



# Education and Local Government Interim Committee

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## 58th Montana Legislature

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GREGORY BARKUS  
WILLIAM GLASER  
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CONNIE ERICKSON, Research Analyst  
EDDYE MCCLURE, Staff Attorney  
REBECCA SATTLER, Secretary  
PAMELA JOEHLER, Fiscal Analyst

# Postsecondary Education Policy and Budget Subcommittee MINUTES

January 20, 2004

Rm. 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.**

### SUBCOMMITTEE MEMBERS PRESENT

SEN. DON RYAN  
SEN. GREGORY BARKUS, Chairman  
SEN. DEBBIE SHEA  
REP. SUE DICKENSON, Vice Chair

REGENT MERCER  
REGENT SEMMENS  
DAVE GIBSON

### STAFF PRESENT

PAMELA JOEHLER, Fiscal Analyst  
EDDYE MCCLURE, Staff Attorney  
CYNTHIA A. PETERSON, Secretary

### AGENDA & VISITORS

Agenda, ATTACHMENT 1  
Visitors' list, ATTACHMENT 2

### COMMITTEE ACTION

Adopted A Proposal for the Montana Board of Regents , *EXHIBIT 1*, subject to the revisions of the Leadership Group and Project Team.

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

The meeting was called to order at 1:05 p.m. by CHAIRMAN BARKUS, and the secretary noted the roll (ATTACHMENT 3).

REGENT SEMMENS moved the agenda be approved. REP. DICKENSON seconded the motion, and the motion CARRIED UNANIMOUSLY.

SEN. SHEA moved the minutes of the previous meeting be approved. The motion CARRIED UNANIMOUSLY.

## **ECONOMIC DEVELOPMENT AND THE MONTANA UNIVERSITY SYSTEM A WORK IN PROGRESS FOR SUBCOMMITTEE DISCUSSION**

MR. DAVE GIBSON, provided an overview, explaining a Regents meeting was held in Kalispell approximately four or five months ago in which REGENT MERCER had brought together a broad array of people from State government. The University System needs to take a greater role in economic development, and needs to bring people together from the Legislative and Executive Branches of government, as well as the private business community and University System. If properly focused, the University System has resources to solve a number of problems. The question is how to mate the problems with the resources to provide solutions. MR. GIBSON submitted "A Proposal for the Montana Board of Regents, A Process by Which the University System Takes a Greater Leadership Role in Economic Development for the State of Montana, *EXHIBIT 1*. MR. GIBSON felt May 2004 would be a reasonable target date. MR. GIBSON explained the proposal was adopted by acclamation by the Board of Regents at its last meeting, emphasizing it was approved in concept but was not reviewed in complete detail. MR. GIBSON referred the subcommittee to the Process Description on page 8 which provided the steps for building a consensus on what the priorities should be within the University System. The first step is to decide who will work on the project, and that group should consist of individuals from state agencies, public and private sectors. The second step is developing an understanding of the fundamental problems attempting to be solved, i.e. you cannot solve a problem unless you have some agreement on what the problem is. Changes in the global economy will invariably affect Montana, so there should be an understanding of what kinds of dynamic shifts will occur in Montana's economy over the next two decades. This will then become a basis for thinking about economic policy. The next step will be to come up with a set of priorities for the Montana University System. MR. GIBSON felt strongly the University System could do a lot of positive things for the economy since it has a number of resources, some of which are untapped. MR. GIBSON cautioned the University System should focus on those things which it is good at doing, and suggested setting three to five priority areas that would be meaningful to Montana's economy and submitting them to the Board of Regents in May.

## **SUBCOMMITTEE DISCUSSION**

SEN. RYAN wondered why legislative input into this proposal would be necessary. SEN. RYAN felt the Board of Regents could set this direction without the Legislature.

REGENT MERCER commented that historically the thinking may have been that one group did not need the other in order to make accomplishments; however, the fundamental fact is the

Board of Regents, when acting by itself, has been unable to achieve the goals for Montana that it would like. REGENT MERCER felt the Legislature has encountered the same problem, and suggested more progress could be made if the two entities worked together. REGENT MERCER explained problems encountered in the political process and how difficult it is to get people in Montana on the same page even when they are working toward the same objectives. MR. GIBSON explained refocusing, coupled with a very little amount of money, could mean big gains. MR. GIBSON clarified that he did not mean to suggest it is only about refocusing resources since additional resources would also be needed. In addition, there are issues in the Legislature that the University System can help address.

REGENT SEMMENS felt it is important to step beyond the question of legal autonomy and recalled that in the past this has, in part, contributed to economic under-performance, and the segments of policymaking and economic activity are not coming together on the same page. REGENT SEMMENS felt it was critical that economic development be a team sport, which includes the Legislature, University System, Executive Branch, and private sector. REGENT SEMMENS suggested putting in place a process that would bring all these parties together and opined the parties are now prepared to work together since it would be in everyone's best interest. REGENT SEMMENS did not believe an abundance of resources exist, but did believe there are things that could be done with a modest investment that would provide great economic returns.

SEN. RYAN has read in the papers about core competencies and identifying those within the units. SEN. RYAN felt the word "competencies" could mean there are certain things that they are incompetent in. He wondered if it meant paring down each unit, so there's a focus in each unit on certain core items.

REGENT MERCER updated SEN. RYAN by stating the resource issue is not talking about the resources that fund the system, but rather utilizing resources together to be more effective. In addressing core competencies, REGENT MERCER explained it meant keeping the focus on an area of expertise and felt there is nothing in the proposal designed to diminish anything the Montana University System has done; but, rather, enhance what the Montana University System is doing by taking the things the University System does well and offering up those skills to government and business. REGENT MERCER cited the process used to draft fiscal notes as currently not being very accurate and thought the University System may be able to increase the accuracy of fiscal notes. Budget forecasting was another area REGENT MERCER felt the University System could assist with. REGENT MERCER depicted the correctional system as another example that could use assistance from the University System. Enhancing worker training in Montana could also attract new businesses and jobs to Montana. REGENT MERCER felt it is crucial that there be a change in the way the University System has interacted with government.

SEN. SHEA did not recall ever seeing a warm relationship between the Legislature and the University System, and felt collective efforts, although challenging at this level, can effect change. SEN. SHEA was excited about this new direction, and proclaimed an educated Legislature is always more effective and productive.

Sheila Stearns, Commissioner of Higher Education, added that she could envision having work groups on projects relating to targets previously set and putting forth an attempt to get legislation

drafted that will help the University System help the State. Commissioner Stearns felt many legislators would be receptive to the assistance offered. Making it a team effort will lend to joint ownership of any proposed legislation and provide ease in getting legislation passed.

SEN. RYAN wanted everyone on the Subcommittee to know that he is interested in keeping communication open, and his concerns are raised because the University System is taking a new direction with a new focus and mission. SEN. RYAN would like to know if they can quantify the degree of change if the new proposal is adopted. SEN. RYAN was curious about the shift in direction and how it would be justified to the people currently getting services from the University System to ensure this shift will not result in loss of those services. SEN. RYAN stated public education was not established to serve businesses, but to serve the democracy and provide people with education to make intelligent decisions about the way their country could be government run. SEN. RYAN believes the University System can be a valuable asset in attracting jobs and industry to Montana and make a better quality of life. However, he does not want to sell out the University System to the highest bidder and forget about the current services. SEN. RYAN was uncertain how to figure out the financial benefits in product relative to early childhood education or long-term healthcare. SEN. RYAN commented to REGENT MERCER that he is glad REGENT MERCER is coming forward in a positive tone, but that sometimes reputation can precede a person. SEN. RYAN felt there may be a perceived distrust in leadership in the University System. SEN. RYAN would like to be able to say the University System is on track and these are good changes.

REGENT MERCER interpreted the problem as being nobody working together. In addition, REGENT MERCER state the Mission Statement of the University System would remain the same by promoting Montana's economy. If there is not a vibrant economy in Montana, there are no jobs for graduates, and no funds from the State to support the University System. Therefore, the University System is dependent upon Montana's economy. REGENT MERCER did not feel the current proposal contains anything that would indicate the University System is attempting to sell out to the highest bidder. The proposal is an attempt to improve the earning capacity and job availability for Montanans. On the issue of distrust, REGENT MERCER commented that at no time did the Montana University System present a persuasive argument to him when he was in the Legislature that by putting money into education, the benefit would exceed the cost, other than the area of research.

REGENT SEMMENS has heard people wonder if the renewed focus on expanding the role of the University System in economic development would be to the detriment of the importance of providing a quality post-secondary education. REGENT SEMMENS commented if that is where this ends up heading, it would be a step back, and they would not want to sacrifice a quality system of post-secondary education. REGENT SEMMENS felt the University System is a substantial player in seeing initiatives succeed since it provides knowledge and skills, innovation, and transfer of technologies. Therefore, to would be fool-hearted for the State not to commit resources. There must be a way to effectively leverage what is currently in place. This would provide an opportunity for great incremental gain with limited commitment of resources. REGENT SEMMENS felt this would not detract from the focus of the University System on its educational mission.

REP. DICKENSON asked Commissioner Stearns if she felt the various Presidents, and others who worked to make the facilities what they are and provide education, had input into the

proposal and whether they felt free to express their concerns and hopes regarding this policy. Commissioner Stearns replied they have been kept informed, but just saw the proposal in concept form recently; however, they are very interested. Commissioner Stearns added she had never known any of the Presidents to even be slightly reticent on an issue to which they objected. Commissioner Stearns relayed that the Presidents are quite interested in this project, and are frustrated at the amount of effort and talent that is expended by their faculty and staff and how scattered their efforts seem. The Presidents feel this may be a way for them to get credit for all the economic and community development activity that takes place on their campuses. Commissioner Stearns voiced the Presidents are very positive and will want to be more included.

REGENT SEMMENS followed up that because there is a parallel process in the system and a new budget process of soliciting input both from within and outside the University System, it is interesting that input from the internal constituencies showed the need to focus on the base-core funding issues and creativity in introducing new initiatives. It was felt the new initiatives should focus on the areas of (1) workforce development; (2) research commercialization; (3) access to higher education; and (4) expanded University System involvement in state issues. Therefore, REGENT SEMMENS felt there is great commonality in terms of where people within the system would like to see collective efforts between the Legislature, Executive Branch, private sector, and the University System. REGENT SEMMENS referred to his December 29, 2003, e-mail to Ms. Joehler, *EXHIBIT 2*.

MR. GIBSON commented the important thing to keep in mind is the proposal is a process document. MR. GIBSON cautioned how the University Presidents and their staff are going to be involved must be laid out on paper. MR. GIBSON stated he has personally discussed the proposal with either the two University Presidents or their respective Vice-Presidents, and they have been very involved. MR. GIBSON noted that while the Presidents have the interest of Montana at heart, their first loyalties are to their respective Universities. MR. GIBSON warned there may be some system-wide approaches taken that will not happen naturally. MR. GIBSON thought SEN. RYAN's question on how much of a change this would be to the University System was very important. MR. GIBSON felt the proposal could represent an enormous change in how the University carries on its role, adding the world has also changed as represented by two-year feeder colleges, distance learning, and how education is being delivered. MR. GIBSON felt delivery of education and access to education could be an enormous shift in the way the University conducts business, which may not be a bad thing. While the Universities have made progress, MR. GIBSON felt they could do better based on what other University Systems are doing. These changes will not run contrary to the goal of education, and education is the single most important thing Montana can do to improve its economy.

REGENT MERCER stated he did not feel comfortable making a motion to move the proposal along and thought it should be up to the legislators on the subcommittee, but outlined requested action by the Committee. REGENT MERCER stated the University System is reaching out to both the Executive Branch and Legislative Branch. The proposal changes the relationship between the Legislature and higher education. Accountability is important, but is not the right focus in moving forward, and the focus should be on something that will make a difference for Montana such as economic development. REGENT MERCER would like to see the Subcommittee make a motion similar to the motion of the Board of Regents saying they support the idea in concept, and they want to reach back towards the University System and the

Executive Branch to see where they might go with the concept and, specifically, authorize someone from the Subcommittee to work with MR. GIBSON and Commissioner Stearns in revising the documents based on input from the Subcommittee. REGENT MERCER felt the proposal no longer needs to be a proposal for the Board of Regents, but should be a proposal for all Montana. REGENT MERCER would like to see a change in the manner in which budgets are reviewed by the Legislative and Executive Branches. Specifically, REGENT MERCER would like to see budgets reviewed as to how much money they can make, rather than how much money they cost. REGENT MERCER also thought budgets should be reviewed for economic benefits. In addressing Appendix B, REGENT MERCER suggested dropping references to a representative from the offices of the Congressional Delegation and adding the Delegates themselves since the Congressional Delegates want to be involved in economic development in Montana. In addition, the Governor, rather than a representative from the Governor's Office, should be involved. Also, representatives from the Board of Public Education and Leadership Montana should also be part of the Leadership Group. REGENT MERCER recognized the difficulty in getting the Leadership Group together for meetings, and felt the University System could be useful in coordinating information and ideas among the Leadership Group. REGENT MERCER commented that the Montana Congressional Delegation has tremendous power to assist the Montana economy. In addressing the University Systems' core of competencies, REGENT MERCER felt strongly that the University System has an ability to coordinate, disseminate, and evaluate information, and to articulate and track long-term plans and would need someone to coordinate that effort. Montana needs to attract out-of-state dollars by hanging onto students, conducting research, and attracting out-of-state students. Out-of-state students have a large impact on the State's economy so, therefore, it would make sense to attract those students.

CHAIRMAN BARKUS read a quote from a January 5, 2004, article from *The St. Louis Post Chronicle* stating, "Money doesn't mean offering more incentives to companies. Instead, it should be used to promote characteristics increasingly important to companies, an educated workforce and environment that promotes innovation. Fundamental investments in education, skills development, new research, and new connections between business, university, and government, are very important things to grow." CHAIRMAN BARKUS asked the Subcommittee to think about where it is going to come together, and what it is going to send back to the Board of Regents, the Commissioner, and the Legislature.

REGENT SEMMENS stated he feels the goal should be to give clear guidance to staff on how to proceed and come up with specific ideas, thoughts, are recommendations. REGENT SEMMENS felt it boiled down to access, which includes distance learning and need-based financial aid, commercialization, and workforce development. REGENT SEMMENS would like to see Ms. Pam Joehler work with others and report back what other states have done and present specific ideas to the Subcommittee. REGENT SEMMENS hoped the Subcommittee would give staff specific guidance and thought the Subcommittee could at least embrace general concepts and then work at refining those concepts.

From a process standpoint, MR. GIBSON suggested pulling together a project team, and giving them a timeline for returning with an initial set of recommendations.

SEN. SHEA moved the proposal be approved. SEN. RYAN seconded the motion.

## Discussion

SEN. RYAN commented this is a starting document, and the focus needs to be on benefitting Montana. SEN. RYAN would like to keep the Subcommittee involved to ensure that each entity represented is free to voice their concerns and views to ensure everyone can buy-in and be onboard. SEN. RYAN cautioned the University System is one of the easiest targets to beat up on when it comes to funding. SEN. RYAN felt the rapid growth of the Bozeman and Missoula areas is directly attributable to the Universities and out-of-state students attracted to those areas.

SEN. SHEA expressed concerns about the proposed working group on Appendix B. SEN. SHEA felt the working group should be diverse and should consist of only those individuals who would actually contribute to the working group and have time to work on the project. SEN. SHEA was concerned some of the individuals may join the group in name only.

REGENT MERCER explained everybody on the list needs to at least be in favor of the proposal, adding it is unlikely the individuals on Appendix B would ever have a physical meeting. Actual work and communication would likely be completed by representatives of these leaders, which would allow for input.

SEN. SHEA asked for clarification as to whether the individuals on Appendix B would have the opportunity to appoint their representative. SEN. SHEA did not view the project as partisan, but would like to keep the numbers consistent to enable success.

REGENT MERCER admitted that had not all been thought out, but explained the concept was that everyone has to be in agreement in order for ideas to go forward. One consideration will be the make up of the working team and keeping that team small enough to get things accomplished. REGENT MERCER felt the Leadership Group should experience ownership of ideas as the project moves forward. REGENT MERCER agreed the Leadership Group might need to be refined, and thought would need to be given to the process of creating the working teams.

SEN. SHEA added that while she realizes it is important the group not become cumbersome, she feels it is important the members of the Leadership Team have a voice. REGENT MERCER responded that is exactly how it is intended to work.

MR. GIBSON proposed a Project Team of people who can work on the proposal. The Working Group will keep the Leadership Team informed. Individuals on the Leadership Team can either work on the project themselves or appoint a representative and will help define the Project Team.

REGENT MERCER agreed with adding the Board of Public Education to the Leadership Group. REGENT MERCER commented that now that there are term limits, the Speaker of the House is not nearly as a powerful position as it had been in the past. REGENT MERCER felt it is more important to have someone from each side of the isle, who you anticipate will be back, rather than having someone with a title.

REGENT SEMMENS felt it is important the Subcommittee give guidance to MR. GIBSON,

Commissioner Stearns and staff who will be taking a role in further refining the proposal as to the areas they think are the important areas to focus on. REGENT SEMMENS commented on page 5 of the proposal stating access should be in the context of both distance education and need-based aid, and worker training should be broadened to work force development that entails program development. Tech transfer should be broadened to commercialization. REGENT SEMMENS also thought it is important to attract out-of-state dollars.

CHAIRMAN BARKUS would like to see something in the document that would capitalize on Montana's natural resources.

REGENT MERCER was concerned about the project becoming about what are things that could be done through the University, in a traditional sense, to help Montana. Many of things the University System can do are outside the normal area of what people would consider to be University projects.

CHAIRMAN BARKUS pointed out that SEN. RYAN served on the last PEPB Subcommittee, and this proposal delivers and addresses the goals set by that Subcommittee two years ago.

Commissioner Stearns noted the Leadership Group will consist of people who will want a chance to be consulted and to respond. Commissioner Stearns felt removing individual names will cause the list to become ex officio. In the future, other people may assume these positions and will then be included in the project.

SEN. SHEA felt that leaders have a responsibility to educate new members about the work being done, and that something will need to drive the message after the fact. SEN. SHEA felt it was important the Leadership Group consist of people who will have a long-term presence and that individual names will lend credibility.

REGENT MERCER felt getting the information out would not fall only to the legislators but also to the University System and felt awareness and involvement should be even broader.

REP. DICKENSON commented that she would like to see the Leadership Group include representatives from low-income, conservation, environmental, and agricultural groups. SEN. RYAN addressed this concern by noting the meetings will all be public and will provide time for public testimony. SEN. RYAN felt adding more people to the group will make it difficult to move forward.

REGENT SEMMENS understood the Project Team to be the working group that works with the Leadership Team. MR. GIBSON stated there is currently an ad hoc group that needs to be formalized. This group will stay in place to get the Project Team onboard, and then that Project Team will become the representatives of the Leadership Group. REGENT SEMMENS hoped the Project Team could begin working immediately rather than waiting until the Leadership Team is fully assembled. REGENT SEMMENS did not want to see any missed opportunities, particularly within the Governor's Executive Budget.

CHAIRMAN BARKUS understood the Project Team would also facilitate the flow of information among key constituent groups.

COMMISSIONER STEARNS thought if there was agreement on the five or six areas of focus, the group could get started and hoped the Subcommittee would give its permission to move



forward and then, if necessary, make adjustments in the future.

REGENT MERCER maintained the Subcommittee has its own authority that says it can start working on the five items identified and can direct its staff to work with the Project Teams and ad hoc group for purposes of providing them with the ideas and efforts of the Subcommittee.

SEN. SHEA's motion the proposal be approved CARRIED UNANIMOUSLY.

### **Accountability Measures and Benchmarks**

On behalf of the staff of the Commission on Higher Education, Commissioner Stearns submitted policy goals to the Subcommittee, *EXHIBIT 3*. Commissioner Stearns does not want to see these policy goals forgotten and would like to see the indicators of the six policy goals tracked over a period of two or three bienniums.

SEN. RYAN thanked Commissioner Stearns for wanting to go forward and felt it is important to track these policy goals and suggested adding reference to economic impacts to the University System and the State of Montana. Although contributing to Montana's economic and social success is referenced, it does not mention how that contribution will be reported.

Commissioner Stearns agreed stating she had considered adding a policy goal or adding another indicator to policy goals four and five, and would like to give this more thought. SEN. RYAN suggested it is difficult to put a dollar figure on programs and the effect those programs have on the total economy.

REGENT SEMMENS stated the University System is attempting to develop more creative ways of examining total economic return. The University System will adhere to the 12 accountability measures approved by the Subcommittee and look for additional performance metrics and benchmarks. REGENT SEMMENS felt the economic return reported out will be more thorough in tracking how effectively State policy goals are being accomplished.

### **PUBLIC INPUT**

There was no public comment offered.

### **DEVELOP AND APPROVE SUBCOMMITTEE WORKPLAN**

Ms. Pam Joehler requested direction from the Subcommittee as to time frames. Ms. Joehler will be working with Commissioner Stearns, MR. GIBSON, and Eddy McClure to redraft the proposal and to research the priority areas and obtain ideas from other states on how they have successfully used initiatives in this area. In addition, Ms. Joehler asked for thoughts as to what the substance should be of the last Subcommittee meeting prior to meeting with the whole Committee.

CHAIRMAN BARKUS replied it is his understanding that the workplan has gone through the first three levels and is being passed to the Project Team and Leadership Group. MR. GIBSON added it was critical that the Subcommittee come up with a set of recommendations around the priority areas.

REGENT SEMMENS requested staff be given ample time to perform good research and refine their thoughts, while still being sensitive to the timing of the Executive Budget process. REGENT SEMMENS thought this would mean getting back together in late March or early April. Input will also need to be solicited from inside and outside constituencies of the University System for new initiatives.

REGENT MERCER suggested it would be a good gesture for the Subcommittee to attend the Board of Regents meeting in Dillon in March. SEN. DICKENSON thought Wednesday morning would be a good time to meet and then report to the Board of Regents at its meeting on Thursday. The next meeting will be on March 24, 2004, in Dillon, with the time to be determined. REGENT MERCER thought a joint Subcommittee meeting with the Regents would be very helpful. Commissioner Stearns thought the idea of a joint meeting was good and suggested the meeting might even be split between Butte and Dillon.

REGENT MERCER summarized that at the next meeting, which is to be a joint meeting with the Board of Regents, research will have been done on the five points, and an updated version of the proposal will be submitted for comment and consideration. In addition, the list of person on the Leadership Group should be finalized.

REGENT SEMMENS hopes staff will by then be able to identify ideas and initiatives that were found to be successful in other states. REGENT MERCER offered to supply the names of other organizations they work with who may be helpful. However, REGENT MERCER added this is relatively new ground, so there may not be a lot of information available.

MR. GIBSON submitted an article entitled "Oklahoma's Edge (Economic Development Generating Excellence)" *EXHIBIT 4* and encouraged the Subcommittee to review the article and explained the article should encourage the Subcommittee that they are not too far off into left field with their ideas.

CHAIRMAN BARKUS suggested talking to the people in communities about economic development in connection with education. CHAIRMAN BARKUS is expecting to receive information from the University of North Carolina and will forward the information to Ms. Joehler as soon as he receives it.

REP. DICKENSON submitted an article from *State Government News* entitled, "The Business of Education," *EXHIBIT 5*.

SEN. RYAN closed by thanking the Subcommittee for their patience and stated that moving forward means asking fundamental questions and obtaining answers can be relayed to Montanans. SEN. RYAN commented he does not believe the University System has failed, but rather has done a good job preparing Montana's students with the resources available.

CHAIRMAN BARKUS advised that he had been approached by someone who asked how the University of Montana could be educating students about how to protest timber sales while it has a Forestry School across campus. These are things CHAIRMAN BARKUS feels the University System should be aware of.

**ADJOURN**

There being no further business to come before the Subcommittee, the meeting adjourned at 3:30 p.m.

DRAFT