

Report of the
Subcommittee on Higher Education

Submitted to the
Indiana Government Efficiency Commission

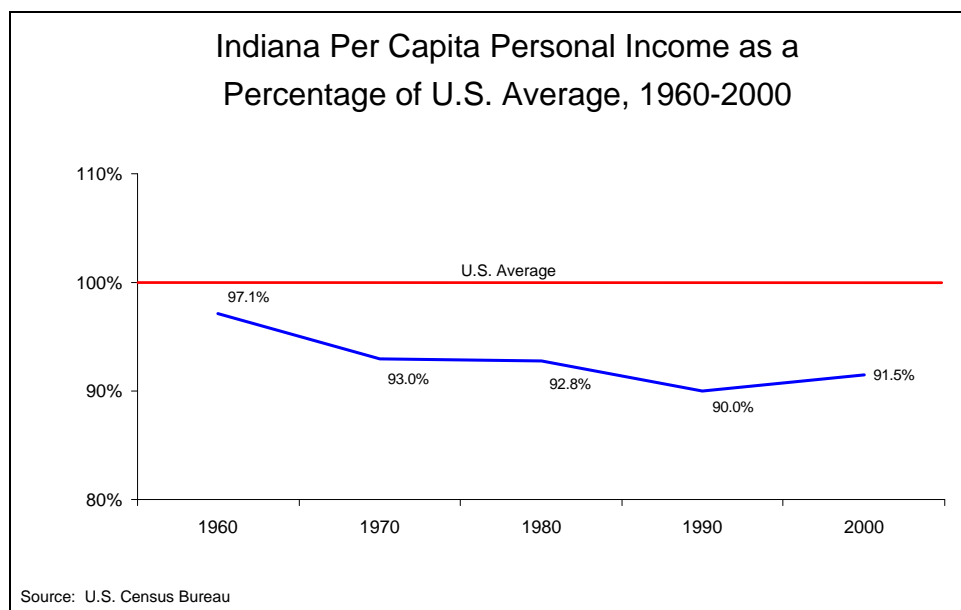
September 2004

**REPORT OF THE
SUBCOMMITTEE ON HIGHER EDUCATION TO THE
GOVERNMENT EFFICIENCY COMMISSION**

STATE OF INDIANA

I. INTRODUCTION

Indiana is falling behind. In each of the past four decades, per capita income in the state has fallen relative to the nation as a whole. Indiana is now well below the national average on this measure.



In the absence of overt action designed to expand and diversify the state's economy, there is no reason to expect this downward trend to change. Inaction portends an increasingly bleak future for Hoosiers.

Indiana is a manufacturing state and, while this sector of the economy is shrinking, it still dominates the economy. This strength is also the state's weakness. The concentration of jobs in the manufacturing sector has allowed several generations of Hoosiers to achieve and maintain a solid, middle-class standard of living with an education that extended no further than a high school diploma. Now education matters. Manufacturing companies continue to make productivity gains—producing more with fewer employees. Those employees who remain must have a higher level of skills than ever before. High-wage jobs in other sectors also require high levels of skills. High-wage, low-skill jobs are rapidly disappearing.

Indiana is poorly positioned to accommodate these emerging conditions. The economy is not changing rapidly enough to create the demand for high-skill, high wage jobs. Even though more Hoosiers participate in higher education and earn a bachelor's degree than the populations of

many other states, graduates must leave the state for employment because there are comparatively few jobs in Indiana that require this level of education. While the public universities are highly ranked, their research and technology transfer capacity is not effectively linked to strategies to change the state's economy. The higher education system overall is strongly oriented to producing graduates at the baccalaureate level while the state's capacity at the community college level to prepare highly skilled technicians for a changing economy is significantly underdeveloped.

The Government Efficiency Commission's Subcommittee on Higher Education has reviewed reams of data about the state and its likely future. We have received comments from leaders in business, education, and local government. These deliberations, based on this information and the members' considerable personal experience, has led to some very clear conclusions, specifically:

1. The future well-being of the citizens of Indiana depends on the diversification and expansion of the state's economy. The status quo bodes ill for Hoosiers.
2. In this endeavor, the greatest assets available to the state are its institutions of higher education. If Indiana is to increase its economic competitiveness, the state's universities and colleges must:
 - Convert more ideas into products and services—and thereby into jobs.
 - Prepare more Hoosiers for high-salary jobs.
3. These requirements are at odds with current expectations for the state's public postsecondary education institutions. In this regard, we have concluded that:
 - IU and Purdue must become more focused on graduate education, research, and technology transfer and less on undergraduate education.
 - The comprehensive and regional universities must pick up the slack in providing baccalaureate education. They must also serve the needs of the very different regional economies within which they are located.
 - Ivy Tech campuses (generally) must evolve into comprehensive community colleges comparable to the best of those found elsewhere in the nation.
 - Vincennes University must be given a new, more meaningful role, free of its entanglements with Ivy Tech.
4. These objectives must not only be met, but they must be met within the framework of some key conditions:
 - Performance expectations for all institutions have to be higher; all must be better at performing their missions.

- All parts of the state must receive the services they need. Regional institutions, drawing on the resources of the major research universities and in collaboration with others if need be, must be held responsible for ensuring that the differing needs of the differing regions of the state are addressed. If Central Indiana prospers and the rest of the state does not, Indiana cannot prosper.
- Higher education must remain affordable to the residents of the state, both individually through tuition and collectively through taxes paid to state government.

Mindful that the Subcommittee received its charge from the Government Efficiency Commission, it reviewed the efficiency of operations of the state's colleges and universities at a macro level. This review led to several important conclusions:

1. Indiana's institutions of higher education, when viewed individually, with few exceptions carry out their functions with fewer resources than do peer institutions elsewhere in the country.
2. While the institutions operate efficiently, they are not as effective as they need to be. The resources made available to higher education by the state could be utilized by the institutions, collectively, to purposes more beneficial to the state.
3. Given the needs of the state, and the necessary role of higher education institutions in addressing those needs, priority should be given to achieving greater benefits from use of available resources rather than to achieving current results with fewer resources.

Accomplishing these objectives within fiscal and other constraints will be a substantial challenge. It will require:

1. Recognizing that Indiana has problems and achieving a consensus around the roles that colleges and universities must play in creating solutions.
2. Financing mechanisms to be reconsidered and brought into alignment with these priorities. We are convinced that alternative approaches are available that will yield better results for the same level of state investment.
3. Strengthening the Commission for Higher Education, as an agency more able to bring focus to the issues and direct some portion of the state allocation to higher education to achieving the kinds of changes identified.

Details of findings and conclusions are presented in subsequent sections of this report.

II. INDIANA'S NEEDS

A brighter future for the state of Indiana and its citizens will require:

1. More individuals acquiring the basic knowledge and skills that will prepare them for meaningful participation in some form of education beyond high school. This means

that more high school students must (at the most basic level) graduate, and equally important complete a rigorous high school curriculum (Core 40 or Academic Honors). It also means that a large number of young adults who have not finished high school must be encouraged to get involved in programs designed to significantly enhance their basic literacy skills.

2. More students participating in some form of education beyond high school. Disparities exist in participation among students of different income and ethnic backgrounds and from different regions of the state. In addition, more adults must be encouraged to continue to enhance their skills. Indiana needs all the talented people it can get; educated people are the primary weapons in the global economic wars.
3. More of the students who do enroll completing a program of study. Too few Hoosiers enrolled in too many Indiana institutions receive a degree or certificate. Student persistence and degree completion must improve to the point where they exceed the national norms.
4. Higher education working hand in hand with other groups—employers, state agencies, and others—to ensure that Indiana has the jobs that can make use of a more highly educated workforce. While it may serve individual graduates well, it is of little use to the state if college graduates continue to leave the state in larger numbers in search of jobs that take advantage of their newly acquired capabilities. This means that:
 - Universities must expand their research and technology transfer capacities. Our research universities must compete with the best in the world; the economy for ideas is truly global.
 - More attention must be given to entrepreneurship and to helping small Indiana companies expand and prosper.

The unique regional economics found in different parts of the state will require appropriately tailored responses.

5. Higher education remaining affordable to the state and to students and their families.
6. Expectations increasing at every level of the education enterprise. Competition will continue to raise the bar.

III. OBSERVATIONS AND FINDINGS

As a key part of the Subcommittee's work, we reviewed the efficiencies of the individual public institutions of higher education in Indiana and of the higher education system as a collective enterprise. In assessing institutional efficiency, the key tests were:

- Expenditures per student compared with expenditures per student at other institutions of generally similar size and mission elsewhere in the country.

- Comparisons of functional expenditures per student (expenditures on instruction versus administration, for example).

In reviewing system efficiency, we looked at support levels per student. Beyond efficiency, however, we also looked seriously at the effectiveness of the institutions, individually and collectively, and asked the question, “Are the state’s colleges and universities producing results consistent with the state’s needs and priorities?” The information gleaned through our pursuit of this question is presented in this section.

A. Higher Education System Efficiency and Effectiveness

The overall finding is that Indiana has relatively efficient institutions but an inefficient system. There is little “fat” to be wrung out of individual institutions; however, there are (we believe) ways of distributing work and resources across the institutions differently and, in so doing, achieve greater benefits with the same levels of state support. More specifically, with regard to institutions we found:

1. Very few savings to be achieved by gaining operating efficiencies within individual institutions (Figures 1 and 2).
2. Indiana has relatively few high-cost institutions (Figure 2).
3. Institutions are consistently low in expenditures on student services (Figure 2).
4. High revenues at Ball State and Indiana State allow relatively high expenditures in most categories (Figures 1 and 2)
5. Most Ivy Tech campuses are low in expenditures on instruction (Figure 2).
6. There is no systemic evidence of undergraduate program proliferation (Figures 3 and 4)
7. Institutions that have a comparatively low number of FTE students relative to the number of programs (Figure 3):
 - Indiana State
 - Indiana University-Northwest, and
 - Indiana University-South Bend.

With regard to the efficiency of the system as a whole, we found that Indiana, compared to other states, has an “inverted pyramid” in enrollment distribution among institutions. As a consequence, a higher proportion of state and local expenditures are at research and doctoral granting institutions than other sectors.

1. Indiana enrolls a significantly higher proportion of its students in institutions with higher expenditures per student (research and doctoral granting universities and masters and baccalaureate level institutions) compared to other states (see Table 1).

**Table 1. Percent of Public Undergraduate Full-Time Enrollment
By Sector, Fall 2001**

Sector	Indiana	U.S. Average
Public Research and Doctoral Granting	59%	31%
Public Masters and Baccalaureate	20%	24%
Public Two-Year	21%	45%

2. Indiana is first in the nation in terms of the percent of state and local higher education funds allocated to research and doctoral granting institutions: 74% compared to the U.S. average of 50%. (Figure 5)
3. The fact that Indiana enrolls a higher proportion of students in institutions with higher costs per student and a relatively small proportion in lower cost institutions means that system costs per student in Indiana are higher than in many other states.

Turning from the narrower issue of efficiency to the somewhat broader question of effectiveness, we observe that:

1. To compete and thrive in the global knowledge economy, Indiana must have an economy based largely on a highly educated workforce. Indiana’s economy has seen a decreasing emphasis on manufacturing (largely low-skilled employment based) but the jobs have not been replaced by demand for a more highly skilled workforce. As a consequence, the demand from the state’s economy is insufficient to retain graduates with bachelors and graduate degrees.
 - a. Indiana universities graduate comparatively large numbers of students with bachelor’s degrees. Indiana is 17th in the nation in bachelor’s degrees granted per 100 high school graduates. (Figure 6)
 - b. But Indiana’s economy cannot retain graduates of its universities. Indiana was the second highest state in net out-migration of 22- to 29-year-olds with a bachelor’s degree or higher from 1995-2000. (Figures 7 and 8)
 - c. Compared to other states, Indiana has fewer jobs that commonly require a bachelor’s degree or higher. Indiana is 45th among states in the percentage of employment in professional and managerial occupations—28.7% compared to the national average of 33.6%. (Figure 9)
 - d. Because it cannot retain and employ a highly educated population, Indiana has a smaller proportion of its population with a bachelor’s degree or higher. Indiana

was 42nd among states in the percentage of its population age 25-64 with a bachelor's degree or higher in 2000. (Figure 10)

2. At forums conducted in every region of Indiana in early 2004, the Subcommittee's technical consultant, NCHEMS, observed significant disparities in the strength and sophistication of economic development initiatives and, in particular, in the connections between higher education and economic development. The initiatives in Central Indiana (Central Indiana Corporate Partnership, BioCrossroads, etc.) stand in stark contrast to the realities of struggling economies in many other parts of Indiana. Except for Central Indiana, we could find little evidence of a coordinated strategy involving the state's major universities and Ivy Tech and each of the state's regions. Increasing the engagement of all universities in a coordinated effort to increase the competitiveness of Indiana's economy *in every region* must be a major state and institutional priority.
3. Despite comparatively high statewide performance on certain indicators, significant disparities exist in terms of race, ethnicity, region and age:
 - a. Disparities in participation and degree completion by race and ethnicity. (Figure 11)
 - b. Disparities in participation by region and age—for example:
 - Full-time freshmen directly out of high school by region (ranging from 23% to 72% among counties). (Figure 12)
 - Part-time undergraduate participation: Indiana is 36th among states in percent of population age 25-44; 4.6% compared to U.S. average of 6.2%. (Figure 13)
4. The state system, collectively, does not yield results commensurate with funding levels compared to peer institutions on a variety of key indicators. (Lists of peer institutions are attached as Figure 14).
 - a. Graduation rates at Indiana universities are consistently lower—often much lower—than rates at comparison institutions. The notable exception is Indiana University-Bloomington. (Figures 15 and 16)
 - b. Indiana produces a substantial number of baccalaureate degrees relative to the number of undergraduate enrollments in the state (Figure 17). This reflects the historical reliance on four-year institutions as the point of access to higher education in the state. This focus on baccalaureate-level education has been accompanied by relatively less attention to education at the pre-baccalaureate level as measured by:
 - Associate degrees awarded per 100 high school graduates three years earlier. (Figure 18)

- Credentials awarded as a percent of enrollments at two-year colleges. (Figure 19)

This focus on undergraduate education at doctoral-granting institutions has likely contributed to the comparatively lower performance in other mission areas such as research (see following).

- c. Comparatively lower competitiveness of research as measured by Federal R&D:
 - 1) Total R&D per capita in 2001 for Indiana was 32nd among all states: \$95 compared to U.S. average of \$113. (Figure 20)
 - 2) Federal R&D per capita in 2001 for Indiana was 39th among all states: \$40 compared to U.S. average of \$66. (Figure 21)
 - 3) Federal R&D as a percentage of total R&D for Indiana was 42% compared to U.S. average of 59%. (Figure 22)
 - 4) Indiana's state and local expenditures for R&D (as a percentage of Total R&D) ranked 12th in the U.S. at 43%. (Figure 23)
 - 5) Lower research expenditures per full-time faculty member.

As indicated in Figures 24-27, neither the system as a whole nor the sectors (community colleges, etc.) are producing outcomes relative to funding levels at rates that compare well to those in many other states.

These findings serve to point out the conundrum with which Indiana must deal. The strategy that the state has employed has served to produce a large number of baccalaureate degree-winners. The very success in this arena, however, is not hampering Indiana's capacity to be economically competitive. Emphasizing undergraduate education at IU-Bloomington and PU-West Lafayette has led to a circumstance in which these institutions' research capacity is not as fully developed as we believe it needs to be. For example, in the area of medical science research and development, IU ranks but 6th in the Big 10 (behind Minnesota, Wisconsin, Michigan, Iowa, and Northwestern). Numerous institutions outside the Big 10 (e.g., University of California-San Francisco, University of Washington, etc.) have a clear competitive advantage. On the other end of the spectrum, this strategy has served as a purposeful barrier to the emergence of an effective community college system in Indiana. As a result, the capacity to educate workers with the advanced knowledge and skills now required by employers is insufficient to the task.

On the basis of the extensive underlying analyses, we have concluded that the primary issue in higher education should not be defined narrowly as "efficiency"—getting the same outputs at less cost. Rather, the issue is one of cost-effectiveness—getting more of the outputs the state so badly needs within the constraints of the resources that can be made available.

Other findings that reinforce this conclusion follow.

B. Serious Gap Between the Vision and Reality of a P-16 System: Remediation

Indiana is a nationally recognized leader through the Education Roundtable in addressing P-16 (primary through higher education) issues. Despite progress in recent years on improving preparation in P-12 (raising standards, curriculum, assessment, Core 40, etc.), the feedback received by NCHEMS in forums around Indiana suggests that significant inefficiencies continue between levels of the educational system, especially as reflected in the percentage of recent high school graduates requiring remediation before being admitted to college-level courses. Both the Commission for Higher Education and the Education Roundtable recognize that remediation represents a gross inefficiency in the State's educational system. The Subcommittee's basic conclusion is that much more must be done to address this inefficiency through (1) better pre-collegiate preparation, and (2) focusing remedial efforts at the community college level.

Furthermore, higher education must be more fully engaged both statewide or region-by-region in a concerted coordinated effort with P-12 education to raise the achievement levels of all Hoosiers to nationally competitive levels. While there are exemplary efforts underway, the challenge is too vast to be met only by "random acts of excellence."

C. Need for Increased Mission Focus of Indiana's Universities and Regional Campuses

Indiana has a comparatively well differentiated public higher education system at the baccalaureate and graduate levels. Compared to other states, Indiana has also evolved a complex network of statewide programs and partnerships intended to extend services to the state as a whole in a manner that ensures quality and a degree of efficiency. These points are reflected in:

1. The relatively low level of program duplication (see above).
2. The differentiated missions of the state's two research extensive universities.
3. The extensive network of statewide schools and programs (e.g., Purdue Statewide Technology and the IU Schools of Medicine and Nursing) through which programs are made available in all regions of the state.
4. The IU and Purdue regional campuses through which students may earn IU or Purdue degrees and gain access to statewide programs and regions can gain access to the service, research and technology transfer capacities of the major universities. The regional campuses benefit from the quality and economies of scale associated with use of the Purdue University and Indiana University central financial, administrative and other support services.

5. IUPUI as a nationally recognized model of an urban research university carrying out a complex, multi-faceted mission. IUPUI draws on the strengths of being:
 - a. The state's life and health science university (the venue for statewide IU Schools of Medicine, Nursing, Dentistry and Health and Rehabilitation Sciences).
 - b. Linked to the resources of IU Bloomington and Purdue West Lafayette, and
 - c. Focused on undergraduate, graduate and professional programs as well as research directly connected to the life and health sciences and areas that relate to the priorities of the region (e.g., philanthropic studies, informatics or forensic science).

Primarily through the School of Medicine, IUPUI produces the second highest dollar volume of nationally competitive research of any institution in Indiana. In addition to its research university mission, IUPUI is the principal public baccalaureate-level access point for the state's largest metropolitan area and a critical partner with Ivy Tech-Indianapolis in ensuring access and opportunity for Hoosiers in Central Indiana.

6. Ball State University, Indiana State University, and the University of Southern Indiana, each of which has a distinctive mission in terms of programs and clientele and services at both the regional and statewide levels. These institutions also serve as the venue for selected statewide programs of the major research universities (e.g., the IU School of Medicine Centers for Medical Education).

Despite these strengths of Indiana's public higher education system, there is a need to:

- Focus the state's research-intensive universities (Purdue University West Lafayette and Indiana University Bloomington) on increasing highly competitive research, technology transfer and graduate education, especially in—but certainly not limited to—areas critical to state's future economy. This increased focus on research and technology transfer relates not only to the capacity in West Lafayette and Bloomington but also the links between that capacity and each of the state's regions through IUPUI, the regional campuses and other means.
- Reduce the state's reliance on Purdue University West Lafayette and Indiana University Bloomington to accommodate Indiana undergraduate student enrollments by increasing the selectivity of admissions and encouraging a larger percentage of Indiana undergraduates to attend Ball State, Indiana State, the University of Southern Indiana, IUPUI, and the regional campuses.
- Recognize and preserve the distinctive missions and contributions to regional and statewide priorities of Ball State and Indiana State. While these institutions share a common classification as research-intensive universities,

each has evolved a distinctive mission in excellence in undergraduate education, selected master's degree programs and limited doctoral programs principally in education. The increased selectivity at IU Bloomington and PU West Lafayette is likely to have a cascading impact of increasing the level of preparation of students entering the research intensive universities. It is important for these institutions to retain their primary focus on undergraduate education and selected graduate programs and to resist the pressures to become highly selective and to expand graduate programs—especially at the doctoral level.

- Maintain a balance between the mission of IUPUI as a research university (linking the capacities of IU Bloomington, PU West Lafayette, the life and health sciences and other statewide schools/programs), and the critical mission of serving as the principal access point to baccalaureate programs for the state's largest metropolitan area., on the other. The IUPUI mission defies easy classification. Due to the needs of Central Indiana, IUPUI will need to resist the pressures to increase selectivity in undergraduate programs to a level comparable to West Lafayette and Bloomington. At the graduate level, the emphasis should continue to be on drawing on the strengths of Bloomington and West Lafayette, while developing additional graduate and research capacity in areas that (1) relate to the life and health sciences, (2) relate to the strengths of Central Indiana, and (3) have an emphasis that differs significantly from the main research university (e.g., interdisciplinary programs and emphasis on issues of major metropolitan areas or drawing on synergy with major research, technology transfer, and economic development initiatives in Central Indiana and statewide).
- Continue to implement the Regional Campus Agreement. The *Agreement on Continued Development of the Regional Campuses of Indiana University and Purdue University, and IUPUI*, of May 2001, was intended to define the relationships between the regional campuses and IUPUI and the Community College of Indiana (the partnership between Ivy Tech and Vincennes). As indicated below, the conclusion of this study is that the Community College Partnership is not working and that an alternative approach to community college services is necessary. Nevertheless, the basic provisions of the Regional Campus Agreement remain valid. A basic question remains, however, as to whether the continued development of all the regional campuses as primarily baccalaureate and graduate institutions is justified in terms of regional or statewide demand. In particular, questions should be raised about the feasibility of such a mission shift at regional campuses with a substantial percentage (e.g., more than 50%) of their credentials granted at the Associate Degree or Certificate level. In these cases, an alternative would be to emphasize a continuing role of these regional campuses in providing community college services in collaboration with the regional Ivy Tech/community college. These regional campuses would continue to be the delivery points for statewide IU, Purdue or other programs from other institutions—especially at the baccalaureate and graduate levels.

D. Need for a New Approach to Providing Community College Services

Over the years Indiana has evolved a distinctive approach to providing the range of services commonly associated with comprehensive community colleges. These services include:

- Remedial and developmental education and adult education
- General education
- Transfer preparation
- Career preparation
- Customized training, rapid-response workforce development
- Community service (non-credit courses and other services to the community)
- Brokering and serving as a delivery site for other providers

In addition to the basic services, community colleges have other critical mission characteristics:

- Open access and focus on student goal attainment.
- Low price (tuition and required fees).
- Low cost. The cost per student [as measured by education and general (E&G) expenditures and transfers per full-time equivalent (FTE) students] for community college services tend to be two-thirds or less of the cost per student at state universities and only a third of those at major public research universities.
- Flexibility and responsiveness to client needs. Community college services stress providing programs and services at times and places—and through modes of delivery, pedagogy, and student support services such as assessment, advising and child-care—that meet the needs of students and other clients.

Rather than assign community services to a single entity such as a comprehensive community college, Indiana dispersed responsibility in each region to several different entities. Prior to the implementation of the Community College Partnership between Ivy Tech and Vincennes University (VU), community college services were provided in a highly fragmented manner by a number of institutions as illustrated in Table 2.

**Table 2. Providers of Community College Services in Indiana
Prior to Implementation of Community College Partnership**

Primary Providers	Community College Services						
	Remedial and developmental education and adult education	General education	Transfer preparation	Career preparation	Customized training, rapid-response workforce development	Community service (non-credit courses and other services to the community)	Brokering and serving as a delivery site for other providers
Regional Campuses of IU and Purdue	Yes	At AS and AA Levels	At AS and AA Levels	At Certificate, AS and AA Levels	Limited	Limited	Limited through Indiana College Network
IUPUI and Other Public Universities	Yes	At AS and AA Levels	At AS and AA Levels	At Certificate, AS and AA Levels	Limited	Limited	Limited through Indiana College Network
Purdue Statewide Technology	N/A	N/A	Yes	AS	Limited	N/A	Limited through Indiana College Network
Vincennes University	Yes	At Certificate, AS and AA levels	At AS and AA Levels	At Certificate, AS and AA Levels	Yes	Limited	Limited through Indiana College Network and DegreeLink Program with ISU
Ivy Tech	Yes	Related primarily to occupational and technical programs Limited arts and humanities coursework	Limited based on specific articulation agreements	Certificate, and Associate of Applied Science Levels	Yes-through Corporate and Continuing Education Units	Limited	Limited through Indiana College Network and DegreeLink Program with ISU
Area Career and Technical Education, Adult Education, and Workforce Development	Yes	N/A	N/A	Secondary Career and Technical Education and Short-term training	Short-term training	N/A	Multiple providers

The reality facing Indiana in the late 1990s was that community college services were not only highly fragmented and uncoordinated within each region but also being delivered to a high degree by regional campuses and universities at both cost (in terms of expenditures per student) and price (in terms of tuition) that were inconsistent with the community college mission.

The Community College Partnership followed by the “Agreement for the Continued Development of the Regional Campuses of Indiana University and Purdue University, and IUPUI” (Regional Campus Agreement) sought to strengthen and coordinate the services by:

- Strengthening general education and transfer opportunities at Ivy Tech regions by extending VU associate (AA and AS) degrees to selected sites.
- Referring students in need of remedial education prior to admission from the regional campuses and IUPUI to the community college.
- Emphasizing the role of the Community College of Indiana/Ivy Tech in providing remedial and developmental education.
- Moving the regional campuses toward baccalaureate and limited graduate level institutions and IUPUI toward the mission of a metropolitan university having research excellence in the biomedical field as well as in other areas important to Indianapolis and Central Indiana.
- Strengthening provisions for articulation and transfer.

In effect, these policy changes were aimed at creating a more efficient system by increasing the capacity to deliver: (a) community college services through lower-cost institutions, and (b) baccalaureate-level education on campuses other than Bloomington or West Lafayette.

The Partnership and the Regional Campus Agreement have clearly had a positive impact. Enrollments have increased—most likely as a result of increased opportunity as well as the visibility and promise implied by the mission of a community college system. The initiative reflected an explicit commitment by the State of Indiana to move ahead with a community college system after years of debate and slow development. The Regional campuses have been moving toward bachelor’s and master’s degree programs relevant to their regions.

Despite these positive points, the Subcommittee’s assessment is that the Partnership is not working in a way that will ensure the future development of the badly needed community college services in Indiana. Ivy Tech is not relying on VU to develop its capacity in general education and advanced science courses needed for high technology degrees. The Partnership initiative diverted the energy and focus of VU’s academic leadership and faculty away from the institution’s core mission. The awkward structure and procedures of the Partnership represent significant barriers to fulfilling the

expanding need for stronger general education, occupational, and technical programs in every region of Indiana. Even after protracted and often bitter negotiations, VU reports that it could not receive assurances that its basic and legitimate requirements for quality assurance and integrity were being followed and enforced by Ivy Tech.

Even though the Community College Partnership is not working as planned, several Ivy Tech regions have developed effective working relationships with IU and Purdue regional campuses, IUPUI, and other neighboring universities. This has resulted in strengthened capacity for general education, transfer preparation, remedial and development education, and high-level technical training. Examples of such regions include: Region 1 (Gary, Valparaiso, East Chicago and Michigan City), Region 2 (especially in South Bend), Region 4 (Lafayette), Region 6 (Muncie, Anderson and Marion), and Region 8 (Indianapolis). The positive relationships are characterized by:

- Trust and respect at the level of senior administrators. Appointment of chancellors at both Ivy Tech and the Regional Campuses who understand the role of community colleges and are committed to cooperative relationships is making a significant difference.
- Quality assurance mechanisms resulting from direct, ongoing communication at the faculty level to ensure that academic programs developed at Ivy Tech meet the quality expectations (curriculum, faculty qualifications, transferability, etc.) of IU, Purdue, and other universities.
- Increased reliance by the regional campuses on Ivy Tech for remedial/developmental programs and evidence that students referred to Ivy Tech return to a regional campus well-prepared for college-level work.
- Evidence of effective transfer agreements.

There are indications that Ivy Tech intends to assert that it should be designated as the Community College System for Indiana. As indicated above, several Ivy Tech sites, which are working well with neighboring regional campuses or universities, are moving toward the point that—in coordination with a neighboring institution such as the relationship between IUPUI and Ivy Tech-Central Indiana—the basic requirements to be recognized as a community college are within reach. This is definitely not the case at all locations, however.

Table 3 displays NCHEMS' assessment of the current overall capacity of Ivy Tech to function as a Community College. A letter grade of "A" would indicate that the services to a particular client group are fully developed in comparison to best practice in the U.S. Again, it should be emphasized that the maturity and capacity of the different Ivy Tech regions to develop the full range of community college services vary significantly across Indiana. The sites listed above are more developed than the overall picture displayed in Table 3.

Table 3. Assessment of Current Capacity of Ivy Tech State College to Perform Community College Services Compared to Best Practice in U.S.¹

Primary Client Groups	Community College Services						
	Remedial and developmental education and adult education	General education	Transfer preparation	Career preparation	Customized training, rapid-response workforce development	Community service (non-credit courses and other services to the community)	Brokering and serving as a delivery site for other providers
In-school youth (secondary education)	N/A	F	N/A	C	N/A	N/A	N/A
Recent high school graduates	C	D	D	B	B	D	D
Adults	D	D	D	C	B	D	D
Employers	N/A	N/A	N/A	B	B+	N/A	C

Note: A = Best B = Average Capacity C = Below Average Capacity D = Low Capacity F = Not Acceptable N/A = Not Applicable

These letter grades reflect an overall assessment of current statewide capacity. The reality is that IVY Tech regions vary significantly with some—such as Central Indiana—much more developed than others.

The strengths of the current system (primarily Ivy Tech) are in:

- Career preparation (trade and technical programs and apprenticeship programs).
- Customized training and rapid response workforce development (largely through the self-sustaining corporate and continuing education services).

The areas where significant improvement of the current system is needed are:

- Links with P-12 reform aimed at improving student preparation in critical general education areas (mathematics, language arts, etc.) and increasing the proportion of high school graduates completing the Core 40. Ivy Tech’s relationships are strongly focused on the career and technical programs and not generally connected to the core academic programs at the secondary level.
- Adult education, specifically in terms of collaboration with regional agencies and other providers in meeting the adult education needs of each region of Indiana.

¹ The table is adapted from ECS publication, *Narrowing the Gaps in Education Attainment: Assessing and Responding to Needs for Community College Services (2003)*. Best practice is defined from literature on community colleges and NCHEMS experience in working with states on community college issues.

- General education and transfer preparation (especially in the humanities) for recent high school graduates and adults.
- Capacity in the core credit programs—not in the self-sustaining corporate and continuing education units but for highly flexible delivery to serve employed and place-bound adults (e.g., assessment and certification of prior learning, accelerated programs, etc.). The system remains strongly focused on traditional modes of program delivery through offering courses in traditional academic formats—a practice shared with other sectors of Indiana’s higher education system.
- Career preparation at the high-end technician level at which graduates must have high competency levels in math and science.
- Brokering delivery of services from other institutions to ensure that each region has access to needed services available from providers from outside the region.

As a system, Ivy Tech must overcome a number of hurdles to reach the high levels of performance as a community college system, which Indiana must demand from it. These include:

- Developing the policies, procedures, academic culture, and full-time faculty essential for quality assurance and integrity at each site and within each region while maintaining the advantages of a statewide curriculum, common program and course descriptions, and statewide coordination.
- Moving from a high reliance on adjunct faculty members to greater reliance on full-time faculty with the credentials and academic appointments appropriate to their responsibilities and the community college mission.
- Moving from the structure of a single statewide “college” to a system of regional community colleges within a single governing structure.
- Developing, on a region-by-region basis, both the capacity and working relationship that will lead each individual regional community college to perform at the level of best practice in the nation. As indicated above, several regions are already making good progress in these directions. A single statewide college (as opposed to a system of regional community colleges within a single governing structure) is inconsistent with the development of a capacity that makes each institution different, but optimally aligned to unique regional circumstances.
- Moving from a centralized agency characterized by bureaucratic control and political influence to a statewide educational system with standards and

procedures for quality assurance that are fully recognized and respected across the state's higher education system.

- Modernizing information systems and budget and accounting systems to reflect best practice in management of a higher education system.

Ivy Tech suffers in comparison with other higher education institutions in the state on several dimensions—perceptions of program quality, faculty quality, public affairs, etc. The contrast is particularly obvious between the quality of facilities and student services of Ivy Tech and those of adjacent or nearby regional campuses or universities. These disparities foster inefficiency because students from one system are reluctant to use services of the other system, and students are discouraged from attending Ivy Tech as an alternative to a higher-cost regional campus. The disparities can undermine institutional efforts to collaborate on academic policy. If Ivy Tech is to evolve into a core element of a community college system for Indiana, a major effort will be needed to achieve a degree of parity in facilities and services with other public higher education institutions.

The disparities in facilities and overall campus environments reflect the reality of Ivy Tech's origins and the apparent reluctance of state leaders to develop Ivy Tech facilities in a manner comparable to the state universities and regional campuses. Even comparatively new Ivy Tech facilities are bleak and impersonal with few spaces allotted for basic services (such as student centers) that are typically available on a college campus. Even when the Ivy Tech facilities are adjacent to an IU or Purdue campus (as in Richmond), an invisible cultural barrier seems to discourage Ivy Tech students from taking advantage of the regional campus facilities, and vice versa. In Fort Wayne, a highway creates a physical and symbolic separation for Ivy Tech students from the extensive modern facilities of the IPFW campus while a bridge has been constructed across another road to give IPFW students access to new residences.

The highly sophisticated administrative, legal and financial services available to IU and Purdue campuses contrast sharply with Ivy Tech's outdated information systems; relatively centralized budgeting, accounting and personnel functions; and other support functions.

Given the fiscal realities facing the State of Indiana, narrowing the current disparities will be a major challenge. An efficient alternative to developing entirely new and duplicative modern systems would be to encourage a far higher degree of sharing (purchase of services) of facilities and support services (administrative, fiscal, and legal, as well as libraries, student centers and other support functions) from co-located institutions (e.g., Purdue or IU). Such "purchase of service" agreements from a neighboring university could take place while still maintaining the community college/Ivy Tech campus as a part of the statewide community college system.

E. Vertical Institutional and System “Silos” Impede Regional Coordination

The organization of much of Indiana higher education into large, autonomous and vertically structured universities and systems (IU, Purdue, and Ivy Tech)—each with its own culture, alumni networks, policies and political ties—creates significant barriers to efficient coordination, sharing of resources, and coordinated collaboration in order to meet regional education needs and contribute to economic development initiatives. The “silos” within higher education only exacerbate the high degree of fragmentation in other related policy areas reflected in overlapping of planning and service delivery regions for higher education, adult and vocational education, workforce development and economic development:

- 49 Area Vocational Districts
- 15 Service Delivery Areas for Workforce Development
- 14 Economic Development Regions
- 92 County Economic Development Offices
- 92 Purdue County Extension Offices

Few state policy incentives appear to be in place that provide sustained incentives for regional collaboration to:

- Link with regional economic development and education reform
- Share of facilities and resources
- Share support services
- Foster student mobility and utilization of facilities and services across different institutions

There are clearly exceptions to this pattern:

- The combined campuses of IUPUI and IPFW and the presence of multiple sites of statewide schools (e.g., Schools of Medicine, Nursing, Purdue Statewide Technology, etc.) represent widely respected models for bringing the benefits of the two major state universities to specific regions of the state in a coordinated manner.
- Indiana University East and Ivy Tech Region 9 have co-located facilities and Indiana University-Purdue University Fort Wayne is located across the street from Ivy Tech State College-Fort Wayne, although as noted above the extent of actual sharing at these two locations is far lower than might be expected.

- Indiana State University operates Learning Centers in south central and southeastern Indiana that serve as sites for delivery of courses and programs by several institutions. These multiple-institution delivery sites operated by ISU as a “brokering agent” represent an excellent model that could be replicated elsewhere in Indiana.
- The Columbus Indiana Learning Center currently under construction will provide a common venue for Indiana University/Purdue University Columbus, Purdue School of Technology Columbus, and Ivy Tech State College Columbus. The building will serve education and workforce needs of the community by providing services and spaces for lifelong learning. High-tech teaching and learning spaces are to be co-located with counseling and assessment services.
- The Indiana College Network provides for coordinated delivery of distance learning opportunities from Indiana’s public and independent institutions through 70 learning centers throughout the state.
- Through the leadership of the Chamber of Commerce and regional education, business and civic leaders, Richmond/Wayne County has recently established a “Learning Corporation” with a mission to raise the education attainment in the region.

The driving force for collaboration among the major public institutions appears to have come not from either state policy or the institutions themselves but from the private sector and from regional business and civic leaders. In fact, the “silos” mentioned above and the disincentives in the financing system (e.g., competition for enrollment) are barriers to collaboration. The Lilly Endowment’s Community Alliances to Promote Education (CAPE) project was an important stimulus for regional collaboration, but the challenge remains to institutionalize and sustain the initiatives stimulated by this project. Given the governance relationships now in place, concerted effort (and incentives) must be directed to ensuring that the state’s educational assets work in harmony to meet the differing regional needs.

F. The Future of Vincennes University

Vincennes University, the state’s first higher education institution, evolved over the years into a highly successful institution in taking students admitted on an open-access basis and preparing them for success in either employment or further education. The combination of academic rigor in liberal arts and occupational/technical programs and the provision of this education in a residential setting enabled VU to achieve an excellent record in preparing students for transfer. It was the institution’s integrity and credibility in transfer that made it an excellent choice to participate in the Community College Partnership. VU has a campus in Jasper, the Aviation Technology Center in Indianapolis, and an American Sign Language program at the Indiana School for the Deaf.

In addition to its core liberal arts and occupational/technical programs, VU plays a critical role in the economy of Knox and surrounding counties. It is the primary provider in its region of community college services, including customized training and workforce development.

As indicated above, the Community College Partnership diverted the energy and focus of VU's academic leadership and faculty away from its core mission and, from the institution's perspective, threatened its record for academic integrity. For a variety of reasons including competition from other institutions and inattention to marketing, VU's main campus enrollment continued to decline in the period that the institution participated in the Partnership. By the end of the 2003-04 academic year, however, enrollments appeared to have stabilized and residence hall occupancy has improved.

From NCHEMS' analysis of VU, including visits with campus leaders, faculty members, staff and community leaders, the Subcommittee concludes that VU is an important, viable component of Indiana's higher education system. Nevertheless, several issues remain to be resolved:

- The need to balance the institution's historic mission as a two-year open-access residential institution with the interest in attracting at least a portion of the student body from a pool of better prepared students.
- Proposals to expand baccalaureate opportunities at VU (either through authority to offer limited baccalaureate programs or partnerships with other institutions that will offer baccalaureate opportunities at VU).
- The role of VU as the principal provider of community college services in its region and the implications of this role for Ivy Tech sites in the region.

G. Policy Barriers

Finally, the Subcommittee reviewed the policy environment—especially those dealing with finance and leadership—within which institutions of higher education are currently operating. Key findings in this regard are as follows:

1. Finance policy

- a. Because of the State of Indiana's long-term structural deficit, it is essential to consider alternatives for maintaining current levels of total institutional funding that will require essentially no additional state resources. This will require consideration of:
 - Increased reliance of some sectors on revenue from tuition (higher in-state tuition and flexibility to enroll out-of-state students).

- Reallocating state funding to:
 - Maintain relative low tuition in the community college/Ivy Tech system.
 - Increase state-administered need-based student aid to offset tuition increases.
 - Exploring the possibility of obtaining local financing to match state contributions for community college facilities.
- b. Current state funding policies provide few explicit levers to connect financing policy to state policy objectives (e.g., economic development).
- The principal explicit incentive is for enrollment growth.
 - Except as indirectly embedded within the funding formulas, there are no explicit state financing levels that provide incentives for:
 - Increasing retention and completion.
 - Collaboration among institutions on transfer and articulation.
 - Links with regional economic development.
 - Serving part-time students.
- c. An important exception to this pattern is the Twenty-First Century Research and Technology Fund, that provides state funding for public/private partnerships linked to economic development.
2. Capital project review and research competitiveness
- a. Current higher education bonding statutes (IC 20-12-6; IC 20-12-7; and IC-20-12-08) require that the General Assembly specifically authorize any capital project that is to be funded from the sale of bonds and provide the amount of bonds that can be issued to finance the project before bonds can be sold with the following exceptions (IC 20-12-8):
- Dormitories and other housing facilities;
 - Food service facilities;
 - Student infirmaries and other health service facilities including revenue-producing hospital facilities serving the general public;
 - Parking facilities in connection with academic facilities; or

- Medical research facilities associated with a school of medicine, if the facilities will generate revenue from state, federal, local, or private gifts, grants, contractual payments, or reimbursements in an amount that is reasonably expected to at least equal the annual debt service requirements of the bonds for the facility for each fiscal year that the bonds are outstanding.

- b. This requirement has the potential to put Indiana University Bloomington, Purdue University West Lafayette and Indiana University Purdue University Indianapolis at a competitive disadvantage because the General Assembly’s calendar does not often correspond to opportunities that arise over the course of the year and General Assembly approval is always uncertain.

3. Leadership

- a. No means exists for multi-year agreements between the State of Indiana and the public institutions linking accomplishment of state and institutional goals to changes in financing policy. A fundamental change in financing higher education, especially one that would require a sustained commitment to certain policy parameters over a multi-year period, would require the full commitment and support for these changes at the highest levels of state government.

- b. Commission for Higher Education

- The recently adopted “Policy Framework for Planning and Development” is an important step in shaping a long-term agenda for higher education in Indiana. From NCHEMS’ interviews across the state, serious questions remain regarding the extent to which the document has broad recognition and support among the state’s policy and higher education leaders—especially as a document to shape strategic decisions on resource allocation
- The basic authority and functions of the Indiana Commission for Higher Education (ICHE) date from its first years in the late 1960s and 1970s. While many of these functions may still be relevant, others may have outlived their usefulness. It is especially important for the Commission to shift from a traditional regulatory role (e.g., program review and approval) to more emphasis on strategic leadership for a Public Agenda. Maintaining outdated processes can be a significant barrier to the efficiency of the system and individual institutions.

- c. In the course of NCHEMS’ interviews and visits across Indiana, serious concerns were raised about the appearance of an increased politicization of higher education policy. The integrity of the state’s higher education system depends on the ability of the governing boards, Commission for Higher Education, and the Governor and Legislature to make higher education policy

decisions on as objective a basis as possible—recognizing that politics will always play some role in Indiana as in every other state.

IV. RECOMMENDATIONS

The following recommendations were formulated within a set of assumptions and guiding principles. These principles are that:

1. Solutions are sought that will remain within the current level of state funding.
2. A great variation exists in needs and delivery capacity among regions.
3. Solutions must be developed region by region within a statewide framework.
4. Solutions should be sought within the same governance system as is currently in place. There is a strong identification of communities with campuses and their parent institutions. Changing governance arrangements in an attempt to create more locally-responsive institutions would have at least as many negative consequences as positive.
5. Any reallocations of state funds must be done in such a way as to leave institutions in a revenue neutral/positive position.
6. The objective is to enhance quality at all levels.
7. Private institutions will continue to be important state resources. Alternatives should maintain, if not increase, student financial aid funding for students attending private institutions.

Recommendations Regarding Institutions and Sectors

A. Research-Extensive Universities

1. Purdue West Lafayette and IU Bloomington should:
 - Increase the emphasis on graduate education, research and technology transfer.
 - Increase the number of graduate students.
 - Enroll fewer and better prepared undergraduates.
 - Maintain current programmatic strengths and enhance capacity around state priorities.
2. Presuming that IU-Bloomington and Purdue West Lafayette become somewhat more selective, there is reason to expect that other baccalaureate-level institutions (Ball State, Indiana State, University of Southern Indiana, IUPUI, and Regional Campuses) will be recipients of more qualified student bodies and that this will give

these institutions the opportunity to become more selective and improve their performance in comparison to their peers on traditional measures such as graduation rates.

B. Ivy Tech/Community College of Indiana

1. Discontinue the Community College of Indiana as a Partnership between Ivy Tech and VU.
2. Establish the Indiana Community College and Ivy Tech System (ICCITS).
 - a. Change Ivy Tech from a single state college to a statewide coordinating/governing board for a network of independently accredited regional community colleges. Most, if not all, regional community colleges would be multi-site/campus institutions encompassing at least the current Ivy Tech campuses within the current regions.
 - b. Modernize the system's academic policy, administrative, information and fiscal/accountability policies and procedures to ensure centralized leadership and oversight for an increasingly decentralized, regional and responsive network of colleges functioning under the governing direction of the system. (Consideration should be given to authorizing Ivy Tech/community college units to purchase certain support services from contiguous or nearby IU or Purdue University campuses.)
 - c. Establish the authority and functions of the statewide board and president to be similar to that of the Virginia Community College System, including for example:
 - 1) Responsibility for leading—in collaboration with other institutions and the state's business, labor and civic leaders—a statewide and region-by-region strategy to ensure the highest quality community college services are available throughout Indiana.
 - 2) Authority to appoint, evaluate, and if necessary terminate the employment of community college chancellors.
 - 3) Authority to appoint regional community college advisory boards.
 - 4) Responsibility for budget and resource allocation for community colleges within the system.
 - 5) Responsibility for developing and implementing curricular standards and quality assurance policies.
 - 6) Authority to approve programs , subject to policies of ICHE.

- 7) Responsibility for developing and statewide community college curricula, programs and other initiatives.
 - 8) Responsibility for providing statewide administrative, fiscal and other support services for the system and campuses (e.g., achieving economies of scale through the system).
3. Establish an independent external review process and criteria for designation of a community college. No Ivy Tech unit should be authorized to use the designation of “Community College” until it is approved to do so through this external review process.
- a. Recognize that regions will achieve designation of an independent community college at different times over the next five years depending on their ability to demonstrate basic capacity and meet other criteria.
 - b. Establish under the jurisdiction of the ICHE an external review panel to be appointed by the Governor including representatives from:
 - 1) Recognized exemplary community colleges and/or systems from other states
 - 2) Indiana’s business and labor leadership
 - 3) Indiana universities
 - c. Establish the criteria for designation as a community college, including for example:
 - 1) A full-time faculty, faculty governance and academic policies and procedures, and other basic requirements for ensuring the necessary quality and integrity in academic program delivery.
 - 2) Capacity to provide the full range of community college services, including capacity to deliver general education, transfer and occupational programs in accordance with state and system academic policies and procedures. Some of these services may be provided through contractual relationships with regional campuses or other providers.
 - 3) Evidence of effective articulation and transfer agreements with Indiana universities not only within the region but throughout the state, consistent with the agreements of the State Transfer and Articulation Committee (STAC).
 - 4) Effective collaboration with regional campuses and other public and private institutions within the region (see description of current excellent relationships between Ivy Tech and regional campuses as an illustration of criteria).

- 5) Candidacy and significant progress toward independent accreditation by the Commission for Higher Education of the North Central Association of Schools and Colleges.
- d. Authorize designated regional community colleges to contract or “purchase” services from a contiguous or neighboring regional campus of Purdue or IU or other university (e.g., IUPUI, Indiana State or Ball State) for:
 - 1) Courses and academic expertise (for example in specialized fields or in low-enrollment areas)
 - 2) Shared use of facilities (for example, laboratories, classrooms, libraries, student centers)
 - 3) Administrative and financial support services
 - 4) Student services

C. VU

1. Retain historic mission of being an open-access, two-year liberal arts and occupational/technical institution providing community college services to the immediate region as well as serving students statewide who seek a community college education at a largely residential institution.
2. Provide the opportunity for students to complete a baccalaureate degree at the VU campus through collaboration with Indiana State, Ball State, Purdue and other universities, but *not* through extending the mission of VU to grant baccalaureate degrees.
3. Assign responsibility to VU for providing community college services to the immediate region—as appropriate in collaboration with Ivy Tech.
4. Establish at VU a “middle technical college/academy” in which students can enroll at grade 11 and complete both a high school diploma as well as an associate degree on an accelerated basis.
5. Establish a “21st Century Plus” initiative to provide scholarship assistance to students selected to attend the VU “middle technical college/academy.”
 - a. Establish eligibility requirements similar to the 21st Century Scholarship but focused on assisting students who:
 - Are identified as students with potential who may not be achieving to that potential in the traditional middle school/high school setting.
 - Could benefit from an intensive academic/technical program in a residential setting.

- b. Establish a state-level selection panel to which students from high schools throughout Indiana could apply for special scholarship assistance.
6. Recognize VU as a state center for professional development for teachers and faculty members on strategies combining high expectations for academic performance with technical, hands-on experience to reach middle-school youth who are in danger of dropping out or failing to achieve expectations for high school graduation. This could include summer institutes similar to those currently conducted by VU for teachers involved in VU dual-credit programs.
 7. Do *not* place VU within the jurisdiction of Ivy Tech State College or the restructured community college system as described above.

D. IUPUI

1. Continue to develop as an urban research university building on its strength as the state's life and health sciences university and the unique strengths and priorities of Central Indiana.
2. Continue the strong partnership with Ivy Tech-Indianapolis (renamed the Community College of Central Indiana), by:
 - a. Continuing to focus on baccalaureate and graduate and professional programs with an emphasis on interdisciplinary programs that draw on the strengths in the life and health sciences and related to the priorities of Central Indiana and the state as a whole.
 - b. Retaining the commitment to providing baccalaureate-level access to Central Indiana as the only public baccalaureate-level institution in the Indianapolis metropolitan area available to place-bound students (especially adults). The campus needs to demonstrate regularly that it is providing program access to its Central Indiana service area.
3. Authorize limited increase in doctoral programs—whenever feasible in partnership with Purdue West Lafayette and IU Bloomington—provided that it can be demonstrated that these programs are essential for IUPUI to contribute to state and regional priorities.

E. Indiana State, Ball State, University of Southern Indiana

1. Each of these universities plays a unique and critical role in the quality of life and economy of its region and makes a unique statewide contribution in specific fields. The danger is that internal pressures and unintended consequences of state policy will encourage these institutions to attempt to become more like research-intensive universities and to drift away from their connections to their regions and Indiana. We recommend that steps be taken to counter this likely evolution.

2. Each of these universities should be partners with the Ivy Tech campuses in their regions in the development of general education and other essential conditions for designation as a “community college.” Agreements on remedial and developmental education, articulation and transfer are also essential components of these relationships.

F. Regional Campuses

1. The regional campuses should:
 - a. Continue implementing the provisions of the Regional Campus Agreement, including:
 - 1) Development of baccalaureate and limited graduate programs.
 - 2) Phasing out, as appropriate, associate degree programs in coordination with the developing community college within the region (see community college section above).
 - 3) Referral of students in need of remediation to the regional community college.
 - 4) Developing articulation and transfer and other cooperative arrangements with the regional community college.
 - b. Serve as a learning center/receive site for delivery of baccalaureate and graduate programs offered by other providers to meet specific regional needs that do not justify development of fixed capacity at the campus.
 - c. Serve as a focal point, in collaboration with the regional community college and other universities, for linking higher education to the future quality of life and economy of the region.
 - d. Share facilities and academic and administrative support services with the regional community college to the end that students from both institutions move freely between institutions and have access to services such as libraries, student centers and, as appropriate, residential facilities on both campuses.
2. The question should be raised as to whether all the regional campuses should move along the trajectory of baccalaureate and graduate programs as outlined in the Regional Campus Agreement. In two or three cases, the regional demand may not currently exist for significant expansion of free-standing new baccalaureate and (especially) graduate programs.
 - a. In these cases, the regional campuses should expand baccalaureate and graduate program *opportunities* in their regions, not by developing new programs, but by serving as Learning Centers through which other institutions can make available degree programs (following the approach recommended for VU).

- b. If a substantial percentage (e.g., more than 50%) of the credentials granted at a regional campus are at the Associate Degree or Certificate level, then serious consideration should be given to making the campus an integral part of a region's community college in partnership with Ivy Tech. This could be accomplished through contractual arrangements or a two-institution campus such as IUPUI, rather than through creation of a single academic institution.

Policy Recommendations

A. Realign state policy for financing higher education according to these parameters:

1. Agreement at the highest levels of state government (Governor and State Legislature) concerning step-by-step policy changes involving coordination of policy regarding:
 - State appropriations to institution
 - Tuition policy
 - State need-based student aid and funding for 21st Century Scholars
2. State policy changes would:
 - a. Maintain the current overall level of state funding.
 - b. Hold all institutions revenue neutral or positive—that is, total revenue combining state appropriations and tuition revenue would not decrease.
 - c. Encourage institutions to differentiate tuition according to mission and ability to pay with the intent that:
 - Tuition would increase at Indiana University Bloomington and Purdue University West Lafayette and potentially at other universities.
 - Tuition would be lower at Ivy Tech/Community College of Indiana.
 - d. Authorize IU Bloomington and Purdue University West Lafayette to realign enrollment—decrease undergraduate enrollment and increase graduate enrollment. Students not admitted to IU Bloomington or Purdue University West Lafayette would be accommodated at Ball State, Indiana State, IUPUI, University of Southern Indiana, Regional Campuses and VU.
 - e. Reallocate state funds to:
 - 1) State-administered student aid
 - Increase need-based student aid

- Increase 21st Century Scholars aid funding(see recommendation on 21st Century “Plus” related to Middle Technical College at VU)
- 2) Develop regional capacity for the delivery of services that meet the needs of each of the state’s regions including:
- Developing community college services that are aligned with the needs of the region and that meet the criteria and quality standards established by the state review panel (see above).
 - Implementing the Regional Campus Agreement in ways tailored to meeting the needs of the regions in which each of the regional campuses is located.

One method of financing this would use state funds to match (up to 10% of the total state operating allocation) funds reallocated by institutions toward programs that enhance the missions of institutions (developmental and associate degrees for Ivy Tech and baccalaureate and limited graduate programs for regional campuses) and are aligned with regional needs. Plans for reallocation and authorization to release matching funds should be approved by CHE.

3) Strategic Investment Funds, such as:

- Research (e.g., expansion of Research and Technology Fund)
 - Incentives for regional collaboration and linking universities to regional economic development
3. Change state policy to provide for obtaining ongoing local funding (matched by state investment) for facilities and equipment related to community college services.

Within these broad guidelines, we recommend the following specific actions be taken:

1. Recognize that meeting the raised level of expectations that we have articulated will take additional resources. Heeding the admonition that the solutions proposed not require additional **state** resources, we recommend that new revenues be brought into the system by increasing revenues obtained from students. We reluctantly make this recommendation, but recognize that increasing revenues from students represents the only practical alternative when state support is limited.
2. Increase net tuition revenues differentially for different types of institutions. More specifically, we recommend that net tuition revenues be substantially increased at IU-Bloomington and at Purdue-West Lafayette, much less at other four-year institutions, and not at all at the two-year institutions. Increasing net tuition revenues can be accomplished by any combination (chosen by the institutions) of increasing tuition rates, taking more out-of-state students, or decreasing the level of tuition discounting.

Without prejudging institutional choices, the evidence in Table 4 suggests that IU-Bloomington and PU-West Lafayette have room to increase tuition rates without losing a regional price advantage.

Table 4. Resident Tuition at Public Big 10 Universities, 2004-05

Institution	Tuition
Penn State	10,856
University of Minnesota	8,230
University of Michigan	8,120
University of Illinois	7,966
Ohio State	7,542
Michigan State	7,045
Indiana University	6,827
Purdue University	6,092
University of Wisconsin	5,866
University of Iowa	5,396

Source: Institutional Websites

3. Hold IU-Bloomington and PU-West Lafayette harmless. The total funding from the combination of state resources and net tuition revenue would remain the same. In the short run, at least, this will lead to a situation in which state dollars are replaced by tuition revenues at IU-Bloomington and PU-West Lafayette. It should be noted that this can be accomplished in such a way that:
 - The two institutions are held harmless regarding total revenues from the combined sources (state and tuition).
 - They can reduce the sizes of their undergraduate populations, thereby reducing the costs associated with teaching these undergraduates.
 - This frees resources for reallocation internally—for more graduate students, more research and improved quality.

This arrangement would not only provide these institutions financial leeway but would also allow the institutions to become slightly more selective in their admissions processes. The data in Table 5 indicate that IU-Bloomington and PU-West Lafayette are among the least selective universities in the Big 10.

**Table 5. SAT Scores for Middle Quartiles, 2001
(25-75% Ranks)**

Institution	Verbal	Quantitative
University of Michigan	570-670	610-710
University of Wisconsin	560-680	590-710
University of Illinois	550-670	600-720
Penn State	530-630	560-680
University of Minnesota	530-650	550-680
University of Iowa	530-650	540-670
Ohio State	520-630	540-660
Purdue University	500-600	520-650
Michigan State	490-610	510-640
Indiana University	490-600	490-610

4. Allocate the state dollars freed up through this strategy to:
 - First and foremost, need-based student financial aid to ensure that students faced with increasing tuition at the universities can still afford to attend these institutions. The whole issue of affordability is extremely complex. However, since the objective is to obtain more service and better performance with limited state resources, the question of how best to maintain affordability must be considered a central concern. Since the Governor has appointed an Affordability Task Force to consider this issue, the Subcommittee has not delved deeply into this topic.
 - The priorities we have identified in this report—most explicitly the development of a community college capacity in the state and an enhanced research capacity. With regard to community colleges, an immediate need is bolstering their full-time faculty in the general education area. Development and oversight of a coherent general education curriculum—one that has integrity and high quality in the eyes of the four-year institutions in the state—will require the involvement of full-time faculty members. With regard to research, we recommend creating an incentive pool to be allocated in proportion to the **increase** in federal and industry research funding acquired on a year-to-year basis. The caveat is that this pool should be available only to those institutions specifically identified as having research as a primary element of their mission.
5. That the financing recommendations made above be phased in over a period of four years to allow for an orderly transition. A shorter period would occasion the need for tuition increases that many would deem too large. It could also generate more funds for reinvestment than could be effectively managed in the short run. A longer

period would unnecessarily delay making the investments in change that we feel are so important.

This transition should be made an explicit part of the institutional compacts described previously since:

- This reinforces the leadership role of the Commission.
 - It allows institutions and students to plan for the future.
 - It signifies acceptance by the political leadership of multi-year commitments and a considered, step-by-step approach to implementation.
6. Fund the facilities that are badly needed to adequately house the emerging community colleges should be funded:
- By a combined state and local financial partnership—half from the state and half from revenue sources available in each region (with no presumption of how localities would generate these revenues).
 - With the requirement that funding is conditioned on these institutions having been approved by the external review panel as worthy of community college designation.

The specifics of these recommendations should be determined by the ICHE in consultation with the institutions and the political leadership of the state. Appendix A provides one scenario of how this might be accomplished. It should be emphasized that this is an illustration—a proof of concept—rather than an explicit recommendation.

If it is determined that a scheme such as that suggested here should not be implemented, we would argue for action that would nevertheless allow allocating resources to the priorities we have identified. This would require **real** reallocation—reallocation in which some institutions gained as a result of losses at other institutions. One mechanism would be to “tax” each institution a percentage of its state appropriations (2-4%) with the proceeds allocated by the ICHE to the established priorities. Under this scenario, some institutions would win and others would lose.

- B. Establish Multi-Year Compacts between the State of Indiana and each institution and with the reconstituted ICCITS.
1. Each Compact would be submitted to and approved by the Indiana Commission for Higher Education for recommendation to the Governor and State Legislature (perhaps through the State Budget Committee) for final approval.
 2. Compacts would include commitments of:
 - a. Each institution regarding pursuit and accomplishment of both state goals and institutional mission and goals.

- b. The State of Indiana regarding state appropriations and tuition revenue. One element of this compact would be the understanding of the revenues to be acquired through tuition. Part of this understanding should be that revenues in excess of the targets remain at the institution for use at the discretion of the institution.
 - 3. Within the framework of the Multi-Year Compacts, give Indiana University Bloomington, Purdue University West Lafayette, and Indiana University Purdue University Indianapolis additional flexibility to pursue research opportunities as they arise, the bonding statutes, particularly IC 20-12-8, should be modified to permit those three campuses to sell bonds for research facilities other than medical research facilities associated with the IU School of Medicine without prior General Assembly approval if revenue streams are available to meet the debt service requirements of the facilities.
- C. Realign the mission and functions of the Indiana Commission for Higher Education.
- 1. Strengthen the Commission for Higher Education as an agency more able to bring focus to the issues and direct some portion of the state allocation to higher education to achieve the kinds of changes identified. This will not require reorganization, but it will require changes in expectation regarding the role of the Commission.
 - 2. Increase the Commission’s focus on developing—building consensus around—a Public Agenda linking higher education to the future quality of life and economy of Indiana.
 - a. Commission would develop the Public Agenda and recommend it to the Governor and State Legislature for approval.
 - b. The Public Agenda would serve as the framework for Multi-Year Compacts with institutions.
 - 3. Assign the responsibility to ICHE for negotiating “compacts” with each of the institutions and their governing boards. These compacts should meet the objectives stated in B above.
 - 4. Assign to the Commission, in consultation with political leadership and the institutions, the responsibility to devise a financing and resource allocation plan in keeping with the criteria stated in A above.
 - 5. Review and, as necessary, modify existing Commission policies (e.g., program review and approval) to ensure their continued relevance to the Commission’s leadership and accountability roles.

The intent is to ensure that the Commission focus its attention and energy on the Public Agenda—on ensuring that the priorities we have articulated are accomplished. **How** the institutions accomplish the stated objectives involves decisions reserved to the institution.

APPENDIX A
FIGURES

Revenues per FTE Student—Indiana Institutions as a Percentage of Peer Group Medians

Below 90% of Peer Group Median
 90 to 110% of Peer Group Median
 Above 110% of Peer Group Median

Institution	Revenues		
	Unrestricted: State, Local, Tuition, Fees, Private Gifts Per FTE	Restricted: Government Grants and Contracts Per FTE	Total E&G Revenue Per FTE Student
INDIANA UNIVERSITY-BLOOMINGTON	102.1	44.5	81.0
PURDUE UNIVERSITY-MAIN CAMPUS	96.8	68.2	83.3
BALL STATE UNIVERSITY	114.3	113.9	110.9
INDIANA UNIVERSITY-PURDUE UNIVERSITY-INDIANAPOLIS	99.3	84.0	120.0
INDIANA STATE UNIVERSITY	125.6	61.9	112.1
INDIANA UNIVERSITY-PURDUE UNIVERSITY-FORT WAYNE	86.9	38.5	79.7
UNIVERSITY OF SOUTHERN INDIANA	81.9	63.9	71.0
INDIANA UNIVERSITY-SOUTH BEND	109.0	34.4	87.1
INDIANA UNIVERSITY-NORTHWEST	106.4	55.8	97.0
INDIANA UNIVERSITY-SOUTHEAST	87.8	41.2	79.0
PURDUE UNIVERSITY-CALUMET CAMPUS	86.4	75.2	85.5
INDIANA UNIVERSITY-KOKOMO	119.2	51.3	97.3
INDIANA UNIVERSITY-EAST	126.5	195.8	136.6
PURDUE UNIVERSITY-NORTH CENTRAL CAMPUS	113.4	43.2	99.4
IVY TECH STATE COLLEGE-NORTHCENTRAL	83.7	80.0	77.4
IVY TECH STATE COLLEGE-CENTRAL INDIANA	91.5	174.8	90.6
IVY TECH STATE COLLEGE-COLUMBUS	74.3	80.4	74.2
IVY TECH STATE COLLEGE-EAST CENTRAL	80.9	84.7	76.4
IVY TECH STATE COLLEGE-KOKOMO	91.6	102.0	91.3
IVY TECH STATE COLLEGE-LAFAYETTE	70.8	55.6	62.7
IVY TECH STATE COLLEGE-NORTHEAST	95.7	101.5	90.9
IVY TECH STATE COLLEGE-SOUTH CENTRAL	77.5	101.3	79.8
IVY TECH STATE COLLEGE-SOUTHWEST	77.4	82.9	73.2
IVY TECH STATE COLLEGE-WABASH VALLEY	75.5	98.3	76.0
IVY TECH STATE COLLEGE-WHITEWATER	118.0	126.0	117.1
IVY TECH STATE COLLEGE-NORTHWEST	95.6	203.0	114.1
IVY TECH STATE COLLEGE-SOUTHEAST	95.3	97.3	93.3
VINCENNES UNIVERSITY	119.4	139.8	126.0
IVY TECH STATE COLLEGE-BLOOMINGTON			

FIGURE 1

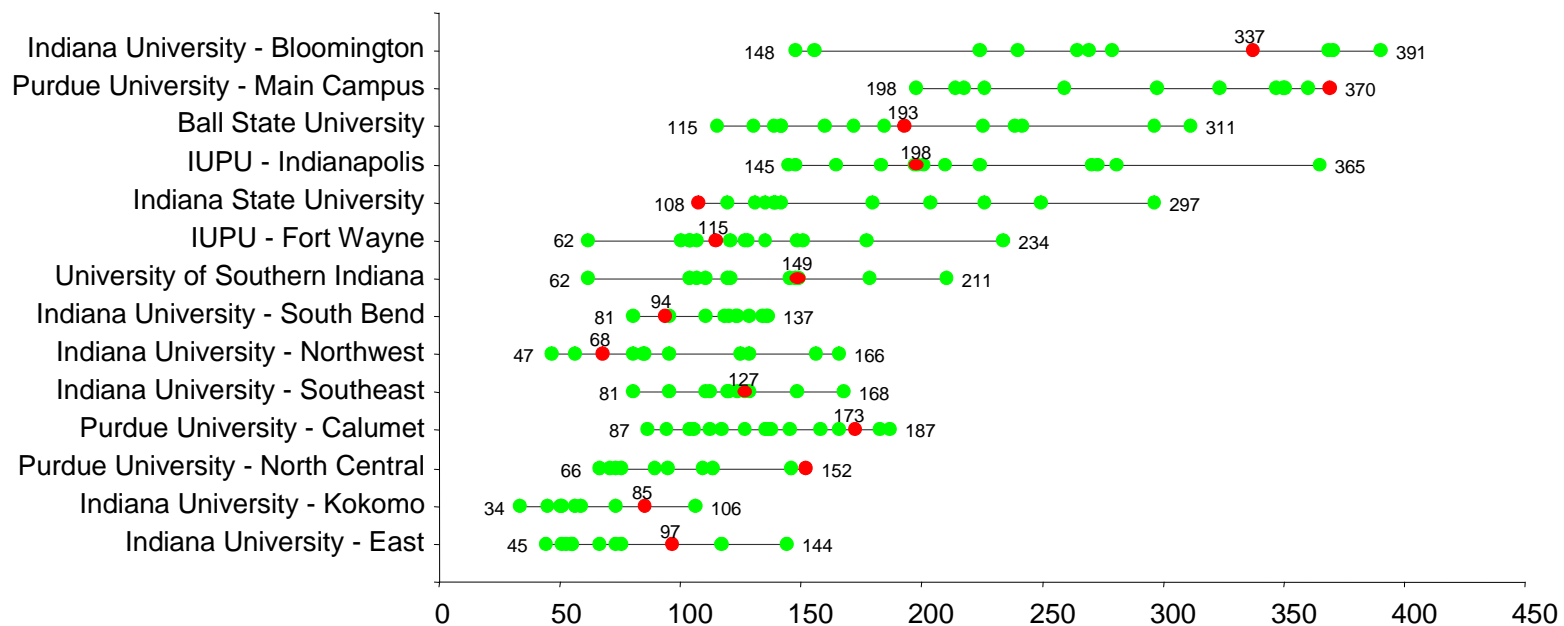
Expenditures per FTE Student—Indiana Institutions as a Percentage of Peer Group Medians

Below 90% of Peer Group Median
 90 to 110% of Peer Group Median
 Above 110% of Peer Group Median

Institution	Expenditures				
	Instruction Per FTE	Academic Support Per FTE	Student Service Per FTE	Institutional Support Per FTE	Plant Operation and Maintenance Per FTE
INDIANA UNIVERSITY-BLOOMINGTON	103.7	68.2	89.5	148.6	79.3
PURDUE UNIVERSITY-MAIN CAMPUS	93.9	66.5	69.3	91.1	107.4
BALL STATE UNIVERSITY	117.8	112.4	90.7	98.6	166.1
INDIANA UNIVERSITY-PURDUE UNIVERSITY-INDIANAPOLIS	125.5	187.3	57.2	57.9	120.6
INDIANA STATE UNIVERSITY	113.9	105.2	76.8	107.8	135.3
INDIANA UNIVERSITY-PURDUE UNIVERSITY-FORT WAYNE	96.8	40.6	53.0	77.4	94.3
UNIVERSITY OF SOUTHERN INDIANA	70.0	63.9	59.0	93.3	72.9
INDIANA UNIVERSITY-SOUTH BEND	112.3	99.9	38.4	91.6	88.0
INDIANA UNIVERSITY-NORTHWEST	103.7	80.2	68.8	76.3	96.8
INDIANA UNIVERSITY-SOUTHEAST	82.1	78.2	59.0	90.9	52.4
PURDUE UNIVERSITY-CALUMET CAMPUS	111.1	40.2	68.8	78.1	116.4
INDIANA UNIVERSITY-KOKOMO	87.4	124.0	64.2	101.5	96.5
INDIANA UNIVERSITY-EAST	116.4	97.9	116.8	140.7	74.2
PURDUE UNIVERSITY-NORTH CENTRAL CAMPUS	117.7	19.4	63.0	126.7	121.6
IVY TECH STATE COLLEGE-NORTHCENTRAL	71.2	96.6	48.9	58.7	83.8
IVY TECH STATE COLLEGE-CENTRAL INDIANA	91.9	73.1	60.5	109.2	97.2
IVY TECH STATE COLLEGE-COLUMBUS	68.6	57.2	57.8	91.6	73.0
IVY TECH STATE COLLEGE-EAST CENTRAL	69.0	78.6	64.3	74.4	72.7
IVY TECH STATE COLLEGE-KOKOMO	86.8	89.3	67.8	106.2	99.5
IVY TECH STATE COLLEGE-LAFAYETTE	48.1	57.0	43.9	75.0	63.2
IVY TECH STATE COLLEGE-NORTHEAST	77.2	112.9	58.1	72.9	72.4
IVY TECH STATE COLLEGE-SOUTH CENTRAL	76.2	87.2	53.5	75.9	59.6
IVY TECH STATE COLLEGE-SOUTHWEST	67.5	95.2	44.0	55.5	65.4
IVY TECH STATE COLLEGE-WABASH VALLEY	81.7	37.6	49.3	57.0	59.5
IVY TECH STATE COLLEGE-WHITEWATER	115.1	111.5	100.6	179.3	105.5
IVY TECH STATE COLLEGE-NORTHWEST	93.3	53.5	72.7	105.2	78.3
IVY TECH STATE COLLEGE-SOUTHEAST	70.3	51.5	65.1	172.3	149.4
VINCENNES UNIVERSITY	126.9	86.2	69.8	71.1	95.0
IVY TECH STATE COLLEGE-BLOOMINGTON					

FIGURE 2

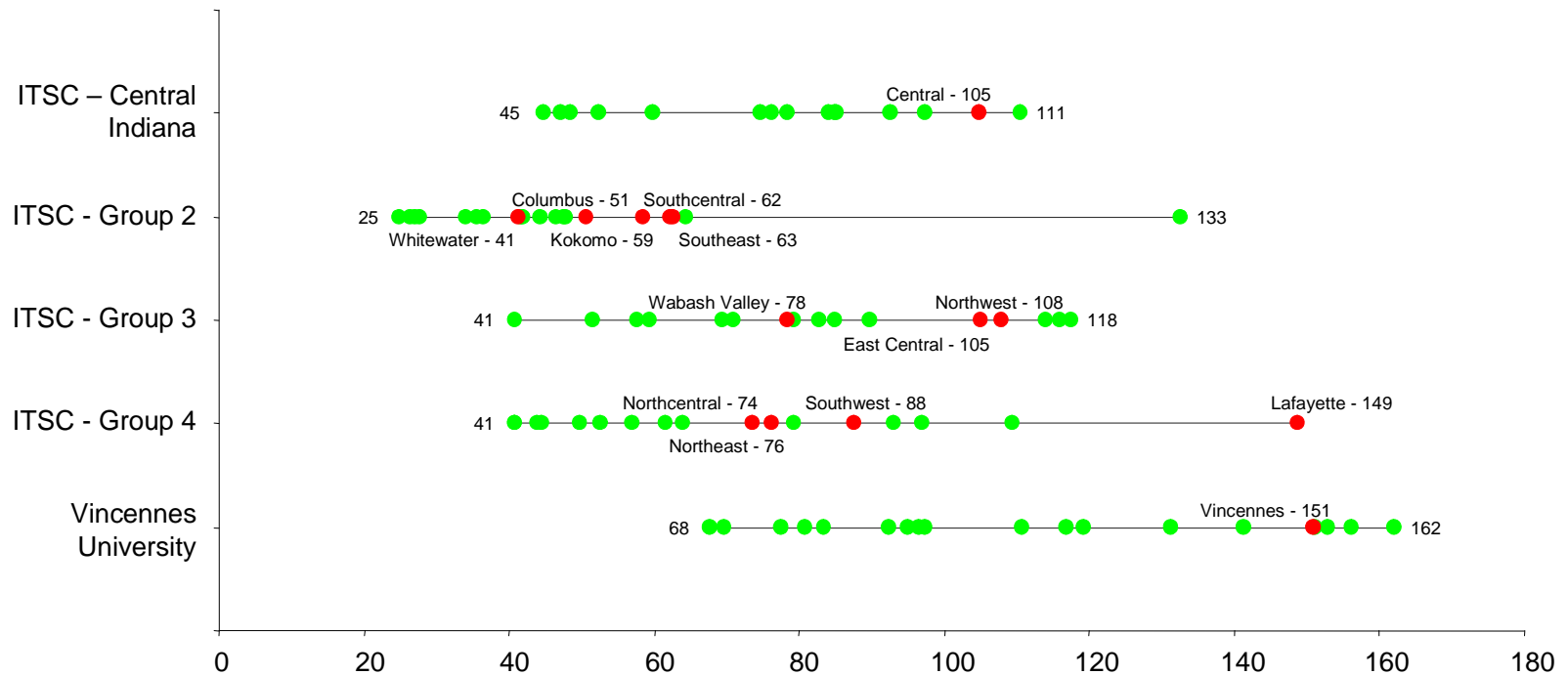
Indiana Four-Year Institutions—FTE Undergraduates per Undergraduate Program, 2001-02



Source: NCES, IPEDS Fall 2001 Enrollments, 2001-02 Completions

FIGURE 3

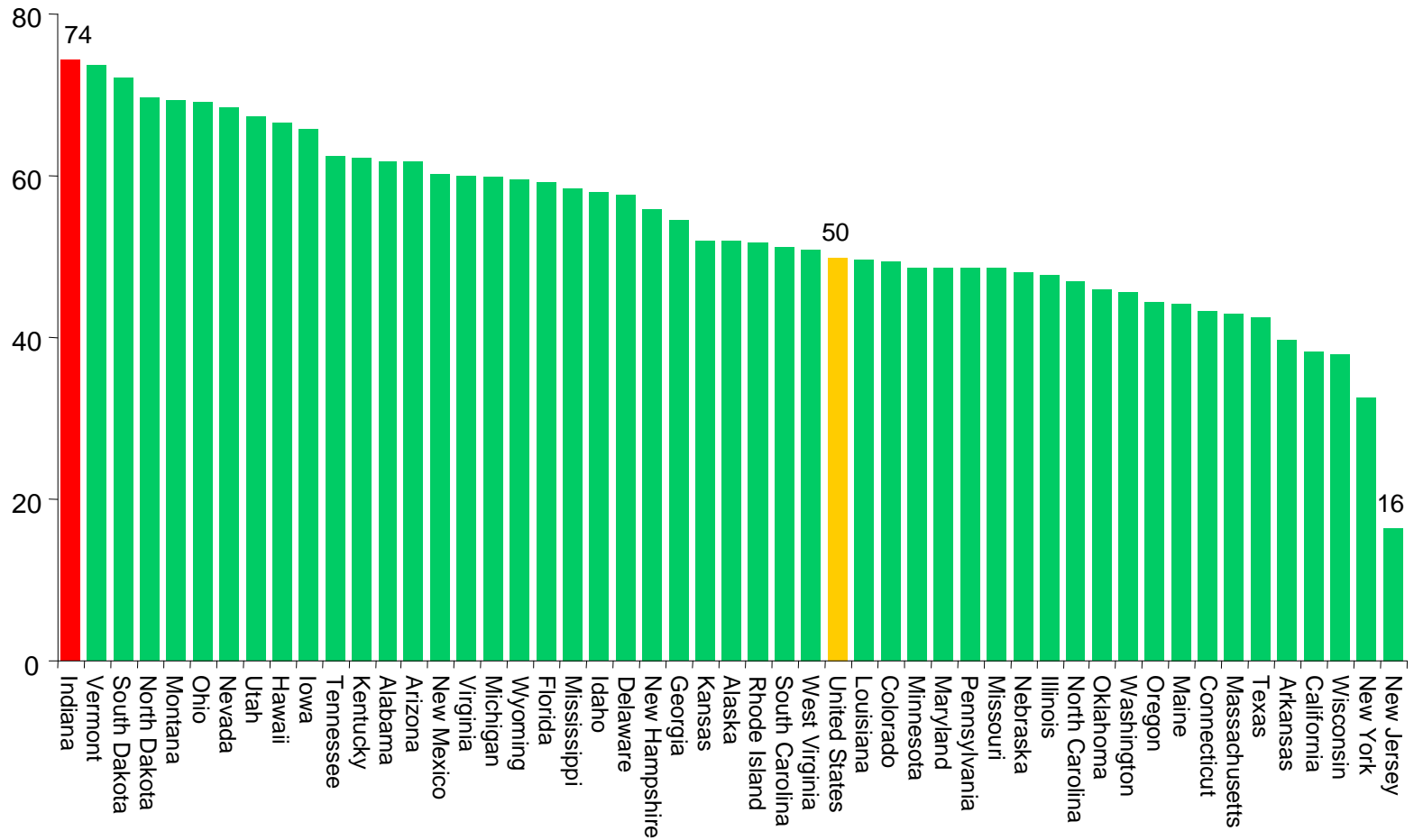
Indiana 2-Year Institutions—FTE Undergraduates per Undergraduate Program, 2001-02



Source: NCES, IPEDS Fall 2001 Enrollments, 2001-02 Completions

FIGURE 4

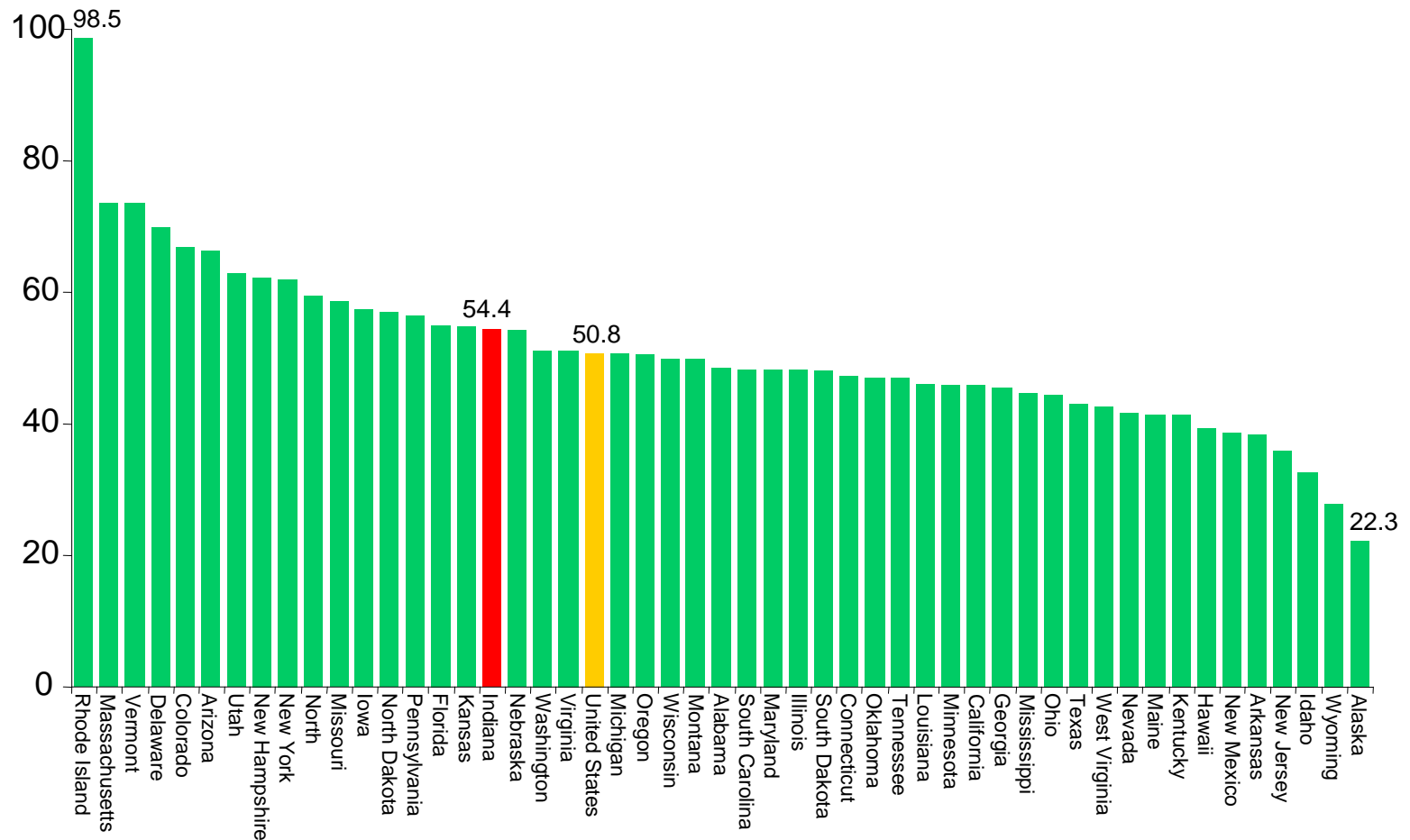
Percentage of State and Local Funding for Public Higher Education Appropriated to Research and Doctoral Institutions



Source: NCES, IPEDS Finance Survey 2001

FIGURE 5

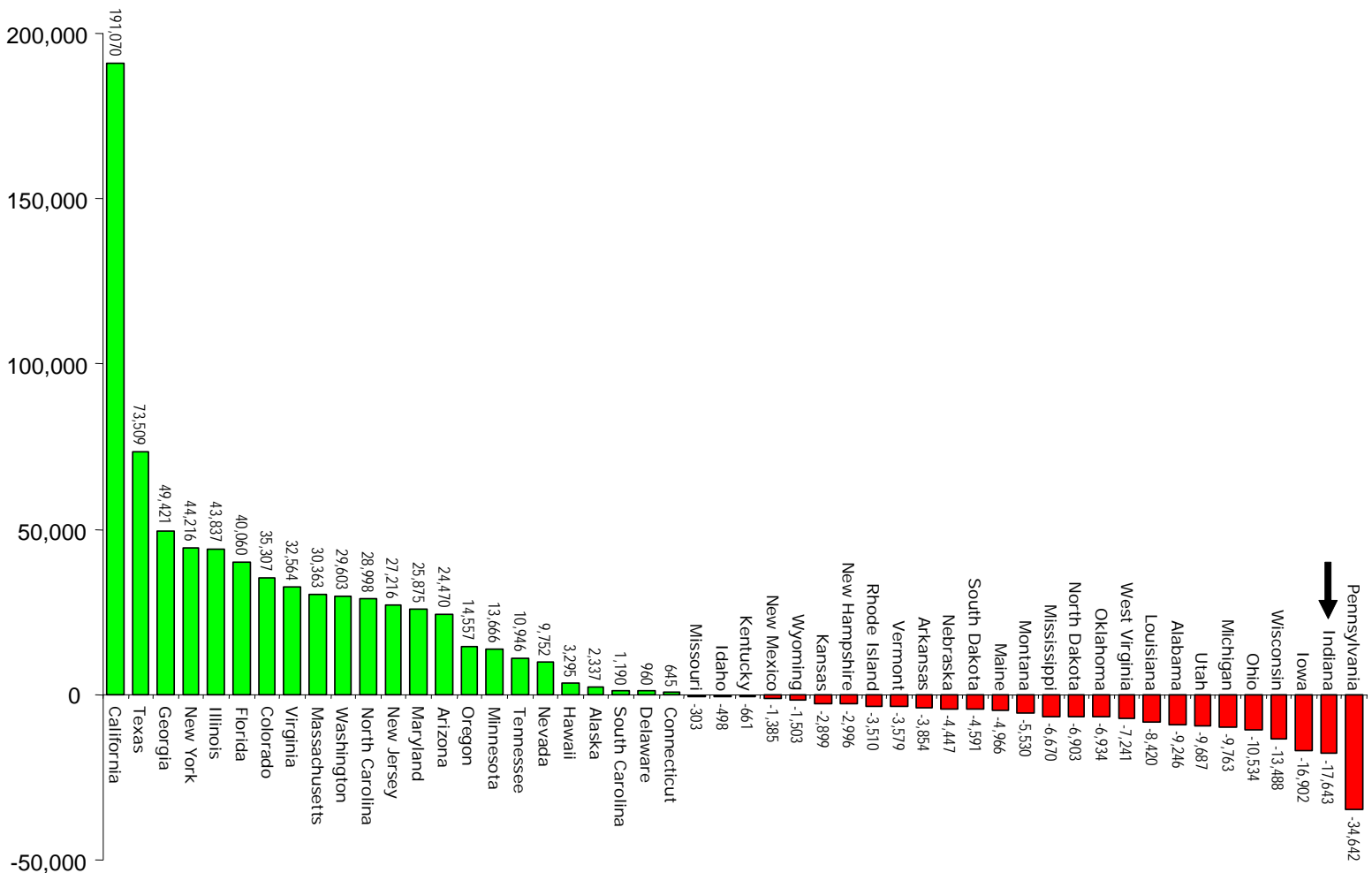
Bachelor's Degrees Awarded per 100 High School Graduates Six Years Earlier, 2002



Source: NCES-IPEDS Completions Survey, WICHE

FIGURE 6

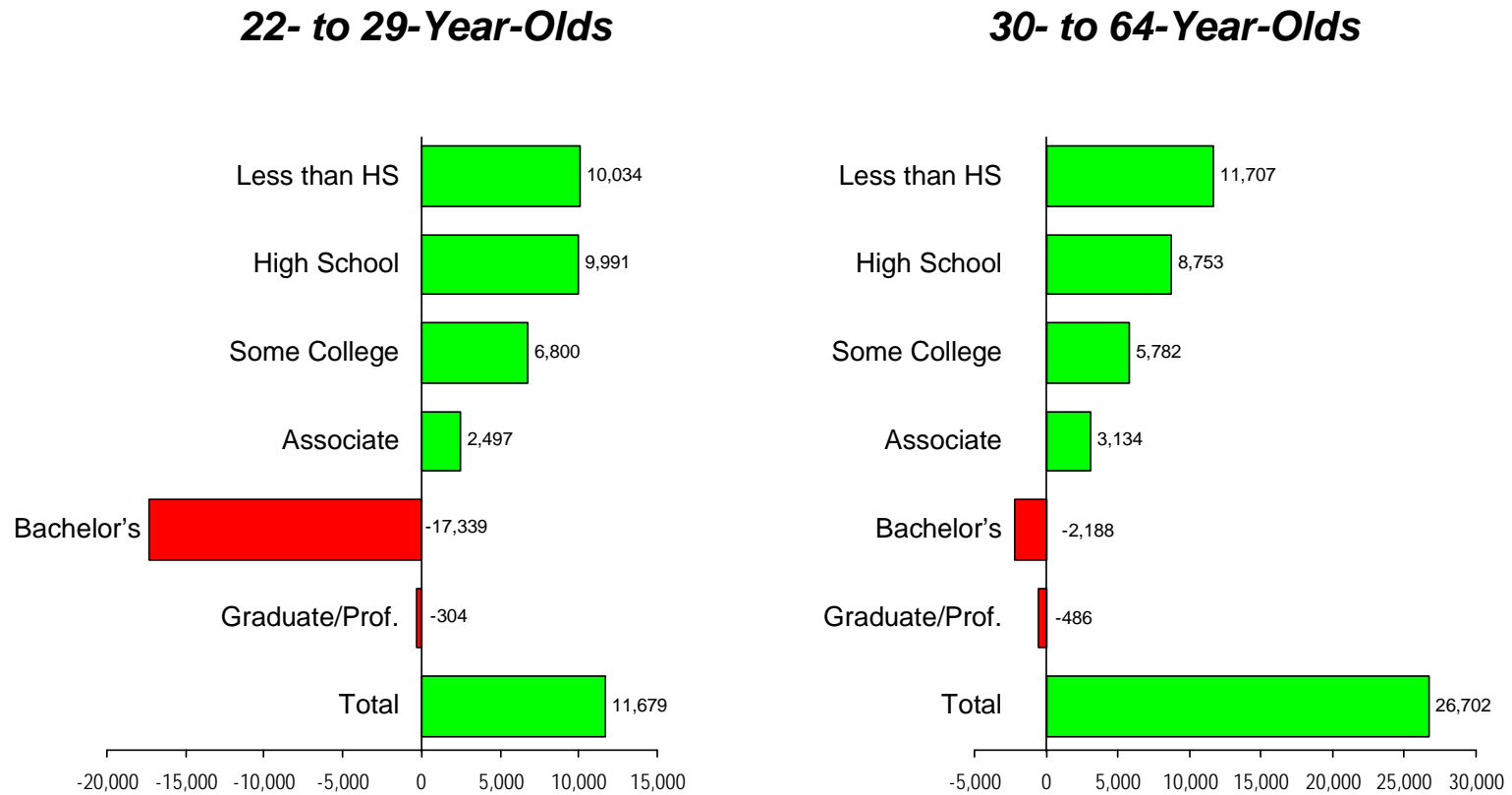
Net Migration of Residents 22-29 with Bachelor's Degree or Higher, 1995-2000



Source: U.S. Census Bureau, Public Use Microdata Samples, 2000

FIGURE 7

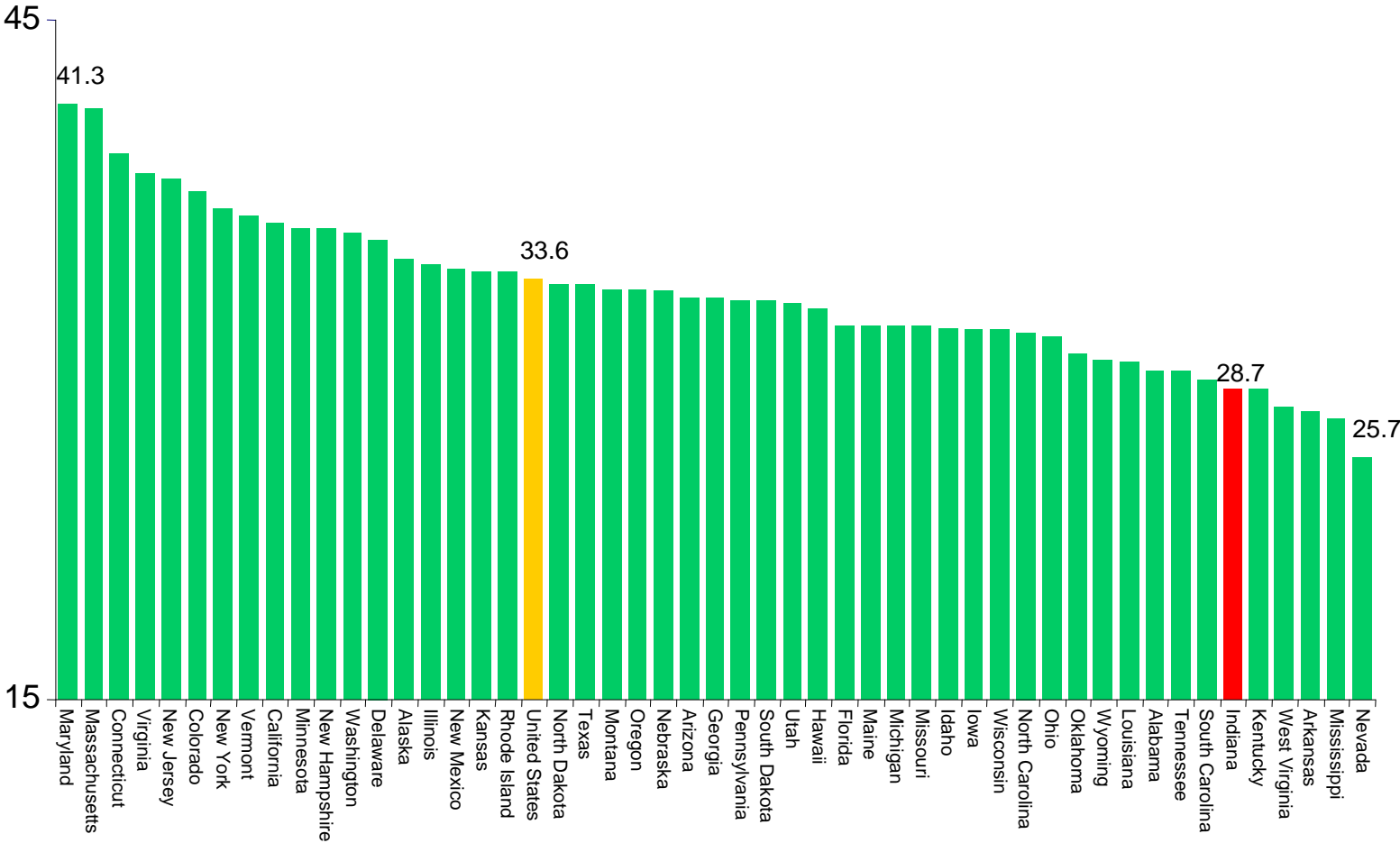
Indiana Net In-Migration by Degree Level and Age Group, 1995-2000



Source: U.S. Census, Public Use Microdata Samples, 2000

FIGURE 8

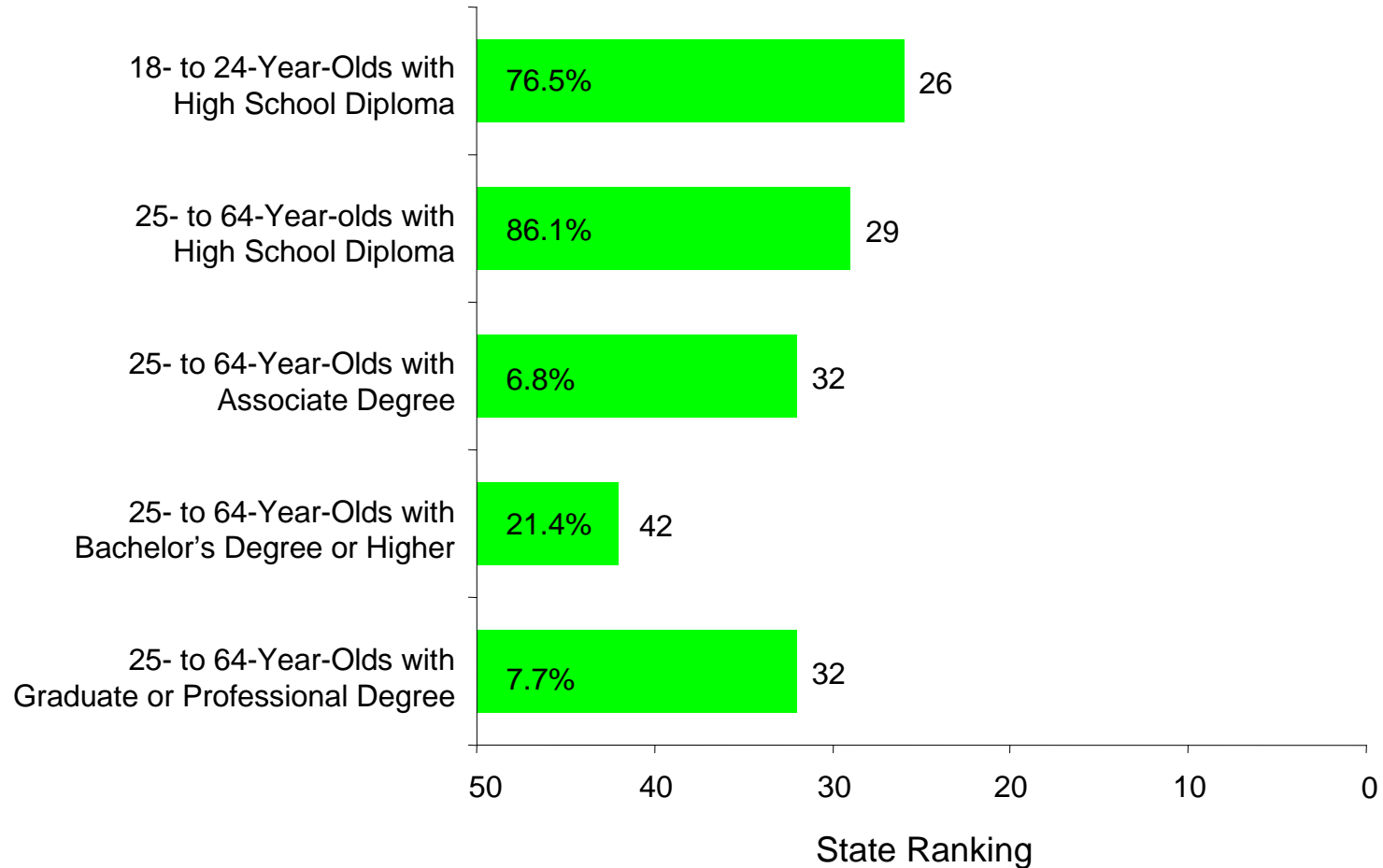
Percent Employment in Professional and Management Occupations, 2000



Source: U.S. Census Bureau

FIGURE 9

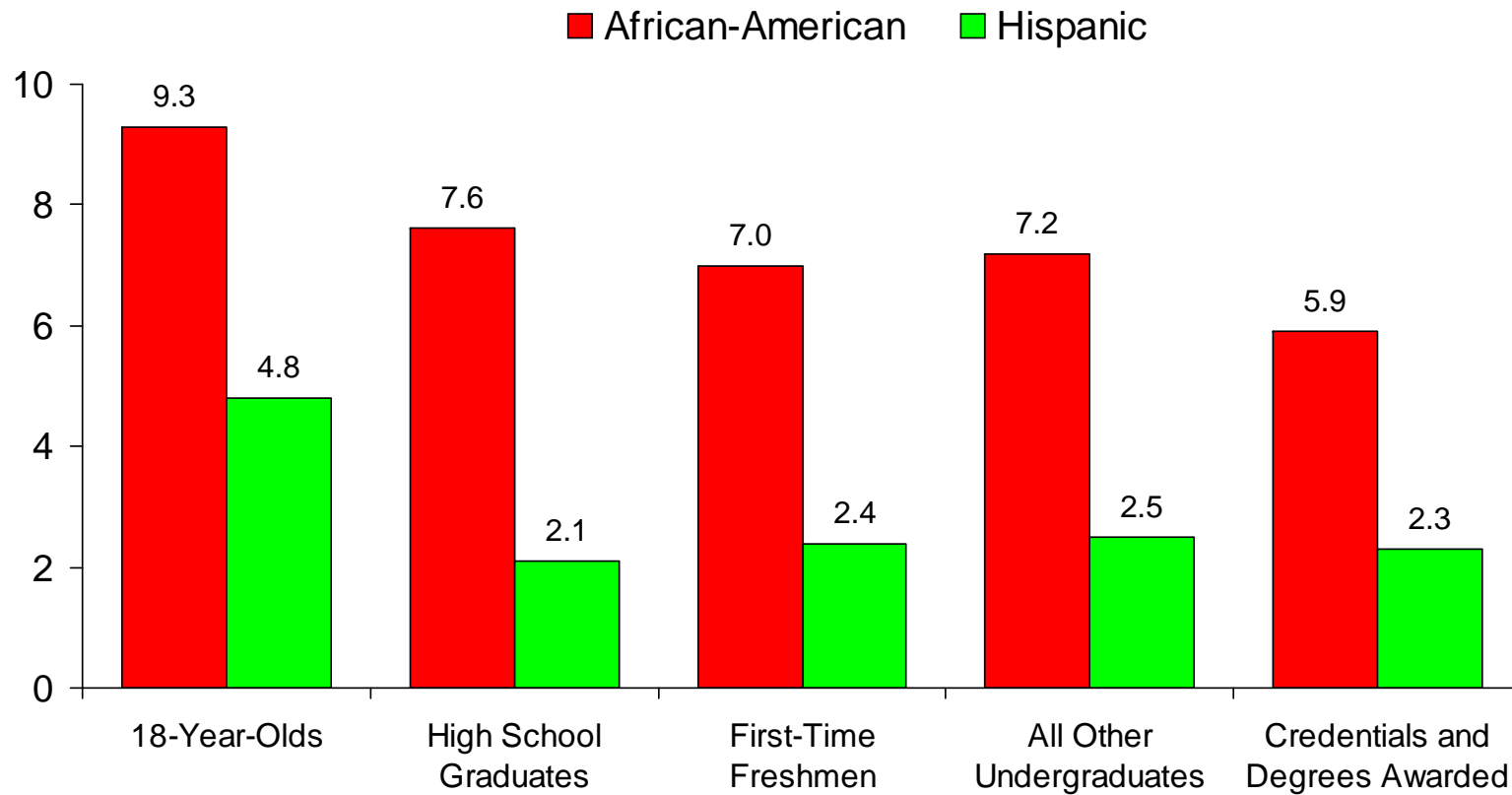
Educational Attainment—Indiana Attainment and U.S. Rank, 2000



Source: U.S. Census Bureau

FIGURE 10

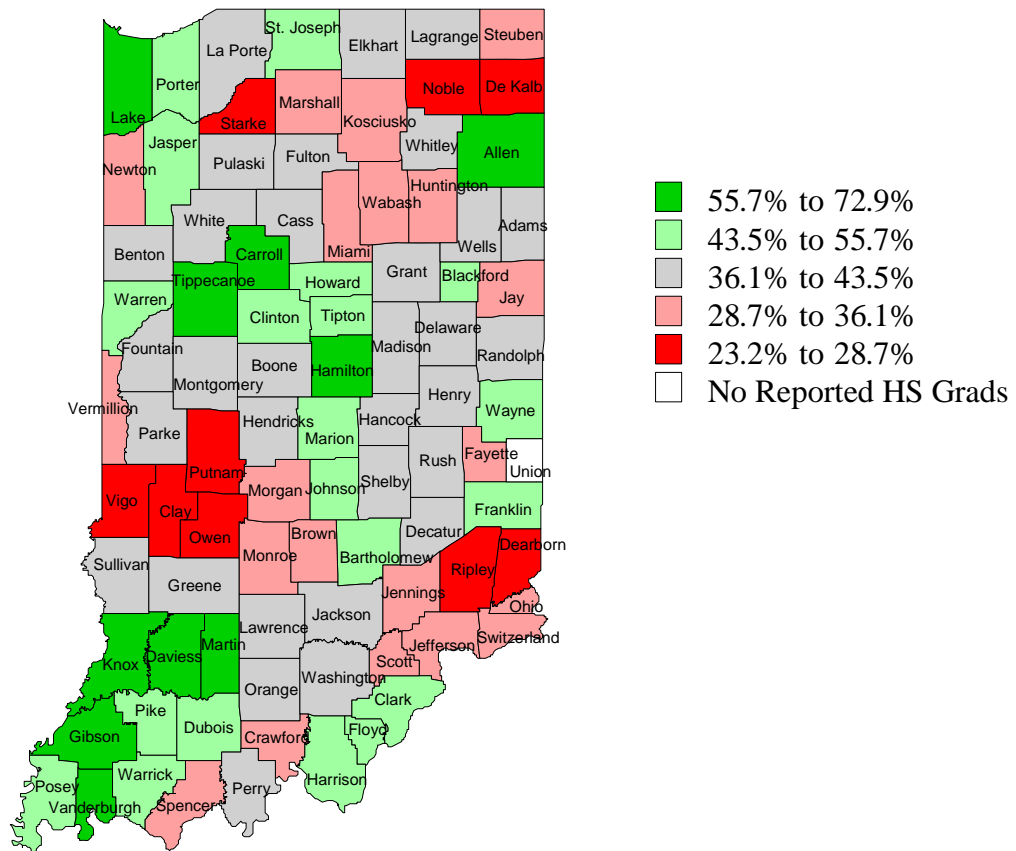
Percent of African-Americans and Hispanics at Each Stage of Education Pipeline, 2000



Source: U.S. Census Bureau, NCES-Common Core Data, NCES-IPEDS Enrollment and Completions Surveys

FIGURE 11

First-Time Freshmen Directly from High School as a Percent of High School Graduates, Fall 1998

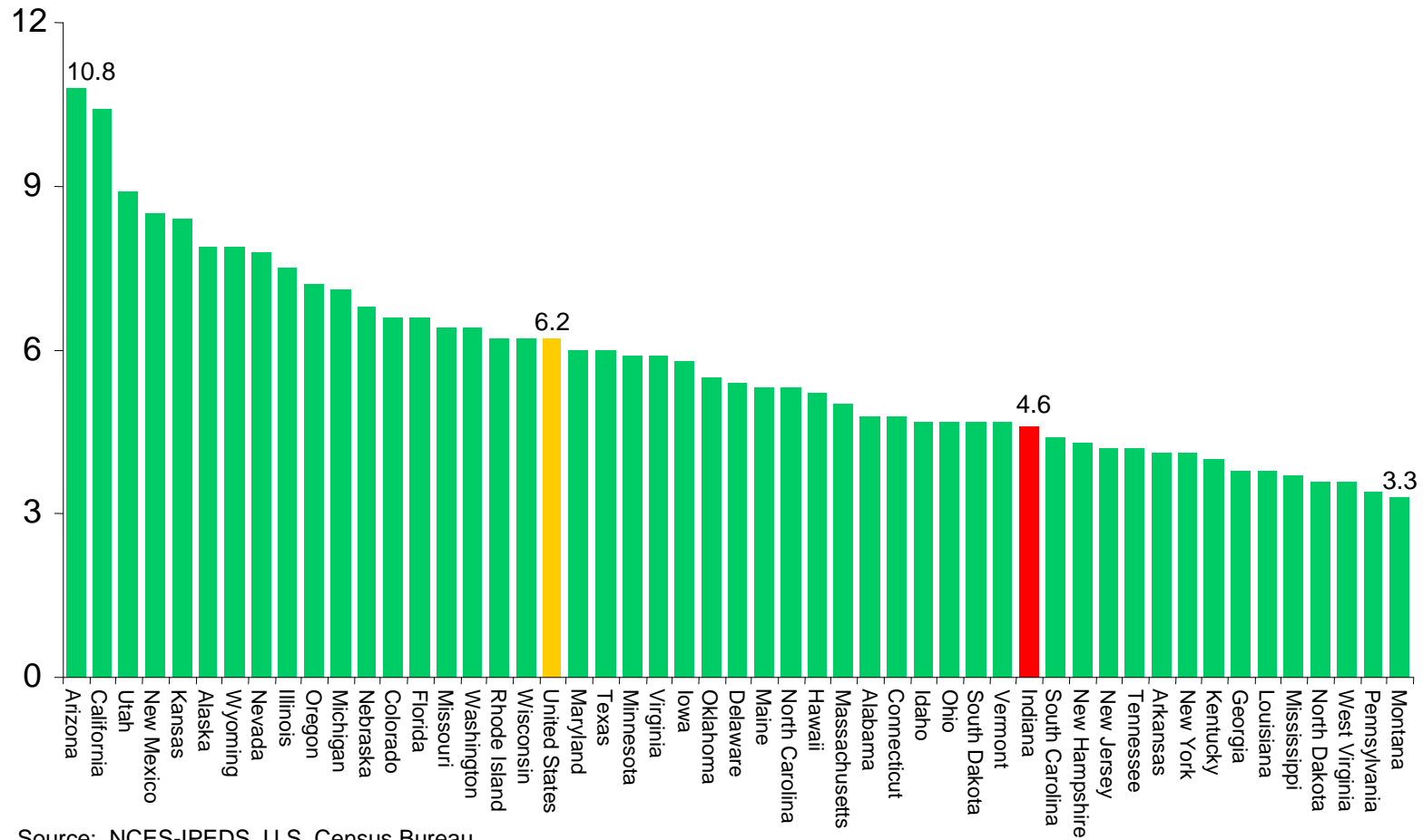


Indiana = 45.8%

Source: Indiana Commission for Higher Education

FIGURE 12

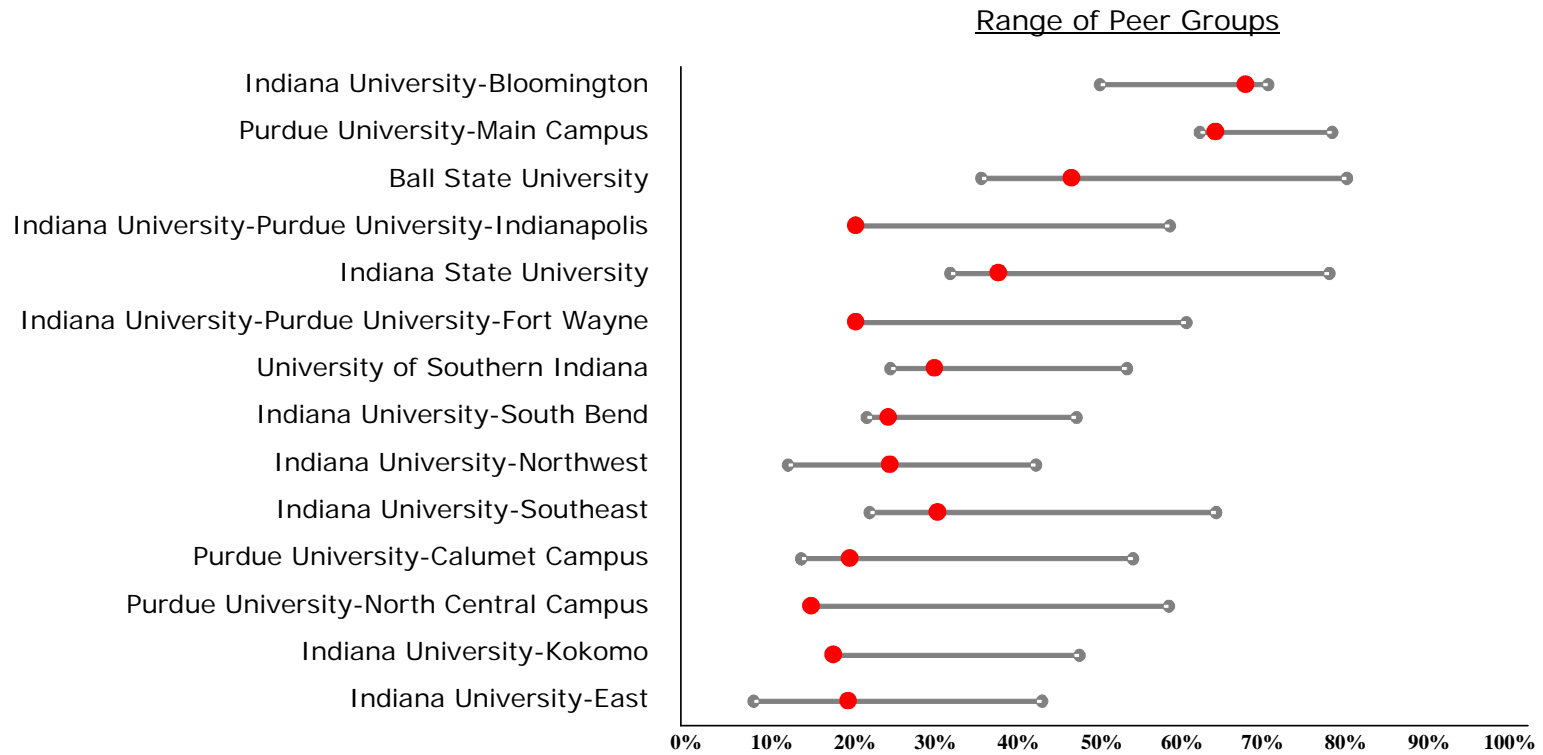
Part-Time Undergraduate Enrollment as a Percent of 25- to 44-Year-Olds, 2000



Source: NCES-IPEDS, U.S. Census Bureau

FIGURE 13

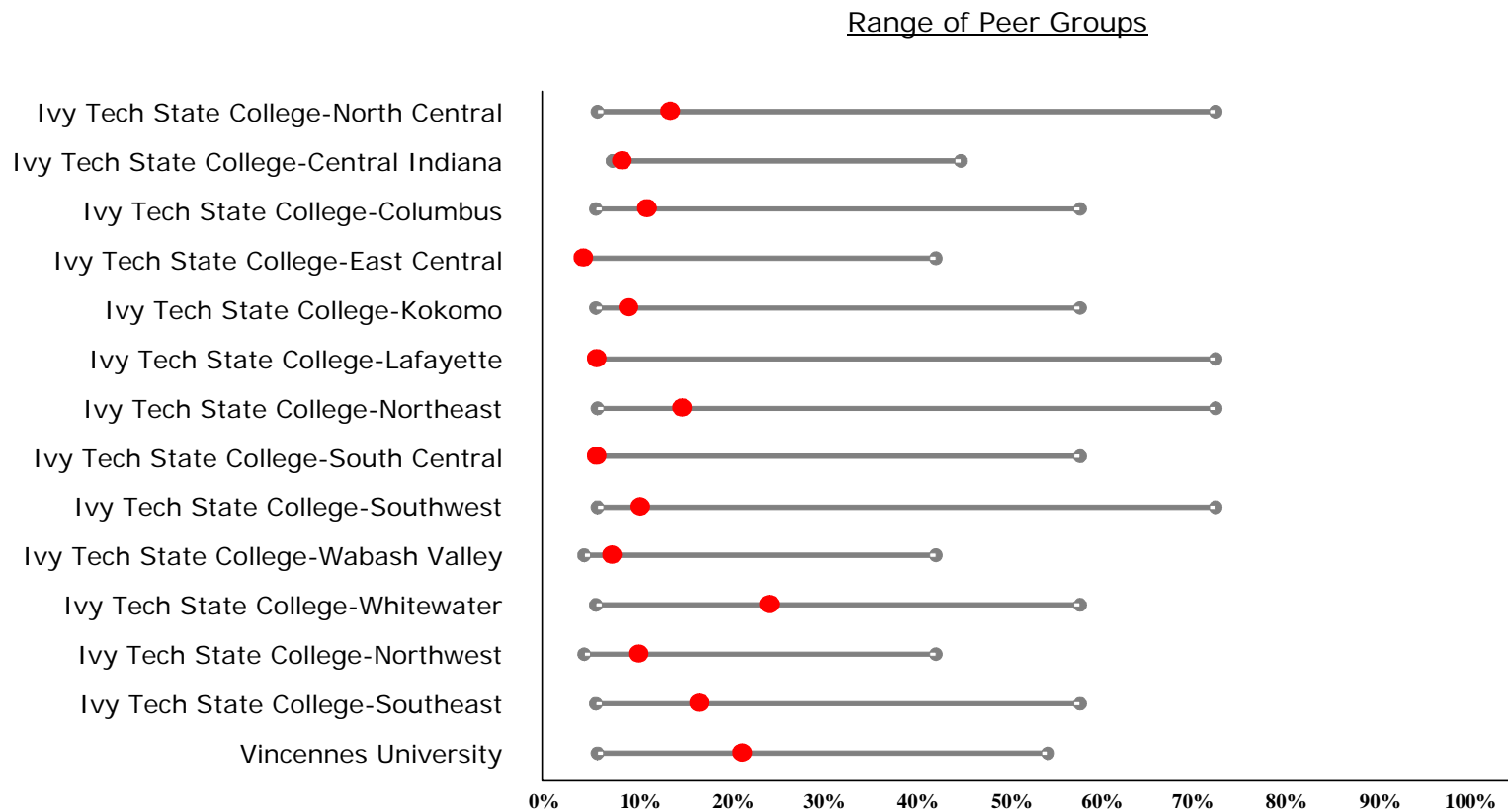
Six-Year Graduation Rates Relative to Peer Groups



Source: IPEDS Graduation Rate Survey, 2003

FIGURE 14

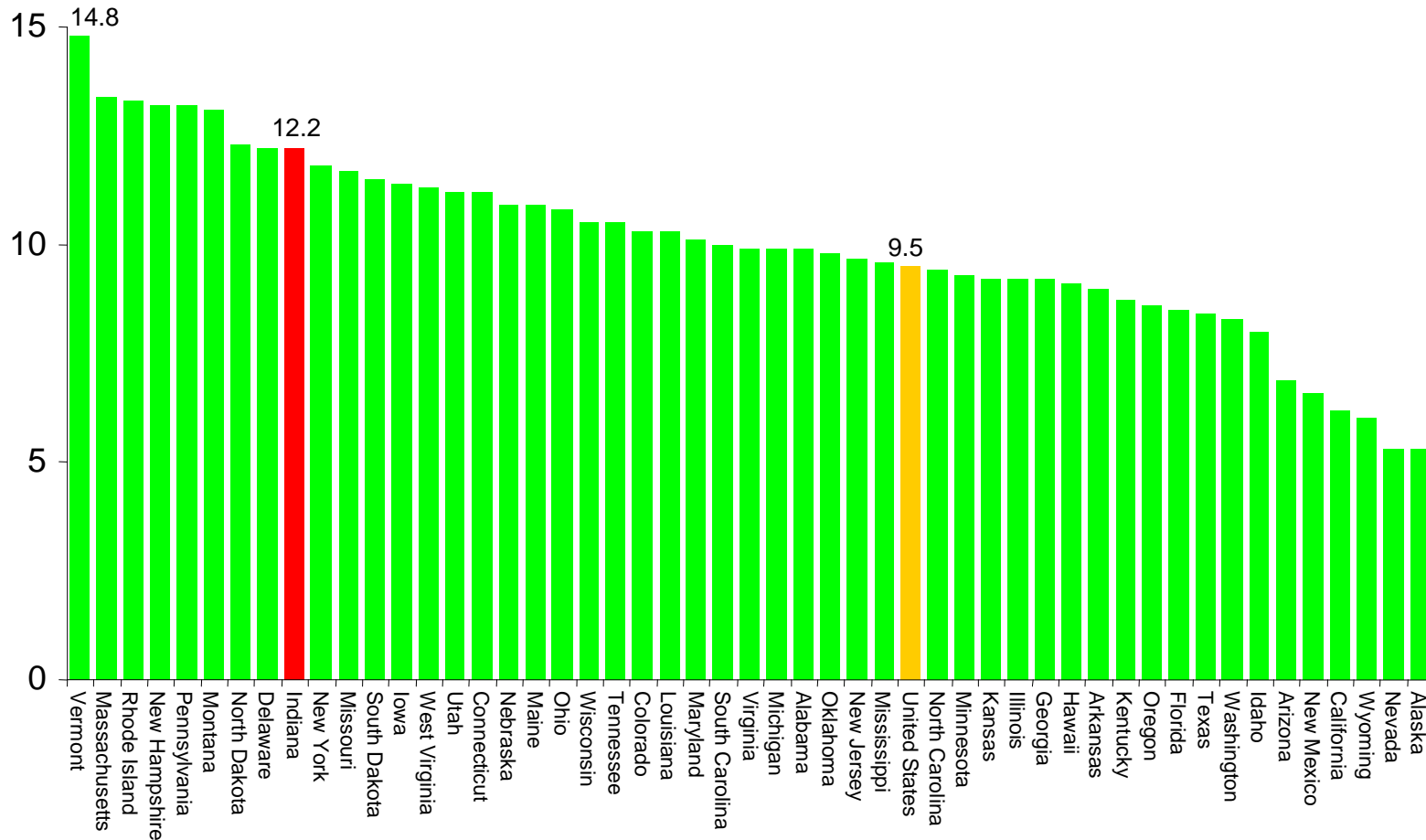
Three-Year Graduation Rates Relative to Peer Groups



Source: IPEDS Graduation Rate Survey, 2003

FIGURE 15

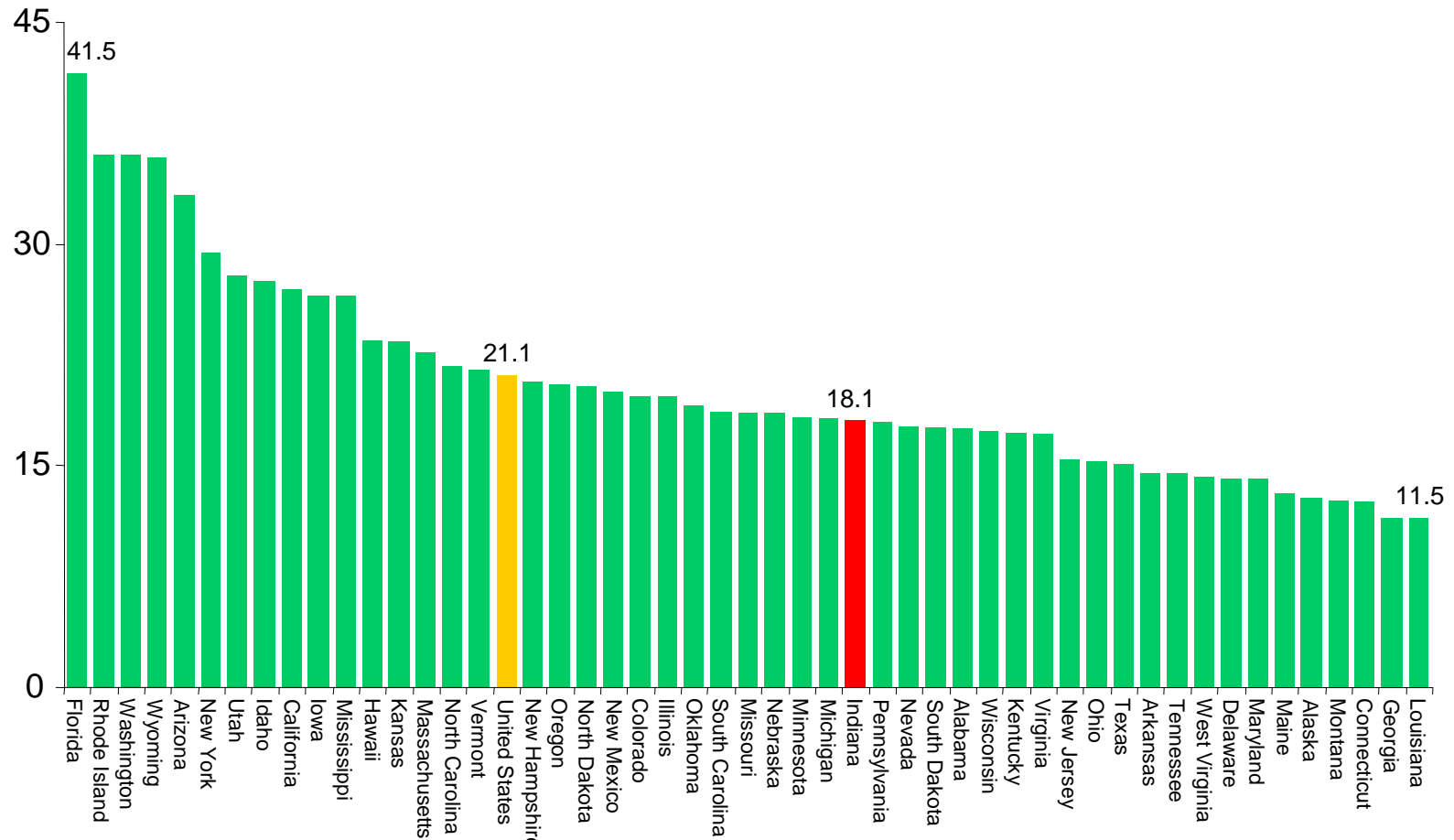
Bachelor's Degrees Awarded as a Percent of All Undergraduates, 2002



Source: NCES-IPEDS Completions Survey, Enrollment Survey

FIGURE 16

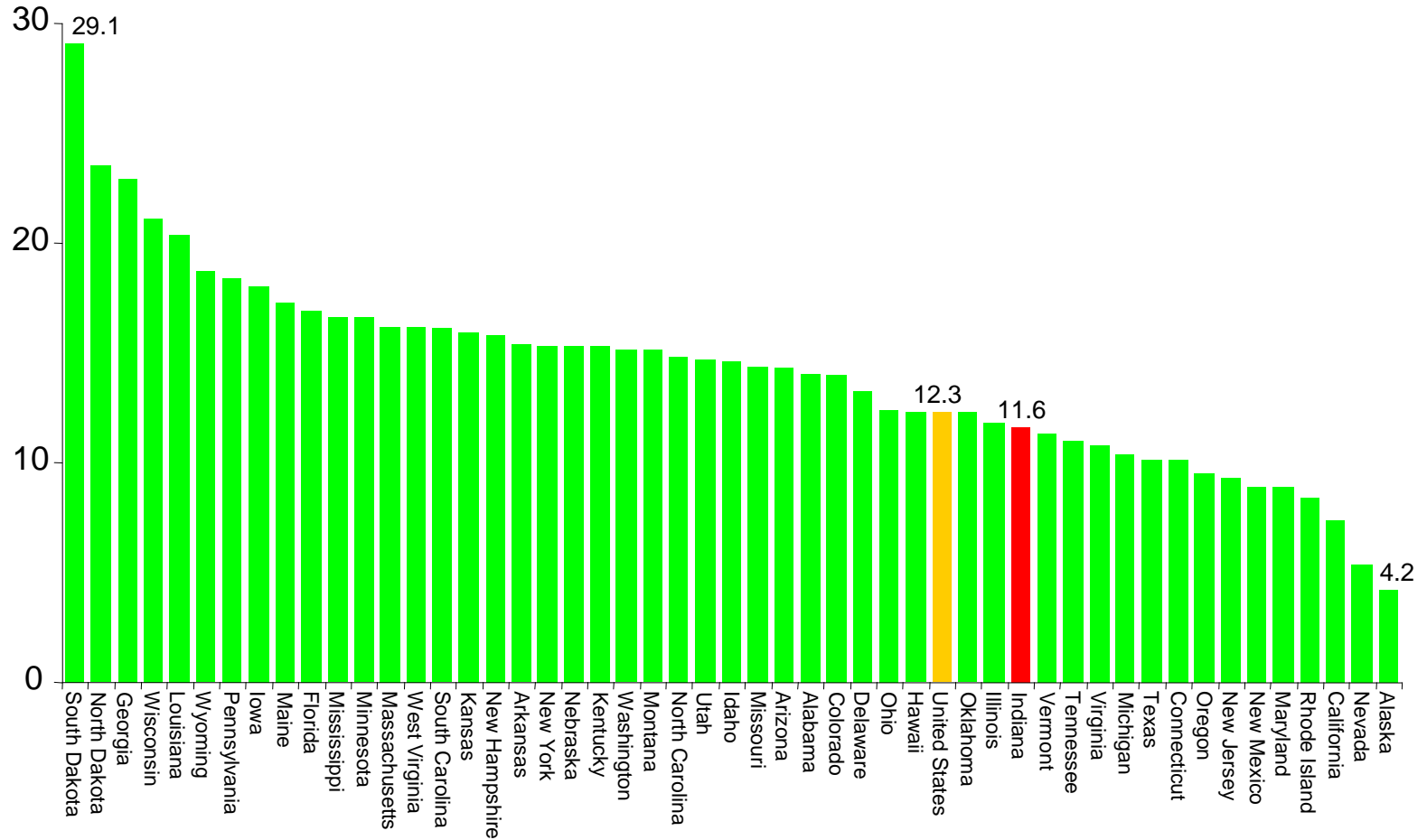
Associate Degrees Awarded per 100 High School Graduates Three Years Earlier, 2002



Source: NCES-IPEDS Completions Survey, WICHE

FIGURE 17

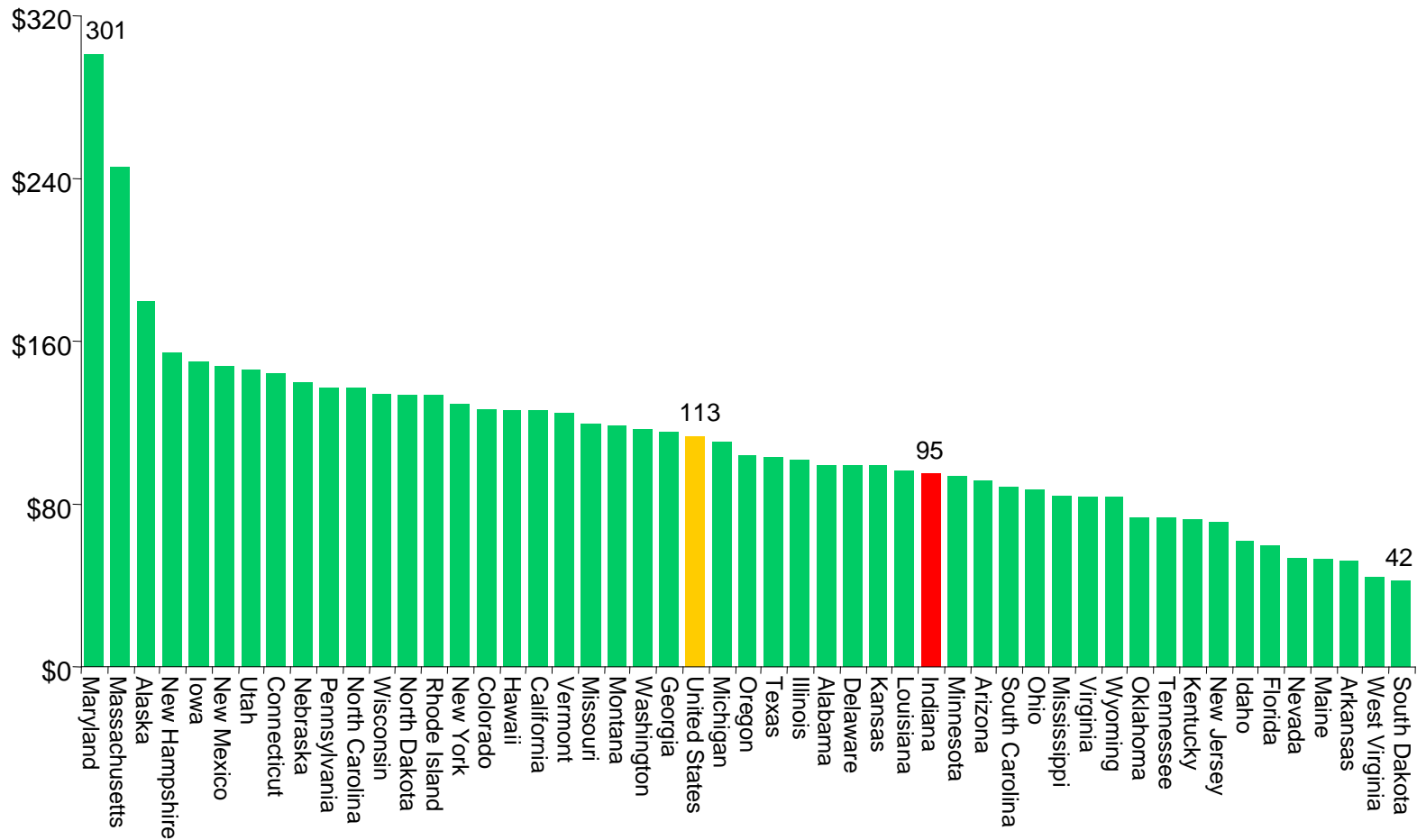
All Credentials Awarded (2-Year and Less) at Two-Year Colleges as a Percent of Enrollment in Two-Year Colleges, 2002



Source: NCES-IPEDS Completions Survey, Enrollment Survey

FIGURE 18

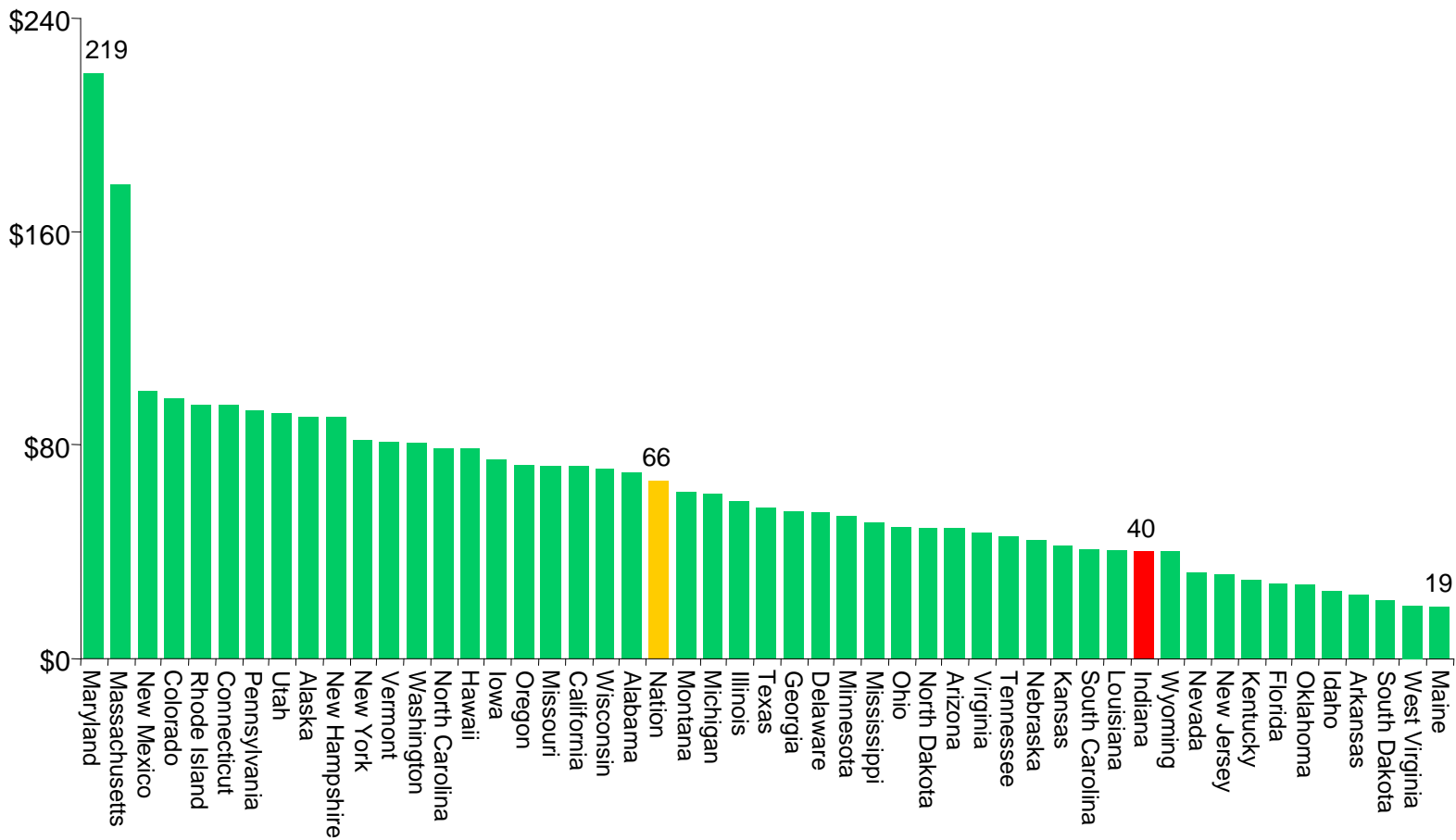
Total Research and Development Expenditures Per Capita, 2001



Source: National Science Foundation, U.S. Census Bureau

FIGURE 19

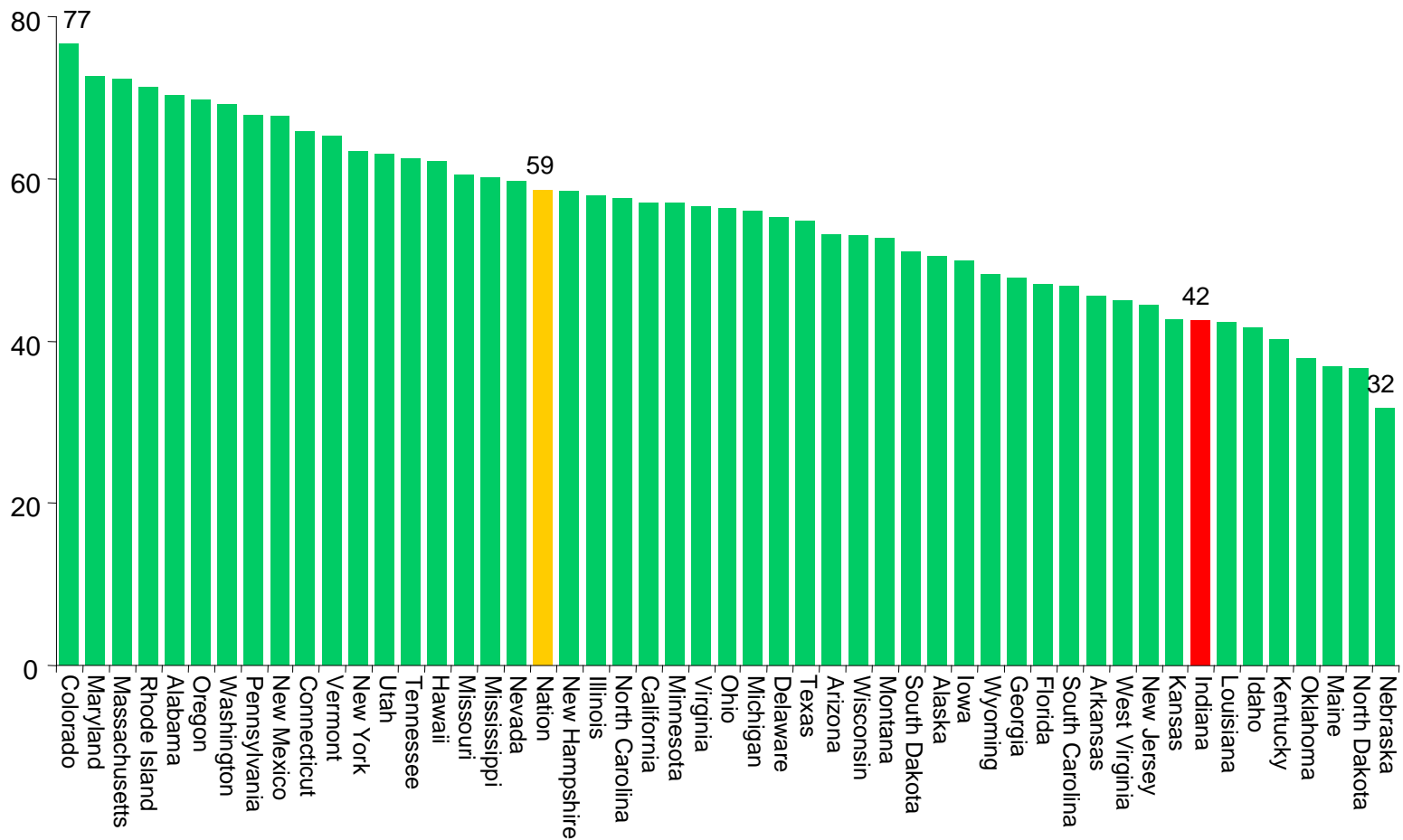
Federal Research and Development Expenditures Per Capita, 2001



Source: National Science Foundation, U.S. Census Bureau

FIGURE 20

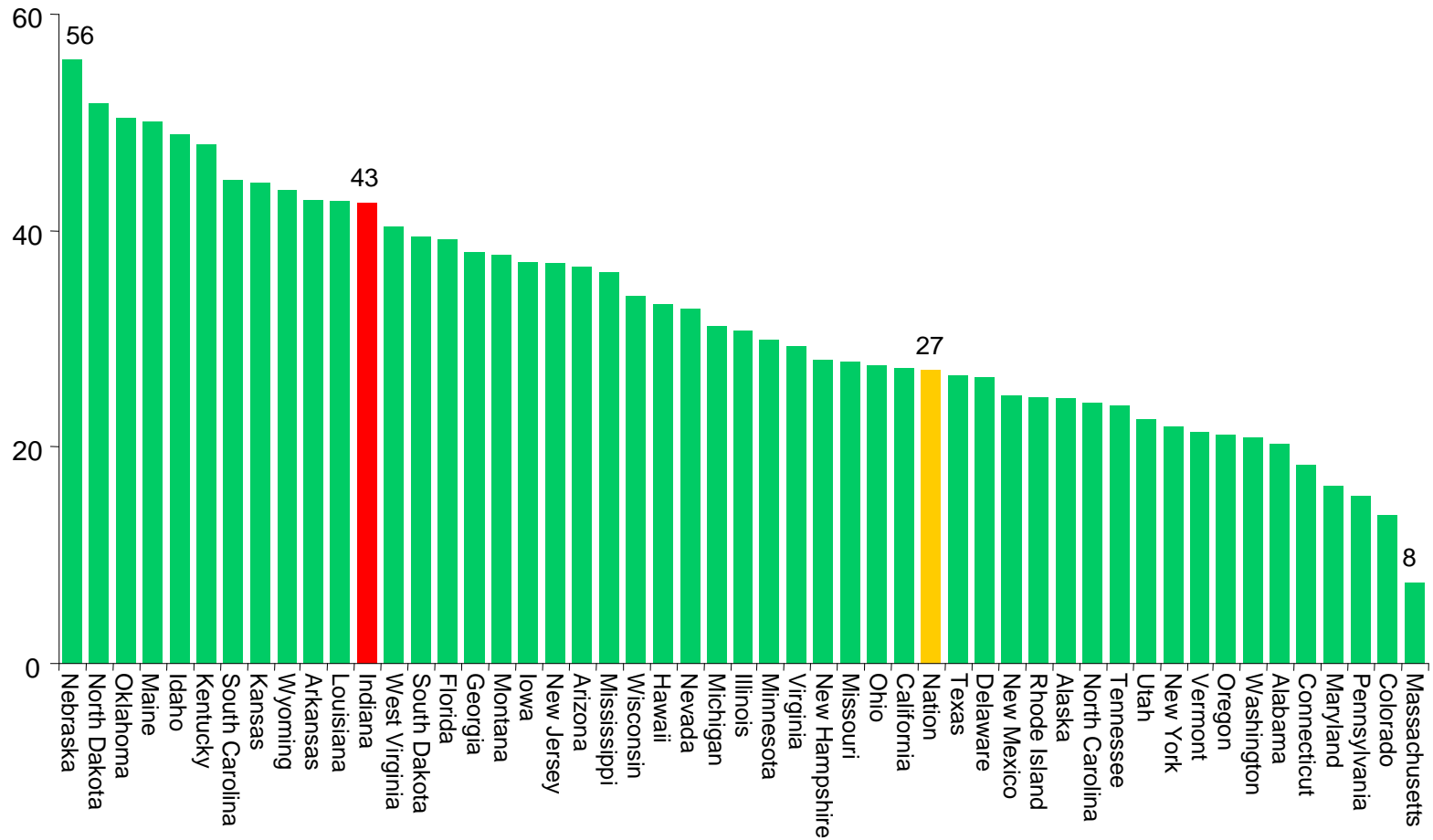
Federal R&D Expenditures as a Percent of Total R&D, 2001



Source: National Science Foundation

FIGURE 21

State and Local R&D Expenditures as a Percent of Total R&D, 2001



Source: National Science Foundation

FIGURE 22

Performance Relative to Total Funding per FTE—Overall Index Scores for State Higher Education Systems

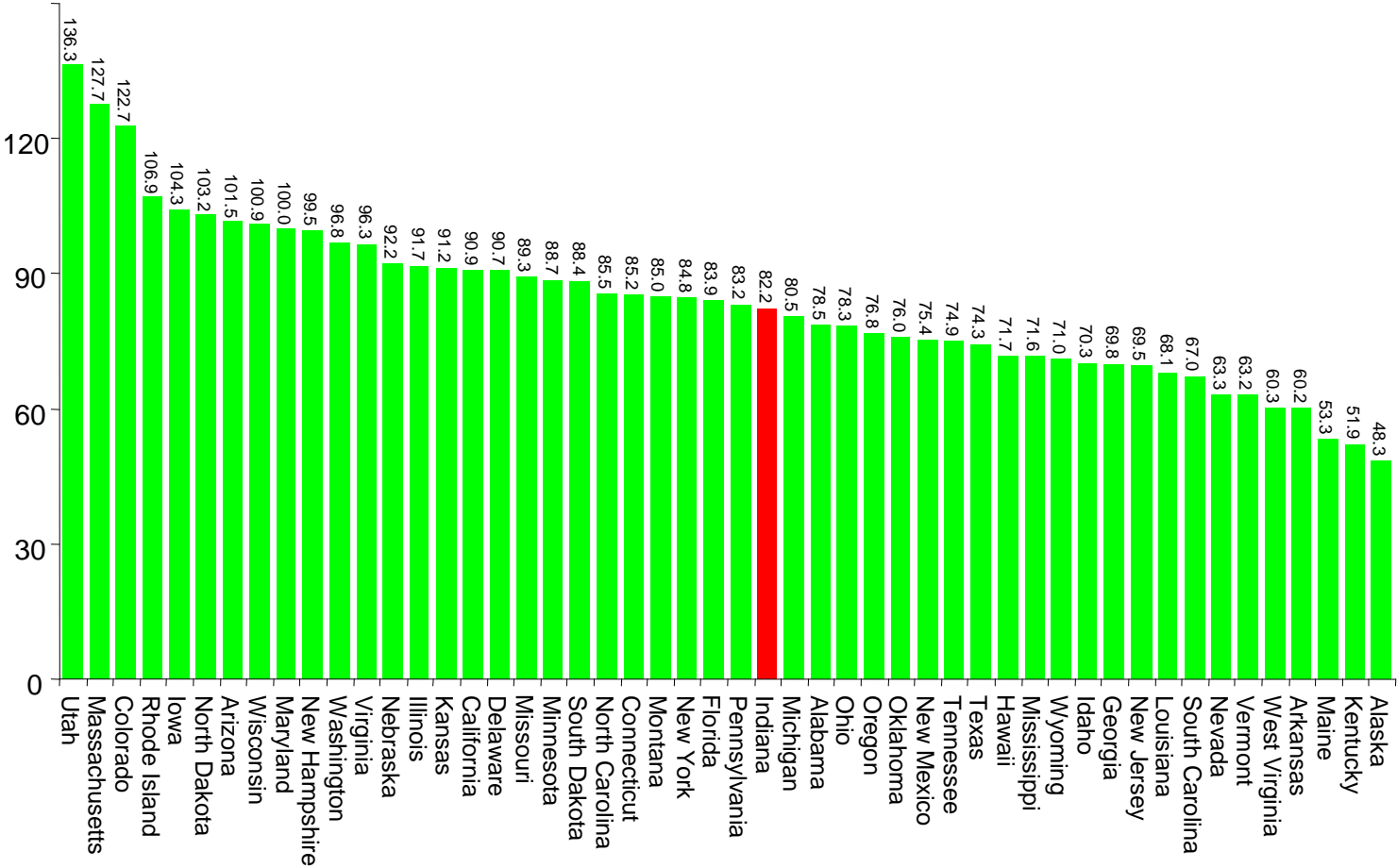


FIGURE 23

Performance Relative to Total Funding per FTE—Overall Index Scores for Public Research Institutions

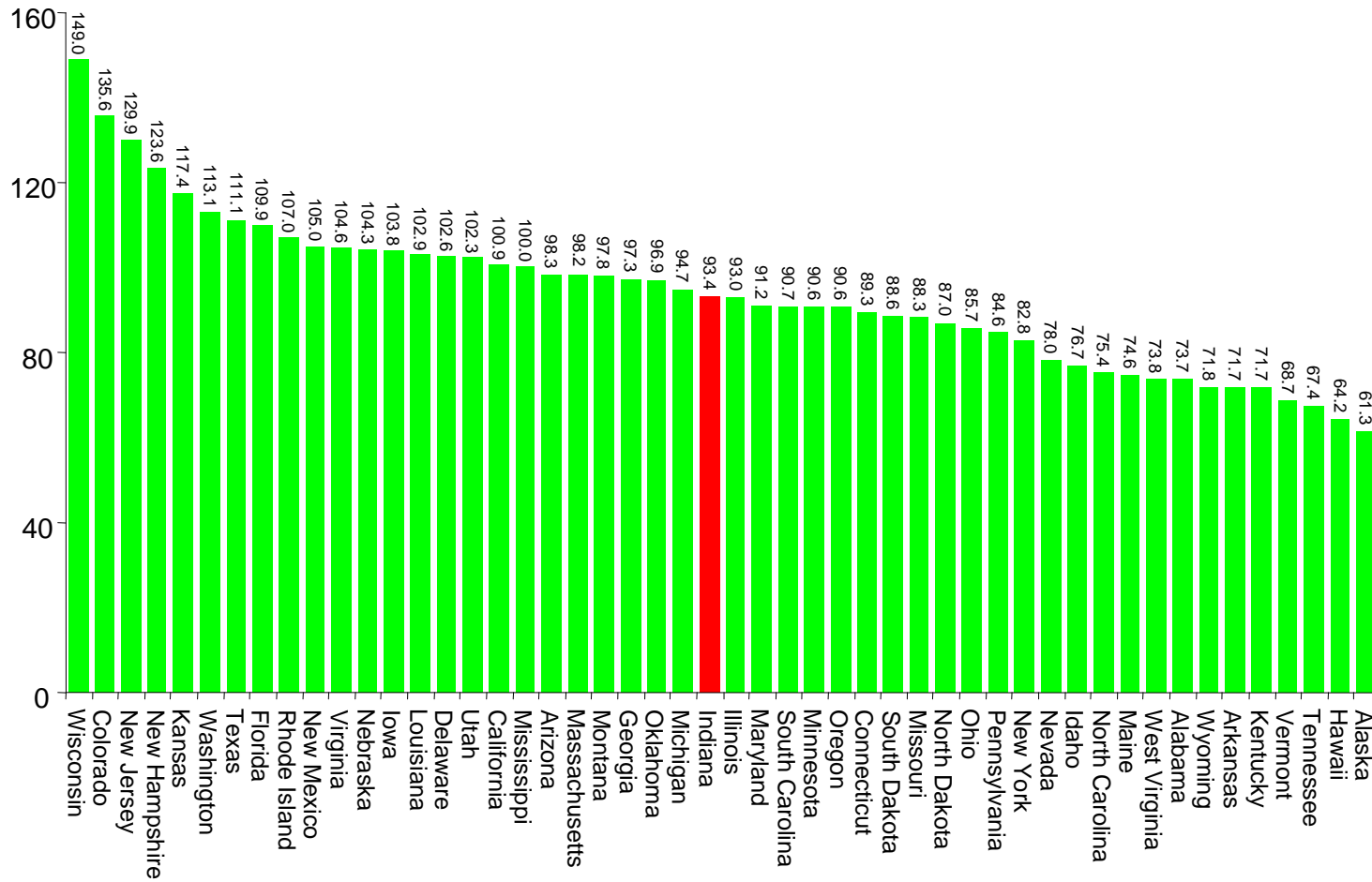


FIGURE 24

Performance Relative to Total Funding per FTE— Overall Index Scores for Public Baccalaureate and Masters Institutions

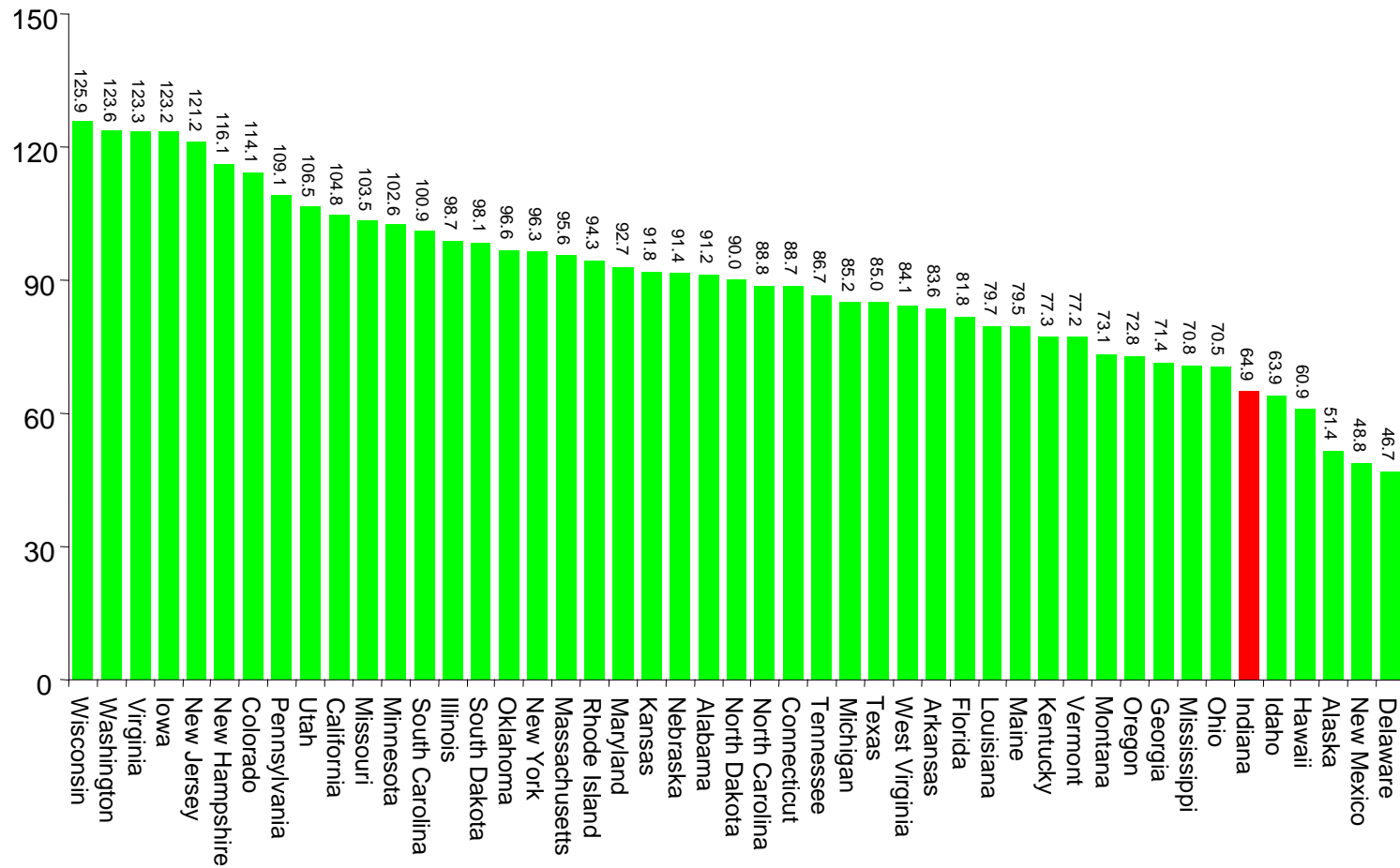


FIGURE 25

Performance Relative to Total Funding per FTE— Overall Index Scores for Public Two-Year Institutions

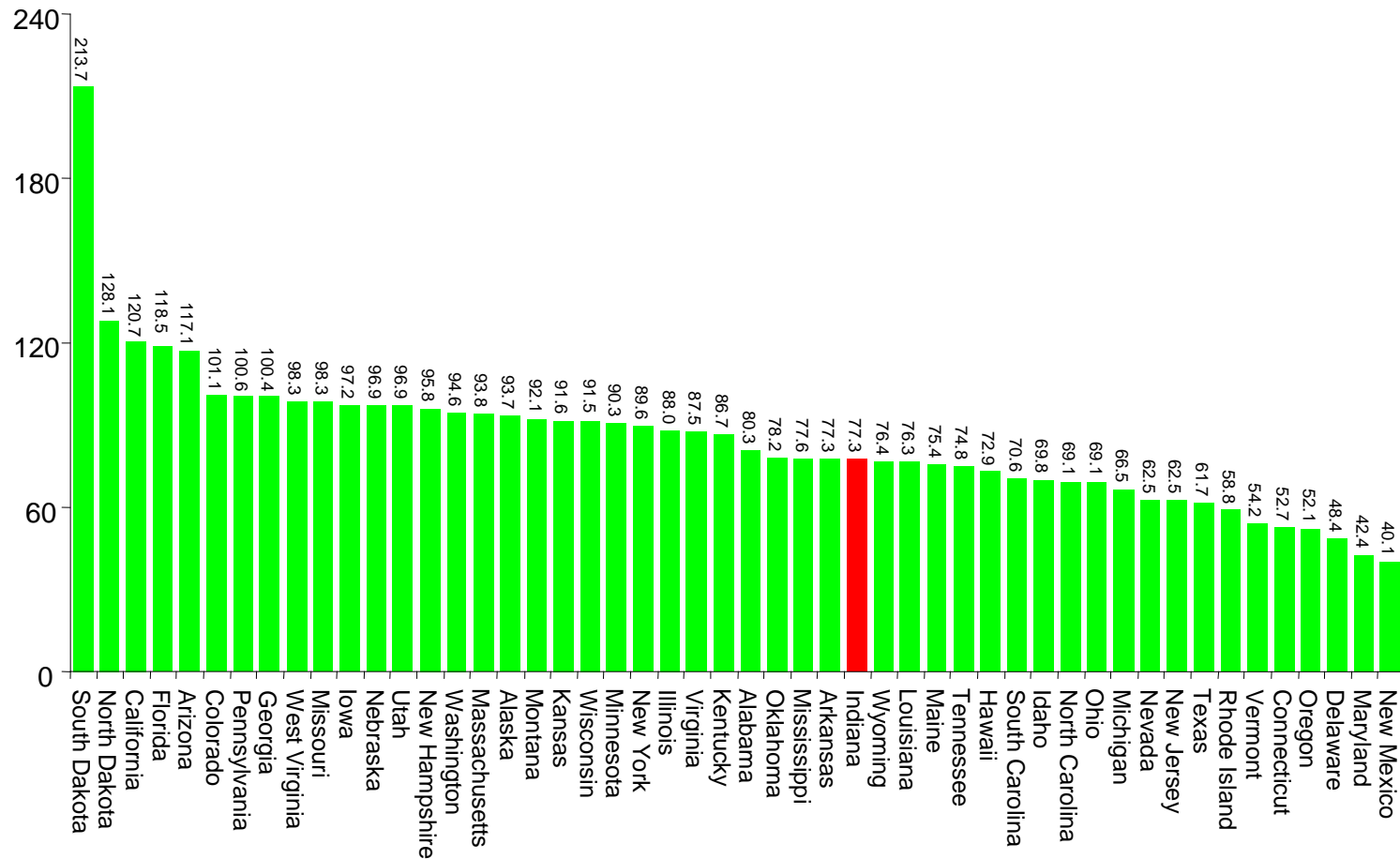


FIGURE 26

