



# Joint Subcommittee On Postsecondary Education Policy and Budget

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

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## BITTERROOT VALLEY HIGHER EDUCATION MODELS

### STAFF REPORT TO PEPB

December 13, 2007

At the September meeting of the Postsecondary Education Policy and Budget subcommittee (PEPB) the subcommittee asked staff to identify and frame the substantive education, policy, and fiscal issues that have arisen from the efforts in the Bitterroot Valley community to expand higher education programs, services, and institutions for valley residents. This brief report is intended to provide an update on recent events in the Bitterroot Valley and provide a background for subcommittee consideration of the two proposals that are being made for higher education institutions in that community.

Once again, on May 8, 2007, voters in the Bitterroot Valley approved, by a 52% to 48% margin, the creation of a community college district and elected seven members to a local board of trustees. The election results were certified by the Montana Board of Regents on July 11, 2007 so that the new community college trustees, after an organization meeting with the Regents, are to begin to hold bi-monthly meetings to move forward establishing a new community college proposal<sup>1</sup>. It is the legislature, however, that must approve the community college prior to the issuance of an organizational order by the Board of Regents, as discussed in more detail by the accompanying report by staff attorney, Eddy McClure.

In the meantime, the University of Montana at Missoula has begun the work to establish "an off-campus higher education center in Hamilton" that the university reported to the Board of Regents at their meeting on May 30, 2007<sup>2</sup>. This model is authorized by Regents' policy 220<sup>3</sup> and the university proposal states that it is based upon a commissioned telephone survey completed in early 2007 that contacted 1,600 households in the region south of Missoula. In that report to the Regents, the university states its intention to seek Board approval for a formal center "no later than May 2008." It should be noted that this higher education center is not a proposal for a new or expanded college of technology. Rather, this represents a model that appears to be distinct from and different than a college of technology.

In order to provide some context for the presentations to follow by officials from the Bitterroot Valley Community College trustees and the University of Montana – Missoula, legislative staff has assembled some basic governance and budget information about each model:

## Community College Model

### **Governance**

Each Montana community college district has an elected board of trustees who have governance authority over the college, but the local trustees are subject to the supervision of the Montana Board of Regents in accordance with Title 20, Chapter 15, MCA, together with Board of Regents Policy 209.1 - Community Colleges: Division of Governance Responsibilities.<sup>4</sup> It is this policy that provides specificity to the various governance issues and areas.

### **Funding**

In accordance with 20-15-312, MCA, each community college operating budget is funded from the following sources:

- State general fund appropriation calculated in accordance with 20-15-310, MCA
- The mandatory local property tax levy upon all property within the community college district
- Student tuition and fees
- Other unrestricted revenue, such as interest earnings
- Any voted local property tax levy that has been approved by a majority of the voters within the community college district
- Restricted and designated funding that may only be used for a stated purpose, such as federal contracts, foundation grants, etc.

Taken together, the state general fund, the mandatory levy, student tuition and fees, as well as other unrestricted revenue, comprise the unrestricted operating budget at each community college. It is the unrestricted operating budget that funds the primary degree-granting educational functions at each college. HB 2 for the 2009 biennium funds 48.5 percent of the cost of education per resident student FTE as part of the<sup>5</sup> unrestricted operating budget at the three existing community colleges in FY 2008, and 49.3 percent in FY 2009.

In addition to the above funding sources, a community college may also levy an adult education property tax upon all property in the community college district; provided that the superintendent of public schools has approved of the adult education program (see 20-15-305, MCA).

### **Buildings and Capital Facilities Ownership**

The land, building, and capital facilities of Montana community colleges are the property of the local community college district under the governance and authority of the local board of trustees. The trustees are given the authority, at 20-15-301, MCA, to issue bonds for buildings and capital facilities.

## Higher Education Center Model

### **Governance**

An off-campus higher education center created by the University of Montana – Missoula would be under the “government and control” of the Board of Regents in accordance with the Article X, Section 9 of the Montana Constitution. Decisions related to course curricula, tuition and fees, and operating budgets would be handled by the Regents as part of their authority over the entire institution of the University of Montana.

**Funding**

As a “program unit” of the University of Montana, the proposed higher education center would be funded as part of the operating budget of the Missoula campus. The fund structure and revenue sources at the University of Montana – Missoula include the following:

<i><b>University of Montana-Missoula FY2008 Budget Structure Major Funds/Expenditure Allocation and Revenue Sources</b></i>	
<i><b>Fund (% of Budgeted Expenditures)</b></i>	<i><b>Revenue Source for Each Fund</b></i>
Current Unrestricted Fund (35% of expenditures)	<ul style="list-style-type: none"> <li>• State Funds from HB2 – General Fund and 6-Mill Tax Levy</li> <li>• Student Tuition</li> <li>• Interest Earnings (primarily from tuition funds)</li> </ul>
Current Restricted Fund (26% of expenditures)	<ul style="list-style-type: none"> <li>• Grant contracts (Government, Foundation and Corporate)</li> <li>• Some federal grant funds from HB 2</li> <li>• Federal financial aid from HB 2</li> <li>• Scholarships</li> </ul>
Current Designated Fund (11% of expenditures)	<ul style="list-style-type: none"> <li>• Various student fees (athletics, activities, academic support)</li> <li>• Indirect costs recoveries</li> <li>• State work-study funding</li> </ul>
Auxiliary Fund (12% of expenditures)	<ul style="list-style-type: none"> <li>• General on-campus services to students</li> <li>• Residence hall fees</li> <li>• Food Services</li> </ul>
Plant Fund (16% of expenditures)	<ul style="list-style-type: none"> <li>• Long Range Building funds from HB 5</li> <li>• Campus building fees</li> </ul>
Student Loan Fund (less than 1% of expenditures)	<ul style="list-style-type: none"> <li>• Perkins Federal Loan program</li> <li>• Student Loans</li> <li>• Potter Loan Fund</li> </ul>
Endowment Fund (less than 1% of expenditures)	<ul style="list-style-type: none"> <li>• Philanthropic donations that restrict the principal</li> </ul>
Source: Board of Regents Operating Budget FY2008 (Various Schedules)	

In the FY 2008 operating budget, state funding comprises about 13 percent of all revenue across all funds at the University of Montana-Missoula, and about 37 percent of the revenue for the current unrestricted fund, that portion of the budget that supports the core educational mission of the university.

There is no dedicated local funding source that would be available for the higher education center of the University of Montana. Although there is a 1.5 mill local property tax levy in the five counties where there is a college of technology, that revenue is deposited into the state general fund and is assumed to be part of the lump sum general fund appropriation to the Board of Regents for the educational units. In FY 2007 the revenue from the 1.5 mill levy was approximately \$984,000.

**Buildings and Capital Facilities Ownership**

Any buildings and capital facilities for the higher education center would be state property under the authority of the Board of Regents. State long-range-building funds could be considered for building construction in addition to state bonding authority.

## Questions for Subcommittee Consideration

As the subcommittee begins to hear more detailed proposals from each party about these two models and begins to consider the merits of each proposal, if specifics are not addressed by the presenters, subcommittee members may want to ask the following education policy and fiscal questions:

1. What are the specific degree programs, non-credit programs, and overall course curricula that would be available with each higher education model being proposed for the Bitterroot Valley?
2. How would each of these higher education models meet the overall education needs of Bitterroot Valley residents and Montana residents? Is one model more advantageous than the other? Why?
3. Is there a plausible reason that both of these models, a community college and a higher education center, should be created in the Bitterroot Valley? Why or why not?
4. How many student FTE are projected to attend each of these higher education institutions in year one of operation...year five...year ten?
5. What are the projected annual operating budgets for each of these higher education models, both projected expenditures and the projected revenue funding?
6. What are the building and capital equipment needs of each of these higher education models, and what are the costs associated with these for both models?
7. What would be the total cost impacts of each of these higher education models upon:
  - a. Local taxpayers?
  - b. State taxpayers?
  - c. Students?

Respectfully Submitted:

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<sup>1</sup> For more detailed information about the Bitterroot Valley Community College proposal see: <http://www.bvcc-edu.org/index.htm>

<sup>2</sup> Information item reported by the University of Montana at the Academic-Student Affairs Committee of the Montana Board of Regents on May 30, 2007 in Miles City, Montana, available at: <http://mus.edu/board/meetings/2007/May07/AgendaFullAcadStudentMay07.pdf> on pages 62-63.

<sup>3</sup> **Policy 220 – Higher Education Centers (Revised March 24, 2000; Issued May 9, 2000)**

**Introduction:** Montana's community colleges, independent colleges, tribal colleges and units of the University System share the responsibility to maximize the availability of educational opportunities for the state's citizens in a manner which will enhance quality while avoiding unnecessary duplication of programs. Concurrently, these same institutions must insure that the state's resources are used in a prudent and responsible manner. To these ends, this policy will govern the offering of off-campus instructional programs at higher education centers by units of the Montana University System.

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**Board policy:**

1. The presidents and chancellors of the Montana University System are authorized to plan higher education centers to provide additional educational services to the people of the State of Montana.
2. Credit courses shall be offered at locations remote from the main campus through continuing education, an approved higher education center, or via distributed learning technologies in accord with the provisions of Regents' policy [303.7](#). The Montana Board of Regents is committed to using state resources in a responsible manner and to providing broad access to educational opportunity. Units of the Montana University System will not offer degree programs that unnecessarily duplicate existing programs offered by a tribal, community or independent college in its immediate community.
3. Prior to proposing a new program at a Center, the MUS campus will consult with the local campus, provide it a written copy of the proposed new program and request input. If the community or independent college wishes, it may provide written comment to be submitted by the proposing institution with the proposal to the Board of Regents. If an institution chooses not to respond to the proposal, it will be offered a further and final opportunity to provide written comment to the Commissioner of Higher Education at least 30 days before the proposal is to appear on the Board of Regents' agenda. The Board of Regents may authorize the establishment of a higher education center upon the recommendation of the Commissioner of Higher Education, according to the following guidelines.

<sup>4</sup> **Policy 209.1 – Community Colleges: Division of Governance Responsibilities (Effective April 21, 1980; Issued May 15, 1980).** *Board policy:* The Board of Regents of Higher Education, recognizing the dual governance of community colleges by the Board of Regents of Higher Education and the boards of trustees of the community college districts, hereby adopts the following guidelines with respect to governance authority.

The division of responsibilities for the governance of the community colleges in Montana stems from Article X, Section 9, paragraph (2)(a) of the Montana constitution.

"The government and control of the Montana university system is vested in a board of regents of higher education which shall have full power, responsibility, and authority to supervise, coordinate, manage and control the Montana university system and shall supervise and coordinate other public educational institutions assigned by law." M.C.A. 20-15-103 places the supervision of the community college districts under the board of regents of higher education who shall:

1. Appoint a coordinator of community college districts and request a legislative appropriation for the operation of his office;
2. Formulate and put into effect uniform policies as to budgeting, record-keeping and student accounting;
3. Establish minimum entrance requirements and approve curricular offerings for all community colleges;
4. Direct each community college district to seek accreditation from a recognized accrediting association.

Since the terminology "management and control" to those institutions assigned by law is explicitly omitted from the constitutional language, this function is vested in the local boards of trustees of the community college districts except where otherwise specified by Montana statutes.

The following categories will serve as a basis for dividing the governance responsibilities of the Board of Regents of Higher Education and the local boards of trustees of the community college districts:

- I. Degree authorization and curriculum
- II. Budgetary and fiscal matters
- III. Presidents, faculty and personnel
- IV. Student affairs
- V. Property and construction
- VI. General

The Board of Regents of Higher Education will adopt policy with respect to those areas of governance of the community college districts dictated by the constitution and laws of Montana. Such policy can be found in the Board's Policy and Procedures Manual which is available in the Office of the Commissioner of Higher Education.

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## GUIDELINES

### I. *Degree Authorization and Curriculum*

- A. The Board of Regents shall authorize degrees and certificate offerings at the community colleges upon recommendation of the boards of trustees of the community college districts and in accord with Board of Regents' policy. The boards of trustees will grant degrees and certificates to the graduates of community colleges upon the recommendation of the faculty.
- B. The Board of Regents shall approve -
  - 1. the general academic curricular offerings in accordance with the Board of Regents' policy under Item 2-001-R0973, (Sections [303.1](#) and [303.2](#) of the Policy and Procedures Manual),
  - 2. the regular occupational programs which appear in the community college catalogs in accordance with Board of Regents' policy.

The boards of trustees of the community college districts will approve -

- 3. specific academic courses and sequences within the guidelines specified in Board of Regents' policy and Montana statutes,
- 4. ad hoc occupational programs and
- 5. adult and community service curricula in accordance with Montana statute and Board of Regents' policy.

The Board of Regents shall direct each community college district to seek accreditation from a recognized accrediting association and other specified accrediting organizations as approved by the Board of Regents. The board of trustees shall supervise the achievement and maintenance of accreditation standards and implementation of recommendations from the accrediting organization.

### II. *Budgeting and Fiscal Matters*

- A. The Board of Regents will -
  - 1. formulate uniform policies on budgeting and record-keeping,
  - 2. review annual general fund budgets adopted by the boards of trustees of community college districts and
  - 3. approve, with or without adjustment, and recommend biennial and supplemental budgets to the governor for submission to the State Legislature.

The boards of trustees of community college districts will -

- 4. adopt an annual general fund budget,
- 5. recommend biennial budgets to the Board of Regents,
- 6. accept, on behalf of the districts, gifts, legacies and levies, subject to the conditions imposed by the deed of the donor, or will of the testator, or without any conditions imposed,
- 7. accept funds from the Federal government or the State of Montana, their instrumentalities or any of their agencies in and of any one or more purposes or in maintaining and operating the community colleges,
- 8. submit an additional levy proposition to the electors of the districts if the general fund budget is in excess of the budget funded by the Legislature.

### III. *Presidents, Faculty and Personnel*

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- A. The Board of Regents shall establish minimum qualifications of faculty and staff.
  - B. The boards of trustees of the community college districts shall appoint the employees of the community college, define and assign their powers and duties and fix their compensation.

IV. *Student Affairs*

- A. The Board of Regents shall establish minimum entrance requirements for all community colleges.  
The boards of trustees shall establish specific requirements for the academic, occupational, adult and community service programs at the community colleges.
- B. The Board of Regents shall approve all student tuition and fees assessed at the community colleges.  
The boards of trustees shall recommend assessment and changes in tuition and fees and approve all tuition and fee waivers.
- C. The Board of Regents shall formulate a uniform policy on student accounting.  
The boards of trustees shall supervise the maintenance of approved records and student accounting.

V. *Property and Construction*

- A. The Board of Regents shall approve the purchase, lease or sale of all real property conveyed to or from the community college districts which involves the expenditure of state funds.  
The boards of trustees shall have the power and authority to purchase, lease, or sell property not otherwise specified in Board of Regents' policy.
- B. The Board of Regents shall authorize construction, remodeling, repair or acquisition of school buildings and dormitories which involves the expenditure of state funds. The boards of trustees shall have the power and authority to build, enlarge, alter, repair or acquire by purchase, school buildings and dormitories not otherwise authorized by Board of Regents' policy.
- C. The boards of trustees shall have the power and authority to levy an additional tax for the purpose described in A and B above. Such additional tax must be approved by the registered electors in a manner specified by law.
- D. The boards of trustees shall have the power and authority to accept or borrow money from the Federal government for the purpose described in A and B above.

VI. *General*

- A. Organization and reorganization of a community college district as provided for in the statutes of the State of Montana shall be supervised by the Board of Regents.

<sup>5</sup> The underlined and bold verbiage was added to the report to correct an error that was identified and discussed at the December 13, 2007 meeting of the PEPB.