



# Joint Committee On Postsecondary Education Policy and Budget

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

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

**SENATE MEMBERS**  
BOB STORY, VICE CHAIRMAN  
BOB HAWKS  
JEFF MANGAN

**HOUSE MEMBERS**  
KATHLEEN GALVIN-HALCRO, CHAIRMAN  
ELSIE ARNTZEN  
ROBIN HAMILTON  
MARK NOENNIG

**APPOINTED MEMBERS**  
STEPHEN BARRETT  
MARK SEMMENS

### MINUTES

#### PEPB Subcommittee Meeting

Thursday and Friday  
August 17 and 18, 2006  
Capitol Building  
Hearing Room 172  
Helena, MT

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Fiscal 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  
Senator Bob Hawks  
Representative Elsie Arntzen  
Representative Robin Hamilton  
Representative Mark Noennig  
Regent Stephen Barrett  
Regent Mark Semmens  
Eddy McClure, Legislative Attorney, Legislative Services Division  
Alan Peura, Fiscal Analyst, Legislative Fiscal Division  
Cassie Rice-Wetzel, Secretary, Legislative Fiscal Division

Senator Jeff Mangan was absent.

#### **Also present:**

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

**Visitor's List**  
Attachment #1

**Call to Order**

The meeting of the Joint Committee on Postsecondary Education and Budget (PEPB) was called to order by **Representative Galvin-Halcro, PEPB Chair**, on Thursday, August 17, at 8:10 a.m. in room 172 of the State Capitol Building. The secretary noted the roll. (Attachment #2)

**Review and Approve Meeting Minutes Tape 1A, 001**

**MOTION: Senator Hawks** moved that the minutes of the June 12, 2006 meeting be adopted.

**VOTE:** Motion carried unanimously. *Tape 1A, 004*

**Alternative State Budget Formulas for MUS Tape 1A, 007**

**Alan Peura, Fiscal Analyst, Legislative Fiscal Division** presented three reports, State Percent Funding Formula for the University Educational Units (Exhibit #1), Historical Funding – Educational Units Only – Updated (Exhibit #2), and Addendum to: Alternative State Funding Models for Higher Education (Exhibit #3). He referred to the Historical Funding spreadsheet (Exhibit #2) to show the decline in the state percent share since FY 1988. Mr. Peura used the illustration on page three of Exhibit #1 to show the three drivers that are pushing the state percentage share downward without a clear public policy decision. Those drivers are: differences in present law definitions between the Montana University System (MUS) and state government, student enrollment growth that exceeds budget projections, and tuition rate increases. To stop the downward trend, the legislature may want to consider alternate state funding models or formulas that include a specific public policy decision about where the state percent share should be.

**Regent Semmens** said that maintaining current services and keeping the same level of quality is what determines tuition rate increases. He doesn't believe that there has been enough public policy thought on the issue of the state percent share of tuition. Regent Semmens said there is a difference in what the Regents and the MUS define as present law and what the state defines it to be. This creates a funding gap. He said that the MUS does a good job of estimating enrollment,

but that the formula is one-sided. If the actual enrollment exceeds what was projected, the MUS has to find the money to fund that. But if the projection exceeds the actual enrollment, the MUS has to revert the money back to the state. He thinks that it is a matter of public policy on how much the state wants to fund the MUS, whether they do it by changing the formula or by adjusting the present law definitions.

**Regent Barrett** reminded everyone that it is a critical decision and said that in seven biennia the state percent share will be at 0 percent. He said that a conscious public policy decision needs to be made.

**Mr. Peura, LFD** reviewed the Addendum to: Alternative State Funding Models for Higher Education (Exhibit #3). He went over some other states' education funding models and the tables explaining how they work. The last page of the report mapped out the potential decision options for the subcommittee. It included discussing a package of changes to the funding model for the 2009 biennium with the Office of Budget and Program Planning (OBPP), recommending a pilot implementation of an alternative funding model to the OBPP for a specific component of the higher education budget, requesting a bill draft for a comprehensive funding study during the 2007-2008 interim, or do nothing at this time on alternative funding models for the MUS.

Discussion about how the MUS is currently funded followed.

#### **Update on Present Law Budget for University System *Tape 1B, 062***

**Mark Bruno, Executive Budget Analyst, Office Budget and Program Planning**, said that the executive's number one initiative for the MUS is to cap tuition at 5 percent annual increase for four-year-schools and 0 percent annual increase for two-year-schools, in order to keep tuition more affordable for students. He said there is an ongoing discussion about present law costs between the Governor's office and the MUS in order to come to an agreement on what is factored into those costs. The goal is to establish what the present law budget will be for the 2009 biennium to keep tuition affordable. The discussion has been focused on the expenditures but funding of those expenditures will be talked about later. The policy issues that have been

looked at are the inflation rate, pay plan, vacancy savings, termination costs, enrollment, fee waivers, and new space.

**Regent Semmens** thanked Mark Bruno, Amy Carlson, and their staff for engaging in dialogue between the Governor's office and the MUS.

**Representative Noennig and Senator Hawks** both said that the legislature needs to be more informed about the MUS's present law adjustments.

**Mr. Bruno, OBPP**, commented that there needs to be equality among state agencies, including the MUS.

#### **Update on the Budget Tape 1B, 260**

**David Ewer, Director, Office of Budget and Program Planning**, handed out copies of the letter to Governor Brian Schweitzer from the Education and Local Government Interim Committee, regarding proposed budget decision packages for the MUS (Exhibit #4). He thinks that the legislature, the Board of Regents, and the Governor's office should agree to a tuition ceiling and link that to a dollar amount. Director Ewer explained that the priorities of the Governor's office are keeping tuition more affordable for all students (DP #1 of Exhibit #4), completion of a comprehensive plan that coordinates all student financial aid components to improve affordability (DP #2 of Exhibit #4), the Governor's Scholarship Program, the cash component of infrastructure, and the bonding structure for government including higher education.

Discussion about the priorities followed.

#### **Report and Discussion of Legal Memorandum Tape 2A, 077**

**Eddy McClure, Legislative Attorney, Legislative Services Division**, explained the report titled The Structure of Higher Education in Montana: Meandering the Murky Line (Exhibit #5). The report was a brief overview of the history of the Board of Regents, legislative appropriation power, and the pertinent legal issues related to those constitutional powers.

Discussion about House Bill 2 (HB 2) and legislative appropriation power followed.

**Representative Galvin-Halcro** asked Mr. Peura to present a timeline and history of how the PEPB subcommittee got to this point in the process with accountability measures and the concept of the HB 2 “companion bill”.

**Mr. Peura, LFD**, handed out a report of the Chronology of Accountability Measures Project and Companion Bill to HB 2 (Exhibit #6). He provided a brief review of the subcommittee’s proceedings, decisions, documents, and communications.

**Regent Semmens** said that he thought the committee had agreed to focus on funding models and how to better fund higher education.

**Work Group to Complete MUS Budget Initiatives *Tape 2A, 550***

**Senator Hawks** referred to the Budget Initiatives Work Group – Proposed Decision Package Language for 2009 (Exhibit #7) and went over Initiative DP #5: Improve Indian Education for All.

**Jan Lombardi, Education Policy Advisor, Office of the Governor**, commented that the Governor had disapproved of DP #5 and is focused on Indian Education for All at the K-12 level.

**Senator Story** suggested that because the Governor didn’t approve of the DP’s, no action should be taken on them.

**Ms. McClure, LSD**, explained that there is a constitutional provision within the education section, regarding Indian Education for All and that the Board of Regents are responsible to implement the constitution.

**Regent Semmens** said that when the PEPB took action on the DP’s in the last meeting, he had understood that they were an endorsement of contingency funding. Contingency funding meaning that the MUS would report back to the legislature on the progress of each program that

was funded, instead of the funding being contingent on the MUS achieving specific goals laid out by the legislature.

**MOTION: Senator Hawks** moved approval of initiative DP #5: Improve Indian Education for All (Exhibit #7).

**Regent Semmens** asked Senator Hawks if his motion meant that the MUS would be reporting back to the legislature on the progress of Indian Education for All after they are given funding, or if the DP included a contingency mechanism.

**Senator Hawks** said that his intention was to move DP #5 as it stands and the implementation tools would be a separate element.

**Mr. Peura, LFD**, explained that approving DP #5 as it stands, would list a second year contingency and would implement accountability measures by using a companion bill instead of putting it into HB 2.

**AMENDED MOTION: Senator Hawks** moved approval of initiative DP #5: Improve Indian Education for All (Exhibit #7), removing the FY 2009 contingency but requesting that there be a report submitted to document the progress of the MUS in achieving the specific goals laid out by the legislature and listed in Exhibit #7.

**ROLE CALL VOTE:** The motion carried with 5 voting yes and 1 voting no. (Attachment #3)

**Regent Barrett** commented that the format of DP #6B is how he'd like to see all of them done.

**Regent Semmens** said that if the development of a program is funded but the standards that the legislature laid out are not achieved in a two year period, the funding of that program does not continue. There will still be students enrolled in those programs and the only way to fund it will be by raising tuition.

**Sheila Stearns, Commissioner, Office of the Commissioner of Higher Education (OCHE),** agreed and said it would be hard to recruit students and faculty for a program that may not be funded in the next biennium.

**Ms. Lombardi, Office of the Governor,** said that the Governor's office has disapproved of the entire DP #6, Healthcare Worker Education.

**MOTION: Senator Hawks** moved approval of DP #6-B, Healthcare Worker Education (Exhibit #7).

**ROLE CALL VOTE:** The motion carried. (Attachment #4)

**Mr. Peura, LFD,** explained the details and origin of DP #7, One-Time-Only Investments in Infrastructure and Program Development (Exhibit #7).

**Mr. Bruno, OBPP,** said that the deferred maintenance for the community colleges was disapproved by the Governor but the one-time-only money for MUS Equipment and Technology was opened up to the community colleges.

**Senator Story** asked what the MUS spends on equipment and technology.

**Mick Robinson, Associate Commissioner of Finance and Budget** responded by saying that he did not have a figure but could get one by the next morning to present to the committee.

**Senator Story** commented that he understood that equipment and technology was already in the ongoing budget and that DP #7 is supplemental to that.

**Commissioner Stearns, OCHE,** said that equipment and technology is in the ongoing budget but that upgrades need to be made to outdated equipment.

**Senator Story** said that equipment and technology is always under funded in the MUS and it needs to be addressed by ongoing funding.

**MOTION: Senator Hawks** moved to approve DP #7, One-Time-Only in Infrastructure and Program Development (Exhibit #7).

**ROLL CALL VOTE:** The motion carried unanimously. (Attachment #5)

**HB 2 Companion Bill Discussion *Tape 2B, 680***

**Ms. McClure, LSD,** explained what companion bills are and how they work. She explained that the purpose of a companion bill is to eliminate illegal language from HB 2 and to ask the agencies to report back to the legislature after they are given funding. She presented an example companion bill to the subcommittee (Exhibit #8).

**Regent Semmens** said that a companion bill should be used to clarify what the legislature would like the MUS to achieve with the funding, rather than saying that the MUS has to achieve certain goals in order to receive more funding in the next biennium.

**Mr. Peura, LFD,** explained that there are three different mechanisms in the drafted companion bill (exhibit #8)

- To empower some interim committees to change one-time-only to ongoing funding if the goals laid out are met.
- To give interim committees the ability to release contingency appropriations for year two.
- To request the MUS to report and set the reporting requirements.

More discussion about companion bills followed. The subcommittee charged staff to prepare a report to the Education and Local Government Committee (ELG) to reflect this discussion and the opinions of the PEPB about the various companion bill mechanisms.

**Senator Hawks** said that it would be important to record that there is an agreement between the legislature and the Board of Regents saying that to apply accountability measures to funding of the MUS is a reasonable thing to do.

**Discussion/Update on the MUS Six Mill Levy Tape 3A, 280**

**Ms. McClure, LSD**, explained the Six-Mill Levy Decision Pathway Chart (Exhibit #9). She then talked about current law (Exhibit #10) and an unofficial bill draft regarding the six mills (Exhibit #11). The new bill would correct unlawful ballot language and put the six mill levy on the ballot for the public to vote on in the general election.

The committee decided to move the six mill levy bill draft to the full Education and Local Government as a recommendation for a committee bill.

**Ms. Lombardi, Office of the Governor**, briefly talked about a report that the Governor's budget office had written about the relationship between researcher's and unrestricted funds. She said that staff researchers' salaries cost about \$2.5 million a year. (Copies of the report were not presented to the committee.)

**Representative Galvin-Halcro** changed the meeting time to from 8:00 a.m. to 8:30 a.m. on Friday, August 18, 2006.

**Recess Tape 3A,381**

12:05 p.m.

**Friday, August 18, 2006**

**Attending:**

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

Senator Jeff Mangan was absent and Regent Stephen Barrett was excused.

**Also present:**

Mark Bruno, Executive Budget Analyst, OBPP  
Sheila Stearns, Commissioner of Higher Education, OCHE

**Visitor's List**

Attachment #6

**Call to Order *Tape 3A, 387***

The meeting of the Joint Committee on Postsecondary Education and Budget (PEPB) reconvened on Friday, August 18 at 8:35 a.m. and was called to order by **Representative Galvin-Halcro, PEPB Chair** in room 172 of the State Capitol Building. The secretary noted the roll. (Attachment #7)

**Regent Semmens** commented that no action had been taken on the Alternative State Budget Formulas for the MUS (Exhibit #3).

Discussion about how the MUS is funded and alternative models for funding higher education followed.

**MOTION: Regent Semmens** moved to recommend that the current funding formula be used for the next biennium but set a goal that the state fund the MUS at 40 percent state share rather than the current 38 percent. Also recommending there be more discussion between the Governor's Office, the legislature, and the Board of Regents about present law adjustments.

Discussion of the motion followed.

**Regent Semmens** amended his motion and removed the specified 40 percent state funding and added that the subcommittee endorses a state share increase.

**VOTE:** The motion carried unanimously.

**Funding Model Update *Tape 3B, 104***

**Mick Robinson, Associate Commissioner of Finance and Budget, OCHE,** handed out and discussed a report titled MUS Budget Allocation Issues (Exhibit #12). The report compared the MUS costs and funding to peer campuses provided by the National Center for Higher Education Management Systems. He suggested that the MUS be funded using more policy decisions rather than using a mathematical formula only.

Discussion about the report (Exhibit #12) and long term objections for funding of the MUS followed.

**Governor's Postsecondary Scholarship Program *Tape 4A, 265***

**Bruce Marks, Director of the Montana Guaranteed Student Loan Program, OCHE,** presented the Governor's Postsecondary Scholarship Program, First Annual Report (Exhibit #13) and the Montana Governor's Postsecondary Scholarship Brochure (Exhibit #14).

Discussion about the annual report (Exhibit #13) followed.

**Long Range Building Program Tape 4A, 449**

**Associate Commissioner Robinson, OCHE**, handed out went over the Approval of Project Priority List, Long Range Building Program MUS (Exhibit #15), as it was included in the Board of Regents action.

**MUS Strategic Plan 2010 & Linkage with Shared Leadership Tape 4A, 515**

**Commissioner Stearns, OCHE**, briefly discussed the Montana Board of Regents, 2006-2010 Strategic Plan, June 2006 (Exhibit #16) and The Education Pipeline (Exhibit #17).

Discussion about the charts and tables in The Education Pipeline (Exhibit #17) followed. **Tyler Trevor, Director of Institutional Research and Data, OCHE**, answered questions.

**Senator Hawks** commented that Montana may not be preparing students for college and/or not identifying the students that are capable of going to college, even though they don't think they have the ability to go.

**Representative Hamilton** suggested that the rural nature of Montana and location of the universities has a great deal to do with Montana high school graduates attending college.

**Commissioner Stearns, OCHE**, introduced Renee Dubay 24-year Director for Partnerships for Access, including Talent Search, to attract federal grants for rural and low income areas of Montana. The Commissioner thanked her for her hard work in helping Montana high school students enroll in postsecondary education.

**Mr. Peura, LFD**, distributed and discussed the Community College Funding Study: Decision Points (Exhibit #18) prepared at the request of the Legislative Finance Committee, just as an informational report. He also handed out and explained the unofficial bill draft, LC0179 (Exhibit #19). The bill draft defines the community colleges' funding model.

**Comments by Montana Community College Presidents *Tape 4B, 263***

**Jane Karas, President of Flathead Valley Community College**, talked briefly about the programs and some of the things going on at the Montana community colleges.

**Stefani Hicswa, President of Miles Community College**, commented on the role that community colleges play in helping rural Montanans gain access to higher education. She also talked about the community colleges role as a stepping stone to the Montana universities.

**Dr. Jim Cargill, President of Dawson Community College**, talked about the role that community colleges play in the economic development of Montana.

**Regent Semmens** asked President Karas the following questions:

- How are community colleges coordinating and communicating more effectively?
- What else could be done to continue to improve what the community colleges are doing?
- What else could be done to better communicate with people in Montana as to why a two year education is important?

**President Karas** said that a two year higher education counsel has been created and it meets on a regular basis to talk about issues related to two year higher education in Montana. She explained that funding and affordability is always an issue and could improve but the counsel could present a more detailed analysis of what improvements could be made in the Montana community colleges. President Karas talked about how the community colleges are trying to connect with many individuals on many different levels. Community colleges costs less, the credits are transferable, and have a much better student to teacher ratio.

**Other Business *Tape 5A, 045***

**Senator Hawks** said that it is very important to keep the PEPB subcommittee working together. He also said that there needs to be a way that the subcommittee can keep the legislature more informed about issues regarding higher education.

**Regent Semmens** agreed with Senator Hawks. He suggested including a Pre-K-12 representative on the subcommittee and more legislative representation.

**Senator Story** suggested adding one more member of the Appropriation Committee to the subcommittee, if PEPB keeps the same format.

Discussion of the make-up of PEPB and the origin of the PEPB subcommittee followed. Senator Hawks stated his intention to address PEPB issues during the afternoon session of the ELG Committee, which would be discussing potential reorganization issues.

**Public Comment Tape 5A, 340**

No public comment.

**Adjournment Tape 5A, 343**

The meeting was adjourned at 11:45 a.m.

Approved by the Postsecondary Education Policy and Budget Subcommittee on

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*(Date)*

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Representative Kathleen Galvin-Halcro, Chairman

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