

**MINUTES**  
**PEPB/BOR Subcommittee Meeting**  
**Thursday, October 6, 2005**  
**Capitol Building**  
**Hearing Room 317**  
**Helena, MT**  
**9:00 a.m.**

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document**

**Attending:**

Representative Kathleen Galvin-Halcro, PEPB Chairman  
Senator Robert Story, PEPB Vice-Chairman  
Representative Elsie Arntzen  
Representative Robin Hamilton  
Representative Mark Noennig  
Regent Mike Foster  
Regent Mark Semmens  
Eddy McClure, Esq., Legislative Services Division  
Alan Peura, Legislative Fiscal Division  
Cassie Rice-Wetzel, Secretary

Senator Bob Hawks and Representative Jeff Mangan were excused.

**Also present:**

Jan Lombardi, Office of the Governor  
Sheila Stearns, Commissioner of Higher Education

**Visitor's List**

Attachment #1.

**Call to Order**

**Representative Galvin-Halcro** called the meeting to order on Thursday, October 6, 2005 at 9:00 a.m. The secretary noted the roll (Attachment #2).

***Tape 1; Side A***

**Review of Subcommittee Member Binders**

**Alan Peura, Legislative Fiscal Division (LFD)** reviewed the subcommittee member binders. He stated that the Membership List is under the first tab and is current (Exhibit #1). He said that the Statutory Authority of PEPB (MCA 5-5-224) is in the subcommittee member

binders under the PEPB Authority tab (Exhibit #2). Alan noted that a new agenda was issued (Exhibit #3). He explained that the rest of the binder is background and general information that will be helpful as reference documents. Alan listed the new handouts that the members received at the beginning of the meeting: Campus Quality Reports (Exhibit #4), Cost of Education/Allocation Model Revision Memorandum (Exhibit #5), Strategic Goals and Objective for the Montana University System (Exhibit #6), and Discussion and Prioritization of Work Plan Items for Action (Exhibit #7).

### **Brief Overview of Proposed PEPB Workplan Items**

**Alan Peura** read over and briefly talked about each of the 6 bullet points listed on the PEPB Subcommittee Potential Study Issues 2007 Biennium sheet (Exhibit #8). Alan also read over page two of Exhibit #8, which is a Potential Study Issues 2007 Biennium list prepared and submitted by PEPB member Senator Hawks because he was unable to attend.

### **Introduction to MUS/OCHE Budget and Structure**

**Alan Peura** referred to the Postsecondary Education Budget and Policy Committee Staff Presentation (Exhibit #9) as an outline for his presentation. Alan explained these major points:

- the Montana University System (MUS) organizational structure (Exhibit #10)
- the Montana University System (MUS) budget structure

There was discussion on the Current Unrestricted Fund.

**Chair Galvin-Halcro** made the clarification that the six mill levy revenue component of the 39 percent funding of Current Unrestricted Fund, is not only in the communities that have a unit of the university system, but rather statewide.

**Vice-Chair Story** commented that when the six mill levy is budgeted, it is budgeted on the estimate. He asked what happened to the money, if the estimate was not accurate.

**Alan Peura** explained that if the levy brings in less than estimated, that's all the university system gets. There is no requirement that the state make up the difference. If the levy brings in more than the estimated amount, then there is a fund balance at the end of that year. It would roll over for the legislature to look at in the next session.

- the state funding budget structure for MUS

**Commissioner Stearns** commented that some of the programs, while they are approved in HB 2, are not all from current unrestricted. They might be from state special revenue or federal funds. The funding needs the approval of the legislature but is not funded from state dollars.

- the formulas that drive state funding levels for MUS

**Vice-Chair Story** asked if the cost of education in the formula was defined and who determines what is included in the cost.

**Alan Peura** explained that the Legislative Finance Committee (LFC) has asked Alan to do a funding study to look at the cost of education in the community colleges. How it has functioned historically, was in 1981 when the Legislative Fiscal Division (LFD) did a study and took 1979 actuals and divided that current unrestricted fund, the basic costs of education, by the number of community college students, and decided that was the cost of education. Every year subsequent to that, the legislature has updated it with some inflation indexes, and some budget contingencies.

**Representative Noennig** asked about the percentages and what was included in the cost of education.

**Alan Peura** said that the cost of education for community colleges does not include residence halls, food services, etc. It includes the basic components to provide education and instruction.

***Tape 1; Side B***

**Chair Galvin-Halcro** said that the way the formula is written, the percent is always decreasing, other than the executive wanting the 80 percent for present law adjustments this time. She asked Alan how to fix the problem of the continual decrease.

**Alan Peura** said that project number two in the committee's work plan suggests the formula be looked at.

Discussion about the formula percentages followed.

**Vice-Chair Story** asked if the base year in the highlighted formula included state money and tuition.

**Alan Peura** said that base year is the amount of general fund and six mill levy in the educational units. It is not tuition or other contract money.

- the state budget building process for the MUS

**Vice-Chair Story** asked what the new present law would be when the new budget is constructed.

**Alan Peura** answered that the executive would start by setting budget levels, the LFD analyzes their decision, and the legislature considers it.

- potential role for PEPB in the state budget process going forward

Discussion about the constitutional responsibility of the legislature and the appropriation power of the money budgeted followed.

**Pam Joehler, Commissioner's Office** commented that HB 2 includes language that appropriates appropriation authority to all other funds subject to approval by the Board of Regents of the operating budget by October 1<sup>st</sup> of each year.

**Regent Semmens** said he believes that the PEPB subcommittee's focus ends up being on four different areas:

- current unrestricted funding for the educational units
- appropriations to the affiliated agencies and services that don't have any tuition support
- building related issues
- pay plan

**Regent Foster** added that it is important for the legislature to understand that when the budget situation is reviewed, the numbers indicate what is required to run a high quality system. Depending on the legislative funding level, tuition will have to be raised because of the amount of money needed to run a quality system.

### **Economic Development Shared Leadership Project**

**Commissioner Stearns** passed out packets to the committee members. The first handout listed the enclosures of the packets and also issues to consider in setting PEPB Subcommittee priorities and work plan. (Exhibit #11) She presented the Agreement Between the Joint Subcommittee on Postsecondary Education Policy and Budget and the Montana Board of Regents for Accountability Reporting policy goals and accountability measures approved on July 9, 2002. (Exhibit #12) Commissioner Stearns suggested that the subcommittee members consider the policy goals listed in the handout (Exhibit #12) when discussing the work plan. Commissioner Stearns briefly talked about the Montana Board of Regents' Accountability Report on the Montana University System to the 59<sup>th</sup> Legislature, dated January 21, 2005. (Exhibit #13) She introduced the Shared Leadership Update, September 2005 (Exhibit #14) and a handout explaining shared leadership. (Exhibit #15)

### ***Tape 2; Side A***

Commissioner Stearns summarized the three goals on the Strategic Goals and Objective for the University System Draft handout. (Exhibit #16) She mentioned the summary handout titled, Reporting Metric Expenditures per Student, could be used as a reference in the committee's later discussion (Exhibit #17) along with the History of Montana University System Priorities Since the 57<sup>th</sup> Legislature handout. (Exhibit #18)

**Regent Foster** passed out Montana Invests, Building a Better Montana through Shared Leadership. (Exhibit #19)

### **Subcommittee Discussion about Workplan Items**

**Chair Galvin-Halcro** read over work items one through six (Exhibit #8) and warned that item numbers one and two were very large and probably something that this committee couldn't handle doing at the same time when prioritizing.

**Regent Semmens** talked about the work done and decisions made by the last two PEPB Subcommittees. He suggested that PEPB Subcommittee explore possible alternatives to how the state funds higher education rather than continuing to study accountability or policy.

**Regent Foster** stressed the importance of shared leadership when making decisions about what direction to proceed in. He thinks that the two year institutions are key to the future success of work force development and therefore, economic development in Montana. Regent Foster said the problems with the two year institutions are affordability and the percentage of people in Montana who access Montana's two year system. Regent Foster referred to the study titled Montana Business Recruiting Experiences and Worker Preparation by Dr. Paul Polzin prepared for the Montana Board of Regents. (Exhibit #20) (Copies were later distributed by Alan Peura.) He also suggested that every member receive a copy of the most recent report on how level of education correlates with income in Montana.

**Jan Lombardi, Governor's Office** presented Your Guide, Montana's Certificate and Associate Degree Programs 2005-2006 (Exhibit #21) and suggested that the members of the PEPB subcommittee receive one to use as a reference.

Discussion about negotiations between the legislature and the Board of Regents and incentive funding followed.

**Alan Peura** referred the committee to the report Performance Indicators in the Montana University System (Exhibit #22) as an example of how incentive based funding in HB 2 could occur, based on accountability measures.

### ***Tape 2; Side B***

**Regent Semmens** talked about three different parts of higher education funding. They were base funding, some incentive funding, and new initiatives that are consistent with policy goals.

**Commissioner Stearns** agreed with Regent Semmens.

### **UM Affordability Program (MPACT) Presentation**

**President George Dennison, University of Montana** handed out copies of his PowerPoint presentation to the subcommittee. (Exhibit #23) He presented the committee with statistics and challenges that the university faces in providing more affordable education to modest income level Montana high school graduates. President Dennison explained the eligibility guidelines for financial aid that students would have to meet to receive benefits and gave some examples. He said that combining federal grants, state funds, and some additional funds would make higher education more affordable for some median and lower income families in Montana.

Discussion about the UM Affordability Program followed.

### ***Tape 3; Side A***

### **Public Comment**

None.

**Chair Galvin-Halcro** asked Alan Peura to go over Senator Hawks' Discussion and Prioritization of Work Plan Items for Action (Exhibit #8).

**Alan Peura** briefly went over Senator Hawks' thoughts regarding the proposed work plan projects.

Discussion followed.

**Motion: Regent Semmens** moved to vote on a hybrid of projects one and two of the Postsecondary Education Policy and Budget Subcommittee Potential Study Issues 2007 Biennium (Exhibit #8). Specifically, it was moved that the PEPB subcommittee consider the first three items under project number one essentially completed in the form of various shared policy documents. Therefore, staff is charged with synthesizing these into a single document and agreement for PEPB subcommittee final consideration in December. In addition, the PEPB work plan will include the fourth bullet under project number one together with project number two.

**Vote:** A roll call vote was taken. The motion passed unanimously. (Attachment #3)

**Motion: Vice-Chair Story** moved to adopt project numbers three through six of the Postsecondary Education Policy and Budget Subcommittee Potential Study Issues 2007 Biennium (Exhibit #9) with no specific time line.

**Vote:** A roll call vote was taken. The motion passed unanimously. (Attachment #4)

### **Appoint Lead and Create Timeline/Action Plan for Each Item**

**Alan Peura** requested that committee members each express his/her particular interests in a priority project so that he has someone to work with in the interim, to keep things on track.

**Chair Galvin-Halcro** responded by saying that Alan could be in contact with Vice-Chair Story and herself.

### ***Tape 3; Side B***

### **Discuss Meetings Calendar and Potential Locations**

**Chair Galvin-Halcro** mentioned that the next PEPB meeting is scheduled for Thursday, December 1, 2005. There was some discussion about possibly meeting at the same location where the Board of Regents meets so that PEPB Subcommittee members could attend those Board of Regents meetings.

**Alan Peura** said that the university system has requested that the PEPB meetings be located on the universities to give legislators an opportunity to have linkage with the system during the interim. The universities would set up opportunities to see some cutting edge projects, programs, research, student activities, etc. The university system offered to host both the one and two day meetings, if it's the committee's preference to choose a couple of the campuses across the state and meet on those campuses.

**Commissioner Stearns** would like at least a half-day joint meeting with the Board of Regents to be scheduled.

**Regent Foster** agreed with Commissioner Stearns. He suggested that the half-day meeting be scheduled earlier in the week during the three day Regent meetings.

**Chair Galvin-Halcro** asked if this discussion could be postponed and that the February meeting is subject to change. The meeting dates and locations could be made at the December meeting.

**Request of Staff**

**Vice-Chair Story** requested a brief history of state share changing in the budget and what is going on with the university budgets in size and in share to have as a reference point.

**Adjournment**

Meeting was adjourned at 4:30 p.m.

---

*Approved by the Postsecondary Education Policy and Budget Subcommittee on*

---

*(Date)*

---

*Representative Kathleen Galvin-Halcro, Chairman*