



# THE INTERIM

July 2009

A monthly newsletter of the Montana Legislative Branch

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[leg.mt.gov](http://leg.mt.gov)

**New online!**  
2009 Montana Legislative Review: Includes a summary of effective dates, code sections affected, and chapter numbers assigned for bills passed during the 2009 session.

## Health Care to Be Top Priority of Children, Families, Health, Human Services Committee

The Children, Families, Health, and Human Services Interim Committee (CFHHS) adopted a plan at its June meeting for how it will proceed with a study of health care recommended in Senate Joint Resolution 35. The plan calls for the committee to devote a significant amount of time to monitoring federal health-care reform efforts, so that members will be poised to comment on federal proposals that might affect Montanans' access to health-care services or insurance.

Kelly Whitener, a staff member of the U.S. Senate Finance Committee chaired by Sen. Max Baucus of Montana, briefed the committee by phone in June on the status of federal health-care reform efforts. She said the U.S. Senate and the House each hopes to have a health-care reform bill ready for debate and passage in July. The bills are expected to go to a conference committee by September. Whitener noted that the costs of the reform proposals were still unknown in early June, as were details about funding mechanisms.

CFHHS members decided to review the congressional bills in the form in which they go to a conference committee. They'll look at how the bills differ and determine which elements of each might be more favorable to Montanans. The members then will decide how best to submit comments to Congress in the hope of influencing the conference committee.

The CFHHS committee will evaluate any federal health-care changes and determine whether changes are needed to Montana law to accommodate them. In addition, the committee will follow efforts of the Montana Health Care Forum and other groups involved in state-level reforms.

The committee adopted a work plan for the interim that details how members will divide their time among the SJR 35 health care study, monitoring activities of the state Department of Public Health and Human Services (DPHHS), and a study, requested through House Joint Resolution 39, of community services for people with developmental disabilities and co-occurring mental illness.

The committee approved a plan to have staff do most of the work of the HJR 39 study and present a white paper to the committee in March 2010.

The committee approved a list of topics that it wants DPHHS to provide information about during the interim, including legislation enacted last session that the department will implement. These include changes in mental health programs, public assistance programs, and health care services, as well as services for abused and neglected children.

The committee is particularly interested in how DPHHS will implement the Healthy Montana Kids program, which was approved by voters in November 2008 (I-155) and funded by the 2009 Legislature.

The committee also will follow up on recommendations made last interim in a study of ways to improve the state's publicly funded mental health system. A consultant completed the study in October 2008, leaving little time for legislative review and action before the start of the legislative session in January.

Committee members unanimously elected Rep. Diane Sands, D-Missoula, as chair and Sen. Rick Laible, R-Darby, as vice chair. Both served on the committee last interim. Sands served on the House Human Services Committee in both the 2007 and the 2009 legislative sessions, while Laible reviewed budget matters as a member of the Senate Finance and Claims Committee.



*Rep. Diane Sands*

The committee adopted the following meeting schedule for the rest of the interim:

- Sept. 21, 2009
- Nov. 16, 2009
- Jan. 25, 2010
- March 15-16, 2010
- May 3, 2010
- June 28, 2010
- Aug. 22-24, 2010

For up-to-date news on the committee's schedule and activities, including staff reports and other meeting

materials, visit [leg.mt.gov/cfhhs](http://leg.mt.gov/cfhhs). Contact Sue O'Connell at (406) 444-3597 or [soconnell@mt.gov](mailto:soconnell@mt.gov) for more information about committee activities.

## Districting & Apportionment Commissioners Attend Training

Four members of the Districting and Apportionment Commission and commission staff traveled to San Francisco in early June to attend a National Conference of State Legislatures (NCSL) seminar on legislative redistricting. NCSL representatives discussed changes to census data since 2000, redistricting criteria and challenges, and developments in case law.

Commissioners and staff also learned about redistricting software packages that can be used to establish legislative district boundaries and participated in a "hands-on" redistricting exercise that demonstrated the challenges and tradeoffs involved when redrawing district lines.

For more information about the commission and its activities, contact Rachel Weiss at (406) 444-5367 or [rweiss@mt.gov](mailto:rweiss@mt.gov). To stay in touch with the activities of the commission, sign up for electronic notices on the commission's website at [leg.mt.gov/districting](http://leg.mt.gov/districting).

## Economic Affairs Committee to Tackle Top-Ranked Interim Study

On July 8, the Economic Affairs Interim Committee will elect presiding officers and review a proposed 2009-2010 interim plan to conduct two studies assigned by the Legislative Council: a study of the workers' compensation system in Montana and a study of potential efficiencies among a variety of state laboratories. The committee will meet at 11 a.m. in Room 137 of the Capitol.

The study of workers' compensation, requested through Senate Joint Resolution 30, will examine the cost factors related to workers' compensation premiums and laws related to the Montana State Fund. Mike Taylor of the National Council on Compensation Insurance will provide background information on how Montana compares with other states in such areas as premium costs, types of claims, frequency of injuries, costs of medical benefits, and duration of workers' compensation benefits.

The Labor-Management Advisory Council, which was appointed by the state Department of Labor and Industry to review workers' compensation cost-drivers, among other topics, will report on its activities.

When the Legislative Council assigned the SJR 30 workers' compensation study to the Economic Affairs Committee, it noted the resolution's top ranking in a poll of legislators and recommended that the committee devote most of its time to the study.

Senate Joint Resolution 14 requested a study of state-operated laboratories, including an analysis of efficiencies that may be gained through coordination or other measures. The study will also inventory the number of state laboratories, assess what types of expensive analyzers or space might be shared, and explore other matters as determined by the committee.

The committee will also appoint legislative liaisons to the Montana State Fund and to the Rail Competition Advisory Council and will hear reports from the agencies that it is responsible for monitoring: the Department of Agriculture, the Department of Commerce, the Department of Labor and Industry, the Department of Livestock, the State Auditor's Office, and the Governor's Office of Economic Development.

For more information about the committee, including meeting materials, visit the committee website at [leg.mt.gov/eaic](http://leg.mt.gov/eaic) or contact Pat Murdo, committee staff, at [pmurdo@mt.gov](mailto:pmurdo@mt.gov) or (406) 444-3594.

## Education & Local Government Committee Plans for the Interim

According to at least one website, Colin Powell once said: "Organization doesn't really accomplish anything. Plans don't accomplish anything either. Theories of management don't much matter. Endeavors succeed or fail because of the people involved. Only by attracting the best people will you accomplish great deeds."

Powell may have been chairman of the Joint Chiefs of Staff and done some other cool stuff, but he's never staffed an interim committee of the Montana Legislature (something to which he no doubt aspires). Interim committees may have the best people and may accomplish great deeds, but they also organize and plan like nobody's

business. The Education and Local Government Interim Committee (ELG) met on June 30 to do just that.

Among the agenda items were election of committee leadership and adoption of a work plan for the 2009-2010 interim. Representatives of cities and counties, the Office of Public Instruction, and the Office of the Commissioner of Higher Education gave their perspectives on the 2009 legislative session as well as a look forward to the next several months and what the committee might expect in a variety of policy areas.

The Legislative Council assigned two interim studies to ELG: a study of historic preservation (House Joint Resolution 32) and a study of the establishment of community colleges (Senate Joint Resolution 2). The committee also has a number of statutory duties centered around its role as the Legislature's liaison with the education community and with the state's local governments. The committee may, as time allows, take on additional studies or projects requested by members or suggested by interest groups, agencies, or members of the public.

Passage of HJR 6 and SJR 8 by the 2009 Legislature, while they do not have the force of law, do represent the Legislature's keen interest in K-12 and K-20 shared policy goals and accountability measures. Both resolutions requested that the relevant agencies work with ELG to develop these goals and measures, which will be used by the education community to evaluate its own progress and by the Legislature to guide future funding decisions. These two resolutions may factor significantly in ELG's interim work priorities.

Look for more details about committee leadership and project priorities in the August issue of *The Interim*. In the meantime, the committee's website at [leg.mt.gov/elgic](http://leg.mt.gov/elgic) will be updated with additional information as it becomes available. Leanne Heisel, the lead committee staff, may be reached at (406) 444-3593 or [lheisel@mt.gov](mailto:lheisel@mt.gov).

## Energy & Telecommunications Committee to Revise Energy Policy

The Energy and Telecommunications Interim Committee (ETIC) will hold its first meeting of the interim on July 10, at 9 a.m. in Room 172 of the Capitol. The committee will discuss its interim work plan, elect officers, and begin work

on revising the state's energy policy.

Senate Bill 290, enacted last session, requires the committee to review nine specific topics and revise Montana's energy policy based on those topics. Montana's current policy, as stated in 90-4-1001, MCA, is "to promote energy efficiency, conservation, production, and consumption of a reliable and efficient mix of energy sources that represent the least social, environmental, and economic costs and the greatest long-term benefits to Montana citizens."

Representatives of the Governor's Office will discuss recommendations and goals outlined in the executive's energy policy. The committee will review how the current energy policy was developed.

In 1991, the Montana Legislature, concerned about the effects of the first war in Iraq and uncertainty about energy security and supply, approved House Joint Resolution 31. The resolution directed the Environmental Quality Council (EQC) to develop recommendations for an energy policy and options for implementing the policy. The council worked with the legislative Consumer Counsel and the state Department of Natural Resources and Conservation, which at that time was serving as the state's energy office — much like the role that has now been assumed by the Department of Environmental Quality. HJR 31 listed four areas for policy analysis:

- Montana's potential for energy conservation;
- renewable and nonrenewable sources of energy available to the state;
- existing energy programs in Montana and other states, the region, and the nation; and
- influence of regional and national energy production, consumption, and conservation patterns on Montana.

During the 2-year study, the EQC consulted with government agencies, energy producers and distributors, organizations and citizens with energy expertise, and energy-related task forces and work groups. The EQC developed 12 recommendations including:

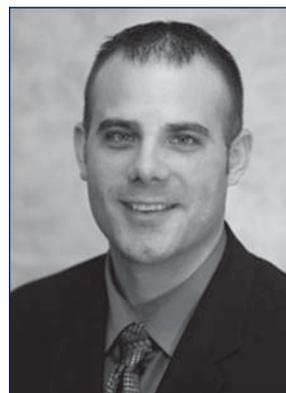
- an energy policy goal statement (90-4-1001, MCA);
- a continuing process for developing energy policy (90-4-1003, MCA, amended by SB 290);

- an energy policy analysis methodology to be used by legislators and others in evaluating the implications of energy-related legislation (terminated in 1995); and
- a specific policy and implementation strategies for increasing the efficiency of Montana residences (50-60-102, 50-60-203, and 50-60-802-803, MCA).

In 1993, the Legislature adopted recommendations on energy policy in Senate Bill 225 (Ch. 242, L. 1993) and on residential energy efficiency in SB 340 (Ch. 383, L. 1993). With the process used to develop an energy policy in the early 1990s as background, the ETIC will decide how best to respond to the mandates of SB 290 and develop recommendations for an up-to-date Montana energy policy.

A meeting agenda and other information about the ETIC is available at [leg.mt.gov/etic](http://leg.mt.gov/etic). For more information, contact Sonja Nowakowski, committee staff, at [snowakowski@mt.gov](mailto:snowakowski@mt.gov) or (406) 444-3078.

## Environmental Quality Council to Focus on Biomass, Fire Suppression



*Rep. Chas Vincent*

The Environmental Quality Council (EQC) will spend most of its time this interim studying biomass and related fire suppression matters. That was the decision of EQC members who met May 28 and 29 in Helena to set work priorities for 2009-2010.

The EQC elected Rep. Chas Vincent, R-Libby, as chair and Sen. Brad Hamlett, D-Cascade, as vice chair.

The EQC also agreed to study:

- recycling and solid-waste recovery in Montana;
- the feasibility of and possible funding sources for providing monetary incentives to landowners who grant public access to their property for tourism and recreational activities;
- how Senate Bill 97 (2009) affects the solvency of the Petroleum Tank Release Fund; and
- the potential for revitalizing Montana's Environmental Public Health Tracking System.

House Joint Resolution 1 required an evaluation of the following:

- the Alternative Energy Revolving Loan Program for biomass;
- Montana biomass feedstock tax incentives;
- the potential use of biomass pilot projects in Montana;
- possible funding alternatives for research and development for the collection, processing, transportation, storage, and distribution of forestry and agriculture residues;
- research of biomass facility emissions and mitigation;
- the Renewable Resource Grant and Loan Program for biomass;
- availability of the forest biomass resources in Montana from a biological, administrative, and economic standpoint; and
- forest biomass balance.

The next meeting of the EQC is scheduled for Sept. 10-11 in Helena. For more information on the council's interim work and an agenda for the next meeting, which will be available two weeks in advance, visit [leg.mt.gov/eqc](http://leg.mt.gov/eqc).

## Legislative Audit Committee Launched Interim June 23

The Legislative Audit Committee met June 23 and reviewed the following audit reports:

### Contract Audits:

- Flathead Valley Community College, 08C-06
- Montana Medical Legal Panel, 08C-01

### Financial Audit:

- Montana Water Pollution Control and State Revolving Fund Programs, 09-25

### Information Systems Audits:

- Computer Disposal Policy Compliance, 09DP-05
- Integrated Revenue Information System (IRIS): Processing of Individual Income and Corporate Tax Records, Dept. of Revenue, 08DP-06
- Payment Card Industry Data Security Standard and Related Controls; The University of MT-Missoula, MT State University-Bozeman, MT State University-Billings, MT Dept. of Transportation, 09DP-02
- Statewide Accounting, Budgeting, and Human Resources System (SABHRS), Dept. of Administration, 09DP-03

### Performance Audits:

- Montana State Fund Corporate Governance Practices, 08P-08
- Upland Game Bird Enhancement Program, Dept. of Fish, Wildlife & Parks, 08P-01

Coverage of the audit reports will be in the next issue of *The Interim*.

Members of the Legislative Audit Committee are Reps. Dee Brown, R-Hungry Horse; Betsy Hands, D-Missoula; Scott Mendenhall, R-Clancy; Carolyn Pease-Lopez, D-Billings; Wayne Stahl, R-Saco; and Bill Wilson, D-Great Falls; and Sens. Greg Barkus, R-Kalispell; John Brenden, R-Scobey; Taylor Brown, R-Huntley; Mike Cooney, D-Helena; Cliff Larsen, D-Missoula; and Mitch Tropila, D-Great Falls.

For more information about the Legislative Audit Committee, contact Tori Hunthausen, Legislative Auditor, Legislative Audit Division, at (406) 444-3122. Or visit the Audit Committee's website at [leg.mt.gov/audit](http://leg.mt.gov/audit) and click on "Audit Committee."

## Legislative Finance Committee to Monitor Stimulus Package

The Legislative Finance Committee (LFC) met for the first time this interim on June 15. Members elected Rep. Llew Jones, R-Conrad, as chair, Sen. Carol Williams, D-Missoula, as vice chair, and Rep. Janna Taylor, R-Dayton, as secretary.



Rep. Llew Jones

The committee discussed elements of its 2009-2010 interim work plan. Besides monitoring the use of federal stimulus money, which is discussed below, the work plan includes:

- **Implementation of Montana Healthy Kids.** The LFC will monitor implementation of Healthy Montana Kids, a voter initiative approved last November (I-155). During the 2009 session, the Legislature provided funding to extend health-care services to 29,200 more children and to raise children's eligibility for CHIP to 250 percent of the federal poverty level

(\$55,125 annually for a family of four) and eligibility for Medicaid to 133 percent of the federal poverty level (\$29,327 for a family of four). To implement the program by Oct. 1, the Department of Public Health and Human Services (DPHHS) has many tasks to complete, including updating its computer system to deal with eligibility, claims payment, and data collection systems.

- Performance Measurement Initiative.** Reps. Janna Taylor, R-Dayton, and Jon Sesso, D-Butte, and Sens. Carol Williams, D-Missoula, and Keith Bales, R-Otter, were appointed to a subcommittee to continue work on the performance measurement initiative that began last interim. The subcommittee will determine areas of focus for this project.
- Revenue Collection Monitoring.** Because of the volatile nature of the economy, the monitoring and expanded reporting of state revenue collection will be an important part of the committee's work plan this interim.
- DPHHS 2013 Budget Reductions.** Last session the Legislature moved more than \$22 million of general fund and \$9 million state special revenue (as well as federal matching funds) into a one-time only appropriation to balance ongoing revenues and ongoing expenditures. The one-time appropriation supports current services administered by the Department of Public Health and Human Services. The department will need to reduce its 2013 biennium present-law base budget request by those amounts. House Bill 676 included a provision requiring the department to develop and implement an interim work plan to identify and evaluate budget reductions for the 2013 biennium budget. The legislation also required the LFC to review the department's study at each meeting.
- Growth of Indirect Cost Assessments.** The Health and Human Services Joint Appropriations Subcommittee recommended that the LFC review growth of indirect cost assessments at DPHHS. The assessments support centralized DPHHS administrative functions as well as the services provided by the Department of Administration. Indirect assessments to some state special revenue funds have exceeded growth rates of 20 percent

annually over the past 6 years.

- Subsidy of Retirees Participating in the State Employee Group Health Insurance Plan.** The General Government Joint Appropriations Subcommittee recommended that the LFC review the subsidy provided to the cost of retirees who elect to continue state employee group health insurance and pay a portion of the health premium. Retiree costs exceed retiree premium income, resulting in a subsidy. The subcommittee asked the LFC to review the matter, including alternative pricing strategies such as tying the amount of subsidy to employee years of service, similar to establishing the level of retirement benefits.

The committee postponed until its next meeting a decision on whether to study the state's student financial assistance system, as proposed in Senate Joint Resolution 9.

For more information about the committee meeting or work plan, contact Clayton Schenck at [cschenck@mt.gov](mailto:cschenck@mt.gov) or any LFD staff member at (406) 444-2986. The agenda and reports for the meeting are available on the Legislative Fiscal Division website at [leg.mt.gov/lfc](http://leg.mt.gov/lfc).

Other topics on the committee's agenda included the following:

**Status of the Implementation of MERLIN.** Larry Fasbender, deputy director of the state Department of Justice, reported on the department's implementation of the Montana Enhanced Registration and Licensing Information Network (MERLIN). He discussed difficulties with implementation and the efforts to correct deficiencies with the new system. Some of the difficulties are related to the volume of transactions, an issue that was not identified during the testing process. Fasbender also highlighted the benefits of the new registration system. For more information, contact Pat Gervais at [pagervais@mt.gov](mailto:pagervais@mt.gov) or (406) 444-1795.

**Information Technology Governance.** Committee staff discussed the LFC's duties for oversight of state information technology (IT) under the Montana Information Technology Act (MITA). Staff described the type of reports that are provided by the state chief information officer and asked the committee about the usefulness of the reports. One report provided by the

CIO is a status report on major IT projects. One project of particular interest to the committee was the Montana Enhanced Registration and Licensing Information Network being implemented by the Department of Justice to replace a system that administers vehicle licensing and registrations.

As mentioned above, the committee received a report on the status of implementing MERLIN. The committee and Dick Clark, the state's chief information officer, discussed MERLIN and the role of the CIO on this and other IT projects. The committee asked the CIO to return with a report that documents an evaluation of IT governance under MITA and that provides recommendations for legislative consideration for making MITA more effective.

Clark told the committee that state governments across the nation share five top IT issues: data and system security; social networking and the impacts on worker productivity; records management; IT system and asset consolidation; and project management. Clark said his office is looking into all of these areas as it develops policies and standards and provides recommendations to the state Information Technology Board and the Legislature. For more information, contact Greg DeWitt at [gcdewitt@mt.gov](mailto:gcdewitt@mt.gov) or (406) 444-5392.

**American Reinvestment and Recovery Act (ARRA) Oversight Subcommittee.** One of the primary roles of the Legislative Finance Committee is to provide oversight of state spending for the Legislature and the people of Montana. At its June meeting, the committee established an oversight subcommittee for House Bill 645, enacted last session. That measure incorporated the provisions of the federal American Recovery and Reinvestment Act for Montana. The goal of the subcommittee is to ensure that the provisions of the legislation are implemented as the Legislature intended, and that the desired outcomes, including a stronger Montana economy, are achieved.

Subcommittee members are Sens. Carol Williams (chair), D-Missoula, and Dave Lewis, R-Helena; and Reps. Cynthia Hiner, D-Deer Lodge, and Janna Taylor, R-Dayton.

The committee will review the governor's first report on HB 645 expenditures, assess project updates and job creation, and determine what other, if any, oversight activities are needed. The subcommittee has scheduled a conference call meeting for July 8 at 9:30 a.m. in Room 102 of the Capitol.

The subcommittee's activities can be tracked on the LFD website at [leg.mt.gov/fiscal](http://leg.mt.gov/fiscal). For additional information, contact Barb Smith at [basmith@mt.gov](mailto:basmith@mt.gov) or (406) 444-5347.

## SAVA to Study State Retirement Systems, Employee Bonus Pay

The State Administration and Veterans' Affairs Interim Committee (SAVA) met June 26 to review, revise, and adopt a work plan for the interim, as well as study plans for the two studies it will undertake during the next 15 months.

House Bill 659 directed the committee to study the state's public employee retirement systems and recommend changes and to redesign the Teachers' Retirement System. House Joint Resolution 35 requested a review of policies and practices governing state employee bonus pay.

Reports and other meeting materials are on the committee's website at [leg.mt.gov/sava](http://leg.mt.gov/sava). Coverage of the June meeting will be in the August issue of *The Interim*. For more information, contact Rachel Weiss, committee staff, at (406) 444-5367 or [rweiss@mt.gov](mailto:rweiss@mt.gov).

## State-Tribal Relations Committee Held First Meeting June 29

The State-Tribal Relations Committee met June 29 to elect officers and set its priorities for the interim. House members of the committee are Frosty Boss Ribs, D-Heart Butte; Scott Reichner, R-Bigfork; Ken Peterson, R-Billings; and David Roundstone, D-Busby. Senate members are John Brueggeman, R-Polson; Rick Laible, R-Darby; Sharon Stewart-Peregoy, D-Crow Agency; and Jonathan Windy Boy, D-Rocky Boy. The agenda included the following presentations:

- Jennifer Perez Cole, coordinator of Indian Affairs, Office of the Governor, discussed the work and priorities of the Office of Indian Affairs over the course of the interim.
- Bill Mercer, U.S. attorney for the District of Montana, discussed state-federal jurisdiction in Indian affairs.
- Andrew Poole, deputy director in the state Department of Commerce, discussed state-tribal economic development programs.

Full coverage of the meeting will appear in next month's issue of *The Interim*. For more information about the committee, contact Casey Barrs, committee staff, at [cbarrs@mt.gov](mailto:cbarrs@mt.gov) or (406) 444-3957. The committee's website is [leg.mt.gov/tribal](http://leg.mt.gov/tribal).

## Water Policy Committee Sets First Meeting July 9

The first meeting of the Water Policy Interim Committee will be Thursday, July 9, at 9 a.m. in Room 172 of the

Capitol.

Members of the committee from the Senate are Debby Barrett, R-Dillon; Bradley Hamlett, D-Cascade; Terry Murphy, R-Cardwell; and Dave Wanzenried, D-Missoula. House members are Russell Bean, R-Augusta; Bill McChesney, D-Miles City; Walter McNutt, R-Sidney; and JP Pomnichowski, D-Bozeman.

For more information about the committee, contact Joe Kolman at (406) 444-9280. Or visit the committee's website at [leg.mt.gov/water](http://leg.mt.gov/water).

## Legislature at a Glance

A Legislative Services Division Perspective

Category	2003	2005	2007	2009
Bill drafts requested	2,207	2,378	2,581	2,369
Bills introduced	1,360	1,411	1,525	1,314
Bills amended at least once	644	652	626	495
Times bills were processed to incorporate amendments	1,193	1,191	1,116	933
Bills enrolled (prepared in form they finally passed the Legislature)	760	704	611	601
Standing and select committees staffed	33	31	30	32
Conference and free conference committees staffed	62	42	48	41
House and Senate computers and printers supported	169	173	140	168
Sets of non-budget amendments initially reviewed by editors (estimate)	3,135	3,300	3,400	2,500
Budget amendments reviewed by editors (estimate)	--	--	500	400
Telephone messages received by Session Information Desk	21,849 one at a time	15,062	12,284 many sent to 12 members at a time	21,221 resulting in 125,000 printed messages
Web messages received by Session Information Desk	58,170	72,595	45,238	73,895
Pay and per diem checks issued to legislators and House and Senate staff	4,418	4,522	4,411	4,452
Hours of House and Senate floor sessions and committee hearings broadcast	1,200	2,000	2,100	2,300
TVMT channels	1 full-time 7 part-time	1 full-time 3 part-time	26 full-time	46 full-time
Pages (impressions) of bills printed	8,184,347	7,713,000	6,588,269	4,925,584
Years of compensatory time accumulated by Legislative Services Division staff since October 2008 (based on 2,080 hours a year)	4.18	3.16	3.58	3.45

## The Back Page

## Hard Times for Rural Education in Montana

**By Casey Barrs, Legislative Research Analyst  
Legislative Services Division**

Montana is going to look a lot different in the not-too-distant future: it will be older and more urban and its growth will slow. If projections hold, by 2030 the state's population will be the fourth oldest in the country. Birth rates will fall and death rates will rise. This "combined with future expectations of net migration translates into steadily falling rates of population growth in Montana."<sup>1</sup> The state's work force will likely shrink, and it will be more city-based. It will have to adapt to changing economic realities. Cities in Montana have become the setting, if not the engines, of economic growth, diversification, and advancement. They are growing centers of education. The greatest growth and prosperity will center and expand in the cities.<sup>2</sup> These trends may have a significant effect on education in rural Montana.

These demographic changes may portend a structural deficit or imbalance in future state budgets. In a memorandum to a joint subcommittee of the Legislative Finance Committee and the Revenue and Transportation Interim Committee, Terry Johnson, Legislative Fiscal Division, indicated "the potential for a financial crisis" given the "severity of Montana's changing demographics," in which the portion of retirees in the population will likely grow from 13 to 26 percent by 2030.<sup>3</sup> This foretells a declining tax base that will affect the state's revenue, with implications for education and all other sectors that we have not yet fully come to terms with.

In terms of rural K-12 education, the aging population and growing urbanization of the state exacerbates the problem of declining enrollment in our more remote school districts. Montana's legislative committees have grappled with the scale of economy, scope of geography, and shift of demographics that remote schools face. And in the view of many, the problems are worsening.

1 Dr. Larry Swanson, *Key Trends in Growth and Change in Montana*, O'Conner Center for the Rocky Mountain West, University of Montana, Missoula, Montana, December 2007, p. 29.

2 Ibid, p. 2

3 Terry W. Johnson, *Interim Study Recommendation: Montana's Changing Demographics*, Legislative Fiscal Division memorandum, Helena, Montana, June 25, 2008, p. 2.

Enrollment is still a key element in K-12 funding. When it declines, so do state funds.

On the spending side of the funding equation, significant new funding has been provided to Montana's K-12 schools in the past five years. Whether the increased funding has benefitted urban and rural school districts evenly is an open question. And whether the funding will ebb as quickly as it flowed (much of it was one-time-only funding) is another. There are no special budgetary adjustments available for small school districts built into

*"... the aging population and growing urbanization of the state exacerbates the problem of declining enrollment in our more remote school districts."*

the state's school funding formula. A review of five neighboring states found that each has weighted criteria in its spending formula that provide extra funds for schools falling below a given number of grades or students or beyond a given number of miles of isolation. The purpose of this type of funding is to achieve an adequate level of funding for teachers in hard-to-recruit locations. In Montana, a state where there is no minimum requirement for school district size, this issue is not going to go away. As District Court Judge Jeffrey Sherlock noted in a recent opinion (one ending a lawsuit against the state which argued that education funding is inadequate), "increasing salaries for rural and isolated districts would have a noticeable impact on recruitment and retention problems."

On the savings side of the funding equation is the recurrent question of school district administrative efficiencies. That topic was examined by the Education and Local Government (ELG) Interim Committee in 2008. Can the pressures brought about by demographic and financial constraints be alleviated by increased efficiencies? The perennial question led in familiar directions: consolidate school districts, consolidate functions, and ensure administrative best practices. Although there have been a number of school consolidations over the past

eight years, it is almost always a choice of last resort. Meanwhile, consolidating school functions — through cooperative services, purchasing arrangements, multi-tasking professional positions, and the like — is something that has been happening for a long time. The ELG did not make any recommendations in these areas.

It is unclear whether changes in the spending or savings side of the school funding equation are of a scale that can keep pace with the demographic and economic changes that K-12 education in Montana's rural areas is now experiencing.

In terms of rural post-secondary education, one of the more significant legislative initiatives last session was the passage of House Bill 459, which created a "virtual academy" for statewide distance learning. On the other

*"The value of face-to-face instruction is recognized, but given their costs buildings — especially proposed new ones — tend to fare poorly in comparison with cyber instruction."*

hand, Senate Joint Resolution 12, which would have approved a community college in the Bitterroot Valley, did not move forward. While on the surface the two bills had nothing to do with each other, the discussion of each frequently brought out the advantages of distance learning and the advantages of bricks-and-mortar education. Distance learning often is equated with "the future." The value of face-to-face instruction is recognized, but given their costs buildings — especially proposed new ones — tend to fare poorly in comparison with cyber instruction.

It would be a simplistic and false dichotomy to say bricks-and-mortar educational facilities are in conflict with the promotion of distance learning. In the case of the proposed Bitterroot Valley Community College (BVCC), there were many other mitigating factors in the ultimate decision of the Board of Regents and the Senate Education Committee not to approve it. For example, an argument was made that the campuses in Missoula are close enough for valley residents to attend. And the advantages of distance learning were among the recurring themes discussed during the debate over the BVCC.

As the deputy commissioner for Two-Year Education said, "with all the potential that 21st-century technologies . . . bring to higher education, duplicating programs and services through the infrastructure-intensive addition of a new college is unnecessary and unwise."<sup>4</sup> She also said that, "In the current financial uncertainty, concerns about the impacts of a new community college on local and state resources, now and in the future, deserve consideration. The efforts of higher education to develop 21st century solutions to cutting costs in higher education . . . have merit."

Proponents of establishing the BVCC argued that online, interactive video and hybrid delivery methods cannot adequately meet the needs of the valley's rural population for quality postsecondary education and job retraining. About 3 percent of the valley population derives its earnings from farming, forestry, and logging. That's down from 19 percent in 1970 and from even higher percentages before that. Area residents have been trying to develop educational programs and retraining to smooth the transition from their traditional economic base.

If the decision not to approve the BVCC is at all indicative, then the outlook for community colleges may not be good. Proponents of community colleges would argue that these institutions are the educational and, to some degree, economic lifelines of rural Montana. Both the Board of Regents and the Senate Education Committee recognized the needs and lauded the aspirations of the Bitterroot residents for wanting to establish a community college. However, they noted that the decision was not just about one valley but about an entire state with education resources stretched very thin. It was for them an unenviable position of robbing Peter to pay Paul.

There will be many more such hard decisions in trying to resolve the issues of K-12 and postsecondary education in rural Montana.

<sup>4</sup> Mary Sheehy-Moe, *Authorize a New Community College? Points to Consider*, Montana University System, handout to the Senate Education Committee, Helena, Montana, Feb. 16, 2009.

All interim committee meetings are held in the Capitol in Helena unless otherwise noted.

## July 2009

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1 Revenue & Transportation Committee, 9 a.m., Room 137	2	3	4
5	6	7	8 Economic Affairs Committee, 11 a.m., Room 137  LFC ARRA Subcommittee (teleconference), 9:30 a.m., Room 102	9 Water Policy Committee, 9 a.m., Room 172	10 Energy & Telecomm Committee, 9 a.m., Room 172	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

## August 2009

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3 Law & Justice Committee, 10 a.m., Room 102	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20 Legislative Council, time & room TBA	21 Legislative Council, time & room TBA	22
23	24	25	26	27	28	29
30	31					

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