

**State of Indiana
Commission for Higher Education**

Minutes of Meeting

Friday, December 10, 2010

I. CALL TO ORDER

The Commission for Higher Education met in regular session starting at 9:05 a.m. at University Place Conference Center, Room 137, IUPUI Campus, 850 W. Michigan St., Indianapolis, Indiana, with Chair Mike Smith presiding.

II. ROLL CALL OF MEMBERS AND DETERMINATION OF A QUORUM

Members Present: Cynthia Baker, Gerald Bepko, Dennis Bland, Carol D’Amico, Jud Fisher, Marilyn Moran-Townsend, Chris Murphy, Eileen O’Neill Odum, George Rehnquist, Ken Sendelweck, Mike Smith.

Members absent: Jon Costas, Susana Duarte de Suarez, Keith Hansen.

III. CHAIR’S REPORT

Mr. Smith brought to the attention of the Commission members the Calendar of the Commission meetings for 2011 published in the Agenda book.

IV. COMMISSIONER’S REPORT

Ms. Teresa Lubbers, Commissioner, Commission for Higher Education, said that the Commission members met Thursday evening and discussed budget recommendations, which will be further considered later in this meeting.

Ms. Lubbers spoke about the Education Roundtable meeting, which took place earlier in the week. She said that Governor Mitch Daniels and Dr. Tony Bennett, Superintendent of Public Instruction, unveiled the legislative agenda for K-12 issues and reform. She mentioned a proposal that would allow graduation from high school after the 11th grade, and provide a part of ADM funding to attend college.

In addition, Ms. Lubbers said that the new executive director of the Education Roundtable, Mr. Dan Clark made a presentation on the strategic plan for the Education Roundtable. This plan will align P-12, higher education, workforce development and economic development. The baseline research is being conducted by Graham Toft of Growth Economics to provide demographic and issue analysis that will be used to instruct the strategic plan and work. A significant portion of the work will center on efforts to increase the per capita personal income of Hoosiers, which has been steadily declining since the 1950’s.

Ms. Lubbers stated that plans are underway to host an event for new and returning legislators on January 20th. The purpose is to provide an overview of higher education issues, especially the performance funding formula. Co-hosts joining the Commission are the College Board, Indiana Chamber of Commerce, and the National Conference of State Legislators. Ms. Lubbers said that the Commission has discovered in its discussions even seasoned legislators have a very limited

understanding of performance funding formula. The event on January 20th will give the Commission the opportunity to highlight its budget recommendations and performance funding.

Ms. Lubbers noted that the Commission's annual Student Leadership Conference will take place on January 21st in Indianapolis, and Mr. Hansen, student representative on the Commission, will be sending more information about it to the Commission members.

Ms. Lubbers gave a brief update on the NCHEMS (National Center for Higher Education Management Systems) report that came out in September of this year. Several institutions have cited the report in their presentations, including budget presentations. A few raised concerns about the peer institutions that were selected. Ms. Lubbers reminded the Commission members that these peer schools were chosen in consultation with the institutions, but some thought the selections were inappropriate or outdated. This provided the Commission a good opportunity to allow each school to affirm the current selections or make recommendations for changes. A few have modified the list, and the Commission is now working with NCHEMS to incorporate these changes. The new list will also help the Commission as it continues to run data that uses peer schools for comparisons, including the metrics the Commission provides to the State Budget Agency.

Ms. Lubbers brought Commission members up to date on Indiana's College Cost Calculator, which should be functioning within the next 60 days. While all of the schools may not have provided their information yet, the Commission has decided to proceed with those who have met deadlines and will keep encouraging the others to do so as well. Ms. Lubbers stressed that the information about financial aid is now more important than ever, with student loan debt up six percent from last year, and averaging over \$24,000. This tool will be very important to assist Hoosier students in making college decisions and in understanding financial aid.

In conclusion, Ms. Lubbers thanked the Chairman and members of the Commission for their stalwart work this year. She said that it is not easy being a member of this Commission; a lot is expected from the volunteers, and the staff is very grateful for the members' counsel.

Mr. Smith responded by thanking Ms. Lubbers for selecting competent new staff members, and for the staff's good work throughout the year.

V. CONSIDERATION OF THE MINUTES OF THE NOVEMBER 2010 COMMISSION MEETING

R-10-10.1 RESOLVED: That the Commission for Higher Education hereby approves the Minutes of the November 2010 regular meeting (Motion – Murphy, second – Moran-Townsend, unanimously approved)

VI. DISCUSSION ITEMS

A. Advanced Manufacturing Training and Technology Center at Vincennes University – Jasper Campus

Dr. Richard Helton, President, Vincennes University, presented this project. This project was first authorized in the 2007 legislative session. The total project cost is \$12 million; the project is eligible for fee replacement at a bonding level of \$8 million, and the remaining \$4 million to come from businesses and industry partners, as well as Vincennes University and Foundation endowments.

Dr. Helton talked about the importance of having the Manufacturing Training and Technology Center at the Jasper campus. The center will be a powerful asset in enhancing the capacity to serve as a technical and specialized training center for southwestern, south central, and southeastern Indiana. The new center will be instrumental in allowing Vincennes University to be the leader in high-tech business and industry and vocational education. Dr. Helton stated that this project will result in a significant return on investment by promoting economic development and expansion in Dubois County and surrounding areas.

Dr. Helton stressed that this is a community-driven project. Considerable time and resources have been spent over the past decades in developing special curriculum and evaluation techniques tailored to suit the diverse industrial needs of Indiana. The new Center will also be used as a primary focus point by the Indiana Department of Commerce in attracting new business to the State of Indiana.

Dr. Helton spoke of the support for this project from the business community of Dubois County and from the Jasper Advisory Committee. The Dubois Area Development Corporation has committed \$100,000 to this project, and there are other sources coming. In addition, as a demonstration of the corporate commitment to this project, Masterbrand has donated ten acres of prime commercial property adjacent to the Jasper Campus, valued at approximately \$350,000.

Ms. Odum asked whether the courses that would be offered at the new center have already been offered at another location. Dr. Helton said that there are several programs that are being offered currently at the Vincennes campus. However, because of the location, Vincennes University believes these are viable programs to be offered at the Jasper campus, where they are not offered at present.

B. Indianapolis Fall Creek Expansion Project at the Indianapolis Ivy Tech Campus

Mr. Jeffrey Terp, Vice President, Policy Analysis and Engagement, presented this project. The 2007 General Assembly authorized the College to plan and construct its Fall Creek Expansion project by issuing bonds not to exceed \$69,370,000. Ivy Tech Community College (ITCC) requested that \$39,500,000 of that bonding authority be released to pay for planning, selected demolition of the existing Fall Creek Expansion property (formerly the St. Vincent Hospital property), and construction of a new building at its site.

Mr. Terp spoke about the construction of Phase I being underway at the present time. The architects were able to preserve some of the portions of the former St. Vincent Hospital building, thus saving the College almost \$2 million, which were invested back into the construction. New construction and the retained portion of the former St. Vincent Hospital building will be at least 150,000 gross square feet, which will include academic classrooms, teaching labs, faculty offices, student study and gathering spaces, meeting rooms for the College and community use, as well as food service space to be built out by vendors. The construction will be completed on December 15, 2011.

Mr. Terp described Phase II of this project, which should begin in spring 2012. He gave details of the new construction: the new wing will have at least 60,000 gross

square feet, and also will include various spaces needed for the College. One of the increasingly important parts of the construction is a connector over Illinois Street, between the new construction and the existing North Meridian Center building to provide safe passage for students, faculty, staff, and visitors.

Mr. Terp explained that the College requests additional bonding authority of \$6,771,900 be released to construct the connector and build out of the fourth and fifth floors, which will add 14 classrooms, six teaching labs, faculty office space, and some other necessary spaces. Mr. Terp said that doing the work at this time will save the College and state approximately \$1.1 million of increased costs versus doing the work approximately two years later.

Ms. Odum asked whether this project was a number one priority on Ivy Tech's list. Mr. Terp confirmed that it was. Ms. Odum asked whether Ivy Tech would consider reallocating money from the low-priority projects towards this one. She added that one of the major discussions on the Agenda of this meeting is budget presentation and proposal and the Commission members have limited capital to those projects that have already been approved by the Commission. Ms. Odum was concerned that the second phase, being requested by Ivy Tech, may not be one of them.

Mr. Smith asked Mr. Terp and Mr. Jason Dudich, Associate Commissioner and Chief Financial Officer, Commission for Higher Education, to clarify the status of this project. Mr. Terp confirmed that both Phase I and Phase II were approved by the General Assembly.

Mr. Smith asked Mr. Dudich to explain why the Commission was reviewing this project, if it was already approved by the General Assembly. Mr. Dudich said that the law requires that a project over a certain amount, approved by the General Assembly, must be reviewed by the Commission, the Budget Committee, and the Governor.

Mr. Terp confirmed that the whole project was once approved by the Commission. Ivy Tech agreed to break it up into two parts, and come back to the Commission later to request the approval for the second phase. After having conversations with Mr. Dudich, Ivy Tech thought it was prudent to re-explain the project to the Commission members and ask permission to borrow forward.

Mr. Dudich added that when he was checking the Minutes of the Commission Meeting, when the project was originally presented to the Commission, he found that the decision by the Commission was to approve the first phase of the project, which was \$39.5 million. It was also decided that at some future date Ivy Tech would come before the Commission to request money for the second phase of this project. Mr. Dudich reconfirmed that the law does require that if a budget project has been authorized by the General Assembly, if it meets the dollar threshold, and if it is a capital project, it must be reviewed by the Commission, by the State Budget Agency, and subsequently by the Governor. Mr. Dudich also said that he will work on a wording of the statute that is included in the Agenda items for the capital projects to make sure it is easily understood and not confusing.

Mr. Smith wanted to make sure that Mr. Terp understands that Ivy Tech's request will be acted upon within 30 days from the day of this meeting, at the next

Commission meeting. Mr. Terp confirmed that Ivy Tech does not expect any action until the Commission's February meeting.

Ms. Lubbers supported Mr. Dudich's intention to clarify the wording of the statute.

Ms. Moran-Townsend asked if the \$2 million that the architect was able to save Ivy Tech College would be re-invested in the construction. Ms. Moran-Townsend asked if this \$2 million was considered with the \$6 million that Ivy Tech was requesting for Phase II. Mr. Terp confirmed that they were.

Ms. D'Amico asked about the progress of the initial plan of the community support of this project to offset some of the costs. Mr. Terp responded that Ivy Tech is ready to announce five significant co-chairs for the capital campaign. Ivy Tech has also completed a feasibility study and came back with a secure goal of \$25 million.

C. Financial Aid Study: Next Steps

Ms. Lubbers made a few introductory comments. She acknowledged Commission members and the work they did on the funding of the Indiana College Scholarship Program, a year-long study mandated by the legislature and conducted jointly by the Commission for Higher Education and the State Student Assistance Commission of Indiana (SSACI).

Ms. Lubbers introduced Ms. Claudia Braman, Executive Director, SSACI, and Ms. Seana Murphy, Director, 21st Century Scholars Program. Ms. Lubbers said that she, Ms. Braman and Ms. Murphy wanted to give an update on what is being done to continue this effort, including meetings with legislative and policy leaders.

Ms. Lubbers said that Ms. Braman and her team very carefully divided the recommendations based on which would take legislative approval and which can be done through SSACI action. She stated that some of the areas may be somewhat controversial, so the Commission and SSACI will need to work with legislative leaders to make sure they understand the purpose of the recommendations.

Ms. Lubbers invited Ms. Braman to provide an overview of the financial aid study.

Ms. Braman began her presentation by saying that a key item on SSACI's agenda is to provide more money in part-time grants for adult learners. The number of adults going back to school part-time has increased dramatically in the last several years due to the economy. At present, SSACI has a little over \$5 million in grants for this population, but the goal is to double it. The Frank O'Bannon award, which is the largest need-based award, can be used only for full-time students. Some adults are applying for this award, but by not going to school full-time they lose this money, and this affects the caps, as well as the amount of money SSACI can give the traditional students.

Mr. Smith asked how the money is handled if the student applies for financial aid as a full-time student and receives it, and then reduces participation to a part-time status. Ms. Braman responded that a portion of this money is being refunded, but, by this time, SSACI had already set the caps, so even though this money can be put back in the part-time fund, it is too late for the students to take advantage of this extra money.

Ms. Odum asked whether the “need-based” analysis was actually done. Ms. Lubbers responded that the need is much greater than these numbers show, especially considering the growth in this population in the last two years compared to any other Indiana population.

Ms. Braman confirmed that the surveys of Indiana schools done by SSACI show that these schools could easily handle twice as much money as SSACI is currently providing.

Ms. Braman spoke about financial aid for prisoners. Indiana is one of very few states that fund education for incarcerated students at such a high level. There are several Indiana schools that provide educational services to the prison population. In the last year and a half SSACI worked with the Department of Corrections (DOC), as well as with these schools, to see if there is anything to be done to bring down the cost. Ms. Braman pointed out that SSACI spent \$15 million within the last five years on prisoners’ education; last year roughly \$9 million was spent; the projection for this year is \$8 million.

Ms. Braman said that SSACI would like to enforce the existing Indiana code that says SSACI will not fund prisoners, and have DOC run the education programs for prisoners. A portion of this money could be transferred back to the Higher Education Award fund and used for the need-based program. Ms. Braman said that for roughly \$4.5 million SSACI, together with DOC, could run a quality program that would serve everyone in the institutions.

Ms. Lubbers added that it is important to note that both the Commission and SSACI believe that DOC will be able to design a much more occupationally-driven program that would be better suited to their population. Ms. Lubbers assured the Commission members that the Commission and SSACI support prisoners’ education, but believe it can be provided more efficiently.

Mr. Smith asked what institutions provide the prisoners’ education. Ms. Braman named them: Ball State University, Oakland City University, Grace College, Indiana State University, and Ivy Tech Community College.

Ms. Braman then spoke about the Children of Disabled Veterans Program, which was given to SSACI several years ago to administer. There are fourteen programs within this program, and because of increase in students and tuition, SSACI has been unable to meet the need in full. Last year SSACI gave the universities about a one year heads-up warning that they are going to run out of money from the appropriation for this program. SSACI suggested that they will pay for the first semester in full, but for the second semester they could pay only about 70 percent. This year they project they will be able to pay in full for the first semester again, but for the next semester they will be able to pay only 50 percent. Obviously, as more students become eligible, SSACI will continue to see a large influx of students needing this program.

Ms. Braman spoke about the Frank O’Bannon grant, which is the largest need-based grant, amounting to roughly \$230 million. SSACI is very supportive of the need to preserve both the Higher Education Award and Freedom of Choice Award. SSACI supports the language of the law that says that they should proportionally raise the

caps for independent colleges and state colleges. However, Ms. Braman pointed out, SSACI would like to remove the part of the language that does not allow SSACI to take money from the Freedom of Choice Award and put it into the Higher Education Award, which would allow SSACI to keep the caps as high as possible. SSACI may need to leave roughly \$6 million in the Freedom of Choice Award if they are not allowed to use this money back and forth to maximize the caps for students.

Ms. Braman talked about the 21st Century Scholars program. She said this is a great program, a national model, but there are some usage issues that are causing SSACI some problems. Ms. Braman said that SSACI has a list of eight or ten recommendations of what they could do to strengthen the 21st Century Scholars program. Ms. Braman invited Ms. Murphy to speak about this program.

Ms. Murphy first spoke about verifying the economic eligibility. The 21st Century Scholars program works with Department of Education (DOE), and keeps track of all students who indicate that they are eligible for a free or reduced price lunch. These students are kept in the database, and 21st Century cross-checks this list with DOE to verify their status.

In terms of their affirmation process, Ms. Murphy said there were some questions regarding how the 21st Century verifies whether the students kept the 21st Century Scholars' pledge. Ms. Murphy explained that the 21st Century Scholars Program selects the population for verification, and checks these students through the criminal justice records system. They also send notices to the students and the school, and the school has to verify that the student did not have any pledge violation. The school verification process is the most effective, because some students may not have criminal records, but they could have been caught on the school grounds using drugs or drinking, or in some other ways of violating the pledge.

Ms. Murphy stated that they have two primary objectives for the legislative session. One is to increase the Grade Point Average from 2.0 to 2.5. Ms. Murphy stated that they want to make sure that ninth through twelfth grade students will still be accepted with 2.0 GPA requirements, but sixth, seventh and eighth graders should be motivated to work harder on getting a higher GPA, to be eligible for admittance to colleges of their choice.

Ms. Murphy said that the second component is to remove the language that guarantees the full tuition scholarship. By removing this language 21st Century Scholars Program will be able to develop a tiered system, so that the students who improve their economic situation are not stripped of the financial support or acknowledgement of their commitment to the 21st Century Scholars program. However, the 21st Century Scholars program will become fiscally sound, and will be able to give the highest possible aid to the students who have the highest need.

Ms. Odum asked whether 21st Century might lose more young male students than female students if the GPA will increase from 2.0 to 2.5. Ms. Murphy responded that SSACI has not considered this aspect, but acknowledged that the 21st Century Scholars Program may lose students when the bar is raised. The goal of this change is to motivate the students to improve academically. Ms. Lubbers said that both aspiration and preparation are key elements of the program. Ms. Murphy added that she will try to get the information Ms. Odum requested regarding gender disparities.

Ms. Braman said that it is important to know that this is really not a financial goal, but a goal of encouraging graduation, and it matches with the Commission's goal of completion.

Mr. Bland asked whether there was any data on the connection between the GPA at the time of entering a college and the graduation rate. Ms. Murphy responded that two years ago Lumina Foundation for Education published a report, which included information on the students who had taken Academic Honors and Core 40 classes, and what schools they are attending. Ms. Murphy said that this report does not specify the GPAs, but states that those who have higher GPAs are more likely to enter schools of their choice and to persist in graduating. Ms. Murphy assured Mr. Bland that she could get more specific data regarding GPAs.

Ms. Moran-Townsend strongly encouraged SSACI to consider seeking legislative changes necessary to enable SSACI to take the funds that are in the entitlement programs and that could be screened and used for need-based programs. From a political perspective, Ms. Moran-Townsend said she cannot think of any better time for SSACI and 21st Century Scholars Program to do this than now, because the message "entitlement versus need" will play very well with the new makeup of the legislature.

Ms. Braman agreed with Ms. Moran-Townsend, and added that with the removal of the word "full" SSACI will be able to put a cap based on the amount of money appropriated by the legislature, and SSACI will be able to treat the 21st Century Scholars program as they treat the Frank O'Bannon Award.

Mr. Bland asked about rewards for higher achievers. He asked whether there is going to be a reward for high performers, not the "full scholarship," but the "full cost," which will include the cost of room and board, books, etc.

Ms. Murphy responded that with the removal of the word "full," SSACI will have the latitude to determine these needs. The goal of SSACI is to give more money to the neediest students. However, Ms. Murphy pointed out that several colleges are rewarding the high achieving students with scholarships that include full costs of college. She mentioned Purdue Promise, IU Covenants, Franklin College, Saint-Mary's College in South Bend. The higher achieving students who want to attend those colleges receive help to cover the cost of attendance, and this improves the graduation rates on the campus.

Mr. Murphy mentioned a number of programs not based on need that do not give SSACI any flexibility, and consume a growing percentage of the funds. He asked whether this was not a good time to amend these programs in order to give SSACI more flexibility and more funds for students with need.

Ms. Braman responded that SSACI will make this information available to the legislators. She added that SSACI can outline all kinds of rules and regulations for each of the 14 programs, but these are not SSACI programs; SSACI is just the fiscal agent.

Mr. Smith reminded the Commission members about their meeting in August for which the Commission members had to study a lot of data on financial aid. The goal of the meeting was to prepare a report on the financial aid study to present to the legislature, per their request. Mr. Smith said that SSACI and 21st Century Scholars Program responded in coordination with this request. Mr. Smith pointed out that it would be very helpful for the Commission members to have a simple one page document that reflects the body of work done to help staff prepare these recommendations. Mr. Smith expressed concern that some of the very important issues are falling through the cracks.

Ms. Lubbers responded that today's meeting is primarily focused on the issues that will be taken to the legislature. The other issues will be provided, as well, and the Commission, together with SSACI, will work to ensure that the other issues are considered, too.

Mr. Smith, referring again to the meeting in August, said that the Commission spent a whole day on changes that could be made administratively. He added that he would like to see a report with the 19 suggestions, which could be accommodated administratively; what their status is, and which of those require a statutory change.

Mr. Bland asked if it is possible to find out whether the 21st Century Scholars, who are high achievers, and have a GPA of more than 3.0, are getting any help from the colleges.

Ms. Lubbers responded that there are ways to find out whether both public and independent colleges are doing anything for these students. She asked the institutions to share with the Commission what they are doing to help those 21st Century Scholars who are performing at a very high level.

VII. DECISION ITEMS

A. Academic Degree Programs on Which Staff Propose Expedited Action

R-10-10.2 RESOLVED: That the Commission for Higher Education approves by consent the following degree programs, in accordance with the background information provided in this agenda item:

- Master of Science in Medical Physics To Be Offered by Indiana University Bloomington at Bloomington
- Master of Science in Aviation and Aerospace Management To Be Offered by Purdue University West Lafayette at West Lafayette (Motion – Murphy, second – Moran-Townsend, unanimously approved)

B. Capital Projects for Which Staff Proposes Expedited Action

R-10-10.3 RESOLVED: That the Commission for Higher Education approves by consent the following capital projects, in accordance with the background information provided in this agenda item:

- Krannert Building Management and Economics Library Remodel Phase III at Purdue University West Lafayette: \$2,500,000
- Heine Pharmacy Building Ground Floor Lab Renovations at Purdue University West Lafayette: \$2,500,000
- Lease of Space – 500 N. Meridian Street, Indianapolis, IN at Indiana University – Purdue University Indianapolis: \$1,446,190 annually for 5 years (Motion – Bepko, second – Rehnquist, unanimously approved)

C. Policy on Approving New Sites for Degree Programs at Ivy Tech Community College

Dr. Ken Sauer, Senior Associate Commissioner for Research and Academic Affairs, Commission for Higher Education, said that one of the primary missions of the Community College is to respond quickly to the workforce needs. Ivy Tech, a Community College system with 23 campuses and centers, was seeking a way in which the college could have more flexibility to respond to these needs. That led to the drafting of a policy that is being presented today.

Dr. Sauer pointed out that a number of issues came up as this policy was being discussed. They relate to different aspects of the policy including the documentation necessary to address and define the workforce needs, as well as the enrollment projections associated with this new program request. These are issues that could apply to a new program approval process for all institutions. As indicated previously, the staff, in conjunction originally with Indiana University, is working to revise the new degree program proposal guidelines, and would like to see all of the institutions involved in this process.

Dr. Sauer also noted that the issues that have come up are related to a matter of detail, backing up, and rational for the new programs, so the Commission may need to pay closer attention to how well these programs are doing, and whether they are meeting their projections.

Mr. Smith said that these comments represent the will of the Commission that was expressed this morning. The Commission would like to improve its own processes around the visibility and accountability, which will require the Commission members to check on the success of the new degree programs. Mr. Smith pointed out that this is not a response specifically to Ivy Tech's request, but a much broader issue. Mr. Smith said that the Commission members look forward to further reports from the staff on this topic. Mr. Smith moved to table this item.

R-10-10.4 That the Commission for Higher Education tables the *Policy on Approving New Sites for Degree Programs at Ivy Tech Community College*, December 1, 2010 (Motion – Smith, second – Fisher, unanimously approved)

D. 2010 Improving Teacher Quality Partnership Program Funding Recommendations

Ms. Catisha Coates, Special Projects Coordinator, Commission for Higher Education, presented this item. Improving Teacher Quality Partnership Program is a competitive partnership program that brings Indiana's colleges and universities together with high-need school districts to support the professional development needs of teachers, paraprofessionals and principals in core academic subjects.

Ms. Coates said that a committee of educators, two Commission members, and a state agency staff reviewed proposals and submitted funding recommendations to the Commissioner. After considering the recommendations and adhering to the federal guidelines, staff recommends that the Commission make seven awards under the 2010 competition.

R-10-10.5 That the Commission for Higher Education approves the awards outlined in the document *2010 Improving Teacher Quality Partnership Program: Proposals Recommended for Funding*, December 10, 2010 (Motion – Murphy, second – Odum, unanimously approved)

E. Acceptance of Public Institution Student Information System (SIS) Data for 2009-2010

Ms. Jennifer Seabaugh, Manager of Information Research, Commission for Higher Education, presented this item. Every year the Commission collects Student Information System (SIS) data from all the public institutions. This year there was a ten percent increase in total headcount from last year, and FTE (Full Time Enrollment) increased eleven percent. The largest increase at the four-year institutions was at Indiana University (IU) Northwest at 12 percent, followed by Purdue University (PU) North Central. There was a slight decrease at IUPUI (Indiana University-Purdue University Indianapolis), Purdue West Lafayette, and Indiana State University.

Ms. Seabaugh said that the two-year institutions had an increase of 21 percent overall. The largest increase at the two-year institutions was at Ivy Tech Community College in Columbus with 34 percent; the lowest increase was at Ivy Tech Terre Haute with 9.7 percent. Overall, Vincennes University increased their enrollment by 13 percent.

Ms. Seabaugh drew the Commission members' attention to one significant fact: Ivy Tech's FTEs surpassed Purdue's FTEs by 18 percent.

Mr. Murphy asked whether this data included the numbers from fall of 2010. Ms. Seabaugh responded that the fall data was not included in this information.

Ms. D'Amico asked whether the number of headcount included the number of dual enrollments. Ms. Seabaugh responded that this information was not included in this report, but the Commission does collect the information about dual enrollment and credit hours. This information will be included in another much larger report, which will be presented at the Commission meeting in February.

Mr. Smith thanked Ms. Seabaugh for compiling this important information in such a concise and understandable fashion.

R-10-10.6 That the Commission for Higher Education adopts 2009-2010 Annual Student Information System (SIS) data, as submitted by the institutions, for Indiana University, Purdue University, Ball State University, Indiana State University, University of Southern Indiana, Vincennes University and Ivy Tech Community College of Indiana as the official source for Commission analyses on all pertinent subjects in accordance with the supporting documentation (Motion – Murphy, second - Bepko, unanimously approved)

F. 2011-13 Postsecondary Budget Recommendations

Mr. Dudich presented this item. He spoke about the priorities and goals of budget recommendations, which include providing funding above historical levels for the Performance Funding Formula; allocating a portion of the operating base to fund the Performance Funding Formula; meeting the budget base targets set forth by the State Budget Agency, and several other areas.

Mr. Dudich spoke about Performance Funding Formula. It was established in 2003 with a Research Incentive. Since then it has grown to seven metrics used to provide performance funding to institutions. Mr. Dudich stated that in the 2011-13 budget the situation will be different: no new dollars will be allocated through the Performance Funding Formula. Mr. Dudich pointed out that the Commission does not want to penalize institutions with lower performance, but wants to reward those with increased performance. Also, the Performance Funding Formula will allow Ball State University (BSU) and Indiana State University (ISU) to participate in the Successful Completion of Credit Hours metric for the first time.

Mr. Smith wanted to make sure that all university representatives take note of the fact that the Commission is advancing the data that is being shared with them today, but the Commission is reserving the time over next several days to go back and make changes based on actual completion data as opposed to the projected completion data.

Mr. Dudich spoke of a “bonus measure.” The Commission wants to incentivize those institutions that have a resident two- and four-year graduation rate above 50 percent, with one percent of the 2011 operating budget.

Ms. Lubbers clarified this point by explaining that if the graduation rate is at 50 percent, for each one percent above 50 there will be a financial reward. The Commission has not included in the recommendations what this reward will be, because no institution currently has 50 or more percent graduation rate, but this is an important metric to have.

Ms. Odum said that she supported the direction to provide an extra incentive as people show the improvement in graduation, but she was hesitant to say that it has been determined how the Commission is going to pay out of the next budget cycle. Ms. Lubbers asked whether Ms. Odum does not want to show any number, or not to include this metric at all. Ms. Odum responded that, in her opinion, it is premature to say that it will be one percent. Ms. Lubbers explained that the Commission just wanted to have a “bonus measure” that acknowledges improving the graduation rate above 50 percent.

Mr. Smith commented that if the Commission today creates a definite expectation, which will require the Commission to change the formula in order to make awards in the future, this will set an additional risk. Ms. Odum said that for different universities the goal may be different; 50 percent graduation rate at a four-year research institutions is different from the same goal in the institution that offers largely liberal arts.

Ms. Lubbers wondered whether Ms. Odum considers 50 percent an inappropriate metric. Ms. Odum responded that this number should be different for different colleges, depending on the programs they offer. Ms. Lubbers explained that the reason the Commission wanted to include this metric is that it wants to recognize those institutions who are making an effort to pursue higher graduation rates. Ms. Odum said that the Commission should strengthen its approach by having more information.

Ms. Lubbers summed up this discussion by saying that the Commission members can either remove this metric from the Performing Funding Formula, or change the language so that it does not show a number, but recognizes a “bonus measure” for the graduation rate. Dr. Bepko wanted to make a motion on this point, but Mr. Smith told him that the Commission will have to act upon the whole report.

Mr. Dudich described the impact of the Performance Funding Formula. He showed a chart that detailed the history of the biennial funding of Performance Funding Formula since its inception in 2003.

Next Mr. Dudich spoke about the allocation of the Performance Funding Formula. The \$61.4 million for each year of the biennium will be allocated in the following manner: total degree attainment change – 60 percent; total completion of credit hours – 25 percent; research incentive – 15 percent.

Mr. Dudich talked about the institutions’ impact of Performance Funding Formula, and gave an overview of the operating budget for each institution.

Ms. D’Amico asked whether the charts reflect BSU’s and ISU’s completion of credit hours. Mr. Dudich confirmed that it did, but their results were negative, which defaults to a zero on the chart. Mr. Dudich added that more accurate data needs to be acquired.

Ms. Lubbers asked what has changed most on the chart compared to how it looked Thursday night. Mr. Dudich responded that Ivy Tech went down by about \$2.3 million because of the dual credit adjustment, and USI increased by two percent, because they received almost half of the dual credit allocation.

Mr. Smith cautioned Mr. Dudich to be careful with the language. He said that Ivy Tech’s performance award has been amended from what the Commission saw Thursday night. In fact, it is still safe to say, that, as revised from last evening, Ivy Tech is net \$9 million gain in each of the two years of the biennium by virtue of performance funding.

Mr. Dudich agreed that the term “loss” was not a proper word; it was more an amendment to the amount the college received due to the Performance Funding Formula.

Mr. Dudich explained the chart showing the operating budgets general fund and explained the reductions in the budget.

Mr. Dudich gave an overview of the debt service. The Budget Agency asked the Commission to hold the line on the debt service; \$177.3 million was the budget in 2011. The Commission's recommendation is that the debt service number would fund all capital projects approved by the Commission up to the November 2010 meeting. All other General Assembly authorized projects not approved by the Commission are not funded at this time, nor are any new state funded capital projects requests for the 2011-13 biennium.

Mr. Dudich then gave an overview of Repair and Rehabilitation. The Commission's recommendation is to fund Repair and Rehabilitation with surplus funds from debt service and line items and stay within the Budget Agency's budget target. Mr. Dudich showed a chart reflecting historical Repair and Rehabilitation Funding 1999-2013 in the General Fund.

Next Mr. Dudich spoke about the capital projects. The Commission recommends no new, state funded, fee replacement eligible capital projects for the 2011-13 biennium.

Mr. Dudich gave an overview of line items. Line items are specific programs, services or allocations. Each institution might have various line items; for SSACI, line items are student grants and awards; for the Commission for Higher Education they are administration and TransferIN funding. The 2011-13 appropriation recommendation includes \$500,000 for TransferIN. This is a Commission line item in the E-transcript project, which is a huge success. The Commission has seen a growth in this area, and in order to continue this project the Commission asks to set aside the \$500,000, so that students could continue to transfer their transcripts with ease among institutions.

Mr. Dudich showed the Commission a graph that shows the percentage of total state support compared to total institution operating revenue, including all funds. Another chart reflected state operating appropriations per Indiana resident FTE.

Mr. Murphy moved to approve the Commission's Budget Recommendations, but he made some comments. Mr. Murphy said that the Commission should be the proponent for the higher education in terms of where the money should go, but these are extraordinary times. Historically, the Commission has asked for more increases than the Budget Agency was willing to allocate. It is different this time because the state is in such difficult situation. Mr. Murphy also said that the line items should be looked into more closely. Also, Mr. Murphy said that the Performance Funding is a very important part of the way the Commission develops the future budgets for the State of Indiana's higher education, so the fact that we continue to move in that direction is a very positive part of this budget.

Ms. Odum wanted to thank Mr. Dudich for his excellent work.

Mr. Smith wanted to remind the Commission members that this is a very serious undertaking. Across the board cut issue does not reflect an assessment of recent and relative performance; it does not recognize a change in mission or a statewide priority. However, the Commission has not given the universities any other direction other than work with it in order to refine the process in future years. Mr. Smith said he feels pretty good about Indiana, about the approach the Commission took to reward performance.

Dr. Bepko asked the staff to consider removing that item regarding the "bonus measure" for the time being.

- R-10-10.7** That the Commission for Higher Education adopts, with an amendment, budget recommendations for the 2011-13 biennium that are consistent with the document *2009-11 Postsecondary Education Budget Recommendations*, dated December 10, 2010 (Motion – Murphy, second - Rehnquist, unanimously approved)

VIII. INFORMATION ITEMS

- A. Status of Active Requests for New Academic Degree Programs
- B. Capital Improvement Projects on Which Staff Have Acted
- C. Capital Improvement Projects Awaiting Action
- D. Minutes of the November Commission Working Sessions

IX. NEW BUSINESS

There was none.

X. OLD BUSINESS

There was none.

Ms. Moran-Townsend wanted the Commission to recognize a great job both Ivy Tech Fort Wayne and IPFW (Indiana University Purdue University Fort Wayne) have done in creating an articulation agreement between these two colleges.

XI. ADJOURNMENT

The meeting was adjourned at 11:30 a.m.

Mike Smith, Chair

Jud Fisher, Secretary