

LEGISLATIVE COUNCIL INTERIM COMMITTEE
COMMUNITY COLLEGES

Joint Finance-Appropriations Committee Room 328
State Capitol Building, Boise, Idaho
October 3, 2006

MINUTES

(As approved by the committee)

The meeting was called to order at 9:30 a.m. by **Co-chair Representative Darrell Bolz**. Other members present were: Co-chair Senator John Goedde, Senators Dean Cameron, John Andreason, Joe Stegner, Bart Davis, Patti Anne Lodge, Brad Little, David Langhorst and Edgar Malepeai, and Representatives Jim Clark, Julie Ellsworth, Leon Smith, Larry Bradford, Ann Rydalch, Marge Chadderdon, Donna Boe and John Rusche. Staff present were Maureen Ingram, Matt Freeman and Charmi Arregui.

Others present were Richard Ledington, State Division of Professional-Technical Education; Kent Propst, North Idaho College; Alicia Ritter, Ritter Consulting; Trudy Anderson, U of I, Boise; Lori Fisher and Chris Latter, J. A. & Kathryn Albertson Foundation; Kerry Ellen Elliott, Idaho Association of Counties; M. C. Niland, Nampa Chamber/WITCO; Ross Borden, Boise State University; Skip Smyser; Luci Willits and Dana Kelly, State Board of Education; Tom Ryder; Sue Chew; Lyn Darrington, AMI Semiconductor; Dan Black, Idaho Press Tribune; Russell Westerberg, Hagadone Corp.; Ray Stark, Boise Metro Chamber; Representative Jana Kemp; and Neil Colwell, Avista Corp.

Mr. Matt Freeman, Budget and Policy Analyst, Legislative Services Office, directed the committee to certain materials in their packets, which were prepared in response to questions or requests for additional information at the September 11, 2006, meeting in Twin Falls:

- 9 A memo from the State Board of Education dated September 28, 2006, prepared by Jeff Shinn, Chief Fiscal Officer, in response to question from **Senator Malepeai** who had asked if curriculae in the professional-technical programs were exactly the same for courses offered in four-year institutions as compared with the same courses offered in community colleges. The programs are essentially equivalent. A chart was provided, showing the comparative information.
- 9 A revised spreadsheet entitled "New Liquor Distribution Formula (Average Growth) was submitted by **Dan Chadwick**, Idaho Association of Counties, showing the liquor distribution formula based on the 2006 law and the projections for years 2006-2010. There was a line, on the sheet distributed at the September meeting, that has been removed; the numbers shown do not affect the bottom line.

Senator Goedde moved that the minutes of September 11, 2006, be approved as written; the motion was seconded by Senator Lodge. The minutes were approved unanimously on a voice vote.

Ms. Cathy Holland-Smith, Manager, Budget and Policy Analysis, Legislative Services Office, gave a general fund update to the committee describing what the latest revenue projections for 2007 imply for FY 2007 expenditures and giving a broad outlook for FY 2008. She shared with the committee what agency budget requests look like to date. The data show incrementally the base increases requested and also show the general fund request comparisons by agencies and the amounts and percentages of changes. **Ms. Holland-Smith** explained FY 2006 assumptions, saying that there was a fairly large beginning fund balance in the amount of \$222,652,000, which was committed over 2006 and 2007 for one-time projects. The revised revenue estimate is for a 6.5% increase, and there are \$25 million of revenues that have been generated since January, 2006, that are in excess of the revised revenue estimates, a rather uncommon occurrence.

The Legislature transferred moneys to the Budget Stabilization Fund according to the formula transfer in law in addition to another \$70 million, and made separate transfers for water, endowments, Katrina, fire suppression and hazardous clean-up, a transfer to the Public Education Stabilization Fund and to the Economic Reserve Fund for parks and recreation, as well as other statutory changes to revenue. The expectation was that the state would carry \$120,466,300 into FY 2007. What actually occurred was that rather than a revenue increase of 6.5%, **Ms. Holland-Smith** said the state experienced a revenue increase of 7.2%. Instead of the recognized \$25 million in excess revenue, the state actually received \$202 million in excess revenue. Agencies spent less than their original appropriations, so about \$10 million was carried forward into reappropriations for certain agencies and the difference was reverted. The ending balance is now at \$309,501,900. With that in mind, discussion came about for a special session and the Legislature then considered changes.

Ms. Holland-Smith said the forecast for FY 2007, based on post House Bill 1 figures, is for a 9.5% increase in revenues with the additional 1% sales tax, \$147 million over the original forecast, post HB1. The expectation for FY 2007 was that the beginning balance would be much less; however, the total estimated ending balance for FY 2007 post HB1 is forecasted to be \$50,021,100 after transfers, adjustments and expenditures. Requests for FY 2007 are \$186,832,400. She explained revenue calculations, stating that the additional revenue was estimated to be \$18.6 million, using a 3% revenue growth estimate for FY 2007. The actual increase is \$155.7 million and the range between these two numbers is \$137 million. The significance of that is that base revenue has grown substantially. Small incremental changes make a big difference.

FY 2008 projections showed that if there is a 3% increase over the *base*, for ongoing revenue, and if one looks at what agencies have requested, the end result would be a shortage in the amount of \$120,647,900. However, looking at a 3% increase over the *total*, there would be an excess of \$137,093,100 for FY 2008, depending on what the starting point is. She described long-term projections for four major areas of funding categories: medicaid, colleges and universities, adult correction and public schools, both before HB 1 and post HB1. She predicted that pre HB1, in FY 2023 medicaid would beat out public school appropriations if the same rate of growth occurs, and that adult correction would overcome colleges and universities in FY 2019, pre HB1. Post HB1, she predicted that medicaid would beat out public school appropriations in FY 2026. **Ms. Holland-Smith** said the charts and figures she presented are intended to give a framework for discussion about the pressures on the state budget.

Senator Cameron asked **Ms. Holland-Smith** to speculate about FY 2008 and the effects of the current

budget and where she thinks our economy is going, adding that they now look at multiple years, understanding that years are linked, and considering large amounts of one-time money. **Ms. Holland-Smith** answered that the numbers collected from agency requests both ongoing and one time are very preliminary, but she estimated that many increases relate to salary increases which are very significant. Other than public schools, agencies have about \$30 million in requests for additional salary funding, and great pressures stem from CEC, which will be an ongoing request. The Department of Correction's budget will be an ongoing pressure with consideration about new prison expansion and operating costs; \$119 million might build a 1,000 bed prison (one time expenditure) but that would require about a \$30 million operating budget for that prison, which would be ongoing. One time expenditures often bring along ongoing expenses.

Senator Cameron asked about the 3% growth prediction and if she anticipated that growth could exceed more than 3%. **Ms. Holland-Smith** responded that she would be more optimistic, if she had a choice. However, she chose 3% due to an ongoing estimate of a forecast provided by DFM, pre HB1, of an estimated 2.9% growth increase, but looking at FY 2007 to date and what has occurred in 3 months, she said they were on target, and as an accountant, she wanted to be careful in predicting a higher than 3% growth increase. She added that DFM predicts between 3% and 4% growth increase.

A copy of **Ms. Holland-Smith's** power point presentation, and an information sheet entitled "FY 2008 Request by Decision Unit" are available in the Legislative Services Office.

Senator Goedde had hoped to have a representative from the Coeur d'Alene Indian Tribe to present information to the committee about a scholarship program they are working on, but the tribe was not ready to make the presentation at this meeting.

No members of the public presented testimony during the time assigned on the agenda for public testimony.

Senator Goedde presented his three drafts of legislation which are available in the Legislative Services Office. Draft 11 would tighten up the election of community college trustees, if the committee comes up with a recommendation that those trustees should continue to be locally elected. It provides that community college trustee elections essentially follow the four election dates in statute to promote better voter involvement. Draft 12 simply changes the super majority requirement for formation of a district to a simple majority. Draft 13 would change the term of office for community college trustees from six years to four years in an effort to make community college trustees more responsible to the electorate. Draft 14 came from a bill that was printed in 2002 and is based on the assumption that the committee keep a property tax segment for the support of revenue for community colleges. This draft would provide up to a \$500 income tax credit for those people paying property tax to a community college district.

In response to a question by **Senator Little** regarding the fiscal impact of Draft 14, **Senator Goedde** estimated the impact is about \$5.3 million, and added this estimate is based on the two community colleges in existence today. **Senator Cameron** asked for more explanation on Draft 11. **Senator Goedde** responded that in the past, community college trustees were voted for on an election date which could be any date on a stand-alone basis, with perhaps nothing else on that ballot; the proposed change would conform trustee elections dates to the four dates set by statute, the primary and the

general election dates being two of those possible dates. **Senator Little** asked **Senator Goedde** about the location of polling places in Coeur d'Alene. **Senator Goedde** stated that both community college districts are based on county boundaries and that they follow the regular precincts within the county.

Senator Goedde added that there was one draft that had not been given to the committee members and said that unlike any other special district, there is no method by which a community college district can be dissolved, other than specifically by statute. He suggested that if community college districts are retained, that it be put in statute as a housekeeping item, which he sees as a defect in the law, since there should be in statute a way to dissolve a district, if that should become necessary.

Senator Cameron presented Drafts 9, 10 and 17. Since Drafts 9 and 17 are related, he presented them at the same time. **Senator Cameron** said that it appeared to him that in discussions of providing access to community colleges, one thing most prevalent is that there is a current system and yet there are logistical, political boundaries that exist, and Drafts 9 and 17 are designed to remove those political boundaries or barriers and would allow existing community colleges to enter into other areas of the state. Draft 9 essentially says that they can enter in as long as they are offering non-competing courses, even though he personally is not inclined in that direction, whereas Draft 17 clearly allows a community college to enter in. He believes that if the state is to provide better access, a simple action by the Legislature could allow an existing community college to offer courses in the Treasure Valley, without adding bricks and mortar and administrative costs. Draft 17 would allow that to occur without political sanction. Of the two drafts, his preference is Draft 17.

Senator Davis quoted from Draft 17, page 2, line 1 “. . . for the purpose of offering instructional activities in the expanded service area, but only if the tuition or per credit hour cost charged is the same as charged to students attending the primary campus. The board of trustees shall give at least thirty (30) days' notice to the state board of education and shall document, through a survey of potential students or other appropriate means, an unmet need of the residents of that area.” **Senator Davis** asked if the board of trustees for a community college, using CSI as an example, wanted to have a component in Nampa, since there may be a need there, after giving the State Board of Education a 30-day notice, which does not require approval of the SBOE but gives unilateral authority to the board of trustees of that college to make that determination, could CSI then begin offering courses in Nampa? He asked if Draft 17 would allow such a scenario? **Senator Cameron** agreed his interpretation is correct, and restated that philosophically there has been a great debate and discussion of demand for a community college in the Treasure Valley area. CSI is currently offering courses at least at Micron in Ada County, so it is his belief that the fastest, quickest, least expensive, most cost-effective method to provide courses to the Canyon County/Treasure Valley area would be to break down the political barriers that are there to stop others from coming in. Community colleges are not regulated by the State Board of Education, but he believes the board does need to be notified to allow for tracking.

Representative Rusche inquired of **Senator Cameron** why Draft 9 does not address the four-year institutions that serve community college or professional-technical functions, such as ISU and LC. **Senator Cameron** answered that he believes that it is important to continue the current roles and missions of each of the universities; he does not want “mission creep.” He also believes that each institution has distinct strengths and opportunities and they ought to be able to come into the Treasure Valley or wherever a need exists, certainly with some State Board oversight, to offer those courses, if in fact the state's goal is to provide access to students for education. He has not had the opportunity to

read all these drafts in depth, so he admitted that the language might need to be reworked, adding again that his preference is Draft 17.

Representative Chadderdon asked **Senator Cameron** if a student from Ada County, for example, attended a college in Ada county under the CSI umbrella, would Ada county be required to supplement that \$500 paid for students from outside the taxing district? **Senator Cameron** said that the draft, as drafted, would affect that; his desire is that if a student from Ada county were attending CSI, then Ada county would pay \$500 per semester for that credit and he believes that would continue at the current rate they are now offered. He added that testimony from BSU indicated that they do not wish to offer these courses, so the draft may need work, adding that the draft was conceptual to simply open the borders within the state within the existing system to allow others to come into the area to offer courses and provide access.

Senator Langhorst asked **Senator Cameron** about local control. If the Treasure Valley should create a community college, using the example on the table, what role would the local community college board play in the future? He asked how that might play out, since it isn't in the drafts. **Senator Cameron** stated that if a local community were to create a community college, they would certainly, under existing statute, be able to form their own board and would benefit from that local board; in the meantime, and until the local citizenry has stepped up to the plate and decided to offer a community college of their own, rather than make those students go without, this draft would allow courses to be offered. Again, as an example, if CSI were allowed into the Treasure Valley area and then in several years if the residents of the area decided they wanted a community college, the local community college could certainly be competing with CSI to offer those courses. Perhaps CSI's need or desire to remain might then diminish and they would have to make a logistical decision to reduce their presence.

Senator Langhorst asked if there should be a situation where a community college responds to the needs of a local employer, such as Dell in the Magic Valley, under a situation such as **Senator Cameron** was describing, would he envision several community colleges from around the state submitting competitive proposals to local employers to move in to meet that employer's need? **Senator Cameron** answered that he didn't think it likely we would end up with several community colleges, certainly not state-funded or partially state-funded. He believes that NIC and CSI have an unquestionable track record in assisting and recruiting businesses and offering education and training as necessary components to recruit and retain businesses in Idaho. Under this draft, he could envision an existing community college stepping up to the plate to offer courses where needed to support businesses. One of the underlying benefits of his draft would be that administration would be minimized and, at the same time, maximize the offering to students and to potential businesses that need trained employees.

Senator Goedde asked **Senator Cameron** to confirm that it is the obligation of the State Board of Education to approve any permanent academic transfer classes or professional-technical classes, and that workforce training is currently at the option of a local board of trustees without approval from the State Board of Education. On Draft 17, he asked if **Senator Cameron** is suggesting that the State Board of Education abrogate its opportunity to approve academic transfer and professional-technical courses? **Senator Cameron** said that it is his belief that the basic philosophical reasons why this is not occurring is caused by the political dynamics that exist in the state board and those that exist between the universities as they protect their turf, and he expressed great respect for all as he discussed this draft

legislation. **Senator Cameron** believes that to provide access to students and businesses, that political protection of turf needs to step aside in the name of offering courses in the quickest, most effective, least costly way. **Senator Goedde** asked what stops duplication of the same courses by multiple institutions and where is the cost effectiveness of that? **Senator Cameron** stated that he believes that cost effectiveness is in not having duplicate campuses, administrations, presidents and their large salaries ranging in the \$300,000 area with benefits, and community college presidents with salaries ranging in the \$150,000 level, emphasizing how many students could be educated based on those extremely high costs and salaries. He believes that the risk of course duplication, using nursing courses being offered by BSU and CSI as an example, is not a problem. Access is the primary goal and the problem is not being addressed, especially in the Treasure Valley, so he thinks the state needs to be creative.

Senator Goedde asked about the drafts addressing only community colleges and if there was a reason or value in looking at also expanding the opportunity for those four-year institutions who are providing community college services such as ISU, LCSC and BSU, to offer those classes on an expanded basis? **Senator Cameron** answered he does think there is value in that expansion to four-year institutions, believing there should not be political boundaries, and he sees no problem with competition. **Senator Goedde** said that the issue then becomes tuition. If you have ISU charging \$200 per credit versus NIC charging \$100 per credit, where does **Senator Cameron** envision that going? **Senator Cameron** answered that discussions on several points have taken place, especially on providing better access to students. The draft in front of the committee is one of those points and, as constituted, would include all universities and not just community colleges. Also, there may need to be some standardization in the course offerings of similar nature such as vo-tech courses and those should be offered at some standardized level, as well as remedial courses. That could create a shortfall in universities for them to match what NIC and CSI are currently charging for remedial and professional-technical courses, and that is another debate and may require additional funding or some discussion about how that shortfall is made up. He had no opinion about whether the state should make up that shortfall and how big that shortfall would be; it would need to be investigated further. He made it clear he would not want to harm four-year institutions, but he thinks it is reasonable to expect that if they are offering a diesel mechanics' course at CSI, it should be at a similar rate at BSU, ISU or LCSC, wherever that course was being offered in the state.

Representative Smith commented that as the committee has traveled throughout the state and from testimony heard, he thinks there are two significant problems to be addressed in this committee:

(1) The disparity between the amount charged for vocational classes, which is almost double at the four-year universities that are administered by the same funds. Vo-tech courses range from \$90 per credit hour at Eastern Idaho Technical College versus \$360 per credit hour at Lewis-Clark and over \$300 at other universities. He thinks this disparity needs to be addressed; Drafts 9 and 17 help address that because they allow the two current community colleges to go into areas to help address that disparity, at least at the academic levels. He does think that if one district invades another's district, however, that should be prohibited or at least made subject to the election and wishes of the resident district.

(2) The need for a community college in the Treasure Valley. In his opinion, one eventually will be here, regardless of what the Legislature does. A reduction of the vote from 2/3 to more than 50% would

help that situation, but he also thinks that the existing statute needs to be massaged that creates these districts or allows districts to be created, to envelop more than to establish a boundary. They should be able to put proposals forth that would embrace existing facilities or what is needed for facilities and put that on the ballot as well, such as a Nampa campus, as addressed by **Dr. Kustra** from BSU. Eastern Idaho Technical College, he believes, has the same situation, but the proposal to create a community college district in that area was voted down. He thinks if put on the ballot to embrace the existing facility and to expand that to a community college from a vo-tech campus, that should be allowed. He thinks if legislation is created to allow them to go into more depth like that, then these two questions could be addressed.

Senator Cameron presented his Draft 10, stating that one issue the committee has repeatedly heard is the ability to access certain courses such as nursing, law enforcement and education, and there may be others, where there are difficult situations in those offering courses. Draft 10 would provide the powers and the ability to address these shortages by allowing community colleges to offer a third and fourth-year curriculum. He realized this draft proposal is a stretch and he is not sure he, himself, is sold on the concept, but he does recognize that the testimony supports that this could be a possible solution to providing the access needed to overcome political dynamics and protection of turf. In the interest of offering all creative ideas for better access, Draft 10 is offered for the committee's consideration.

Senator Cameron talked about financial strategy, stating that the economy is currently good, with indications that the economy may slow down, which causes the thought process that the state needs to be careful to not overextend itself, especially with the many current demands on the budget. He personally does not believe that the state can afford a \$40-\$80 million expansion in the state budget on an ongoing basis, particularly given all the circumstances surrounding this upcoming session. He wants to be very cautious yet add access to students to meet their needs in the Treasure Valley and in other parts of the state. Those needs don't need to be met by building more buildings on campuses and hiring layers of administration; that is not the best value for the state's dollar. The number one need, according to the State Board of Education and university presidents is financial aid for students, in the form of need-based or merit-based scholarships, or a combination thereof. For a lot less money, Idaho could educate many more students and offer many more courses by doing simple things first, such as offering financial aid packages. He believes that Idaho is only one of a few states left in the U.S. that does not offer a financial aid package to students, and perhaps that should be a discretionary issue at each institution. He would rather spend money on financial aid than on new buildings, presidents and administration.

Senator Cameron said that a second necessary step is standardization of the courses for professional-technical and the remediation courses, which will take some work and collaboration between the State Board of Education and the institutions. The third step is what is introduced in Draft 17, to address the jurisdictional boundaries being loosened allowing courses to be offered quickly and at the least cost, throughout the state, using existing facilities. By allowing courses to be offered, it puts the onus on the local community to decide whether they want their own community college or not. The fourth step is leaving the establishment of the current community college system in place, although he might consider allowing the majority needed to create a community college district to be reduced to a lower number like 60%. Other steps include improving transition and duplicating educational courses; these are issues secondary to the other issues.

Representative Rydalch asked **Senator Cameron** about Draft 10 creating a third and fourth-year

college curriculum in community colleges to allow them to give a baccalaureate degree in certain special areas where professional shortages exist; it appears to her that it would take away the concept that community colleges are feeders into existing universities. With regard to being accessible and affordable, if third and fourth year curriculums were offered in a community college, the level of cost would be escalated and would be reflected in the fee structure as well as the hiring of additional instructors. She also expressed concern about whether CSI would want to be a four-year university like BSU, ISU and U of I. **Senator Cameron** clarified that these proposals have not been shown to or reviewed by CSI. He said they are simply proposals based on his thought processes, possibly flawed or not. The draft was not done with the intent of CSI becoming a four-year university; a community college does play a vital role as a feeder college. However, though, when there is a shortage of nurses, educators and law enforcement personnel, and students cannot access courses to meet those shortages, then a problem is created and caused by political, jurisdictional issues. He was not suggesting that NIC and CSI be allowed to offer third and fourth year courses on every level, but perhaps only in areas where shortages do occur in the state. If the committee's true desire is to provide access, then perhaps this is a way to provide that access.

Representative Boe commented on Drafts 10 and 17, agreeing that the current infrastructure should not be duplicated; where there is a need in the state for better access to courses, perhaps the committee should consider allowing current community colleges to meet those needs. As far as offering upper division courses by community colleges, she cautioned to look at the demand that would place on that community college for faculty, which would definitely increase the cost. She emphasized the importance of attracting and retaining graduate faculty members in Idaho and she thinks that faculty could be diminished at current research universities by expanding those courses in community colleges. She agrees that money for expanding infrastructure would be much better spent on need-based scholarships. She distributed an article on higher education and quoted from it by saying that 20% of Idaho's population with the lowest income has to use 48% of their income to attend college in Idaho and applies to families earning \$14,000 or less annually. Those earning \$28,000 or less annually have to use 29% of their income for only 1 student in the family to attend college. That could be the very reason that more of Idaho's high school graduates are not accessing higher education. More financial aid needs to be provided for Idaho students to access higher education.

Representative Rydalch presented Draft 15. The intent of this draft is to: provide affordability and accessibility; continue to enhance PTE; ensure no bricks and mortar costs would be involved; and have a statewide system with controlled growth so that the state can do things as the state can afford to do them, and have that growth controlled by the Legislature and the State Board of Education. It will be seamless, NIC and CSI will be kept whole, EITC will be established as Eastern Idaho Community College, a Southwest Idaho Community College will be established for the Treasure Valley, and a community college division will be established within Lewis-Clark State College. The boards of trustees in this draft would be a five-member board elected in each district for a term of four years with the president of the community college chosen by those trustees and the powers of the trustees written into the legislation, as it is in code now, to ensure quick turn around on business decisions. Existing community college presidents would not change. There is no intent to harm counties; let the counties use their liquor funds just as the cities do today with no charge-back to counties. Funding would come from the general fund and student fees and other appropriations or grants would be as they are now, but **not** on the backs of property taxpayers. Funding would come from a percent off the top of market assessments, or as in this draft, a percentage would come from the sales tax, none from property tax. **Representative Rydalch** further described the specifics of Draft 15, section by section, a copy of

which is available in the Legislative Services Office.

Representative Bolz asked for clarification on the sales tax provisions, wondering if it will work to keep CSI and NIC whole. Would this money be used to replace what is going to them currently and only \$8.5 million for the other institutions? **Representative Rydalch** responded that they would be kept whole because they would not be assessing the property tax, so the percentage of sales tax collections would replace that money.

Senator Cameron asked if he understood correctly that 3.16% of sales tax revenues will be distributed directly to the community college fund. **Representative Rydalch** affirmed that was correct, and in response to a followup question on the amount of money, she replied that it would amount to \$40 million. **Senator Cameron** stated that he personally had issues about taking money off the top rather than appropriating it, but inquired why the state would want to treat community colleges differently than other educational institutions in the state. **Representative Rydalch** answered that, in her opinion, she just didn't want it on the backs of the property taxpayers for community colleges, and said she recognizes it would be **Senator Cameron's** prerogative, if he wanted to appropriate funds, but her intent is not to take on any additional burdens but rather deal strictly with community colleges. **Senator Cameron** said he would like to debate issues about this further, and asked about the control issue and who hires and controls the president, course offerings, etc. **Representative Rydalch** answered that would be the same as the two existing community colleges, adding that her draft does not change any existing presidents. **Senator Cameron** asked about the two new community colleges proposed in her draft, and would they be regulated by the State Board of Education or would they have the same governance rights, responsibilities and opportunities that CSI and NIC currently enjoy? **Representative Rydalch** said they would have the same opportunities and be controlled by their boards of trustees and it would be a statewide system patterned after what CSI and NIC do currently.

Senator Goedde commented that about \$40 million was identified as a revenue source in Draft 15 and he wanted to see that broken out. Assuming that a new community college would have about the same appropriation of \$11 million; if EITCH were elevated, there would have to be an additional appropriation for that; if the property tax were taken off in three counties, that would be about \$11 million; and currently liquor dollars in the amount of about \$2.2 million are apportioned to offset tuition. For the third institution, you would have to add more to that, and then add state fund appropriations for it. Would \$40 million be adequate? **Representative Rydalch** stated that those estimates were what she received from the Budget & Policy Analysis Office of Legislative Services. The \$40 million would keep NIC and CSI whole and would put about \$2.8 million into the other three for Lewis-Clark State College, a new Eastern Idaho Community College and a new Southwest Idaho Community College and that figure was for start-up only, which is why she emphasized controlled growth. As the network grows in the future, appropriations would need to be made.

Representative Rusche expressed confusion about the number of community colleges and if the new ones proposed in Draft 15 would divest from both BSU and ISU in their community college role. **Representative Rydalch** stated that her draft did not include anything about what BSU and ISU would need to do and she said it would not change their role. **Representative Rusche** stated that if a community college were established in those two districts, there is a view of the future between BSU and ISU, and BSU does not want a community college role and ISU thinks it is integral to their function, and he was just trying to understand the path of Draft 15. **Representative Rydalch** stated that

Draft 15 would not change anything that ISU is doing today or could do in the future.

Representative Boe asked **Representative Rydalch** why community college areas 5 and 6 are combined into one area in the draft. **Representative Rydalch** answered that she would not have a problem having two separate areas in eastern Idaho, but she looked at being able to offer courses via satellite and not getting into bricks and mortar and utilizing existing structures to proceed. She said that the number of people in that geographically large area could be serviced via satellite, so she combined them rather than making a separate area.

Representative Bolz commented that he had received feedback from the Caldwell/Nampa area; the Nampa Chamber of Commerce board supports a community college concept and has indicated they favor the BSU proposal for creating a BSU West. Some people in the Nampa area are willing to put that on their property tax; they didn't say how much, but they indicated it would be wise to proceed with the property tax aspect. In contrast, the Caldwell Chamber of Commerce is very supportive of a community college concept, but they are looking at it from a different standpoint. The city of Caldwell and the local economic development council are working currently with Treasure Valley Community College in establishing a facility just east of Caldwell. The chamber's position and statement are that they would like a community college, but the avenue they would choose to take is one in which it would not raise their property taxes within that area. Treasure Valley Community College had commented earlier that they were only into the academic area and not in the professional-technical or vocational aspects, yet there are 3-5 businesses in the Caldwell area who have asked Treasure Valley Community College for professional-technical type programs. TVCC is trying to provide those programs for those particular businesses. They have also indicated that they are looking further into doing more professional-technical type programs within the area. The Boise Metro Chamber of Commerce has expressed its support of a community college in the area.

Senator Goedde said he admired what the Caldwell Chamber was suggesting, adding that we are supporting the community college effort as taxpayers in this state and we're doing it because we need to do it for the students in Idaho. It is not likely Treasure Valley Community College is going to allow Idaho to dictate what courses they provide, but we can expect them to make it profitable to themselves, and that cost will be absorbed by the Idaho students.

Representative Boe said that other committee members have concepts such as providing need-based financial aid, and she asked if the committee were to consider only the proposed drafts presented at this meeting, or will there be further opportunity for the committee to discuss other concepts or recommendations? **Representative Bolz** stated that there will be opportunity for other proposals to come forth and the committee is not limited only to the drafts presented at this meeting.

The committee adjourned for lunch at 11:35 a.m. and reconvened at 1:00 p.m., **Representative Bolz** presiding.

Ms. Luci Willits, State Board of Education, provided the committee with an update of the state board's management of merit and need-based scholarships and the progress of its task force on the subject. She started by recalling there were several bills from last session that addressed scholarships for teaching needs, or for students. After the session, the State Board of Education put together a task force to look at this issue; the members include legislators **Senator Burkett**, **Senator McGee**, **Representative Trail**

and **Representative Bedke**. The task force has been working with the financial aid directors at each of the educational institutions as well a student, a parent, and a member of business and industry to talk about where the state is with regard to need-based scholarships. She said that there is a wonderful merit-based program that gives out Promise A and Promise B scholarships; however, many students are not able to participate, particularly in Promise A, due to the intense competition.

There are twenty to twenty-five Promise A scholarships that are offered for four years, are renewable, amounting to \$3,000 each. Because of the increase in tuition however, these scholarships do not even cover tuition, but they are highly sought by students. Students applying for a Promise A must have a 4.0 GPA and a score of at least 31 on the ACT to even apply. The State Board of Education will be asking the Legislature to expand that merit program and they will also be talking about a need-based program because there are many smart, motivated students who have financial need. Financial need is definitely a component of access. There is another committee working on this that will be meeting again in October. They intend to finalize their plan, then take it to the state board and then to the Legislature. This fits in with the board's mission to increase student preparation, both academic preparation and financial preparation. The board will be presenting a revised plan for high school graduation requirements based on its findings, after having met with over 500 people to get a consensus on this issue. A financial package will also be presented to the Legislature that will include need and merit-based scholarships. **Ms. Willits** added that the college presidents are very much in favor of these scholarships, especially the need-based ones.

Senator Malepeai asked if a student receiving a Promise scholarship could attend an institution outside Idaho. **Ms. Willits** responded "no," that Promise A and Promise B scholarships are for in-state use only. There is a federal scholarship that can be used out-of-state. She noted again the requirements for applying for a Promise A and for a Promise B scholarship. **Senator Malepeai** inquired if these Promise A and B scholarships could be used at any higher education institution in Idaho, including private colleges. **Ms. Willits** confirmed that the scholarship can be used at any college in Idaho provided it has been accredited by an acceptable regionally-accrediting association. **Senator Malepeai** asked how many years the scholarships are for, after initially receiving them. **Ms. Willits** answered that the Promise A is for four years, renewable. She added that it is very difficult for students to get scholarships after their freshman year, so these scholarships are highly sought. Promise B scholarships are only available for freshman and sophomore years.

Senator Cameron commented that in his discussions with board members and university presidents, they indicated that the number one problem facing higher education today is access to merit-based and need-based scholarships. He asked **Ms. Willits** if that was her understanding as spokesperson for the state board. **Ms. Willits** answered "yes," that the board has a mission to prepare students academically and financially to seek higher education. Typically, she said that if a student is not prepared academically, they will end up taking remedial courses and will not finish their degree. Financial need also plays a big part if a student is academically prepared but cannot afford to attend college, they do not go on with their education, so this is a very big issue for the board. They hope to take a plan to the Legislature that they think answers the need of Idaho's students. **Senator Cameron** stated that from time to time the university presidents convey their concerns to the board and he asked if it were her understanding that need-based and merit-based scholarships are the university presidents' number one issue. **Ms. Willits** answered that she was recently in a meeting with university presidents and this is one of their top priorities. They discussed "brain-drain" referring to Idaho's top students getting better

packages from other states; she said that Idaho institutions are concerned that they can't compete to keep Idaho's best students in Idaho institutions.

Senator Cameron said that he had enrollment figures for colleges for 2005 fall enrollment and, with the exception of BSU whose enrollment was fairly flat, he said that the others, based on full-time equivalency, all had reduced enrollments from 2004 to 2005. He asked for **Ms. Willits'** opinion about the reduction in students and reduction in FTE's. There are courses available, but what is lacking is the financial means for Idaho students to take an Idaho course. He asked if this is her interpretation, adding that some believe that we don't have access to some courses and that is why the proposal for additional community colleges has been addressed. He asked if the state board had evaluated that and why there is a reduction in enrollment versus previous years, and if that is based on finances or other reasons. **Ms. Willits** answered that it is important for the committee to understand the difference between full-time equivalent and head count; head count (or bodies) means the total number of students taking at least one class, but such students may not be a full-time equivalent. The board has seen different numbers where head count will go up but FTE will not, so sometimes it is how the numbers are analyzed. She thinks that is an important point to be made; the board is looking at enrollment in other parts of the state and in private universities. She said that BYU-Idaho currently has 18,000 students and they want to increase to 22,000 students while keeping their tuition as reasonable as possible. She thinks that inherently, if a student cannot afford to take a course, whether it is available or not, then finances take precedence over accessibility of a course.

Senator Cameron said that his assumption is that when seeing FTE's change or reduce, but not head count reduced, that might mean that there are the same number of students but that they may not be taking as many courses. At CSI this year, the reverse happened; they had fewer students but they were taking more courses. He asked if this was an appropriate understanding. **Ms. Willits** said that is the reason they look at this issue in both ways because one set of data may not give answers that are correct.

Senator Lodge asked about BSU turning away 800 students and why these students were turned away. **Ms. Willits** said that those 800 students did not meet the academic enrollment criteria. **Senator Lodge** asked if those same 800 students would be academically prepared for a community college program. **Ms. Willits** could not answer that specifically per student, but said that a community college would help those students as an intermediate step to the university level.

Representative Rusche asked if the state board has looked at the inclusion of non-traditional students in scholarship programs, adding that both Promise A and B scholarships are directed at new high school graduates and he believes there are many potential students in the workforce who go back to college, especially in health related fields, and he thinks that would be an important consideration going forward.

Representative Rydalch was asked to clarify a question on the \$40 million figure she mentioned earlier in the meeting, in relation to the 3.16% off the top of the sales tax. She said that would equal \$40 million but clarified that was not a \$40 million impact to the general fund because about half is already figured in the base. She said that the impact to the general fund would be about \$19.5 million, not \$40 million. **Mr. Freeman** confirmed the accuracy of her clarification.

Senator Goedde clarified that the fiscal impact to the income tax credit created in Draft 14, about which **Senator Little** had inquired, amounts to approximately \$4.85 million.

Representative Bolz referred to a list of topics for committee discussion that had been distributed at the meeting on September 11, 2006, pointing out that the committee will soon be at the point of making its recommendations for community colleges to the Legislature. A copy of this list is available in the Legislative Services Office.

Senator Davis cautioned that if the committee went through this entire list of topics line by line and discussed each one, his fear was that it might result in a draft bill that nobody would vote for; however, he could support legislation if it contains items he wants. **Senator Davis** said that there were portions of **Representative Rydalch's** Draft 15 that he was drawn to, but he is not interested in dedicating a percentage of sales tax to community colleges. He agrees with **Senator Cameron** that JFAC can deal with that on a yearly basis instead of dedicating a fixed percentage to a particular educational need, especially when other universities might not be treated in like manner. **Senator Davis** referred to **Senator Cameron's** Drafts 9 and 17, adding that he had previously thought local control would be best, but admitted that **Senator Cameron** has made an effective argument that a non-local board could make market-driven decisions without local control, so he may rethink his position on this.

Senator Davis said that the trustee candidate election change presented by **Senator Goedde** made a lot of sense to him and he could support that, as well as the number of years for a trustee term being changed to four rather than six. He referred to Drafts 12 and 14; he said that with regard to the property tax credit and reduction of simple majority, the reason he is not inclined toward those is that they would perpetuate a system that isn't working in Idaho right now. It is working well for two districts that decades ago were able to vote to create a community college district; today he is not seeing that is the direction that Idaho probably should be going. He would rather the committee look at repealing the M&O, not figuring out ways to encourage additional direction. If he were allowed to draft legislation, he would rather that no liquor funds be used for community colleges since those funds were designated for a specific purpose and some counties are not even able to use those funds for those designated purposes. He would rather give counties the same tools given to the cities as it relates to abatement, rehabilitation and even corrections.

Regarding **Senator Cameron's** argument in opposition to local control, he still thinks it is important, but is rethinking this. He would like to see the committee decide on the Treasure Valley having some form of community college program similar to what was discussed by **President Kustra** of BSU for a western campus. For the eastern part of the state, he would like to see a lot of what **Representative Rydalch** did in Draft 15, especially the realignment of those districts; however, where a larger investment might be required for a Treasure Valley community college, it would not require that much more of an additional investment for EITC to take on some additional college functions. ISU had a concern on adverse impact to ISU; if they want to retain their community college functions, he would support that. For BSU and ISU, there needs to be a short period of time in which the state finds those two institutions harmless as they transition a part of their missions in different directions. ISU may find a desire to retain a portion of its community college mission, and LCSC provides a very significant community college function in the state, so it seems that those institutions that continue to provide that community college function, find a way to deliver courses at a lower tuition cost that might be more competitive with the community college counterpart, recognizing the potential for mischief. These are

all issues he would like to see in a potential piece of draft legislation on community colleges.

Senator Cameron stressed that local control is fundamental in the success of community colleges; without local control and the community supporting that community college, there would not be the support necessary to carry out the functions, roles, duties, responsibilities and opportunities that a community college has to offer. Some want the success that the two current community colleges have achieved, but they want it without the sacrifices that the other two have made. There has not been an attempt in the Treasure Valley, he said, to institute a community college through a property tax measure and the last attempt in eastern Idaho was years ago. **Senator Cameron** stated he wants to utilize the state's dollars most effectively in providing access to education for students. That message is through a need-based scholarship system, and perhaps an expansion of the merit-based scholarship system. He does not believe there is a fundamental flaw in our current system, perhaps because he is biased in that he has a community college near his community and he sees the economic benefit as well as the educational benefit of that community college in the Magic Valley.

It comes down to what the state can afford. When **Senator Cameron** tries to balance the state budget every year in JFAC, the first consideration is public schools, followed by Department of Correction, Health and Welfare and higher education (in no particular order). He said the state is struggling to financially fund our current system and nobody has made the argument that the state has over-funded our current higher education system; in fact, we could make the argument that it has been underfunded and that it gets the leftovers from the other three major players mentioned above. He believes the intent to add community colleges is very good; however, he wondered how many the state can afford and if the state can afford one or two more on an ongoing basis. He does not believe that the calculation of \$40 million is a sufficient number to adequately fund a community college in eastern Idaho and the Treasure Valley, and even it were \$40 million, he does not think the state budget can afford that cost. Every dollar spent on any additional program is a dollar less that could go to the current institutions. Even if the state could afford \$40 million this year, the distant future is unknown. As he evaluates how to provide access without duplicating costs of administration, bricks and mortar, etc., he believes that the fiscally-responsible approach is under the current system with minor adjustments, adding a need-based scholarship program, adding some things such as standardizing tuition and costs, and holding districts harmless. **Senator Cameron** doesn't mind changing the terms of trustees or how they are elected as long as local control is maintained so they don't have to consult the State Board of Education.

Representative Rydalch reiterated that the \$40 million cost to start two new community colleges in the state is an impact to the general fund of only \$19.5 million and **not** \$40 million, as verified by **Mr. Matt Freeman**, if 3.16% of the sales tax went to fund those, because much of it is in the base already. She emphasized that local control is very important so that decisions can be made quickly. She is trying to solve the dilemma of funding, and noted again there is no cost in bricks and mortar with her Draft 15; the base is already established for further growth in access. She again stressed the importance of controlled growth, and that would be under the jurisdiction of the Legislature and the State Board of Education. She absolutely does not want to increase access to community colleges on the back of property taxpayers, especially since the result of the special session was to give relief in that area. She wants to see the higher educational institutions in Idaho become premier research institutions and educational facilities that will concentrate on Ph.D. and the Master's and B.A. levels and get research institutions well established, because from there comes the growth for technology and transfers of technology to the private sector and economic growth. She is concerned about feeding students into

those institutions in higher numbers and at a more affordable rate; that is what she believes a community college system can provide.

Senator Goedde asked for a spreadsheet of the fiscal impact of a statewide system based on Draft 15. He estimates that the figure would be well in excess of \$40 million in new money, so he would like to see that analysis done. He is sensitive to the property tax issue, and believes there are a number of ways to reduce the impact of property tax and one would be for the state to take over that part of the funding formula. The liquor fund distribution would also have to be looked at in those three counties that currently are not paying tuition. They may face an additional cost to the county if they pay for tuition in lieu of property tax, so that calculation must be taken into consideration. **Senator Goedde** has already proposed an income tax credit which would reduce the cost to property taxpayers in the three counties that are currently affected in the amount of \$4.8 million, which is significant, and which also may induce other areas of the state to step forward to shoulder the burden for a local community college district, but realizing that there would be an income tax credit, which would come out of state coffers, so somebody would be paying for that. Community colleges do have a significant impact on local economy, as do all educational institutions.

Senator Cameron responded to **Representative Rydalch**'s comments by saying that in 2006 the state's appropriation to community colleges was \$53.3 million for the amount needed to run the two current community colleges, of which \$20.6 million comes from general funds, \$11 million in property tax funds and \$4 million in liquor and county tuition funds. He added that nowhere in the estimate is what it would cost to allow BSU to become a premier research institution; that cannot happen without additional resources. Draft 15 would replace the property tax dollars, would replace the general fund dollars with a pre-disposition, and would replace the liquor dispensary dollars, that totaling \$35 million. Something is amiss in the math, and the actual total would far exceed \$40 million.

Mr. Matt Freeman explained the methodology he used to estimate the fiscal impact of Draft 15. He said that Draft 15 anticipates increasing access, admitting that it did not include a full build-out of three community colleges, so the \$40 million figure is **not** the final price tag; it is a figure to get something up and going and hold the two current community colleges harmless, and to provide more access to students in a possibly passable piece of draft legislation. He said that part of the Governor's initiative for community colleges was to put out a request for information to all institutions on how they would spend what was then \$5 million to launch an initiative. He used the figures in those RFI's for BSU, EITC and LCSC, and based on those figures, he came up with \$6.2 million to just get some community college services up and going. He again emphasized that \$40 million was **not** the figure for full build-out, it is just to get services started, simply a first step, which was what **Representative Rydalch** was working toward.

Senator Langhorst sees a lot of potential with the current system in place in the state; it has been mentioned that it is not working, and he agrees that there are problems and needs that are not being met. The committee has heard a lot about how well community colleges are working in the state with local control and in helping local businesses, but the problem is what has occurred with regard to property taxes. He believes that this issue should be put into the hands of the voters and allow the people in local areas to make decisions regarding property tax issues themselves. He reiterated the fact that the Treasure Valley is the largest metropolitan area in the United States without a community college *per se*, adding that there is much public support for one. He believes that the drafts presented at this meeting

could enhance the current community college system, and he expressed his support of lowering the 67% majority, which allows a minority to basically veto something, perhaps even to a simple majority, again reminding everyone that it still becomes the local voters' decision whether or not they want to do that. He said he would support several of the drafts presented to the committee, and said scholarships need to be increased and tuition standardized, especially with regard to professional-technical courses. He believes that the political ramifications of Draft 15 might be a harder sell than expansion of the current system.

Representative Bolz stated that the committee needs to deal with not only the property tax aspect, but also whether or not the committee is looking at a statewide system or at a community college in the Treasure Valley for now, and looking to expand that at some point in time. A college in Treasure Valley needs to be assessed by this committee, as well as evaluating the merits of all the drafts presented.

Representative Rusche stated that he was struck by the difference in the view between BSU and ISU; if BSU had its view that their job was to provide better access in the Treasure Valley, he wondered if the committee would be feeling the need to create a separate community college there. If ISU felt that its role was to split off professional-technical and remedial courses to concentrate on being a research university, he thought he might support that concept, but he pointed out the difference between the two institutions and the difficulty it causes when anyone tries to group these two universities into one box. He thinks that the committee has a difficult situation since there is such a difference of opinion as to the role of the universities.

Senator Goedde said that there are two parts to the equity issue, and the committee has discussed the property tax aspect. The other part of the equity issue is the cost of classes to students. He said that it is not equitable for a student in Treasure Valley to be paying \$300 per hour for the same class that is provided at NIC for \$110; whether this committee chooses to embrace a solution that encompasses the current system, we also need to direct those four-year institutions offering community college courses to lower the cost of tuition to students and that would be a cost the state would have to absorb. He stated that this certainly is a part of the equity issue.

Representative Smith stated that the disparity in cost for courses around the state is a major concern, and pointed out that Math 101 at BSU, even for a vo-tech student, costs about \$340 compared to \$90 at EITC, \$110 at CSI for the very same class, and it is all state money. If you are in the vo-tech program, there is no local contribution and no property tax-it is all state money. This needs to be fixed. He suggested first asking the colleges for their input rather than the committee or Legislature taking some action that could have many unforeseen consequences. He believes there is a "cash cow" in some universities and they are milking the vo-tech part; he suggests that they provide parameters for tuition on vo-tech courses or something that they can live with and that the Legislature could facilitate. He hopes that the committee can address this subject in the next meeting, with the input of those institutions that would be affected.

Senator Little emphasized our current health care crisis and the overwhelming evidence that people who have access to a community college get paid 20%-30% more and get benefits, and that would be part of the solution to the health care crisis. The Treasure Valley is one of the fastest growing in the United States and the need for a community college here is undeniable. He said that all the issues being discussed by politicians prior to the election could be helped by having a community college in the

Treasure Valley. **Senator Little** simply believes that access is critical; he does agree that there needs to be a meeting of the minds with regard to increasing access across the state, and if those current institutions don't come up with a solution, then the Legislature might decide and the institutions may not like the resolution. One of the main reasons for a university to become a research institution is to generate its own cash; it doesn't take general fund money, and that is why every institution wants to become a research institution so they can generate money for themselves. If an investment into the future is going to be made, he believes the best investment would be to create better opportunity. He said the committee must act before the session in January.

Senator Goedde suggested inviting all the four-year institutions and the two community colleges to sit down with **Dr. Mike Rush** and talk about community college type courses and discuss equity in tuition.

Representative Chadderdon said that most community colleges have some funding from the community and with the tax situation as it is in Idaho right now, she said this may not be the time to propose this currently, but she does think that if there is going to be a new community college that there needs to be participation from the community, especially since some of the largest costs in community colleges are for remediation and that comes in part from adults returning for training. She believes that affordable tuition at community colleges encourages better access.

Representative Rydalch said that she had a college president tell her that if the state would subsidize their credit hour charge, they would be happy to lower what they charge, adding that might have to be a consideration.

Representative Boe speculated that if heads of higher educational institutions were invited to a meeting, she thinks there might be some general agreement about equalizing tuition for professional-technical and remediation education, if there were some sort of hold harmless funds for a few years for them to increase enrollment to make up for what they lose in tuition. She thinks there may be a challenge when academic classes are discussed because academic classes in a four-year institution are taught by professors with doctorates and they help develop research programs at a much higher cost. It is particularly difficult to retain those professors and attract new ones to teach graduate classes, since Idaho does not compete well with other states. She said the role of academic courses at community colleges is to provide students with an associate degree or to transition into a four-year university, and the cost for these courses is much less, so tuition is generally lower. She encouraged meeting with representatives from the educational institutions before the committee is charged with making a recommendation.

Representative Bolz summarized that there is no question about the need for community colleges; that is understood and justified, but the question remains as to the funding. Everyone understands the local control issue, but he believes that the committee needs to come up with a resolution on how to provide funding.

Senator Davis observed that consensus is built by making motions. He queried if those who were more dilatory in preparing legislation, could be given a chance to use the ideas that have been discussed, to draft additional legislation, if the committee could schedule a final meeting when it would consider all drafts presented, and make motions. He also requested that fiscal impact statements be prepared for all

legislation under consideration by the committee.

Senator Cameron suggested the fiscal impact statements should **not** reflect start-up costs only, although that may be a component, but rather the committee needs to make an accurate projection as to what it would cost to run a particular system according to the provisions in the draft legislation. **Senator Cameron** admitted there are things he would change with his own drafts and hoped that the ones presented at this meeting could be modified to include more of the items discussed.

A final meeting date for the committee will be determined by the co-chairs, and committee members will be notified as soon as possible; the date will be in November after the general election but before the end of November.

The meeting was adjourned at 2:37 p.m.