Productivity

A more productive higher education system will increase student success and safeguard college affordability.
Too many Indiana families have to borrow large sums to pay for higher education. Hoosier students borrowed an average of $27,000 to finance a college degree in 2010.*

Hoosiers need lower cost, alternative delivery structures that provide affordable paths to quality credentials that meet their educational and career goals.

The state must foster more affordable options for students, align funding policies with completion, and make it financially attractive for students to complete their education on time.

Specifically, the Commission and Indiana institutions must:

- Sustain and enhance the state’s performance funding formula.
- Create student incentives to promote on-time completion.
- Increase cost efficiency and resource reinvestment through business and academic efficiencies while ensuring quality.
- Exchange promising institutional business practices and find new, more efficient ways to share services and avoid duplication of programs.

**Higher Education: A Student-Centered Enterprise**

In 2007, Indiana University (IU) East was struggling and facing steep budget cuts. But, a daunting challenge became an opportunity to transform into a more productive and student-centered institution.

As part of the state’s performance-based funding requirements, Chancellor Nasser Paydar and his team looked at every function with a fresh eye to identify innovative models of learning and operating.

A key question guided them: “If we did this 50 years ago, do we still need to do it today? You’d be amazed at how many offices or functions existed then that no longer serve students effectively today,” says Chancellor Paydar.

Obsolete functions were eliminated or replaced with improved tutorial services, more online courses, academic coaches who maximize technology and are more responsive to keep students on track, and new degree programs. IU East “outsourced” remedial and associate degree courses to Ivy Tech Community College and merged staff and services, like library, security and dining.

Four years later, IU East awarded 37 percent more bachelor’s degrees and went from lowest to highest in regional retention rates. Expenditures per student fell more than 20 percent, while enrollment went up nearly 70 percent. Encouraged but not satisfied by the progress, Chancellor Paydar says, “We are continuously trying to outdo ourselves.”

*Source: Project on Student Debt, 2010.*
PERFORMANCE FUNDING

Sound funding methods align resources with priorities and objectives.

Given Indiana’s increasing priority on college completion and student success, state appropriations should align with student persistence and graduation while incentivizing efficiency and academic quality.

Indiana’s traditional funding formula for higher education successfully promoted student access by rewarding institutions for enrollment growth. Indiana’s institutions responded to this incentive and made access to college a reality for greater numbers of students.

Indiana’s performance funding formula was first enacted in 2003 with a research incentive. The state’s formula has continued to evolve over time by integrating a variety of completion metrics, including degrees earned on time and by low-income students.

In 2010, Indiana allocated 5 percent of overall state support for institutions through a funding formula that incorporated various measures of student progress and degree completion.

The 2011-13 biennial budget sustained Indiana’s commitment to performance funding, and the legislature also directed the Commission to conduct a review of performance funding models in other states, including consideration of how those models account for differences in institutional missions.

The result is a refined performance formula proposed by the Commission that will:

- Reward effective student remediation.
- Promote student persistence and completion.
- Prioritize on-time graduation, acceleration and innovation.
- Capitalize on each institution’s distinct mission.

PRODUCTIVITY METRICS

1. **On-Time Completion:** Percentage of on-time degrees earned by resident, undergraduate, first-time, full-time students. Includes associate degrees earned within two years and bachelor’s degrees earned within four years.

2. **Cost Per Degree:** Total expenditures per degree conferred, as defined by the Delta Cost Project.

3. **Student Debt:** Average college debt load of undergraduate students.

Average tuition and fees at Indiana’s public colleges have increased by more than 100 percent over the past decade.


### PRODUCTIVITY METRICS

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Indiana’s student loan default rate has increased by 35 percent over the past three years.

STUDENT INCENTIVES

Research shows that financial incentives are effective motivators for students who are capable of graduating but are at risk of dropping out for financial reasons.

Hoosier students face increasing tuition rates and growing debt burdens despite a state financial aid system based on student need, significant increases in institutional and state aid and ongoing support efforts like Indiana’s Twenty-first Century Scholars program.

To ensure affordability for students, Indiana must judiciously allocate student aid and promote policies that directly support the preparation, completion and on-time graduation priorities of Indiana’s higher education system.

Specifically, the Commission will champion state and institutional policies and actions that:

• **Increase college cost transparency for students and families.** Total cost and expected family contribution data will be made available to students, policymakers and the public.

• **Emphasize student preparation** for college through revisions in the Twenty-first Century Scholars program to ensure degree completion and program sustainability.

• **Transform student aid programs from college access to success** through tiered incentives that increase as students persist semester-to-semester.

• **Promote on-time completion** through policies that encourage full-time students to take 30 credit hours per year and consider capping state financial aid for students who accumulate excessive credits.

• **Integrate state financial aid policies and grant distribution** through a unified higher education agency.

**Fostering On-Time Completion Through Tuition Savings**

With the average college debt load in Indiana rising to more than $27,000 per graduate, students are demanding more options to keep costs down and quality and convenience up. That’s why universities are getting more creative about finding solutions that meet the needs of today’s students and increase completion rates.

Ball State University launched four measures aimed at breaking the financial barriers to college completion. The Completion Scholarship will award $500 to students who graduate within four years. The university will also reduce the number of credit hours required for graduation, which could save a student up to $2,000 over four years. Ball State will also discount summer tuition by nearly 20 percent discount and encourage online courses.

There is also increased flexibility and cost savings for students looking to take advantage of hybrid schedules that combine campus and online classes. All told, Ball State predicts that these efforts to graduate students more efficiently could mean a combined savings of up to $10,000 for some students during their academic careers.

**METRICS THAT MATTER: PRODUCTIVITY**

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CONTINUOUS EFFICIENCY

As stewards of taxpayer and family resources, Indiana’s higher education institutions should relentlessly pursue opportunities to create efficiencies.

New programs should be carefully considered for how they align with the state’s priorities. Low priority or low production programs should be evaluated for elimination. Business operations and purchasing should be consolidated to realize meaningful savings. Institutional savings should be reinvested into programs that foster student success and completion.

Specifically, the Commission will champion state and institutional policies and actions that:

- Emphasize high-quality instruction as the central priority and mission of each campus and ensure that resources are aligned accordingly.
- Promote interinstitutional collaboration to reduce duplication of academic programs and services.
- Prioritize and reallocate resources to high-demand academic programs that are critical to Indiana’s economy.
- Expand statewide and interstate compacts in joint purchasing and shared services (e.g., technology, equipment, energy, payroll, etc.). One notable example is Indiana University’s Blueprint for Student Attainment, which outlines extensive ways to improve back-office efficiencies while improving academic quality at IU’s regional campuses.
- Review and close under-producing and duplicative degree programs.
- Build on efforts under way to ensure optimal efficiency and effectiveness in employee health care and retirement plans.
- Establish annual targets for savings, facilities optimization and reinvestment for all institutions.

INDIANA COLLEGE TUITION AND FEES

The above chart is based on nominal values of tuition and mandatory fees. Adjusted for inflation, tuition increased this decade by 62 percent at four-year institutions and by 38 percent at two-year institutions.

Tuition Discounts: Completion Motivation

Many students have to work to pay for college, and working students are also more likely to drop out. Helping students clear this hurdle to college completion is the driving force behind Indiana University (IU) Kokomo’s tuition discount incentives for on-time graduation.

“If we can replace or reduce work as priority for our students, we believe we can positively impact graduation rates,” Chancellor Michael Harris said.

Chancellor Harris has made increasing graduation rates a top priority for IU Kokomo and convened a task force to pursue bold, innovative ways to make it happen. Launched as a pilot program in fall 2011 with 40 students, the tuition discounts are awarded to students who complete 30 credit hours per year, stay enrolled continuously and make sufficient academic progress.

Discounts are provided over three years, increasing each year from 20 to 40 percent, adding up to a full year’s worth of tuition by the time students graduate. It’s a win-win for students: cost savings and a college degree within four years.

Incubating Innovation: Research and Entrepreneurship

Purdue University brings together world-class research expertise with great ideas to develop new technologies that have the potential to impact millions of lives and create hundreds of jobs.

For example, Purdue served as the incubator for Griffin Analytical Technologies, co-founded by former Purdue Ph.D. students Dennis Barket and Garth Patterson. The company applied mass spectrometry research to develop a technology for environmental monitoring that detects dangerous chemicals in the air. Griffin’s products serve homeland security, national defense and other clients.

Purdue provided space for Griffin’s research and development, served as a conduit for licensing intellectual property and provided seed money.

“There were good ideas waiting to be tapped and brought to market,” says Barket. “We need more resources to support this kind of innovation and to get more researchers interested in entrepreneurship.”

Griffin is just one example of the vast well of great ideas waiting to be tapped and brought to market.

Indiana college tuition and fees have outpaced Hoosier earnings growth more than 100 to 1 over the past decade.