

COMMISSION FOR HIGHER EDUCATION

Friday, October 8, 2010

DECISION ITEM B-2: Muncie/Anderson Planning Revised at the Ivy Tech Muncie Campus

Staff Recommendation

That the Commission for Higher Education recommend approval to the State Budget Agency and the State Budget Committee of the project *Muncie/Anderson Planning Revised at the Ivy Tech Muncie Campus*, as described in the project description and staff analysis October 8, 2010.

Background

By statute, the Commission for Higher Education must review all projects to construct buildings or facilities costing more than \$500,000, regardless of the source of funding. Each repair and rehabilitation project must be reviewed by the Commission for Higher Education and approved by the Governor, on recommendation of the Budget Agency, if the cost of the project exceeds seven hundred fifty thousand dollars (\$750,000) and if any part of the cost of the project is paid by state appropriated funds or by mandatory student fees assessed all students. Such review is required if no part of the project is paid by state appropriated funds or by mandatory student fees and the project cost exceeds one million dollars (\$1,000,000). A project that has been approved or authorized by the General Assembly is not subject to review by the Commission for Higher Education. However, the Commission for Higher Education shall review a project approved or authorized by the General Assembly if the review is requested by the Budget Agency or the Budget Committee. This project was not authorized by the General Assembly.

The Trustees of Ivy Tech Community College of Indiana request authority to proceed with the renovation/build out of two floors of the previously donated Fisher Building in Muncie. This project will be financed through the issuance of one or more series of bonds equal to the sum of \$4,800,000 authorized by the 2007 General Assembly.

Supporting Document

Muncie/Anderson Planning Revised at the Ivy Tech Muncie Campus, October 8, 2010.

MUNCIE/ANDERSON PLANNING REVISED AT THE IVY TECH MUNCIE CAMPUS

Project Description and Staff Analysis

SUMMARY

The College's Foundation received a gift of the four-floor plus basement, 135,400 square foot Fisher Building in downtown Muncie in 2009. The College's Foundation has proceeded with building out one floor of this facility and leasing it to the College. This building is the anchor of a major initiative for the College in downtown Muncie. The building is sound and can be built-out to accommodate instruction use. The College is requesting that the \$4.8 million of bonding authority from the 2007 General Assembly be used to build out two more floors of the Fisher Building.

DESCRIPTION OF THE PROJECT

The 2007 General Assembly authorized the College to plan for new construction in Muncie and Anderson and the 2009 General Assembly authorized the College to construct a new building for Ivy Tech Community College in Anderson by issuing bonds not to exceed \$4,800,000 and \$20,000,000 respectively. In a separate request the College proposes using all of the 2009 bonding authority for a new building in Anderson on land provided by the community. This request is to use the \$4.8 million bonding authority to renovate build-out two floors of the Fisher Building in Muncie. The Fisher Building was donated to the College's Foundation by the Fisher family in July 2009.

The College plans to use the \$4.8 million bonding authority authorized by the 2007 General Assembly to renovate two floors of the Fisher Building in downtown Muncie. Renovation will build out approximately 48,675 gross square feet/31,050 assignable square feet to provide classrooms, teaching labs, faculty offices, meeting rooms, student gathering spaces, and support spaces.

RELATIONSHIP TO MISSION AND LONG-RANGE PLANNING

As a statewide, open-access, community college, Ivy Tech Community College of Indiana provides residents of Indiana with professional, technical, transfer, and lifelong education for successful careers, personal development, and citizenship. Through its affordable, quality educational programs and services, the College strengthens Indiana's economy and enhances its cultural development. Ivy Tech Community College strives to accomplish its mission placing strategic emphasis on professional and technical education, general education, transfer education, developmental education, student development and services, continuing education, workforce education and training, community service, diversity and continuous improvement of all instruction and services.

The project supports the mission of the College and it is aligned with the Strategic Plan to bring new and expanded educational programs to the East Central region and marketplace driven workforce education and economic development to Muncie, Anderson, and Marion, and surrounding communities.

NEED AND EXPECTED CONTRIBUTION TO EDUCATIONAL SERVICES

According to a study completed in February 2006 by Energize ECI, the Partnership for East Central Indiana, the East Central Region encompasses eight contiguous counties and occupies approximately 3,842 square miles, was home to 550,000 people with almost 221,000 workers on covered payrolls in more than 11,000 business establishments. Today, there are fewer people in every one of those eight counties. Of the 25 Indiana counties that have consistently lost population since 2000, all seven counties served by Ivy Tech's East Central Region are included. During the past 15 years, when nearly 25 million jobs were added nationally, East Central Indiana moved the other direction. The number of workers on payrolls region-wide is lower today than in 1990. The 196,700 workers on covered payrolls in the first quarter of 2005 are 14,700 less than the same quarter in 1990. Over the same period, the rest of Indiana enjoyed an increase of nearly 400,000 jobs.

Much of the loss in residents and jobs is attributed to the closures and downsizing of major manufacturing facilities - Thomson in Marion, General Motors' Remy International, Guide Lamp in Anderson, and Borg-Warner Automotive in Muncie to name a few. But there is an opportunity for Ivy Tech to be a part of and have a major impact on the revitalization of East Central Indiana.

According to a report prepared by the Eastern Indiana Economic Growth Region 6 Strategic Skills Initiative, the region's dominant industries, in addition to manufacturing, are Education, Health Services and Public Administration. As a result, the Initiative identified six occupations as critical to the area's growth: health diagnosing and treating occupations; health technologists and technicians; life scientists; business operations specialists; metal and plastic workers, and truck drivers - heavy tractor trailers. Those working on the Initiative also uncovered several cross-cutting skills shortages, which include communications, reading comprehension, computer literacy, mathematics and science, problem solving, leadership and ethics. With much of programming already in place, Ivy Tech East Central can meet these challenges with additional space and upgraded facilities.

In the past 10 years (1999 to 2009), Ivy Tech East Central Region has experienced continual growth. At Muncie, the enrollment has increased 138.4 percent in the past ten years. In 1996, the Region offered 240 courses on its three campuses. By 2005, course offerings totaled 318. The number of faculty has grown from 39 full-time and 186 adjuncts in 1969 to 88 full-time and 375 adjuncts in 2008. This growth in faculty has been critical for the growth and to meet the student and workforce demands.

Enrollment is at a level that the College leased modular classrooms and space in other building in Muncie on a temporary basis. Without this leased space the College would have been faced with turning away students in need of education and training when they need it the most; to pursue additional education at a reasonable cost or to get training that would expand their employment opportunities.

New and improved services to the community, within the mission of the College and Strategic Plan, will be attained by an increase in accessible, quality space for general classrooms, labs, student lounge/study areas, offices and flexible space for future programming.

ALTERNATIVES CONSIDERED

Three options were considered to bridge the gap between the current overcrowding and this request for a capital construction project.

1. Construct temporary modular units at the Muncie main campus location on South Cowan Road in addition to the modular units currently leased. However, this option carried high lease costs, adds high costs for temporary utility extensions, and provides the least net gain of additional classrooms.
2. Secure additional leased space elsewhere in Muncie: several vacant properties are immediately available throughout the community to accommodate enrollment growth. For long-term use, significant remodeling expenditures would be needed and since it is leased space, at some time in the future; its use would be terminated. Additional options have been considered, but each would require significant remodeling expenditures and lack of very long term use. No leased options offer the permanent space needed by the College in Muncie.

None of the options provide sufficient, permanent space needed to accommodate current and future enrollments and when the Fisher Building was offered as a permanent downtown campus site all other options were significantly less attractive for a long term solution to part of Ivy Tech Muncie's space needs.

RELATIONSHIP TO LONG-RANGE FACILITY PLANS

The proposed project will address the immediate critical need and provide long term space in downtown Muncie. Long-term planning will involve additional facilities and significant renovation to the existing main campus facilities on South Cowan Road.

HISTORICAL SIGNIFICANCE

There are no buildings of historical significance involved in this project and the site is not a historical site.

STAFF ANALYSIS

Ivy Tech is requesting funding provided by the 2007 General Assembly to renovate two floors in a donated building in the Muncie area at a cost of approximately \$4.8 million. Funding for the project will be supported entirely by the state and the estimated fee replacement for this project is approximately \$418,000 annually starting in 2012. For 2010-11, Ivy Tech's debt ratio is approximately 15% while the overall public institution's debt ratio is approximately 13.6%. The Commission projects Ivy Tech's debt ratio to be approximately 15.4% by 2013. No outside funding, gifts or donations will be used to support the cost of renovation of this building.

The Muncie campus has seen stable growth over the last 10 years. FTE enrollment has grown on average by 8.0% over the last 10 years and 8.5% over the last 5 years. From 2009 to 2010, FTE enrollment has increased by 23.7% and is projected to grow at 8% in the future based on Ivy Tech's enrollment assumptions. Staff believes that this stable growth will continue in the Muncie area and the renovation of this donated building will allow for classrooms and labs to address such growth.

With this renovation no current space will be removed or closed; therefore this new renovation will add 48,000 GSF of new space to the Muncie campus, addressing the continued growth of FTE enrollment at the Muncie site. It is noted that Ivy Tech has requested in its 2011-13 Biennial Capital Request \$35 million for new capital projects in Muncie that include new construction and renovations of currently owned buildings by Ivy Tech. The total impact would add approximately 70,000 GSF to the Muncie campus.

Staff will note that in Region 6 (Muncie, Marion, and Anderson) a large amount of capital will potentially be spent in this area. In 2005 Ivy Tech requested, and was approved to construct, a \$20 million facility in Marion which was completed in 2008. Through current capital requests, Ivy Tech will incur nearly \$25 million in capital projects in Muncie and Anderson and has requested in their long term capital plan an additional \$85 million through 2021 for Region 6. A total projected investment since 2005 of \$130 million mostly provided through state funds.

Staff recommends that additional analysis should be conducted by Ivy Tech and the Commission regarding a long term strategy pertaining to new permanent buildings for Ivy Tech versus leases that would allow for flexibility in enrollment changes, demands by the community and overall economic conditions in the state. In some cases, permanent buildings in various locations could be warranted while other locations might require continuation of leased space before moving forward with permanent structures.