Budget and Fiscal Policy Committee Meeting

January 4, 2011

Attendees: Jason Dudich, Teresa Lubbers, Ken Sauer, Mike Smith, Chris Murphy, Chris LaMothe, Ken Sendelweck, Eileen O’Neill Odum, William Bogard, Chad Timmerman, Tom Morrison, Gretchen Gutman, Julie Griffith, Susan Williams, John Grew, Diann McKee, Jeff Terp

Ms. Odum began the Committee meeting at 10am EST. Ms. Odum discussed the agenda for the meeting and turned over the discussion to Mr. Dudich to address the first item on the agenda.

Mr. Dudich began by noting that Ms. Odum provided the Committee with an updated project plan document for the Budget Policy and Process Revision project that morning via email. Mr. Dudich went through the timeline for the project plan. Mr. Dudich noted that while the project plan provides for a release date of new budget instructions on or before 4/30/12, he reminded the Committee that the budget instructions were jointly issued by the CHE and the Budget Agency. Mr. Dudich mentioned that he is working with the Budget Agency on the budget instructions project and would insure Budget Agency approval before budget instructions were released.

Ms. Odum requested that Committee Members provide feedback to the working group on this project and asked Mr. Dudich to provide a list of the current budget schedules and data provided via the institutions so members could comment on suggested changes. Mr. Dudich noted he would provide Committee Members with an example of the operating and capital budget instructions from an institution.

Mr. Murphy asked if CHE staff would be meeting with institution CFO’s and budget directors to discuss the upcoming budget instructions in order to gain feedback from the instructions. Mr. Dudich noted that his predecessors normally met with all institutions before releasing the budget instructions to seek feedback on changes to the instructions. Since the project plan calls for potential revisions in the data provided by the institutions, Mr. Dudich and Ms. Odum suggested that a meeting occur in February with the institutions to discuss the pending revisions to the instructions. This would allow the institutions to provide feedback early in the process versus when the instructions are sent out in the spring.

Mr. Dudich noted that he has been meeting with Dr. Chamberlin and Mr. Buchanan regarding changes to the budget instructions and how best to collect data from the CHE perspective. Mr. Smith added his thoughts on data collected through the budget instructions and asked the Committee to think about having the instructions reflect information and data that the institutions provide to the Board of Trustees. Ms. Odum stated that additional information might be included in the instructions such as staffing metrics, health insurance information, compensation of staff and more visible information regarding operating levels. She also mentioned that with such data, CHE needs to insure that institutions are providing consistent data to CHE in order to provide comparable information.

Ms. Odum noted the work Mr. LaMothe and Mr. Dudich were conducting regarding capital project process. Mr. LaMothe agreed that changes to the capital budget portion of the instructions were not part of the project to improve the capital review process by CHE.

Next, Ms. Odum asked Mr. Dudich and Mr. LaMothe to update the Committee on the capital review project. Mr. Dudich noted that he provided the Committee with the October 25, 2011 document that provided thoughts on the tactical and strategic plan for CHE review of capital projects. Mr. Dudich asked the Committee for thoughts on the document and suggested changes to the tactical portion of the document regarding CHE review of capital projects.

Mr. Smith opened with asking the Committee to think in terms of statewide standards versus a statewide strategy. He went on to state the Commission might be better served to set a statewide standard for higher education capital versus a strategy for building capital at the higher education institutions. Ms. Lubbers raised the question of facility metrics and what are standard metrics for higher education facilities through the country. Standards like students per building, square feet per student, etc. Mr. Smith noted the comment by IU regarding the 900 buildings in their inventory and what metrics or standards are used to assess the large inventory.

Mr. Sendelweck noted the work being done with Reaching Higher: Achieving More and the focus on shared services among the public institutions. Those steps, he added, could result in savings to the institution with regards to brick and mortar projects.

Mr. Murphy stated that CHE should look for data sets that can be used for comparative purposes and national comparison when examining capital projects or setting statewide standards. He noted comparisons between teaching institutions versus research institutions, athletic space, housing space, etc. would be helpful when setting statewide standards.

Mr. LaMothe followed up the discussion thanking the members for their input. He noted the initial focus of the project was to define the capital review process and how projects move through the CHE for review. He added that as the project has evolved, CHE needs to be a more definitive as to what items, standards or data points to look for when reviewing capital projects and capital requests. Mr. LaMothe asked the question to the Committee, what is the strategic plan for higher education capital in Indiana and who should be answering that question.

Mr. Murphy added that CHE could focus on the framework for a strategic policy regarding higher education capital review by CHE. He noted that CHE could place academic projects before athletic or exercise projects, but noted CHE should establish a hierarchy of standards and categorize the type of buildings being requested.

Mr. Smith mentioned the thought of thinking about higher education capital projects from the prospective of financial institutions financing such projects. He asked “What would the bank think about when approving such projects?” Other areas to examine would be the percent of debt held by the institution and the amount of outstanding debt. Also, consideration for repairing or rehabbing current buildings versus building new structures could be a standard for the CHE. Finally, including the academic priority, financial analysis and market utilization of the project should be considered when thinking about standards for CHE review.

Mr. LaMothe and Mr. Dudich noted they would need to discuss further the next steps for this project and thanked the Committee for their thoughts.

Ms. Odum asked the Committee to think about future projects the Committee should be consider tackling for the first half of the calendar year. She noted items on the Committee goals such as college affordability, tuition and fee policy and financial aid issues. Ms. Lubbers noted the current legislation that would combine SSACI, COPE and CHE into one agency, addressing financial aid policy and affordability for Hoosier students. Mr. Sendelweck mentioned the work CHE needs to complete regarding Reaching Higher: Achieving More in the next few weeks and asked members of the Committee to focus on the new policy document as it is finalized. He suggested that the Committee focus on the current projects and Reaching Higher: Achieving More over the next 4 to 6 weeks and then return to future projects the Committee should consider. Committee members were in agreement.

Mr. Dudich ended the meeting with a note about the current legislative session and staff’s work on various higher education related changes. Mr. Dudich mentioned that he would update the Committee during the monthly phone calls regarding legislation being considered.

Finally, Ms. Odum noted future meeting dates of the Committee. Below are the dates for the Budget and Fiscal Policy’s 2012 meetings.  All times are for Eastern Standard Time.

**For first half of 2012 --**

February 7th at  8 am

March 14th at 8 am

April 11th at 8am

May 9th at 4 pm

June 13th at 8 am

**Tentative schedule for second half -- to be confirmed –**

July 11th at 9:30 am

August -- TBD

September TBD

October 10th at 8am

November 14th at 8am

December 5th at 8am

The meeting ended at roughly 11:05am EST. The next meeting will be February 7, 2011 at 8am EST.