MINUTES

MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON EDUCATION

Call to Order: By **MADAM CHAIR EVE FRANKLIN**, on January 21, 2005 at 7:05 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:
Rep. Eve Franklin, Chairman (D)
Sen. Don Ryan, Vice Chairman (D)
Sen. John Esp (R)
Rep. Verdell Jackson (R)
Rep. Carol C. Juneau (D)
Sen. Carol Williams (D)

Members Excused: Rep. Bill E. Glaser (R)

Members Absent: None.

Staff Present: Mark Bruno, OBPP
Alan Peura, Legislative Branch
Diana Williams, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed. Tape counter notations refer to material preceding.

Committee Business Summary:
Meeting: Board of Regents
Special Topics in Higher Education

The agenda was presented.
EXHIBIT(jeh16a01)

MONTANA BOARD OF REGENTS OF HIGHER EDUCATION

Sheila Stearns, Commissioner of Higher Education (OCHE), and the following Regents were present:

John Mercer, Chairman
Lila Taylor
Richard Roehm
Kala French, Student Regent
Mark Semmens
Lynn Morrison-Hamilton
Mike Foster

The Board of Regents supplied an agenda.
EXHIBIT(jeh16a02)

Chairman Mercer talked about general observations regarding Montana University System (MUS). The Board of Regents needs to determine how higher education and the Legislative Branch can move the State forward. Money will be needed for that goal to be accomplished, and the Regents also need to develop better leadership and partner with legislators.

Chairman Mercer talked briefly about the working partnership that the Board of Regents would like to have with the legislators. He addressed the lump-sum appropriation that the Board of Regents gets and hoped that the legislators would be involved in the re-allocation process that is going on with the funding formula.

Chairman Mercer explained the new budget process that the Board of Regents adopted. The Board of Regents has defined what quality means. They set the MUS Budget at the level that will guarantee the quality. By doing the budget in advance, the State Legislature determines how much the State is willing to support; the level of tuition makes up the difference.

Chairman Mercer talked about the pay plan. In 1991 the State paid for all MUS employees. Presently, the State is paying 38 percent, and the students make up the difference. He provided two reasons why this has happened.

Chairman Mercer commented that the proposed Martz Budget, combined with the proposed Schweitzer Budget, resulted in an increase of $18 million in the pay plan. He said that Governor Schweitzer's proposed Budget has an increase of $5 million.

Chairman Mercer said that this Subcommittee could provide some relief to the tuition burden that students are facing if funds were available. This Subcommittee could convey to other legislators that defining the level of the State's commitment is worthwhile for the MUS employees and students.

Chairman Mercer informed the Subcommittee that the Board of Regents is committed to a partnership with the State Legislature. The Board of Regents could play an even greater role in the economic development of the state. He commented about the good relationship that the Board of Regents had with the interim committee.

Chairman Mercer ended by saying that MUS is an incredible economic engine for the state. The question is, how does all the knowledge that this Subcommittee and the Regents possess get conveyed to Montana citizens.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 19.2}

Commissioner Stearns, OCHE, explained documents that were presented to the Subcommittee will serve as a base when OCHE starts hearings on January 24th.

OCHE provided a binder of documents for Shared Leadership, Indian Education and 2007 Biennium Report; a letter from Roger Barber, Deputy Commissioner for Academic & Student Affairs that deals with defining "quality"; and the strategic plan, which was provided to the Subcommittee on 1/24/2005.
EXHIBIT(jeh16a03)

OCHE also provided three booklets:

1) Office of the Commissioner of Higher Education, which went into detail of what OCHE does and the employees.
EXHIBIT(jeh16a04)

2) Montana Board of Regents' Accountability Report on the Montana University System to the 59th Montanan Legislature, which is a report on policy goals and accountability measures.
EXHIBIT(jeh16a05)

3) Regents Fact Book, January 2005, which provides various "facts" on the Montana University System (MUS).
EXHIBIT(jeh16a06)

Commissioner Stearns said that the Board of Regents has taken the lead in the Shared Leadership for a Stronger Economy initiatives. She credits MUS in this innovative leadership. She hopes that

"the baton" can be handed off to this Subcommittee, as well as to others. She hoped the Shared Leadership concept will be an ongoing process.

Commissioner Stearns said that there has been a lot of interest in the area of corrections. The question is, how education can better interact with that domain to help make a difference in terms of cost, quality and the future of the state.

{Tape: 1; Side: A; Approx. Time Counter: 19.2 - 25.7}

Regent Foster talked about the three areas that Shared Leadership initiatives are focusing on. He explained that the members on the three different committees come from all "walks of life" and are dedicated to help address workforce development, distance learning, access and affordability.

Regent Foster said that these initiatives are actually ideas that are working, and he thought that shortly, people will begin to see some positive outcomes of all the work that has been done.

Regent Foster talked briefly about some of the Board of Regents' committees' activities. He encouraged the Subcommittee that if anyone is interested in seeing what the Board of Regents is doing, they would like to see the legislators more involved at the Regent level.

{Tape: 1; Side: A; Approx. Time Counter: 25.2 - 27.9}

Kala French echoed Chairman Mercer's view, saying that the students want to be partners and are willing to deliver the message to the legislators. She added a brief comment on the pay plan.

Kala French said that the students are optimistic that funds might be available but are also realistic regarding the demands upon this Subcommittee to distribute the available funds to the various agencies. She said that the students are looking forward to working with the Subcommittee.

{Tape: 1; Side: A; Approx. Time Counter: 27.9 - 28.7}

CHAIR FRANKLIN said that the students have always been wonderful contributors and give the legislators a lot of perspective on what is real to them in terms of their educational experience, access and affordability. The students are the core of it all; they are the customers ultimately.

REP. JACKSON provided comments on his work history in Alaska. He has a vo-tech background and has taught at the university level.

{Tape: 1; Side: A; Approx. Time Counter: 28.7 - 30.1}

REP. JACKSON said that with a post-secondary articulated curriculum that has a cooperative venture with industry, a high school student could acquire job skills. The student could use those job skills to help earn their way through college and to help them go up the career ladder.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 1.4}

SEN. ESP stated he enjoys the kind of budget process that Chairman Mercer talked about more than how the process has occurred previously. He is a "detail person" who likes to try and figure things out, which is what MSU is doing in the current budgeting process.

{Tape: 1; Side: B; Approx. Time Counter: 1.4 - 2.9}

Regent Roehm talked about how the Board of Regents and MUS have evolved toward a better posture. In prior years, MUS has been categorized as just another entity needing money. He wanted to emphasize that MUS is an investment rather than an expenditure.

Regent Roehm has been on the Board for seven years. He said the job of the Regents is to focus on students' success in education. The Regents stand on a "four-legged stool of quality, access, cost and accountability." The Regents try to balance these items, which all have a high priority.

Regent Roehm said MUS is part of the economic development of this state and referenced the MUS affiliates throughout the state.

Regent Roehm wanted to talk about a perspective for planning. He informed the Subcommittee how the budgeting has been done in the past and explained how the Regents have proposed a new budget process, which he hopes will create a more consistent mechanism of funding MUS.

Regent Roehm urged the Subcommittee to at some point, use their influence to push towards long term planning of educational opportunities from pre-kindergarten through graduate school.

Regent Roehm mentioned the Board of Education consists of members from the Board of Public Education and the Board of Regents. This board has two mandates in the Constitution: 1) provide a joint budget between K-12 and higher education; and 2) planning,

which has been totally unused. Planning includes the kind of educational system Montanans want and the process that will allow that system to happen.

Regent Roehm said that there are four committees on the Board of Education and talked briefly about the P-20 Committee, which is focusing on integrating the activities of K-12 and higher education. He believed that there has been an arbitrary division between K-12 funding and higher education funding.

Regent Roehm ended by saying he hoped the Subcommittee would consider how the State is going to input some directives into long-range planning for education.

{Tape: 1; Side: B; Approx. Time Counter: 2.9 - 9}

Regent Semmens brought up some general observations. He expressed his opinion that the people in this room wanted to see a better economy which would allow the students from MUS to stay in the state. The State must invest in post-secondary education in order to expand jobs and provide income to the state. This idea was not his opinion; he had done research, and it was a fact.

Regent Semmens said there is very good information about other states with natural resource economies or lower income levels that had chosen to invest in post-secondary education. As a result of that investment, their states have achieved higher economic growth rates than Montana.

Regent Semmens said that the Regents are focusing on access and affordability for students and gave an example of how Montana's tuition rates have increased over the last ten years.

Regent Semmens said that Montanans are being asked to pay a 40 percent higher share of their income to pursue post-secondary education at all levels than are citizens of other states. When affordability is so low, it ends up being counterproductive for MUS and the state's job market.

Regent Semmens said that there are a couple of ideas that will help the access and affordability issues. One is need-based aid and the other, which Regent Mercer referred to, is the inverse relationship between the overall level of State funding for higher education and the level of tuition required.

Regent Semmens went into detail as to how the Regents and the various campuses decided on MUS's Budget. It was a collaborative

effort in which all agreed about the programs and funds needed to provide quality higher education at each MUS campus.

Regent Semmens said the total increases in funds are roughly 7.5 percent for the current year and a subsequent 5.5 percent for the next year. The substantial majority of those increases deal with the pay plan and current level of adjustments for costs like utilities, inflation and insurance.

Regent Semmens hopes that when this Subcommittee looks at access and affordability, that they look at the overall level of State funding and need-based aid.

Regent Semmens addressed the issue of two-year education. In his view there is a tremendous opportunity to have greater impact with the two-year educational system in Montana.

Regent Semmens thought informing high school students of another option besides joining the workforce or attending a four-year institution would be beneficial. The two-year institutions provide a two-year degree or a "spring board" to advance to a four-year degree.

Regent Semmens addressed the participation rate that Montana adults have in higher post-secondary education; the state is close to being the worst state in the nation in this regard. Adults are not getting the skills that are needed to increase their income and the quality of life. The two-year system could play a important role in helping Montanans better themselves.

Regent Semmens said that in order for adults to want to achieve a post-secondary degree, they have to believe that they can afford it. He stated that in order to achieve the goal of increased attendance, MUS has to provide reasonable facilities and equipment. All of this deals with access and affordability.

In closing, **Regent Semmens** thought there were compelling opportunities in the area of new program development, and he hoped the Subcommittee would consider providing funds. He gave an example of the health care field where training is expensive to develop and implement.

{Tape: 1; Side: B; Approx. Time Counter: 9 - 18.8}

REP. JUNEAU explained the link between education and poverty. With the Shared Leadership initiatives, it might be worthwhile to focus on reducing poverty in the state.

REP. JUNEAU provided statistics on Temporary Assistance for Needy Families (TANF) and said that a family of three gets $300 dollars a month, which could help provide education.

REP. JUNEAU said the people who do fine in education have support. This support is called a "power system," and people in poverty do not have this system. She thought that as part of the MUS plans, people who are in poverty need to be included.

REP. JUNEAU thought that one of the things that might be considered is a partnership between MUS and TANF; the goal would be to reduce the number on TANF. She talked about the poverty level that is on the seven tribal reservations. She was aware that people from these tribes have been a part of the Shared Leadership Initiatives and that MUS works with these tribes.

REP. JUNEAU said the poverty in the state really needs to be targeted by figuring out strategies to raise the educational achievement level of people. On the reservations, the plan needs to be addressed at the high school level. Without a GED or diploma, the Indian student does not have access to post-secondary education. There is a huge number of potential students who could participate in MUS's economic ventures and create stronger families. **REP. JUNEAU** would like to see "reducing poverty" as part of the MUS plan.

REP. JUNEAU asked what MUS is doing in terms of implementing Indian Education for All Montanans (IEAM) regarding budget planning in the next couple of years. She is aware of the teacher preparation program that has some implementation, but she wanted to know how the entire curriculum is implementing this Constitutional mandate.

{Tape: 1; Side: B; Approx. Time Counter: 18.8 - 24.3}

Regent Hamilton said that she will comment later on the IEAM and talked about some of the challenges that are facing higher education.

Regent Hamilton thought that there is a coming together of the Regents, the Board of Public Education and the P-20 Committee in some of the issues that are facing education. She commented on two issues - IEAM and Adult Education.

Regent Hamilton went into detail on the P-20 committee. She said that there are a number of task forces and one is dealing with dual enrollment.

Regent Hamilton explained the goal of dual enrollment. There are a number of consortiums of smaller high schools, two-year and four-year campuses that have developed and identified courses which can move fairly seamlessly into post-secondary programs.

Regent Hamilton, in concurrence with Deputy Commissioner Barber, OCHE, and others, thought that one of the ways to implement IEAM is to provide a course which is a core requirement in post-secondary education.

Regent Hamilton believed that with every challenge there is an opportunity hidden in it somewhere. She said that progress is being made in many of the areas that are challenging MUS.

{Tape: 1; Side: B; Approx. Time Counter: 24.3 - 27.3}

SEN. WILLIAMS stated a working group was formed on January 20th to address IEAM. REP. JUNEAU, REP. JACKSON and SEN. WILLIAMS have been appointed, and meetings will start next week.

SEN. WILLIAMS would appreciate any input that the Board of Regents/OCHE/MUS might have that would advance this working group in finding solutions in implementing IEAM.

Asked about the P-20 Committee by **SEN. WILLIAMS**, **Regent Hamilton** replied the P-20 Committee, established a few years ago, is a concept that combined the Board of Public Education and the Board of Regents into a new committee structure. The goal of P-20 is to create a seamless system of education in Montana that goes from early kindergarten, preschool through graduate work. The P-20 Committee is in its beginning stages and is presently focusing on the last two years of high school and the first two years of college.

Regent Hamilton provided the underlying concepts the P-20 Committee has--education needs to pay attention to children's education at home from a policy standpoint, and every child has the opportunity to learn and succeed. Education is a life-long learning experience.

Regent Hamilton stated that many students, in particular low income and first generation students, need support services that encourage these students to go on to post-secondary education. The students need to believe that a two-year education is available.

Regent Hamilton said that the P-20 Committee is working with partners throughout the state. The Board of Public Education has a campaign that will kick off in a few weeks which will address

two issues: 1)the idea that education is possible for all students; and 2)the importance of providing a quality education at all levels.

Regent Hamilton said the P-20 Committee has partnerships with the Student Assistance Foundation and other private businesses. He said it will take everybody working together to find solutions, and the P-20 Committee and the Shared Leadership Initiatives are a start. **Regent Hamilton** said that the Shared Leadership is much further along than P-20, but the initiatives are very closely related in distance education, access and workforce development.

Regent Hamilton was amazed that the diverse sector of members who are involved with the initiatives, P-20 and Shared Leadership, have such a high level of commitment to education. She said "we are doing right for Montana students."

{Tape: 2; Side: A; Approx. Time Counter: 0 - 4.4}

Regent Roehm provided an observation for the working group that is dealing with Indian Education for All. He is co-chair of the Board of Education's IEAM committee. He said that there has been a misconception with this movement. It should be "Indian Education for All Montanans."

Regent Roehm said that it is a benefit to this global economy to educate our young in the knowledge of different cultures and how to interact and relate to other cultures. With that perspective, it should be Indian Education for All Montanans (IEAM).

{Tape: 2; Side: A; Approx. Time Counter: 4.4 - 5.9}

SEN. ESP talked about the TANF caseload and people who are struggling with poverty. He explained some of the other types of benefits besides the cash benefit portion that REP. JUNEAU was talking about in the "safety net" of TANF.

SEN. ESP mentioned the disproportionate share of poverty that is on the reservation. Of the 5,000 family caseload, he thought about one-half were Native American. **SEN. ESP** asked that the Regents begin to think about how to address the underlying issues that are causing the poverty, and also how to help the legislators understand if policy changes or paradigm shifts are needed in that area.

{Tape: 2; Side: A; Approx. Time Counter: 5.9 - 8.2}

REP. JACKSON believed growing the economy happens in the way that Dave Gibson and Regent Mercer talked about; it is the way it

works. It provides the revenue needed and Montanans, who are 50th in income, are not taxed. He thought Mark Semmens was correct with his general observations, and he hope that Regent Semmens would continue to stay on the Board of Regents.

REP. JACKSON said that Montana has a lot to offer in post-secondary education. It would be beneficial for educators to know why the students decided on the classes that they are taking. He provided an example of what he did to accommodate students in an accounting class that he was teaching in Alaska.

{Tape: 2; Side: A; Approx. Time Counter: 8.2 - 11.6}

CHAIR FRANKLIN said that for purposes of disclosure she is a former employee of Montana State University (MSU). She is no longer an employee; she is self-employed. When she taught, she knew exactly what her job was because the educational motto at MSU was "education for efficiency."

CHAIR FRANKLIN said that it is absolutely appropriate that we are talking about the role that education plays in growing the economy. The people at this table know the reasons why there is a correlation between education and growth in an economy.

CHAIR FRANKLIN also wanted to talk about the intrinsic value that occurs in the educational community. She believes strongly that education is also about communities and how one lives in that community.

CHAIR FRANKLIN thought higher education should also be focusing on what are the principles and qualities that make good citizens and educated people. She said that quite honestly, some employed people may not have these qualities. After giving an example, **CHAIR FRANKLIN** stated that having a college education will not guarantee a good job, it will guarantee a person a good life.

Since the Regents are ambassadors of higher education in the state, **CHAIR FRANKLIN** asked they keep in mind the intrinsic benefits of being an educated person and what that means to the quality of one's life. Even though there is pressure for economic development, she hopes that the other piece of being educated is not lost in the deliberations.

CHAIR FRANKLIN wanted to know specific, mechanical ways in which this Subcommittee could interact with the Board of Regents.

{Tape: 2; Side: A; Approx. Time Counter: 11.6 - 15.3}

Regent Mercer provided five areas in which he thought the Subcommittee could interact with the Board of Regents:

1. If each entity is doing the same thing separately, perhaps there is a way that both entities could do it collectively.

2. The Regents would like to see a joint venture in the distribution phase regarding the allocation of the lump-sum appropriation.

3. Long term planning could be another area. Constitutionally, the Board of Education and the Board of Regents must provide long-term plans for education. There is one staff position available to address this issue.

4. Both could find a common project, and the staff is available in the MUS system to help. Both entities could provide the same message to Montanans.

5. Finally, if the Subcommittee believed the Regents were on the wrong track in finding the solutions, tell them. There may be another way to address the issue.

Regent Mercer said that the Regents want to be more proactive rather than "hunkering down and waiting to see what would happen" in this session.

{Tape: 2; Side: A; Approx. Time Counter: 15.3 - 18.4}

Regent Semmens said the Regents would be happy to come back and have another round table discussion. In the past, there has not been collaborative dialogue between MUS and the Legislature. He stated the relationship has evolved and is working well.

Following up on **CHAIR FRANKLIN's** comment on intrinsic value in education, **Regent Semmens** stated that employed people are expected to do multi-tasking, which involves: 1) knowing the technical skills; and 2) communicating and employing interpersonal skills. He said, "There is an intersection between liberal arts and the business world and that is important."

{Tape: 2; Side: A; Approx. Time Counter: 18.4 - 21.8}

Regent Hamilton responded to the question about structure and mechanics by saying that greater participation in the planning processes would be welcomed from the legislators and the private sector. What has been done in the past has been informal; a more structured and formal model could be established concerning the P-20 Committee.

{Tape: 2; Side: A; Approx. Time Counter: 21.8 - 22.8}

CHAIR FRANKLIN stated that what has been said made sense. The Subcommittee can begin to look at options for participating as Subcommittee members.

SEN. RYAN provided an example that may insure that education becomes more "seamless." MUS can provide teachers better skills, so that some of the problems occurring in the educational system can be addressed earlier. In addition, high schools could partner with MUS to provide advanced placement for students, so their time at MUS is lessened.

SEN. RYAN commented on how the quality of education is being defined at MUS. The Regents are at an advantage since they have set the base or the bar for quality. When the lump-sum is appropriated, the Regents have the students' tuition to make up the difference that is needed to have that quality budget met. He did not think this was a fair practice.

SEN. RYAN said that with the K-12 system, there are caps in place on what can be spent, so schools cannot go beyond the cap. The "quality" gets cut and makes MUS's job even tougher as the students move toward the post-secondary system.

{Tape: 2; Side: A; Approx. Time Counter: 22.8 - 26.2}

In closing, **Regent Mercer** reminded the Subcommittee that the Regents are available when summoned. He suggested the possibility of another round table discussion in March depending on the Subcommittee's schedule. He thanked the Subcommittee on behalf of all of the Board of Regents.

CHAIR FRANKLIN agreed having another open discussion made sense, and once the legislative session is further in the process, they all would have more to discuss.

{Tape: 2; Side: A; Approx. Time Counter: 26.2 - 27.2}

SPECIAL TOPICS IN HIGHER EDUCATION

CHAIR FRANKLIN said that Mr. Peura will provide a general overview of MUS and the policy considerations of the MUS Budget.

Alan Peura, LFD, provided a high-level overview of the MUS Budget by paging through the Legislative Budget Analysis 2007, Section E-75 to E-156.
EXHIBIT(jeh16a07)
EXHIBIT(jeh16a08)

Mr. Peura said his goal is to help the legislators understand the budget process at MUS, so that when they go back to their constituents, they can explain what was done.

Mr. Peura passed out the Schweitzer Budget document, which will be Exhibits 11,13,14,15, and 16. He then explained the MUS background material binder.
EXHIBIT(jeh16a09)

Transfer of Credits, which was a performance audit that was done by the Legislative Audit Division, was also supplied.
EXHIBIT(jeh16a10)

OVERVIEW OF MUS

SYSTEMWIDE SUMMARY
PAGES E-75 TO E-88 AND
PAGE 1 OF THE SCHWEITZER BUDGET

With the comment sections and issue sections in Section E of the Legislative Budget Analysis 2007, **Mr. Peura** tried to provide some decision point options of the larger policy issues that are facing MUS. The analysis is not just about numbers and funding but rather how this budget drives policy and how other policies drive the budget.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 6.4}

Mr. Peura said the first section is the systemwide overview of the budget [page E-75 to E-87] which has no DPs.

Mr. Peura went over the five major areas comprising MUS and pointed out the 11 programs which provide the organizational structure of MUS.

{Tape: 2; Side: B; Approx. Time Counter: 6.4 - 10}

Mr. Peura directed the Subcommittee to the Agency Proposed Budget table, Page E-75 and the table on page 1 of the Schweitzer Budget. The proposed total biennial budget for 2006-07 in the Schweitzer Budget is $423,702,018. He explained the difference between the table and page 1 of the Schweitzer Budget.
EXHIBIT(jeh16a11)

Mr. Peura said the table on Page E-78 for the Schweitzer Budget is nine percent. There is a nine percent increase from biennium to biennium in the Executive Budget across functional areas.

Mr. Peura talked about the major LFD issue that is being raised on Page E-79.

Mr. Peura directed the Subcommittee to the document "Accountability Agreement"(Pages E-80 and E-81, Exhibit 9). He explained these pages in greater detail and the Post-Secondary Education Policy (PFPB) which recommended policy goals and accountability.

Mr Peura thought these accountability measures could be effectively used as a funding mechanism. These measures could be "the list of what the State wants to purchase."

Mr. Peura directed them to the comment box on Page E-84 which deals with tuition levels. This was another example of assuming access and affordability is an important policy goal. He believed the Legislature may want to monitor the impact the state funding levels will have on tuition. He will work with OCHE to try and understand the impacts that this Legislature has on tuition levels.

Mr. Peura distributed "Tuition Summary," a document provided at the Board of Regents meeting and covered in detail the portion called "tuition increase required."
EXHIBIT(jeh16a12)

{Tape: 2; Side: B; Approx. Time Counter: 10 - 19.4}

Mr. Peura directed the Subcommittee to the "arrow" that is on this document. These percentages are on a system-wide basis. **Mr. Peura** then explained the tuition increases at various campuses. His goal is to evaluate how each of the Subcommittee's funding decisions will impact the current levels of the projected tuition levels that MUS provided.

QUESTIONS BY SUBCOMMITTEE

SEN. RYAN asked if Mr. Peura's goal was to be able to know the level of tuition increase needed if additional money was added to the university budget. **Mr. Peura** replied that was his goal. He said that he will work hard with OCHE and the Governor's Office in bringing "hard numbers" to the process if money is added to MUS's Budget. The Legislature's authority to influence tuition levels is severely restricted by the Constitution and the Supreme Court, but the Subcommittee must be aware of how their decisions impact tuition levels. **Mr. Peura** proposed a study where the Legislature might decide to identify a percentage of the cost that the State is willing to fund. By knowing that level, there

could be a clearer idea about what the State is getting for its money.

{Tape: 2; Side: B; Approx. Time Counter: 19.4 - 25.5}

SEN. RYAN said that from his perceptive, he thought that idea of establishing the State's funding level, would be a "dangerous slippery slope that you would not want to go to."

SEN. RYAN explained his rationale. That idea would make MUS "cap" higher education without the capacity to expand programs and quality-based education; they would have to base the funding level in these programs upon what the State was willing to pay. With K-12 funding, the "cap" has forced a reduction in quality, and he thought that would not be a good direction for MUS to take.

REP. JACKSON asked what campuses are included in the tuition levels in the document "Tuition Summary" [Exhibit 12].

{Tape: 2; Side: B; Approx. Time Counter: 25.5 - end}

Mr. Peura replied the figures in the "Tuition Summary" take into account those campuses that are listed on page E-75. These tuition levels are solely on the educational units; the tuition rates would not be related to the community colleges or the tribal colleges.

Asked by **REP. JACKSON** about vo-tech, **Mr. Peura** said those centers are part of the university. The tuition rates in the document relate to the College of Technologies (COTs) which are the former vo-tech centers.

Mr. Peura informed the Subcommittee that he will try and get the specific breakdowns of the tuition numbers from each campus by next meeting. In previous years, the lump-sum was done to separate the Legislature from the discussion but this current Board of Regents seems to want their input.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 2.9}

PROGRAM 01-ADMINISTRATION
PAGES E-90 TO E-93 AND
PAGE 2 OF THE SCHWEITZER BUDGET

Mr. Peura directed the Subcommittee to turn to Page E-88 and page 2 of the Schweitzer Budget.
EXHIBIT(jeh16a13)

Mr. Peura briefly discussed OCHE's DPs Pages E-89 to E-91.

Mr. Peura explained three possibilities that the Subcommittee might want to consider with the shared leadership funding:

1. Adding one-time only language to the DPs so they come back to you next session for evaluation.

2. Asking PEPB to monitor the fiscal accountability, so in two years, the Subcommittee knows what it got for the spending.

3. Doubling the "bang for your buck" with the matching component in the Shared leadership DPs. The match language is vague in executive proposals, and the Subcommittee might want to provide greater restrictions.

Mr. Peura said that a significant change in Program 01 that happened in the Schweitzer Budget was the elimination of funding one FTE on economic development in the Commissioner's office. He added this position will be funded by using other types of funding sources.

{Tape: 3; Side: A; Approx. Time Counter: 2.9 - 9.5}

PROGRAM 02-STUDENT ASSISTANCE
PAGES E-94 TO E-103 AND
PAGES 3, 4 AND 5 OF THE SCHWEITZER BUDGET

Mr. Peura explained Page E-94, the two components to student assistance. One is the grant, loan and work study programs, and the other is Western Interstate Commission for Higher Education (WICHE), Washington, Wyoming, Alaska, Montana and Idaho Cooperative Program (WWAMI) and the Minnesota Dental Program (MN Dental).

Mr. Peura directed the Subcommittee to go to page three of the Schweitzer Budget.
EXHIBIT(jeh16a14)

Mr. Peura went over the major changes Governor Schweitzer has proposed in the student assistance program. The table on the top of page three [Exhibit 14] is the entire funding table of $23 million over the biennium. There will be a $1.97 million surplus, and he has provided motions to the Governor's Office that would address this surplus.

{Tape: 3; Side: A; Approx. Time Counter: 9.5 - 15}

QUESTIONS FROM THE SUBCOMMITTEE
PROGRAM 2 SHARED LEADERSHIP

Asked by **REP. JACKSON** about private schools and need-based aid, **Mr. Peura** believed that private high school students would be able to apply for this aid although private college students are excluded from receiving this aid. Following **REP. JACKSON's** next question, **Mr. Peura** replied the scholarships are payable to the school that the student attends. OCHE will pay a portion of the tuition on the student's behalf.

REP. JACKSON asked why the private colleges such as Carroll College would be excluded. **Mr. Peura** said according to the legal opinion by Greg Petesch, Director of the Legal Services Office, state funds cannot be used for private Universities, particularly sectarian Universities, because it violates the constitutional separation of church and state. Carroll College and Rocky Mountain were, by constitutional requirement, excluded from the Best and Brightest and the need-based program.

REP. JACKSON said that the students going out of state will not be available for these scholarships.

Following **REP. JACKSON's** next question about out-of-state students, **Mr. Peura** said the program is only for Montana resident students attending any of Montanan's public post secondary schools, including tribal and community colleges and educational units.

CONTINUATION PROGRAM 02 - STUDENT ASSISTANCE
PAGE 4 AND 5 OF THE SCHWEITZER BUDGET

Mr. Peura explained the new Best and Brightest scholarship/grant program, which is a HB 2 appropriation that is governed by statue. When this DP is discussed in executive action, contingency language will have to be addressed.

{Tape: 3; Side: A; Approx. Time Counter: 15 - 18.3}

Mr. Peura explained the rationale behind providing funding for the WICHE/WWAMI/MN Dental programs.

Mr. Peura said the table on Page E-97 itemizes the number of student slots that the Executive Budget recommends.

Mr. Peura explained DP 4, the WICHE/WWAMI/MN Dental proposal. The Executive Budget proposes to decrease the number of students

slot by two because the costs of this program are being driven primarily by tuition increases at the out-of-state universities.

Mr. Peura directed the Subcommittee to look at the table that is on Page E-98. It shows the amount of tuition that students in this program still have to pay. One issue facing the WICHE/WWAMI/MN Dental program is the program is difficult to budget, and he provided the reasons why. **Mr. Peura** suggested that with excess that may occur, the Legislature may want the funds to be restricted.

Mr. Peura said this LFD issue addresses the problem that has occurred due to the lack of returning practitioners to Montana on Page E-99. A loan re-payment plan, similar to the Rural Assistance program where the State is paying a portion of the loan, might help the students return to Montana. He directed the Subcommittee to Page E-100, Figure 4 and explained what these statics are indicative about the State's employment.

QUESTIONS FROM THE SUBCOMMITTEE
PROGRAM 2 - WICHE/WWAMI/MN DENTAL

REP. JACKSON was glad the statistics on the return rate of the WICHE/WWAMI/MD Dental students coming back to Montana were available. There has been a concern about the cost effectiveness of this program since the students were not returning. If the program can become more cost effective, funding the program would be more palatable.

Mr. Peura said that the information on Page E-99 and E-100 relates to this issue. When the student assistance program is heard next week, **Mr. Peura** will make sure the presenter addresses the issue of the return rate. He directed the Subcommittee to Page E-100 and said that the data from the Department of Labor shows the gap that the state will experience in terms of medical jobs.

Mr. Peura stated that given the model of Rural Assistance program, certainly it is reasonable that a program could be created for the medical profession. It would use state special revenue received from a surcharge on the students who are sent to those schools to create the funding for the loan repayment program.

{Tape: 3; Side: A; Approx. Time Counter: 18.3 - 26.5}

PROGRAM 03 - IMPROVING TEACHER QUALITY PROGRAM
PAGES E-104 TO E-105

Mr. Peura said this program specifically targets high-need schools in Montana, meaning schools in high-poverty areas, as well as schools where a high percentage of teachers are teaching in areas where they are not certified. This program is completely federal funded. The Executive and the Commissioner have asked for the federal authority needed to spend the grant at the level that they expect it to be funded by the federal government.

PROGRAM 04 - COMMUNITY COLLEGE (CC) ASSISTANCE PROGRAM
PAGES E-106 TO E-111

Mr. Peura said there are no changes in the Schweitzer Budget to this program. Essentially this program distributes state funds to the three community colleges which provide support for educating students. The increase is mostly driven by enrollment increases that the CC has projected, a six-percent growth rate.

Mr. Peura directed the Subcommittee to look at Figure 4 on Page E-107. He explained in detail what this table is showing. He then asked them to turn to Page E-108. He explained the LFD issue that is raised deals with how the CCs are being funded in the Executive Budget. He included the historical aspect of how the CC has been funded.

{Tape: 3; Side: A; Approx. Time Counter: 26.5 - end}

Mr. Peura said the Subcommittee will set in executive action the percentage of that funding cost that they are comfortable accepting. He identified a problem in the current cost per student calculation for the community colleges. The current funding formula is not keeping up with basic cost indicators. The funding is not necessarily keeping up with the actual costs to deliver education at the three CCs.

Another issue that **Mr. Peura** raised deals with the education factor that the executive uses in funding the CCs on Page E-109. He explained historically what has happened to this formula. The factor that is derived from the formula, which a person is led to believe is the actual cost of delivering education at the CC, is not an accurate number; it has been compromised. **Mr. Peura** suggested the PEPB or some other entity look back at the cost of education plus CC's funding formula and bring back some relevance to all the factors driving the funding formula.

Mr. Peura said that on Page E-110, the Subcommittee will deal with some language recommendations, specifically what percentage of the cost of education for the CCs the State is going to fund by statue.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 5.8}

PROGRAM 05 - COMMUNITY COLLEGE (CC) ASSISTANCE PROGRAM
PAGES E-112 TO E-115

Mr. Peura said will be no executive action on this program. This deals with how the university funds their group insurance program and workers' compensation program. He talked about the funding trends that have occurred in this program.

{Tape: 3; Side: B; Approx. Time Counter: 5.8 - 7.3}

PROGRAM 06 - TALENT SEARCH
PAGES E-116 TO E-118

Mr. Peura directed the Subcommittee to Page E-116. The talent search program is almost exclusively a federally-funded program with the goal of decreasing the drop-out rates of low-income and at-risk students. It involves mentoring and student assistance, etc.

Mr. Peura explained the three specific components that are part of Program 06: 1) GEAR UP, which is an early intervention and scholarship program, 2) Montana Educational Talent Search program (METS), which tries to provide skills and counseling to the highest risk youth and 3) American Indian/Minority Achievement program, which is completely a general fund program for American Indians and minorities.

Mr. Peura explained the budget table that is on Page E-116 and talked about DP 23 and DP 24 that are on Page E-117. He said that the Governor and the Commissioner are asking for the Subcommittee’s approval of the authority to spend the federal funds OCHE anticipates getting for this program.

Mr. Peura said that DP on Page E-118 is a new proposal. OCHE is asking for the authority to add a .5 FTE from their federal grant in order to hire an accountant for the GEAR UP program.

{Tape: 3; Side: B; Approx. Time Counter: 7.3 - 10.3}

PROGRAM 08 - WORK FORCE DEVELOPMENT
PAGES E-119 TO E-120

Mr. Peura said this program is the Carl Perkins Vocational and Applied Technology Education Act, Page E-120. The act is mostly federally funded, but there is a small general fund match.

Mr. Peura explained this program provides funds to support vocational education, career training, and technical education at both the secondary level and the post-secondary level. OPI and OCHE administer this program.

PROGRAM 11 - Tribal College Assistance
PAGES E-150 TO E-151 AND
PAGE 8 OF THE SCHWEITZER BUDGET

Mr. Peura directed the Subcommittee to Page E-150. He explained what type of people fit into the category of a non-beneficiary student and why the State can provide aid to the non-beneficiary student in the amount of $1,500 per student.

Mr. Peura explained how tribal colleges get funded, and the issue they have due to the non-funding of the non-beneficiary students from the federal government. The Martz Budget has $96,500 in present law adjustments, which have been requested for the non-beneficiary students. The Schweitzer Budget shows that $303,500 over the biennium is earmarked for the non-beneficiary students. **EXHIBIT(jeh16a15)**

The combination of both of these proposals put the non-beneficiary funding at 400,000 dollars. **Mr. Peura** explained the two different DPs in the Martz and Schweitzer's proposals.

Mr. Peura talked about the new DP 104 - Enhancing Tribal College Program. The new funding, $2.5 million, specifically addresses equipment needs at tribal colleges and the role that tribal colleges will play in IEAM. It is a 50/50 split in allocation. This funding is a OTO appropriation recommendation, so it would not appear in the base budget. If the program wanted to be refunded next year, it would have to come up as a new proposal. He suggested that the DP be a specific line-item because it is a new function of the tribal college assistance program.

Mr. Peura gave some history on the non-beneficiary student assistance level back to 1996. The Schweitzer level would appropriate it up to about $750 per student per year.

{Tape: 3; Side: B; Approx. Time Counter: 10.3 - 17.3}

PROGRAM 12 - GUARANTEED STUDENT LOAN (GSLP)
PAGES E-152 TO E-154

Mr. Peura said GSLP handles the administration of federal funds which are appropriated each year by US Congress to provide loans to students. The guaranteed student loan office does not make the loans; they guarantee the loans from private lenders.

Mr. Peura said on Page E-153, GSLP is asking for an increase of about $20 million of federal authority. He went into detail as to why GSLP is asking for the $20 million spending authority.

Mr. Peura talked about the DP on page E-154. Since there is an increased loan volume, GSLP would like to increase federal authority plus add a new FTE in order to handle that loan volume.

{Tape: 3; Side: B; Approx. Time Counter: 17.3 - 21.4}

PROGRAM 13 - BOARD OF REGENTS-ADMINISTRATION
PAGES E-155 TO E-156

Mr. Peura said that this program pays for travel and per diem, etc., for the bi-monthly meetings of the Regents. There are two DPs the Subcommittee will be asked to consider on Page E-156. He explained each of the DPs and why the agency is asking for the funding.

{Tape: 3; Side: B; Approx. Time Counter: 21.4 - 22.5}

PROGRAM 09 - APPROPRIATION DISTRIBUTION
PAGES E-121 TO E-149 AND
PAGE 6 AND PAGE 7 OF THE SCHWEITZER BUDGET

Mr. Peura said this program 09 is the accounting function where the Subcommittee appropriates money, and the Commissioner's office allocates to the university units. The Board of Regents is talking about reconfiguring the State allocation model, and that they have invited the legislators to take part in this re-allocation process. He asked the Commissioner's office to explain the current state allocation model next week.

Mr. Peura stated Program 09 includes the educational units and the five specific public service and research agencies on Page E-121. He explained how the budget is organized when the Subcommittee is looking at the DPs and the funding tables; the educational units are sub-programs.

Mr. Puera said information on Page E-128 relates solely to the university units and all of the campuses of technology.

Mr. Puera told the Subcommittee the page numbers to the five public service and research agencies. These agencies are part of the lump-sum, and are line-items in HB 2.

Mr. Peura focused on the miscellaneous programs, beginning on Page E-146.
The following are the programs included in the table but are not a line-item in sub-program 24:

1. Family Practice Residency program at MSU;
2. Motorcycle Safety Training program at MSU Northern;
3. Bio-based Institute at Bozeman;
4. Dental Hygiene Program at Great Falls COT; and
5. University System's Marking Initiative.

Mr. Peura said in this section, the only DP is the motorcycle training program.

{Tape: 3; Side: B; Approx. Time Counter: 22.5 - 27.3}

Mr. Peura directed the Subcommittee to look at the Schweitzer Budget, pages 6 and 7.
EXHIBIT(jeh16a16)

Mr. Peura said that the biennial appropriation for program 09 is $287,877,869, approximately a $5 million decrease from the Martz allocation. This decrease, for the most part, is attributed to the shared leadership program. He briefly went over the LFD comment on pages 6 and 7.

{Tape: 3; Side: B; Approx. Time Counter: 27.3 - end}

Mr. Peura informed the Subcommittee that the images that appear on pages 6 and 7 of the Schweitzer analysis are targeting workforce development and distance learning. He explained the differences between the Martz and Schweitzer Budgets.

Mr. Peura said that there is a new proposal, which can be found on page 7 of the Schweitzer Budget (Exhibit 16). He explained NP 200.

Mr. Peura said that a quick overview of how program 09 is funded can be seen on Page E-124. What is allocated and appropriated in the lump-sum is funded 90 percent by general fund and 10 percent from the six-mill tax levy.

Mr. Peura stated page E-125 includes a table which explains where the funds are being allocated in the Executive Budget. The figures in these tables are "guesstimates" and are based on

fiscal year 2004. **Mr. Peura** said that other than specific funding in the DPs that appear on page E-126 and E-127, this table lists what the Subcommittee is going to be asked to adopt. The major issues that the Subcommittee will be asked to look at are extensively detailed and can be read at a later date.

{Tape: 4; Side: A; Approx. Time Counter: 0 - 7.2}

Mr. Peura discussed the 43 percent pay in present law and statewide present law adjustment verses the 80 percent funding that the Schweitzer Budget has proposed. He explained the historical aspect of this funding, why the increase is requested and what the 80 percent represents.

Mr. Peura informed the Subcommittee that with each DP, the 43 percent verses the 80 percent funding is being addressed. The LFD comment boxes includes a comparison between the different percentages of funding.

Mr. Peura said that the final issue he is going to address relates to DP 44 - Resident Enrollment Growth at MUS. This proposal can be found on Page E-130 and E-131. He explained how the enrollment growth has been funded historically. He asked that the Subcommittee look to Figure 9 on Page E-130, which shows the enrollment projections. On page E-131, he explained how the marginal cost-per-student formula works.

Mr. Peura talked briefly about the mathematical anomaly that occurs when the budget funds enrollment growth. Page E-131 explains this in detail. The formula used to fund resident enrollment growth is inherently going to keep diminishing the percentage of state funding. He raised this issue because of the Constitutionally shared authority between the Legislature and the Board of Regents. **Mr. Peura** stated the smaller the percentage that the State funds education, the more it diminishes the legislative role in the public policy decisions of MUS.

Mr. Peura said when the people involved with Program 09 have their hearings, he is committed to help the legislators understand the correlation between tuition rates and the DPs that OCHE and the Governor would like adopted.

Mr. Peura said that there is some tuition history on page E-135.

Mr. Peura talked briefly about the agency profile. This agency profile has historical data related to tuition, enrollment, the size of the budget and the historical percentages of state funding of education.
EXHIBIT(jeh16a17)

Mr. Peura detailed the chart showing the tuition rates from FY 1996 through FY 2005 on Page E-135. It is Figure 10.

Mr. Peura said his goal was to provide the members of the Subcommittee with all the data and the policy ramifications of the decisions they are going to make. It is particularly important for the members in higher education to have this knowledge since there is such a disconnect between what happens at MUS and what happens in the Legislative Session.

{Tape: 4; Side: A; Approx. Time Counter: 7.2 - 15}

QUESTIONS FOR MR. PEURA

SEN. ESP wanted to know if there is a proposal to backfill local government in connection with the tax break that will occur if NP 200 is passed.

Mr. Peura replied he did not know, but stated would obtain a better explanation of SB 48.

{Tape: 4; Side: A; Approx. Time Counter: 15 - 16.8}

OBPP COMMENT

Mr. Bruno thought that Mr. Peura did an excellent job at a high level of detail. He said that he would prefer to make his comments program by program.

Mr. Peura said that he will distribute the "sound-bite" version to his presentation.
EXHIBIT(jeh16a18)

OTHER SUBCOMMITTEE ACTIONS

The Subcommittee talked about the field trip on January 28. There is a scheduled IEAM Working Group meeting at noon on January 28.

CHAIR FRANKLIN said that she talked with Greg Petesch. Mr. Petesch said that technically, public notice is not necessary in the formal sense for the Working Group. The schedule will not be posted as a public meeting, rather the dates and times will be posted on a "general calendar of events," which is a little more informal.

In conclusion, **CHAIR FRANKLIN** thanked the Subcommittee members and adjourned the meeting.

ADJOURNMENT

Adjournment: 10:40 A.M.

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REP. EVE FRANKLIN, Chairman

_____
DIANA WILLIAMS, Secretary

EF/dw

Additional Exhibits:

EXHIBIT(jeh16aad0.PDF)