



# 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 HAWKS, CHAIRMAN  
JIM PETERSON

**HOUSE MEMBERS**  
ROBIN HAMILTON  
BOB LAKE

**APPOINTED MEMBERS**  
STEPHEN BARRETT  
CLAYTON CHRISTIAN  
JAN LOMBARDI (EX-OFFICIO)

## MINUTES

September 25, 2007

Postsecondary Education Policy and Budget Subcommittee (PEPB)

60th Montana Legislature  
Room 105 Capitol Building

### COMMITTEE MEMBERS PRESENT:

SEN. JIM PETERSON  
REP. ROBIN HAMILTON, ACTING CHAIR

### Board of Regents Members

REGENT STEPHEN BARRETT  
REGENT CLAYTON CHRISTIAN

JAN LOMBARDI (EX-OFFICIO)  
SHEILA STEARNS (EX-OFFICIO)

### COMMITTEE MEMBERS EXCUSED

SEN. BOB HAWKS, CHAIRMAN  
REP. BOB LAKE

### STAFF PRESENT:

EDDYE McCLURE, Esquire, Legislative Services Staff  
ALAN PEURA, Legislative Fiscal Staff  
CLAUDIA Cj JOHNSON, Committee Secretary

### Agenda & Visitor's List

Agenda, Attachment #1.  
Visitor's List, Attachment #2.

### COMMITTEE ACTION:

The Subcommittee discussed the following agenda:

- HJR 22 Interim Study - Dental Education
- Shared policy goals and accountability measures for the Montana University System for the 2007 biennium
- Accountability Measures Report
- Funding Formula Revisions for University Educational Units

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- Report by Eddy McClure on two-year education
- Report by Commissioner Sheila Stearns - Montana University System
- Montana Education Savings Program
- Fiscal Analysis
- Legal Memorandum - defining the fine line between the Board of Regents and the Legislature
- The Board of Regents current strategic plan - 2006 through 2010
- Work Plan items that need to be discussed for this interim, such as:  
a ready reference to the strategic plan by the Regents.

**CALL TO ORDER AND ROLL CALL**

- 00:00:05 REP. ROBIN HAMILTON, Acting Chair, called the subcommittee to order at 9:00 a.m. The secretary noted the roll. (see Attachment #3) REP. HAMILTON had the committee members, staff, and the Commissioners of Higher Education introduce themselves.
- 00:01:27 REP. ROBIN HAMILTON, Acting Chair, Missoula,
- 00:01:33 Sheila Stearns (Ex-Officio), Helena
- 00:01:42 Regent Stephen Barrett, Bozeman
- 00:02:01 Eddy McClure, Staff Attorney, LSD
- 00:02:05 Alan Peura, Budget Analyst, Lead Staff for PEPB Subcommittee, LFD
- 00:02:09 Regent Clayton Christian, Missoula
- 00:02:26 Jan Lombardi, (Ex-Officio), Office of the Governor

**Discussion:**

- 00:02:33 REP. HAMILTON, Acting Chair, opened the committee meeting by asking Eddy McClure, Staff Attorney, LSD, to explain to the members how to vote by proxy. Ms. McClure said there has been discussion about the subcommittee allowing proxies. She said if any of the members have proxies from other members, the proxies have to be in that person's own hand writing. She said the committee will need to decide how much information there should be on a proxy, and how specific. She added that this subcommittee will only be making recommendations to the full committee.
- 00:03:33 REGENT BARRETT asked how has this been handled in the past. Ms. McClure replied that proxies can be varied, but has seen them both ways when there is

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proposed legislation. She said it is hard to vote by proxy when a bill has been amended. Proxies are in writing and they need to be specific. REP. HAMILTON stated that normally there isn't contentious voting in subcommittees, but stated that a specific proxy is the best policy. There was no objection by the members, and REP. HAMILTON said that proxies will be specific.

**OVERVIEW OF RESPONSIBILITIES AND GUIDELINES:**

00:04:50 Alan Peura, LFD, explained to the committee some of the procedures he will follow. He discussed the written materials he will be distributing. Mr. Peura said that the Work Plan and Study Issues (see Exhibit1) will justify what has been proposed, and give direction to the committee to determine what goals the committee will want to achieve. He listed the following materials that are included in the packet:

- Funding Formula
- Report by Eddy McClure on two-year education
- Montana Education Savings Program
- Fiscal Analysis
- Legal Memorandum - defining the fine line between the Board of Regents and the Legislature
- The Board of Regents current strategic plan - 2006 through 2010
- Work Plan items that need to be discussed for this interim, such as:
- a ready reference to the strategic plan by the Regents.
- Shared policy goals and accountability measures for the Montana University System for the 2007 biennium.

00:11:45 SEN. PETERSON joined the committee.

00:11:50 REP. HAMILTON introduced SEN. PETERSON, who gave a brief overview of his duties.

**PROPOSED WORK PLAN:**

00:12:35 Mr. Peura presented the proposed Work Plan for the Subcommittee's consideration.

**Exhibit 1**

00:13:31 Mr. Peura read and explained each of the bulleted items listed on the Work Plan:

- **Complete interim study in HJR 22.**

He said the regular session approved HJR 22, which was assigned to this subcommittee to study and make recommendations relating to dental care professionals in Montana.

**Exhibit 2**

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00:14:57 Mr. Peura distributed a handout on the HJR 22 study, giving background information focusing on re-payment programs, subsidies received by Montana to provide support for out-of-state tuition, incentives, and training recommendations on student loan forgiveness programs.

**Exhibit 3**

Mr. Peura informed REP. HAMILTON that a handful of specific people have been recommended for appointment to the HJR 22 working group. He added that Jan Paulsen, from the Health Resource Bureau, Department of Public Health and Human Services (DPHHS), would join the working group.

00:18:29 REP. HAMILTON said he spoke with SEN. HAWKS who has agreed to chair the working group for HJR 22. REP. HAMILTON said if there is no objection from the committee that SEN. HAWKS will chair the working group. He also asked the committee if they do not object to also accept the rest of the working group. There was no objection or discussion.

00:20:13 Commissioner Sheila Stearns asked that the working group put together an adjacent report that will be a brief version of the bigger picture of the medical subsidized education that will include dental. She said the contents of the report should include how this can be achieved compared to what is currently done with medical education, optometrist, podiatry, veterinarian, and etc. She stated this will be worthwhile information for the subcommittee and the full committee, and said her office has most of this data.

00:21:21 Mr. Peura distributed a handout and discussed the shared policy goals.

- **Review, renegotiate, and reaffirm the "shared policy goals" approved by PEPB, ELG, and the Board of Regents in 2006**

**Exhibit 4**

00:23:45 Regent Barrett discussed an Advisory Report to the Board of Regents. (see Exhibit 5) He said this report is a subset of shared goals that came from the Board regarding salary. Mr. Peura distributed the report and informed the committee the report identifies how to improve the ability to hire and keep capable employees for the Montana University System (MUS)

**Exhibit 5**

00:25:49 Regent Christian stated this is a fairly large report, and the committee should pick and choose parts to start the process and prioritize the plan in terms of funding, and to determine where the Advisory Board is going.

00:26:57 SEN. PETERSON distributed and discussed a handout on the breakdown of wages and salary disbursements regarding the different sectors by place of work in the state of Montana. He said that Government represents 22.5 percent of wage

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and disbursements. Health care is 12.9 percent, and retail is 43.5 percent of wage and salary disbursements, and the rest from Montana government, health care, and retail. SEN. PETERSON discussed Demographics. He said by 2025, the demand on the health care system will be a big issue. The demographics of Montana is aging more than any other state in the nation. The correlation to this committee is the revenue to fund the whole operation. He asked, "how do you make the machine go forward without two trains colliding in 15 years?" He discussed the structure of demographics, health care, and revenue all becoming a part of the bigger picture. He stated that "he didn't know how we can proceed along this bigger picture, but felt that we will be forced to have this discussion in the future."

**Exhibit 6**

00:30:05 Sheila Stearns, Commissioner of Higher Education, responded by directing the committee to the Shared Policy Goals and Accountability Measures for the Montana University System (MUS) 2007 Biennium. (see Exhibit 3, Shared Goals III, page 3). She said it is of great importance to the MUS to improve institutional, system efficiency, and effectiveness. She wanted to add a fourth bullet that would say "Consideration of improving and reviewing the MUS capability of hiring and keep capable employees." She felt this should specifically be inserted somewhere in the goals for the MUS. She informed the committee there is approximately 7,500 employees in the MUS, and these people are a large part of Montana's economy.

**COMMITTEE MEMBERS INPUT:**

00:32:12 Regent Barrett commented that this is a broad context. He talked about the overall budget approved by the Board of Regents for the MUS with funding from all sources estimated at \$1.8 billion. He confirmed Commissioner Stearns' numbers of MUS employees is shy of 8,000. He said the state's funding component of the \$1.8 billion budget was \$200 million. Regent Barrett said that the state funding has been leveraged five times, e.g., tuition, research dollars, grants, and other resources that go together. He said there are not many segments of the economy to address the broad base of wage and salary in Montana who will see this kind of leverage that the committee has here. He said "if there was a way to leverage state money rather than direct money, and how to find a historical return to invest in education over time, and where that money is multiplied by a factor of five, it will have a ripple effect throughout the economy." He stated "this isn't just an educational issue, but a statewide issue." SEN. PETERSON agreed, but said "how do we create the right nucleus to have this discussion".

00:34:58 REP. HAMILTON asked if there was any discussion to make this request a separate bullet. Mr. Peura responded that by adding a specific goal to the shared policy goals he will be able to work with the Commissioners' staff. If it is the

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subcommittee's goal to add some language for this issue, he would analyze the report (see Exhibit 3) that was handed out. He will meet with the Commissioner's office to develop benchmarks. Mr. Peura said if the committee entrust him do to so, he will work with the Office of the Commissioner of Higher Education (OCHE) staff to work on recommended language to bullet and identify some measurable way to consider this specific goal on salary in hiring and keeping capable faculty for the MUS. REP. HAMILTON said if there is no objection that he will have Mr. Peura work on this project. REP. HAMILTON stated, if it is the agreement of this committee they will continue to look at shared policy goals. The committee members agreed.

**PUBLIC COMMENT:**

00:37:08 Eric Burke, representing MEA-MFT, said that he served on the Recruitment and Retention Task Force that was mentioned by Regent Barrett. He said that the MEA-MFT appreciate the Legislature taking an active interest in this issue of salary, recruitment and retention for Montana faculty throughout the MUS.

**Exhibit 7**

00:39:04 Mr. Peura said he will work with the OCHE staff on shared policy goals, and will place the faculty salaries item on the December meeting.

00:44:53 Mr. Peura discussed:

- **Review and consider the accountability measures project from 2006:**  
The request of reports from the Commissioner of Higher Education on:
  - ▶ The transferability initiative HB 2 that was funded \$1.5 million;
  - ▶ Distance learning that was funded \$900,000 from HB 2;
  - ▶ The report related to student assistant programs that received an expanded \$4.0 million from HB 2; and
  - ▶ Tuition CAP, (College Affordability Program), which the Legislature approved with the objective of freezing the tuition in the 2009 biennium at fiscal year 2007 level.

Mr. Peura said that the accountability has been worked on by the Postsecondary Education subcommittee for four biennia. He reported that the last interim subcommittee recommended that student assistance and accountability measures were to be achieved by a certain date. The Legislature approved a one-time funding that could roll into the base providing State incentives for achievements on Shared Policy Goals and accountability measures. Mr. Peura informed the Committee that the Legislative Finance Committee has taken on a performance measurement project, which goes across all of state government. The Finance Committee has the budget oversight authority for the Legislature, including higher education. He said there may be some overlaps if this subcommittee continues working on the accountability measure project, because the Legislative

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Finance Committee is also working on this. The Working Group assigned to Education by the Finance Committee includes Higher Education, and is chaired by Sen. Wanzonried. He stated that the Finance Committee is also taking the same four accountability measures that this subcommittee pursued from the budget for review of performance measurement from the last interim. The Finance Committee is working on a mechanism that will be used to monitor progress towards transferability, distance learning, and etc.

00:44:48 Mr. Peura said he will pursue the issues as presented to maintain a continuity with the Finance Committee on the overlap. The report, as recommended in June and September, will appear on the agenda with the Commissioner's Office, but the report will remain in the format as presented as not to duplicate the Legislative Finance Committee's report.

00:44:58 Mr. Peura said this is a review of the community college funding formula changes from the 2007 Legislature. The changes come from SB 12 in the 2007 regular session. The committee can consider whether this same formula could be used for the University units (campuses) in determining the base state funding calculations.

- **Funding Formula Revisions for University Educational Units.**

Mr. Peura informed the committee that Sen. Laible and Sen. Williams had made this suggestion during a previous conversation that if this works for the community colleges, will this funding formula work for all the educational units. The recommendation from the PEPB staff is to consider a funding formula change to address the university units, such as; U of M and MSU, and all their units, so the base funding will be done differently then it has been in the past. The PEPB option is for the committee to consider appointing a working group to address the viability of some type of funding formula to determine the base funding level for the educational units of the MUS. Mr. Peura said that starting with the community college model could be a place to begin the discussion, and hope that this could be the platform for consideration.

00:49:24 Sheila Sterns, Commissioner, talked about the shared policy goals stating that the MUS has had a bullet in the work plan to reconstruct the budget allocation model. She said that whatever proposal comes from a work group, it helps to have a better understanding how the funding works. The Legislature appropriates one lump amount to the Board of Regents for distribution, and it should be clear that they maintain this constitutional responsibility. It is the Board's responsibility to allocate to the best interest and quality taking into consideration each unit. She said it is very important that the Board receive advice from and share with, other policy makers, such as; legislators and the executive branch. Commissioner Stearns said by May of 2009, the Board should be able to choose from the options, and make the allocations taking into account the tuition variable.

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00:53:06 Regent Christian said this is a two step process: 1) state funding model; versus 2) an internal allocation model. He feels that there should be some clarity between these two processes to give the Board the freedom to allocate to best needs and best practices. He stated this is not necessarily consistent with the funding mechanism or how the funding model that is ultimately used is supported by both the Regents and the Legislative Branch. Commissioner Stearns responded that she agreed with Regent Christian.

**PUBLIC COMMENT:**

00:54:26 Mick Robinson, Associate Commissioner, MUS, opened by expressing caution as the committee moves forward with the funding formula. He stated that "in this biennium, we have moved away from a funding formula for the MUS." He talked about the good work that MUS had with the Governor's Budget Office, where a process was developed that is a base-plus process for addressing present law, and funding issues for the MUS. Mr. Robinson said through the shared policy process with PEPB and the governor's office, an initiative was developed in terms of addressing other issues with the MUS. He informed the committee that looking at funding formulas for the MUS may be premature. He feels that the committee should look at how this process worked from the last legislative session, how it's being applied now, and how it is working through this biennium, then in the future or later in the fiscal year, examine how the process is working. He has been struggling with the idea of an formula, and whether or not a formula is the best funding model. He said within the MUS there was an allocation model that was very complex in terms of the mathematics that were used. He said this became very complex and hard for a number of people to understand, so the fairness and equity of that model was not accepted. He said that MUS has moved away from that type of mathematical formula, and have been using another process for allocations. He said the current process has allowed for more policy decisions to be made by the Governor's office, the Legislature, and the Board of Regents in terms of how the MUS will move forward with the funding of the units. He talked about the eight units that use the base-plus process, and urged the committee to take caution on the timing in addressing this formula. He encouraged the committee to watch how the current process is working until the next interim when the budget process is focused on the 2009 Legislative session.

00:57:21 Amy Carlson, Governor's Budget Office, informed the committee she has been working with the MUS funding for 15 years. She asked the committee to take into consideration some of her ideas. She stated that 10 years ago she thought this was a simple and straight forward thing to do, but she has changed her mind because of her research on school funding, and trying to find a funding formula to satisfy the needs all around. She discussed academic issues on: 1) how do you address declining enrollment; 2) how many staff does it take to staff the registrars' office on every campus, 3) how many staff does it take to staff the computer lab;

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and 4) what should be the hours of the computer lab on every campus, and etc.. She said based on these types of questions it will be difficult to make decisions, "the bottom line is more complicated then it seems, and the questions that arise will be expediential". She talked about the accomplishments from this committee, the Governor's office, the legislature, and the Regents, all working together toward zero tuition and how monumental it is, and said she has not seen this as long as she has been working on the MUS funding. She said the committee needs to address what are the goals, and what are the real issues facing the campuses, e.g., Northern Montana College is currently going through a difficult time.

- 01:00:53 Regent Christian said he has participated in the meetings mentioned by Ms. Carlson, stating they were extremely complicated. He said it may be possible to place the five or six days of meetings into a formula, but stated it will be difficult. He said if a work group is formed the committee should direct them to consider how the community college funding model was put in place, and what models are available. He said maybe there could be a reconciliation of the base that was done prior to the last session.
- 01:01:58 Regent Barrett commented on Ms. Carlson's statement, and said it was most rewarding to have all three branches of government working together.
- 01:03:05 SEN. PETERSON directed a question to Amy Carlson, and wanted to know if this subcommittee and the Committee on Revenue and Transportation are together on school funding and property taxes. Ms. Carlson responded there are numbers that are known, such as; what the school funding formula is; what the property tax is today, re-appraisals coming, and the interest in mitigating, which is changing certain concepts. She said Jeff Martin, LSD, will be addressing this to the committee. The approach with school funding and property tax is very formulate and number crunching oriented. The MUS funding on the university side is not concrete, and reiterated that one of the problems with Northern Montana College is faculty salary issues.
- 01:04:12 SEN. PETERSON talked about the demographics, and wanted to know what are the models, how do they compliment each other, and how is the formula distributed. Ms. Carlson responded that each group has their own agenda.
- 01:09:06 Regent Barrett commented about state government absorbing up most of the expenditure, but said it is a distribution mechanism where wage earners not government that is receiving this funding. With a state the size of Montana it will always be a significant component. He asked "what is best for us and the people of the state, and what is the best distribution method to leverage to both the MUS and the whole state".
- 01:11:03 Commissioner Stearns commented that if 24 percent of the wages are disbursed in the sector of government, then the way to reduce that percent would be to have

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fewer students, fewer prisoners, fewer poor and sick people, and fewer highways. She stated if there were more young people receiving an education, the more likely the numbers would be less of prisoners, and poor and sick people.

- 01:12:42 REP. HAMILTON discussed establishing a work group. Regent Barrett responded that it hasn't been that long since the Legislature ended, and thought the committee should wait to discuss this further.
- 01:13:48 Mr. Peura directed the committee members to page 3 (see Exhibit 1) on the proposed work plan. He talked about how this subcommittee will monitor the next biennium (2011) budget, and to consider accountability. This will begin at the March 2008 meeting if all the processes of the Regents building their budgets for the biennium, and the executive planning process takes place as normal, then the committee can take the opportunity to visit the 2011 budget, and see what they may want to study at that point.
- 01:15:07 REP. HAMILTON said without objection that the committee members will monitor and re-visit the 2011 budget at the March 2008 meeting. Everyone agreed.
- 01:15:28 Mr. Peura opened the discussion for consideration of a new community college in Hamilton. (see Exhibit 1, page 2)
- **REVIEW AND CONSIDER THE BITTERROOT VALLEY COMMUNITY COLLEGE (BVCC) DISTRICT PROPOSAL AND PROCESS**
- He informed the committee that on May 8, 2007, the voters of the Bitterroot Valley approved for the creation of a community college district by a 52 percent to 48 percent margin. The voters elected seven members to a local board of trustees. The election results were certified by the Montana Board of Regents as per statute. He said that the new community college trustees are scheduled to hold bi-monthly meetings in order to move forward to establish a community college in Hamilton. He stated that this is the first time that a community college election has happened under the rule set by the Montana Constitution in 1972. The staff have placed this on the agenda due to the 2009 Legislative Session anticipating they will need to make a decision to approve the formation of the community college district, and the state funding that will be required to operate it. He said if the committee members agree, the staff will put together a study to be discussed at the December 2007 meeting.
- 01:19:45 Commissioner Stearns responded that a lot of research has already been done by the Board of Regents to make their recommendation on the BVCC proposal.

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- 01:20:54 Regent Barrett commented that the committee will need this report to make a informed recommendation, and balance the funding for the new BVCC.
- 01:21:46 SEN. PETERSON talked about voter initiative for the community college in Hamilton, and asked if it had gone through the tax process. Commissioner Stearns replied that her office approved the process as per statute, and the language on the ballot initiative. The statute creates a community college district. To her recollection the ballot did not address taxation nor an amount to be taxed.

**PUBLIC COMMENT:**

- 01:22:41 Patricia Wilson, Hamilton, informed the committee how she assisted in bringing the BVCC issue to the ballot. She said the ballot initiative did not include a dollar figure per se. The residents of the Hamilton Valley were well informed that the initiative could cause them to be taxed in order to pay for this institution. Ms. Wilson talked about some reports that she read on the internet regarding assessments of four-credit services. The Bitterroot is interested in providing both four-credit and non-credit services for the residents. She talked about the residents that are in need of non-credit services, such as; adult basic literacy. The GED course work and testing services are vital in her area due to over 4,000 people that do not have a high school diploma. Ms. Wilson said courses such as an Excel class to assist someone in their business could be applied. She talked about training courses for firefighters and EMTs at the community college. She said that 16 percent of the residents around Hamilton are at the retirement age, and are in need of enrichment courses. She urged the committee to approve the BVCC to help her community.
- 01:27:01 Daryl Cooper, Alternate Trustee, informed the committee that SEN. HAWKS had asked him if they (trustees) are looking at other means of funding the community college in Hamilton other than state tax money. He replied yes they are. They are looking into the possibility of foundations, grants, and endowments, and all other resources for funding.
- 01:27:38 SEN. RICK LIABLE said he concurs with those that have spoken before him. He said that Ravalli County is in need of this service, and the population justifies the need for higher education. He urged the committee to direct the staff to proceed forward to pursue the information needed.
- 01:28:56 Roberta Cooper, resident of Bitterroot Valley, talked about the students and residents that do not want to travel or leave home, and a community college in the community will lead to better production for the state and bring in more taxes. The students graduating from high school want to attend a two-year community college before going on to bigger colleges. She urged the committee to approve the study for the community college.

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- 01:30:56 REP. HAMILTON commented that it is the committee's duty to ask staff to present them with a study related to higher education in the Bitterroot. He said that the committee will need all the information they can obtain to pursue this study further to present to the Legislature.
- 01:31:07 Jan Lombardi, Office of the Governor, requested that when and if a study is done, to include how the adult basic education funding coordinates with this study due to it being another local levy for a different type of education. She said this is an ongoing part of conversations that is relative to a two-year education, and the individuals in Montana that are in need to advance their education.
- 01:31:52 Mr. Peura informed the committee that he and the staff will have a report for December's meeting that will address the comprehensive issues in this area; 1) the Legislature may want to consider putting in to place a process they have not had to do since the 1972 Montana Constitution, and 2) the content issues. Per the chairman's request, this issue will be on the December agenda.
- 01:32:23 Mr. Peura discussed P-20 Policy and Budget Issues Review. He said that SEN. HAWKS wants to re-visit this at the December meeting. (P-20 is policy issues related to both K-12 education and higher education.)
- **P-20 Policy and Budget Issues Review for legislative and Regent member education purposes primarily. (see Exhibit 1, page 2)**
- 01:33:35 Mr. Peura informed the committee that he will ask the staff if they will have other guidelines for the P-20 study. He talked about this committee having a joint meeting with the K-12 subcommittee, which is parallel to the PEPB subcommittee. The K-12 subcommittee includes members from the Superintendent of Public Schools, members of the Board of Public Education, and Jan Lombardi from the Governor's Office.
- 01:35:59 REP. HAMILTON asked the committee members if they are willing to meet with the K-12 subcommittee. Everyone agreed that this is a good idea.
- 01:36:07 Mr. Peura discussed the last bullet on page 2, stating it has been broken out as a separate agenda item for discussion before the full Education and Local Government Committee on two-year education strategic role.
- **Strategic role of two-year education within the university system, e.g. Colleges of Technology, community colleges, and two-year degree programs (see Exhibit 1)**
- 01:38:16 Commissioner Sterns informed the committee that the Board of Regents is willing to discuss strategic goals of two-year education within the MUS, approval of a new community college in Montana, and a report will also be included so Montanans will understand why the Board has made this a strategic priority.

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- 01:40:22 Mr. Peura discussed monitoring the 2011 biennium budget. (see Exhibit 2, page 3)
- **Monitor 2011 biennium budget and consider accountability measures (based upon Regent budget initiatives and executive planning process), and make recommendations to the 2009 Legislature**
- 01:41:44 Mr. Peura stated this is the standard work for the PEPB with the budget being part of the title of the subcommittee. This subcommittee will track the building of the budget programs that begins with the Board of Regents identifying budget initiatives, and goals that have been set for state government working with the Executive through the EPP (the Executive Planning Process), and PEPB being a part of those discussions. The accountability measures was part of the last biennium, and will be heard at the March 2008 meeting.
- 01:42:33 Mr. Peura reported on "report only items" on page 3 (see Exhibit 1). He discussed each bullet:
- **Report only Items for PEPB Work Plan:**
    - ◆ Review agriculture agencies overhead cost rates and will be addressed on the December 13, 2007 meeting.
    - ◆ The legislature approved \$6.5 million one time funding for the MUS specific for program development and equipment. This is separated for each campus, and will include some matching funds. Will be addressed at the December 13, 2007 meeting.
    - ◆ The legislature approved the six mill statewide levy to be placed on the ballot for the November 2008 general elections (SB 16 from the 2007 session) Will be reported on at the June 12, 2008 meeting.
    - ◆ Monitor the statewide workforce development plan process that is required by federal funding (Perkins grant program) Will be reported at the September 4, 2008 meeting.
    - ◆ Monitor any proposed legislation for the 2009 session that relates to higher education and the Montana University System (MUS) To be reported on at the September 4, 2008 meeting.
- 01:47:46 Mr. Peura discussed report only items.
- **Report only Items at Request of ELG:**
- Mr. Peura said he has been asked by staff to put together a report on the College Family Saving Program, the 529 Investment Plan, which will be heard by the full committee this afternoon.
- 01:50:53 The PEBP subcommittee took a break..
- 02:07:00 REP. HAMILTON called the meeting back to order.

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02:07:17 Mr. Peura distributed and discussed a handout showing dates that the committee will be meeting and the issues that will be discussed. He reiterated that the Agriculture issue will be heard at the December 2007 meeting. The subcommittee agreed to the work plan as recommended by staff, except for the funding formula review item.

**Exhibit 8**

02:08:02 Eddy McClure, LFD, distributed a handout on "A Historical Perspective on 2-year Postsecondary Education in Montana: "Where Do We Go From Here?"

**Exhibit 9**

Ms. McClure discussed the historic changes in two-year education institutions. (see Exhibit 8)

- Part I will provide a brief overview of the history and governance, mission, and funding of the vocational-technical education system and will detail its evolution into the colleges of technology that are now part of the Montana University System.
- Part II will examine the history and governance, mission, and funding of Montana's three community colleges.
- Part III will examine the background and legal relationship of Montana Tribally controlled community colleges and their role in Montana's higher education system. She said that the Board of Regents have contracted with the tribes to transfer availability between the colleges on the reservation and the University System.
- Part IV will pose some general and specific questions regarding the strategic plan for two-year postsecondary in Montana.

02:10:00 Ms. McClure gave an overview on the history of the two-year Postsecondary Education (PE) in Montana. She said the report will give this subcommittee the framework to discuss two-year education and its strategic role. The Regents, Legislators, and the Governor's Office are all currently discussing two-year education. Ms. McClure talked about the Cross Roads Commission Report on the many states that are losing their public funding, and how do they provide services to people who have low resources. The community college districts are created by the Legislature, and are assigned to the Board of Regents for supervision and coordination. The community colleges have their own local boards of trustees, who are locally elected, and they are responsible for their own buildings. Ms. McClure talked about working with the Board of Regents in 1994 while preparing SB 156, which was a plan to bring the college of technology into the MUS. At that time there was additional discussion to bring the community colleges into the MUS, however, this didn't happen because the Legislature had promised that they

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would not raise the six-mill levy when they were getting ready for the 1997 mill levy promotion, and a number of other issues had not been resolved. She said currently there are two parallel systems that are not understood by the legislators, and that is the 2-year community colleges and the vocational-education centers have similar missions, but have different governing structures and different funding structures.

02:11:18 Ms. McClure stated that she is often asked about the non-beneficiary program under the states' tribal community college, as an example, she explained a handout (see Exhibit 10), on the nursing program at the Salish Kootenai Community College (CC). She referred to Exhibit 9, page 16, question 5, regarding the line-item appropriation to support tuition for non-beneficiary students attending tribally controlled community colleges as part of a 2-year higher education strategy. She discussed the education system on the seven reservations, and stated that their schools are funded by the federal government. In 1995, the Montana Legislature began an line-item appropriation outside the lump to support non-beneficiary students attending tribal colleges. Ms. McClure said that the Salish Kootenai CC receives the bulk of the funding, because they have the highest number of non-beneficiary students for whom the tribal colleges do not receive any reimbursement from the federal government. She said that Bob Peregoy, Ed D, JD, provided her an handout showing the number of students graduating from the Salish Kootenai CC nursing program, job placements, and their starting salaries.

**Exhibit 10**

Ms. McClure discussed Part I, Evolution of Vocational-Technical Education into Montana's Colleges of Technology. (See Exhibit 8, page 2). Ms. McClure discussed the Bitterroot College District. She explained the Attorney General's opinion, which held that the final decision lies with the legislature.

02:28:14 Commissioner Stearns provided an overview of the two-year education participation issues and trends. She distributed a power point handout showing graphs and figures of the MUS strategic directions, and explained each slide:

**Exhibit 11**

- 1). Strategic Directions - Investing in Montana's Competitive Future
- 2). Student FTE Distribution by institution type, e.g., 2-year, MSU & UM.
- 3). Student FTE by institution - Cumulative Percent Change from 1997 t@007
- 4). Board of Regents' Strategic Goals
  - Access & Affordability (CAP)
  - Economic Development - Graduate Program Enhancement
  - Transferability & Student Data - Distribution of State funds
- 5). Access & Affordability goals to increase the overall educational attainment of Montanans through increased participation, retention and completion rates in the MUS.

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- Two-year entry - increase access and participation at 2-year institutions:
  - ▶ Dual enrollment
  - ▶ Non-traditional student enrollment
  - ▶ Transfer of credits
  - ▶ Differential Tuition
  - ▶ Community Perception
  - ▶ Need-based aid, and etc.

02:35:20 Commissioner Stearns talked about a conversation she had with a member legislator from North Dakota regarding dual enrollment issues, and the affordability plan. She said they discussed double dipping, and paying the ANB. The North Dakota legislator said they don't worry about the transition from two-year to four-year colleges, and the tuition. She said it could be an area to pursue for PEPB. North Dakota offers scholarships, and etc., so these students can go on to further their education.

02:36:44 Commissioner Stearns said that Montana is lowest in the nation with only a 3.8 percent of adults enrolled in higher education ranging in ages from ages 25 to 44. She talked about the new classrooms at the Helena College of Technology, and the new buildings at the Billings College.

02:40:00 Commissioner Stearns discussed the two-year tuition, and the "Need Based Wage, and Financial Aid for Low Income". She stated this is limited for students, and would like the committee to endorse this for accessibility and affordability.

02:42:19 Commissioner Stearns discussed slides 6 through 15 on the Emerging Issues and Trends in the MUS. Commissioner Stearns discussed the following trends:

- Montana is low on the chart of percentage of students in two-year colleges. She said that one-third of recent Montana graduates require remediation, and one-half of those students need remediation in math.
- Low percentage of Adults Enrolled in Higher Education.
- Tuition at two-year institutions is higher than regional average.
- Two-year tuition is high relative to four-year tuition in Montana.
- Financial aid for low income students is limited.
- More than 1,400 two-year degrees are awarded annually in Montana.
- Over two-thirds of two-year degrees awarded are in Occupational/Technology.
- Nursing degrees and nursing certificates are at the top of the list; and
- A two year education can lead to a four-year degree.

02:47:34 Commissioner Stearns said the Board did a survey of degrees, and where they are the most effective, such as; License Practical Nurse (LPN) degree that can move on to a university to get a four-year degree after finishing in a two-year college.

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**PUBLIC COMMENT:**

- 02:51:01 Jane Karas, President, Flathead Community College, gave her appreciation of the Board of Higher Education and the Board of Regents, and how they have come together to offer growth in enrollment.
- 02:52:34 Mary Sheehy Moe, Great Falls Community College, said about 1/2 of students are enrolled in transfer program courses that will transfer from 2-year to 4-year facilities.
- 03:02:06 Jan Lombardi, Governor's Office, responded that Montana has a low unemployment rate. She talked about the need to change Montanan's outlook and try to determine why we are behind. She said there are 120,000 people in Montana that don't have their GED.
- 03:03:43 Mr. Peura discussed the subcommittee meeting jointly with the K-12 subcommittee at the December meeting.
- 03:05:26 REP. HAMILTON adjourned the PEPB subcommittee be 12:15 p.m.

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