

**State of Indiana
Commission for Higher Education**

Minutes of Meeting

Friday, November 12, 2010

I. CALL TO ORDER

The Commission for Higher Education met in regular session starting at 10:00 a.m. at Lumina Foundation for Education, 30 S. Meridian 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, Jon Costas, Carol D’Amico, Susana Duarte de Suarez, Keith Hansen, Marilyn Moran-Townsend, Chris Murphy, Eileen O’Neill Odum, George Rehnquist, Ken Sendelweck.

Members participating via conference call: Jud Fisher, Mike Smith.

III. CHAIR’S REPORT

Mr. Smith apologized to the Commission members for his inability to be at the meeting in person. He thanked Lumina Foundation for Education for letting the Commission use their conference room. Mr. Smith thanked the Commission members, who were able to rearrange their calendars in order to attend this special Commission meeting, which was not originally scheduled to take place in November. Mr. Smith also thanked Commissioner Teresa Lubbers and her staff for the work they did in preparation for this meeting.

IV. COMMISSIONER’S REPORT

Ms. Lubbers reiterated the Chairman’s comments thanking the Commission members for attending this important meeting, which was not planned, but turned out to be necessary in view of the upcoming universities’ budget hearings.

Ms. Lubbers told the Commission members that she, together with Mr. Jason Dudich, Associate Commissioner and Chief Financial Officer at the Commission, had meetings with the State Budget Committee, State Budget Agency, and legislative leaders. Ms. Lubbers said that a few legislators asked her about the kind of legislation the Commission might be considering for the upcoming session. Her response to them was that primarily the Commission’s focus would be the recently completed financial aid study and budget recommendations.

At this point Mr. Smith delegated the duties of the Chair of this meeting to Vice Chair Mr. Sendelweck.

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

R-10-09.1 RESOLVED: That the Commission for Higher Education hereby approves the Minutes of the October 2010 regular meeting (Motion – Rehnquist, second – Hansen, unanimously approved)

VI. DISCUSSION ITEM

A. University Capital Project Review Guidelines

Mr. Jason Dudich explained the Commission's role in reviewing a capital project. There are two times when the Commission views capital projects. First is when the institutions come before the Commission, talking about their biennial budget request. The Commission will be making a recommendation in December, and by then the Commission members will have the opportunity to consider the capital projects presented for their review. The staff will make a recommendation, which is an opportunity for the Commission members to prioritize projects most important from the Commission's standards, or these capital projects meet the Commission's requirements. The second is what is usually seen at the Commission meetings, after the project has gone through the budget process, and has been included in the budget bill that has passed the General Assembly. Then, by law, there is a second review, and at this time projects go through multiple steps in order for them to be considered finalized and approved to begin construction and issue debt. The institutional representatives will present the project, and members of the Commission will vote on whether or not to recommend this project to move forward.

Mr. Dudich pointed out that the Commission has no authority to reject a project. The law stipulates that the Commission can review a project, and based on this review, the project can get a favorable or unfavorable recommendation to the next step in the process, which is the State Budget Committee.

Mr. Dudich referred to the working list, which the Commission's staff put together and would like to use to develop as guiding principles and parameters for reviewing the capital projects. Because the Commission has to review the capital projects within 90 days, the staff came up with the items and areas to consider when reviewing capital projects.

Mr. Dudich explained that the factors that were considered by the staff while creating these guidelines were related to the mission and goals of the institution, and whether these goals align with the goals in "*Reaching Higher*" document. Other factors considered by the Commission staff were whether this project has been a historical request, or whether this project has been related to the enrollment, etc.

Mr. Dudich talked about the second part in this working list, which has to do with the projects that could be expedited by the Commission if they meet certain qualifications, for example, when the funding for the project comes from sources other than state funds (donations, federal funds, grants, gift funds, etc.) In some cases the staff would still provide analysis and require the project to undergo the same guidelines as full review projects. Other reasons for the project to be expedited is whether it is critical to the safety

and health of the students, faculty and staff (emergency basis). Another reason is the case of the short term leases, space needed during construction of a building, etc.

Mr. Dudich spoke about parameters for the institutions submitting projects to the Commission. He said that projects must be submitted to the Commission at least 30 days prior to the next Commission meeting. Capital projects cannot be submitted during a month prior to a month when a Commission meeting will not occur; for example, since there is no November meeting, no projects can be submitted in October. However, projects can be submitted in November because there is a meeting in December. Mr. Dudich also suggested that the Commission create a list of questions for the universities to be answered when submitting a project. Also, a full review project should be placed on the agenda of the next Commission meeting, but only for presentation purposes. Action shall be taken by the Commission at a future meeting date; normally the next month's meeting.

Ms. Lubbers said that it is important that the Commission members look at these guidelines and let the Commission staff know whether they are appropriate. Ms. Lubbers emphasized that it is especially important to provide these extra 30 days for a review. The universities come before the Commission with their presentations, and even though the Commission staff provides the necessary documentation, if something comes up at the meeting, the Commission members do not have an opportunity to consider this information before they have to cast a vote. Ms. Lubbers invited the Commission members to share their thoughts regarding the proposed guidelines.

Mr. Murphy said that the Commission staff developed a template for the 2009-11 biennium, and he asked whether Mr. Dudich used this template for reviewing capital projects. Mr. Dudich said that he was not aware of this template, but he would be happy to check on it. Mr. Murphy then talked about the process of reviewing the capital projects, reiterating the explanation given by Mr. Dudich in his presentation. Mr. Dudich confirmed that Mr. Murphy's understanding of the process was correct.

Ms. Moran-Townsend suggested including in the guidelines a question whether a capital project was previously requested to be reviewed. She suggested including distance learning projects in the guidelines, as an alternative. Ms. Moran-Townsend asked about the reason for recommending the colleges not to submit their capital projects on a month prior to the month with no Commission meeting. Mr. Dudich explained that on a month with no Commission meeting the Commission members will not be reviewing the capital projects, so the university will have to wait an extra month for the review process to be completed.

Ms. Odum said that she would like to know the history of the projects, to have the contextual understanding of how the funds are distributed among the institutions. She also had a question about the capital projects that do not require state funds, but rather are funded through other sources; the items that Mr. Dudich referred to as expedited capital projects.

Mr. Hansen asked to include in the guidelines an item that would reflect an impact the project might have on students, staff and faculty. Ms. Duarte de Suarez suggested adding what impact the project might have on students' learning, as well as on their health.

Ms. D'Amico asked whether the institutions have a long-term capital plan and whether these plans are approved or discussed by the Commission. Mr. Dudich confirmed that as a part of the universities' biennial submission, they do present a long-term, ten-year capital plan that outlines both state and non-state funded projects.

Ms. D'Amico asked whether the Board of Trustees of each university approves this long-term plan. Mr. Dudich confirmed that they do.

Mr. Murphy explained that each biennium the Commission receives a listing from the universities for a ten-year set of structures, and the Commission gives the recommendations to the legislature based on the prioritization that the universities give the Commission.

Ms. Odum had some questions referring to the chart included with the working list Mr. Dudich gave to the Commission members. Mr. Dudich explained the chart.

Ms. Odum asked what the Commission recommendations were based on; whether each Commission member was relying on his or her personal preferences for any given project, or whether the Commission members were given some directions in order to make recommendations.

Ms. Lubbers provided additional information on how the process works. The Commission staff gives consideration to the state fiscal realities, and the counsel of the Budget Agency, Governor, and the fiscal legislative leaders of the state. In addition, concern about the universities' growing debt load was noted, especially the potential impact on operating budget.

Mr. Bland said that he would like to add to the guidelines an issue of affordability. He spoke about the correlation between capital expenditure and reduction of students, especially students of a particular class.

Dr. Bepko said that it would be important to have these guidelines related to the "Reaching Higher" document.

VII. DECISION ITEMS

B. Capital Projects (*Carried forward from the October agenda*)

Mr. Dudich presented all of the following capital projects.

1. Anderson New Construction at the Ivy Tech Anderson Campus

Mr. Murphy wanted to make sure that the Commission staff always checks on the possibilities of long-term lease versus new construction. Mr. Dudich confirmed that this is the Commission's goal.

Mr. Costas added that there are usually many possibilities to rent a house or to renovate an existing building, which is better than to construct a new one.

Mr. Smith cautioned the Commission about the tension between leasing and owning. Mr. Smith suggested extending the Commission's analysis to the use of capital. Mr. Smith

pointed out that leases are not free, and long term leases represent debt. Mr. Smith expressed his wish to work with the staff to incorporate this point in the staff analysis, as well.

R-10-09.2 **RESOLVED:** That the Commission recommends approval to the State Budget Agency and the State Budget Committee of the project *Anderson New Construction at the Ivy Tech Anderson Campus*, as presented in the project description and staff analysis October 8, 2010 (Motion – Bepko, second – Hansen, unanimously approved)

2. Muncie/Anderson Planning Revised at the Ivy Tech Muncie Campus

R-10-09.3 **RESOLVED:** That the Commission recommends 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 presented in the project description and staff analysis October 8, 2010 (Motion – Murphy, second – Duarte de Suarez, unanimously approved)

3. Teaching Theatre-Replacement Project at the University of Southern Indiana Campus

Ms. Odum asked whether this project had been previously requested. Mr. Dudich responded that this project was originally requested in 2009-2011 biennial budget request, but it has been a long-term plan for the University to construct this building.

Ms. Odum commented on the fact that the University of Southern Indiana (USI) has the highest debt ratio. Mr. Dudich confirmed that usually this is the major concern while discussing the budget requests; however, USI is one of the newest universities, so it does not receive as much funding from alumni association or private gifts as other older universities do. Also, Mr. Dudich pointed out that the USI is one of the lowest funded universities, and this causes this ratio to go up.

Ms. Duarte de Suarez had a question about \$175,000 of annual operating savings. Ms. Cynthia Brinker, Vice President, Government and University Relations, University of Southern Indiana, responded that the University has an off-campus facility that they have been using in the past. The \$175,000 are included in the chart, but the differential is about \$120,000, and this amount has been factored into the cost of operating the facility. Ms. Brinker added that the University had taken measures on campus to conserve energy, so any building that is being constructed at this point has been factored into the cost.

R-10-09.4 **RESOLVED:** That the Commission recommends approval to the State Budget Agency and the State Budget Committee of the project *Teaching Theatre-Replacement Project at the University of Southern Indiana Campus*, as presented in the project description and staff analysis October 8, 2010 (Motion – Rehnquist, second – Bepko, unanimously approved)

4. Central Campus Academic Renovation & Utility Improvements Project – Phase 2 at the Ball State University Campus

R-10-09.5 **RESOLVED:** That the Commission recommends approval to the State Budget Agency and the State Budget Committee of the project *Central Campus Academic Renovation and Utility Improvements at Ball State University Campus (Amended as of November 12, 2010)*, as presented in the project description and staff analysis on October 8, 2010 (Motion – Murphy, second – Moran-Townsend, unanimously approved)

5. Neurosciences Research Building at the Indiana University –Purdue University Indianapolis Campus

R-10-09.6 **RESOLVED:** That the Commission recommends approval to the State Budget Agency and the State Budget Committee of the project *Neurosciences Research Building at the Indiana University – Purdue University Indianapolis Campus*, as presented in the project description and staff analysis on October 8, 2010 (Motion – Bepko, second – Costas, unanimously approved)

6. Health and Human Services Research Facility at the Purdue University West Lafayette Campus

R-10-09.7 **RESOLVED:** That the Commission recommends approval to the State Budget Agency and the State Budget Committee of the project *Health and Human Services Research Facility at the Purdue University West Lafayette Campus*, as presented in the project description and staff analysis October 8, 2010 (Motion – Hansen, second – Murphy, unanimously approved)

Ms. Odum had a few questions regarding some numbers on the chart distributed by Mr. Dudich. Mr. Dudich explained how these numbers were calculated.

Dr. Bepko said that it is a good idea to keep finding new ways to express the key point that the Commission had been expressing repeatedly over the years, and that is it seems that the political dynamics of the General Assembly produce more capital projects than the system might produce if it was looking only at one part of how much was spent on programs or capital projects, or trapped because of the political considerations.

Ms. Lubbers commented that there is an increased understanding among the members of the legislature that at some point the growth in capital projects may impact the operational budget of institutions.

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

Ms. D'Amico asked when the Commission members can expect to see these projects on the Agenda. Mr. Dudich responded that the institutions either have not yet submitted these projects for the Commission's review, or that they were submitted previously and the Commission has not acted on them yet.

- D. Minutes of the October Commission Working Sessions

Ms. Odum requested that the Commission members get a summary of all Academic Degree programs offered in the state.

Ms. D'Amico asked whether the Commission has guidelines for Academic Degree Programs. Ms. Lubbers responded that the Commission does have these guidelines. She invited Dr. Ken Sauer, Senior Associate Commissioner for Research and Academic Affairs, to explain the guidelines.

Dr. Sauer said that in the Agenda book prepared for each Commission meeting, there are some principles that reflect what would constitute an appropriate basis for the expedited item versus the regular one. Dr. Sauer pointed out that the new program guidelines are pretty old and need updating. Dr. Sauer mentioned that Dr. Robert Sandy from the Indiana University has been very helpful in making some suggestions on updating these guidelines. Dr. Sauer added that they will continue to work on these guidelines in order to bring them to the Commission's attention early next year. Dr. Sauer also added that the distance education guidelines need to be updated as well, and this might be a part of this whole package.

With respect to the relationship between the academic programs and capital projects, Dr. Sauer said that this is something that needs to be tightened. As capital projects come forward, there needs to be more of a link to potential impacts on the academic side, and vice versa. There is an opportunity in the coming months to forge a tighter link between the academic programs and capital projects.

Ms. Odum commented that when a new academic degree program request comes to the Commission for action, it would be helpful to have data about similar academic programs offered at other institutions, so that the new program request could be put in context.

Dr. Sauer pointed out that the Commission, Department of Education, Department of Workforce Development (DWD), and Indiana Business Research Center (IBRC) have been collaborating on a project funded by Lumina. This is nearing the end of its second year. Dr. Sauer stated the data warehouse developed through this project will provide the data to which Ms. Odum was referring.

Dr. Bepko made a comment that, considering information the institutions provide while bringing the new degree proposals, the Commission might be able to develop such a database

on its own. He said that any degree program proposal usually would include some kind of perspective on a market for the graduates, needs of the community, and the number of other providers offering similar programs.

Ms. Lubbers confirmed that the Commission staff always provides the analysis of new academic degree programs to justify the need. Ms. Lubbers said that Dr. Sauer meets with representatives from the institutions in order to find out how many programs like this are in the state, how many students are expected to be in the program, and other aspects of the program. However, Ms. Lubbers agreed that since there is a need to know historically how many programs exist in the state, the staff will do their best to provide this information.

IX. NEW BUSINESS

There was none.

X. OLD BUSINESS

There was none.

XI. ADJOURNMENT

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

Mike Smith, Chair

Jud Fisher, Secretary