund. They are not appropriated to the University System. The two year campuses are appropriated general fund, but the flow of that 1.5 mill levy loses its identity as it flows into the state general fund. The 6 mill levy is appropriated directly to the University System and then additional general fund appropriated on top of that for the operation of the System.
- 02:33:36 Regent Christian noted that was just what he was going to say.
- 02:34:00 Comm. Stearns suggested discussing the "Making Opportunity Affordable Grant" at this time, rather than on the afternoon agenda, as the topics are related.

### **MAKING OPPORTUNITY AFFORDABLE GRANT UPDATE**

- 02:35:22 Comm. Stearns explained that "Making Opportunity Affordable" is a national initiative that they brought to this committee last fall. She said their letter of interest indicated their objective as a state would be to focus on two year education. Montana was one of 11 states selected for a planning grant, and several people from this committee attended a planning group with national experts recently in North Carolina. This was the only state to focus on being more productive in achieving higher educational attainment levels by 2025 for the same or less funds. She noted that they received the planning grant and have started work on it. She concluded by introducing the head of their team, the new Deputy Commissioner for Two Year Education, Mary Moe.
- 02:38:00 Mary Sheehy Moe discussed the "Making Opportunity Affordable Academy" they had attended and the education problem of how to move people along toward life long self-improvement. The focus of the Montana delegation discussion was how to use the two year system more productively, and they left committed to use that system to accomplish clearly identified goals:
- 1)A better relationship with the K-12 system, partnering in getting them ready, identifying their readiness, and moving them to the next level.
  - 2)A strong transfer package to the two year system, so that when taking a general education core it will be readily accepted at the receiving institution. It needs to be very similar, well packaged, and very well marketed.
  - 3)Effective partnering with business and industry to identify work place proficiencies and move students toward family sustaining work, whether right out of high school or into two year colleges and beyond.
- 02:44:33 **SEN. HAWKS** commented that the basis on which they competed and won the grant is due to work done by the Regents, the Interim Committee, and the Commissioners office during the last four years. Montana had the basic underpinnings that looked like we wanted and needed to move ahead. There are problems because of the low income state and our ability to afford to put the system in place. He noted they could be proud of the work they had done. **SEN. HAWKS** said the California system is an early good example of yoking the two year system to K-12. They put a lot of pressure on K-12 to meet the requirements of the two year system, which followed directly into their four year

system and provided that continuity of education that is critical. It is a matter of communication. Part of the secret of the California system is that it was an inexpensive entry into higher education; in many cases there was no cost to the student. Think in terms of incentives that will cause the system to work well. He said the California system currently is having problems with funding.

- 02:48:03 Regent Christian noted that productivity was a nationwide theme at the Academy. They discussed how to integrate the concept of productivity by making use of the cost structure, and at the same time expand geographically to opportunities in distance learning. One concept is that we can provide more than student education, i.e., living arrangements, health services, etc. much easier and more cost effective at larger campuses. He commented that this does not follow the mission of how to expand two year education in different directions and make them more independent and responsive to workforce needs. Regent Christian stressed that as we redesign, we need to do so in a way that does not make us less efficient. The next phase of where education needs to go is how to create more opportunity, more jobs, and more degrees out of what we have now; but not necessarily by expanding the budgets. He felt that planning needs to be refocused to some of the ideas they had at the Academy.
- 02:51:02 Jan Lombardi observed that the concept of productivity requires innovation. Something that hasn't been mentioned is the opportunity for retooling and retraining those adults that are working, or those that are not working, for our emerging jobs. She observed there are a lot of anecdotal answers about why we think high school students and adults aren't going to college or not using the two year system, but there is no data. There is a need to ask probing questions of our citizens to find out what it would take for them to want to enter our two year system. She said that there is an opportunity now to get our own answers and seek our own innovations.
- 02:53:13 **REP. LAKE** thanked Ms. Moe for noting the responsibilities we need to place on the secondary system of making sure that students are ready for that next step. He said that two year institutions are going to play a significant role in higher education, and the secondary system needs to be 'put on notice' that we expect a particular level from them to fit the responsibility given them. Funding needs to be a state-wide obligation, it is not just a local responsibility. He commented: 'Every level of our education system needs to perform at the level expected of them by the level just above them'.
- 02:56:27 **SEN. HAWKS** noted it isn't often that the stars all line up, but currently there is a heavy emphasis on higher education from the Governor's office and there is an innovative Board of Regents who are willing to step up and make the changes we need. The task that remains is educating our fellow legislators about where we are going, so they are not caught at the last minute with these decisions without being informed and not having time to think about it. He commented that we need to pat ourselves on the back because of the fine students that come out of our system. The system needs to be better; primarily it needs to be more efficient if we are going to get graduation rates from 37% up to 55%.

- 02:59:16 Ms. Moe emphasized the importance of data to the 'Making Opportunity Affordable' process. She said that is why the discussions about IT and the willingness of the Bitterroot Valley folks to get on a system that would be compatible with ours is so important. It is critical to use IT to touch the entire state with learning opportunities, and also to know if they work.
- 02:59:58 **SEN. LAIBLE** followed up on **SEN. HAWKS'** remarks by noting this is like a 'perfect storm' because all the players are in place to make a significant difference in the social and economic well being of this State. He noted that there is a strong Board of Regents and a supportive Commissioner of Higher Education. The Governor's Office is encouraging a two year system that is not just for moving young people out of high schools into a college environment, but for retraining workers who are out of a job, and the Deputy Commissioner of the two year system has just been appointed. He felt if information about the economic importance of this issue is provided by the legislators on this committee to the legislature as a whole, that the plan will sell itself. He concluded by saying, 'If we come together with a plan for our legislature during this next session that says here is where we will be using the money, and here is the strategic plan of what we are going to do; it will sell itself'.
- 03:02:15 **SEN. HAWKS** noted the question is timing and the ability to negotiate a time frame to do this in a way where we know we are doing it right. It is also important to get politics totally out of the way.
- 03:02:30 Regent Barrett agreed that all of the previous comments are appropriate and offered any services, staff, or members of the Board of Regents to help educators speak to the legislature. He said if it will be useful and appropriate for Regents to just talk, provide information, and share their thoughts, they are available to help remove the artificial barriers that have historically existed.
- 03:03:43 **SEN. HAWKS** said discussions are beginning about the possibility of a conference centered on education after the election, and they would invite all legislators to attend.
- 03:04:08 Before continuing, **REP. HAMILTON** asked to introduce students and staff from a new high school called Kramer Creek School. It is a residential boarding school and is located 30 miles east of Missoula.

#### **OPTIONS FOR BUDGET ACCOUNTABILITY/PERFORMANCE MEASURES**

- 03:04:55 Alan Peura discussed and explained the handout titled 2011 Biennium Budget and Accountability, dated June 12, 2008.

#### **Exhibit 9**

#### **TUITION CAP UPDATE**

- 03:15:14 **SEN. HAWKS** noted that the companion bill with performance measures that they created last session was not approved by House Appropriations. He said

they had worked very hard to make that bill practical. With the changes coming, he is concerned about being able to establish any measures when they are trying to bring things together into a coordinated, coherent system. He noted that perhaps the previous CAP they have worked with could be a goal to work on. He said that reporting is very important and the legislature needs to have it available so they can be informed.

- 03:16:48 **SEN. LAIBLE** noted they can ask staff to work with the office of the Commissioner of Higher Education to determine what goals will be and what is achievable. Legislative services division has sent several people to Harvard to learn about performance measures. He felt that is important. In their shared leadership, almost every item has a performance measurement. He said he would like to see performance measurement continued on the basis of funding these goals, but having a reporting mechanism to see how they worked and whether the goals were achieved. He commented that he liked the companion bill idea because they could have some performance measurements. He felt that one time only funding is not a partnership between the legislature, the university, and the Board of Regents.
- 03:19:40 Regent Barrett said that was well stated. He noted that having measurements and accountability is not a problem for them, and they do it to themselves.
- 03:20:38 Comm. Stearns noted a quote that came out of the Academy: 'You cannot manage what you cannot measure'. She commented that one of the side benefits of the investment in the transfer of ability initiative is enabling MUS and OCHE to strengthen their data system; to grow their ability for measurement. She said that having a programmer on staff for the first time in many years has made a tremendous difference. There are things they can now do that will enable the legislature and the Board of Regents to make better decisions.
- 03:22:40 **SEN. HAWKS** asked if there was a consensus for the desirability of a cap to keep tuition increases at zero increase. He said he understood that is part of a proposal that is under consideration.
- 03:23:05 Regent Barrett explained that the budget they presented in present law is funded without initiatives, i.e., a zero tuition increase. The choice that was made two years ago was to try to 'stay' the tuition increases and forego any initiatives. He said they will have to ask an honest question of whether they want to go two complete cycles without any initiatives. Then the discussion becomes the extent to which any one of the initiatives becomes funded by the State as part of the base, whether it is entirely funded by tuition, or some combination of the two. He said he did not want to leave the impression that the budget as presented is a cap; that is only the present law, it does not include any initiatives. That is what they need to discuss in terms of tuition.
- 03:24:30 **SEN. HAWKS** clarified that from a legislative stand point, the downside risk of setting the cap at this level as an initiative is that it has the potential result of putting the university system in a bad light if the agreement is not consummated by the time they get to session. He said it was nice the last session not to have



to haggle over funding in higher education, but the downside was that people were not able to testify about the impact of that final agreement.

- 03:25:24 **REP. LAKE** felt that making a decision at this time of stating on record that they want to see zero increase in tuition is not appropriate. He noted that the State is in a significant economic downturn. Limiting tuition is a noble goal, but if the CAP is put in place, then the university system is trapped into a situation where they may have to make more difficult decisions than they would normally have to. He suggested making no decisions at this time.
- 03:27:09 Regent Christian addressed the problem of funding, commenting that the pay plan itself is over half of the present law adjustment. One percent adjustment in that number is around \$6 or \$7 million. Funding present law is top priority. He said that the second step is creating priorities. The long range building plan has been submitted to this committee and will move forward as a stronger priority list if they are given 'x' amount of dollars. He said that was not the intent on the initiatives, and they might take a different approach of \$.07 on the dollar for the entire list or whatever they decided. He said it is difficult to pin down what dollars they might ask for at this time. He said **REP. LAKE's** approach is very similar to what they have done at the Board level, and this allows them to leave it open and see how it all fits together.
- 03:29:49 Regent Barrett expressed agreement with **REP. LAKE** and commented they want to evaluate input before creating a final budget.
- 03:32:37 **SEN. HAWKS** noted that the discussion is coming down to a reporting system on new initiatives; how they unfold, and how they might meet our objectives.
- 03:33:00 Mr. Peura stated they will put on the agenda for the next meeting to revisit the question about CAP or no CAP, which is tied to present law adjustments and the pay plan. The next agenda will look at some level of reporting on proposed initiatives, none were identified today.
- 03:34:39 **REP. LAKE** commented about the competitive nature of the pay structure at the University of Montana. He said that even if the pay plan is a separate stand alone document stating what the University and the Boards of Regents need to do to bring themselves into that competitive range for instructors, we need to look at them at the same time in order to know what the budget will look like and still abide by the decisions made earlier.
- 03:35:40 Regent Barrett felt the comments are appropriate. He said that internally they have been already been using that methodology.
- 03:36:09 Regent Christian commented that the pay plan is one aspect of the pool, which is one of their initiatives. Another avenue they are trying to address is to deal with recruitment retention. They have discussed that 'pool' in itself is a very vague term and they will need to specify what the intentions are with the pool and how they relate back to filling in gaps that they have a difficult time doing with the pay plan. He said there are targeted needs, both location and personnel within the

locations, and the pool is their attempt at hitting more of the targeted needs.

03:37:29 Comm. Stearns questioned timing and logistics in looking forward. She identified the timing issues: working through summer, in September, and possibly having a special meeting of the Budget Committee in October to finalize issues. The Board of Regents meets briefly in July and again Sept. 25 and 26, so if PEPB meets Sept. 4, the two Board of Regents members would not be in any better position than they are today, for example, to define 'CAP'.

03:38:44 **SEN. HAWKS** commented they would have to be satisfied they have the best information available at the time. He stated that budget has now been covered.

**Public Comment: None**

### **SIX-MILL LEVY REFERENDUM UPDATE**

03:39:51 Comm. Stearns gave a short six-mill levy referendum update, noting that the Citizens Committee has excellent civilian leadership and is well underway.

03:41:15 **SEN. HAWKS** commented that legislators need to be out front in support as this is a critical element to funding. There was no further discussion.

03:41:23 Lunch Recess until 1:15PM

04:47:01 **SEN. HAWKS** brought the committee back to order. He noted that Jan Lombardi would be absent for the remainder of the day, and Staff Attorney Jeremy Gersovitz is present this afternoon.

### **HJR 22 DENTAL STUDY REPORT AND RECOMMENDATIONS**

04:47:45 **SEN. HAWKS** explained and elaborated on the handout, "HJR WORKING GROUP (DENTAL STUDY) Final Action and Recommendation to PEPB". He said that the recommendation is to amend statute to create a dental extender program. The easiest approach was to increase the number of WICHE slots.

### **Exhibit 10**

#### **Subcommittee Questions**

04:58:17 Regent Barrett felt this is well done, and the right alternative was picked.

04:59:26 Regent Christian handed out "MUS 2011 BIENNIUM BUDGET PLANNING - REVISED PROPOSALS (MARCH 2008)" and noted the WWAMI slots are covered, and the WICHE are not funded

### **Exhibit 11**

05:01:30 **SEN. HAWKS** noted this may need to be revisited at another session. Regent Christian asked how this will be moved forward. Comm. Stearns said she has no preference, just whatever works.

05:03:46 Mr. Peura referred to Page Two of Exhibit 10, and said the first two bullet items would become a stand alone bill draft within the text of that bill. He also referred to Montana Rural Physician's Incentive Program (MR PIP) and the fifth bullet item, and suggested a recap in a separate letter.

05:07:25 Comm. Stearns discussed the function of the 'Area Health Education Center' (AHEC).

#### **Public Comment**

05:09:20 Mary McCue, Executive Director, Montana Dental Association, thanked the members for their good work.

#### **Consideration of HJR 22 Report & Action**

05:10:01 **MOTION & VOTE: REP. LAKE MOVED TO ACCEPT THE SUBCOMMITTEE REPORT RECOMMENDATION ON THE DENTAL STUDY. MOTION PASSED UNANIMOUSLY. SEN. PETERSON VOTED YES BY PROXY.**

05:11:26 With no further business, **SEN. HAWKS** adjourned the meeting at 1:45 PM.

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**SENATOR BOB HAWKS, CHAIRMAN**