

## **“Challenges and Opportunities: The Fiscal Responsibilities of Trustees”**

Indiana Commission for Higher Education

Monday, August 30, 2010

### **“Trustees as Partners in Fiscal Stewardship”**

Anne D. Neal, President, American Council of Trustees and Alumni

#### **I. Introductory Remarks**

Hello and, to coin an “original” phrase, it is great to be back home again in Indiana. All of you deserve thanks for what you are doing and I hope that you share my excitement in coming together today to see how we can achieve greater student success and do it at a reasonable cost. I also want to say how exciting it is to be here with two friends and heroes of mine, Gov. Mitch Daniels and Teresa Lubbers, whose innovative efforts are rightly gaining national attention.

Performance funding tied to quality degrees is the wave of the future and both the Commission and you trustees who are here today should be pleased to be leading the way.

And last, but not least, I want to thank the Lumina Foundation for making this possible. We here in Indiana can be proud of Lumina’s noteworthy efforts to bring new ways of thinking and solid data-based solutions to the challenges facing higher ed. The American Council of Trustees and Alumni has long said that changes cannot occur if trustees are not full-partners in addressing issues of quality and cost. This meeting is surely a *great* step forward.

#### **II. The American Council of Trustees and Alumni**

Before we get started, let me tell you a bit about the American Council of Trustees and Alumni. We were founded in 1995 and, since all good things come from Indiana, I am pleased to say that we had several Hoosier founders, and I suspect many of you will recognize one of them: Chancellor Herman Wells. There were towering non-Hoosiers as well, including David Riesman and Saul Bellow.

Why was ACTA founded? ACTA came into existence in response to growing concern that higher education was losing public confidence and that trustees were not adequately doing their job. In shorthand, we came about to be a unique resource for

governors and boards on higher education governance, and a strong and unique voice for *engaged* and *active* trusteeship. When ACTA's Institute for Effective Governance was launched in 2003, in response to the request of a number of trustees, *The Wall Street Journal* lauded the Institute for helping "university trustees avoid becoming a rubber stamp for the status quo."<sup>1</sup>

We believe trustees are a *key part* of the picture if we are going to ensure that the next generation receives a philosophically rich, high-quality college education at an affordable price. While faculty run the classroom and administrators are in charge of day-to-day affairs, the buck stops with trustees. They have the fiduciary responsibility for the academic and financial health of their institution.

That's where ACTA comes in—we supply trustees at colleges and universities across the country with *free independent information* and customized consultations to help them better exercise their responsibilities. And we do so by communicating with them directly—not via the board secretary or the administration. We believe good governance is more than just setting up a good process and improving communications. It's our conviction that one of the great strengths of American higher education is its lay leadership: trustees bring the perspective of informed citizens to the heart of the university by setting missions and policies, overseeing and approving budgets and programs, selecting and reviewing performance standards and results, and hiring and evaluating presidents.

Faculty and administrators, of course, have an important role to play and trustees must and should work with them. But, when push comes to shove, if we really are going to rein in escalating costs, graduate more students and equip them with the skills and knowledge they need to succeed in the 21<sup>st</sup> century economy, trustees need to be at the table—they need to start thinking outside the box and become a driving force for reform.

One of the questions ACTA always asks boards is one that I will ask you to day. Whom do you represent? Some of you will say, the university, some of you will say the students. And you will be right. But, at the end of the day, the short answer is: the public. As Henry Clay explained: "Government is a trust, and the officers of the government are trustees, and both the trust and trustees are created for the benefit of the people."

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<sup>1</sup> *The Wall Street Journal*, "In Trustees We Trust," August 1, 2003.

You may be an alum or a donor to the university. You may love the university dearly. And that is all to the good. But it is important to remember that your job is not to represent a particular point of view. Your job is not just to be a booster or a donor. Your job is to question the status quo, to gather information from a range of sources, and to be an independent arbiter of the overall welfare of your institution. You have a unique opportunity and obligation to set the agenda and focus attention on issues affecting the long-term future of your institution. You shouldn't waste time micromanaging.

In a democracy, certain leaders—including governors—are elected by the people to represent the public interest. They appoint officials, including commissioners and trustees, to help them carry out that mandate. While in the final analysis, trustees should always exercise their own best judgment, that judgment should be informed by priorities set by the governor and the Commission. Otherwise, there is a disconnect between the public mandate and the institutions the public creates and supports. When governors set strong goals for higher education—as does this one—and trustees help the governor implement those goals wisely and effectively, then higher education can meet the challenges of today.

This is the unique opportunity we face this morning.

What you need to do is look at the big picture and set the direction for the institution. Of course, it is important to understand the distinctive value of higher education and be sensitive to the ways it differs from business and other enterprises. But it is also important to understand that the challenges are big and that there is no time to waste.

### **III. The Crisis in Higher Education**

Now—more than ever—our colleges and universities need to start doing things differently. More of the “same old, same old” is simply not going to cut it.

I don't need to tell you that higher education is facing a very serious crisis. Endowments have shrunk, and fundraising (except, it appears, in Indiana) is significantly more difficult. Reductions in state funding for higher education have been massive—and while they have been partially offset with the influx of federal stimulus money, that money has been spent and there won't be more where that came from.

It's no wonder that a recent *Chronicle of Higher Education* survey of chief financial officers revealed that 62% believe the worst is yet to come.<sup>2</sup>

The response so far from our colleges and universities has quite frankly been uninspiring. States have for the most part resorted to reflexive tuition increases, forcing students and their families to dig ever deeper into their wallets to pay for college, thereby threatening—and in some cases, limiting—access. The 10 University of California campuses raised tuition by a 32% in the past year. Public universities in Alabama, Arizona, California, Florida, Georgia, Hawaii, Louisiana, North Carolina and Washington have already announced double digit tuition increases for the coming school year.

In a sense, this should not be surprising. The dominant paradigm in the higher ed world has long been that costs and quality are directly related—that you can't lower costs without affecting quality.

And you need not take my word for it. Let's look at the findings of the 2008 study conducted by Public Agenda and the National Center for Public Policy and Higher Education called *The Iron Triangle*.<sup>3</sup> In it, some two dozen college and university presidents were interviewed. They came from different backgrounds and represented an array of institutions, but they all agreed on one thing: reduced financial support from the states will either harm quality or force tuition increases that will reduce access. The idea that you could maintain quality and access while identifying savings that didn't threaten the academic mission of the university was simply not possible.

Allow me to draw your attention to what some of the presidents said:

- "I don't think there are any more efficiencies left to be squeezed out of public universities across the country."
- "If I knew what higher education could do about containing costs, I could make a lot of money as a consultant."

#### **IV. The Situation in Indiana**

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<sup>2</sup> Goldie Blumenstyk, "In a Time of Uncertainty Colleges Hold Fast to the Status Quo," *Chronicle of Higher Education*, October 25, 2009.

<sup>3</sup> Public Agenda and the National Center for Public Policy and Higher Education, *The Iron Triangle: College Presidents Talk about Costs, Access, and Quality*, October 2008.

Now, we can be sure that there weren't any Indiana presidents represented in the quotes that I just gave you. But I do think it helps place trustees' challenges in context and, more importantly, helps us learn from the mistakes of others.

There is no question that Indiana is in much better financial shape than other states. But the gravy years are behind us, you have already started tightening your belts, and all of us are going to have to start doing things differently if we don't want to end up like some of our peers in other states. The bottom line of ever-rising prices and ever-rising costs is simply unsustainable.

Let me quote an expert, none other than Teresa Lubbers of the Indiana Higher Education Commissioner: "The challenges we face in reducing costs underscore an opportunity to find better ways of delivering higher education, both today in a time of scarce resources, and in the future. We believe this is an ideal time to explore greater long term efficiencies and to realize permanent cost savings."

ACTA couldn't agree more.

## **V. Don't Raise Tuition!**

Before discussing ways for trustees to reduce costs and improve productivity, I want also to say a word about tuition. I want to emphasize one key point on this subject: **It takes no courage or foresight to raise tuition.** If you think times are tough for your university's budget, consider how difficult economic times are for your students and their families—especially when you consider that unemployment is still high.

Consider also that tuition and fees in the state have grown by nearly 300 percent over the last twenty years, according to the ICHE.

Consider also that two-thirds of Hoosiers graduate with college debt and that their debt load ranks 15<sup>th</sup> highest in the country (ICHE).

And lastly that average tuition & fees at Indiana public 4-year institutions (\$6,923) is 10% above the national average (\$6,319), according to the *Chronicle of Higher Education's* 2010 Almanac of Higher Education.

Now ACTA did some number crunching and found that, while tuitions are still relatively low in Indiana, increases in tuition and fees—for let us not forget that tuition

increases are often concealed as fee increases—have outpaced inflation in recent years (see Appendix A).

With the exception of Purdue University-Calumet, all universities have had double digit tuition and fee increases in the past five years, after controlling for inflation.

According to the state dashboard of key indicators, the average Hoosier family is spending nearly 30% of its household income to pay for a four-year public college degree. Looking at 2008 data, a year of college cost the average Indiana family 16% percent more of its income than it did five years before (see Appendix B)

It's no wonder that nearly half of the respondents in a recent survey by Public Agenda said they didn't think they were getting their money's worth from their investment in higher education.<sup>4</sup>

Since you should not count on more money coming your way, and since tuition increases are not the solution, you are going to have to find ways to use the resources *you do have* more effectively. In other words, costs must be controlled—and even lowered in certain areas—and productivity must be increased. The financial crisis has a silver lining. It gives trustees, working with administration and faculty, an opportunity to focus on what costs are central to your mission and which are layers of flab that accumulated during the feast years. There is a tendency of institutions—colleges and universities are no exception—to become self-indulgent when there is no cost discipline. Now is the time to change that!

## **VI. Cost-Cutting Ideas**

Allow me then in the next few minutes to outline some suggestions for how trustees can be partners in fiscal stewardship. We will look at 10 key areas for cutting costs<sup>5</sup> and then some additional ideas on how to increase productivity.

### **1. Distance Education**

Do your grandchildren spend a lot of time on the computer; do they have difficulty understanding when you describe a book? Well, you need to get with the times. Just 30

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<sup>4</sup> Public Agenda and the National Center for Public Policy and Higher Education, *Squeeze Play 2010: Continued Public Anxiety On Cost, Harsher Judgments On How Colleges Are Run*, 2010.

<sup>5</sup> These were drawn from my colleague Dr. Michael Poliakoff's recently published *Cutting Costs: A Trustee's Guide to Tough Economic Times* (American Council of Trustees and Alumni, 2010).

years ago, there was no such thing as CNN or the laptop, let alone iPhones. Has the academy adapted along with every other business? The answer is no.

So ACTA has a suggestion right in line with the recommendations of the Indiana Commission for Higher Education: “increase online course offerings.”

Consider a requirement that some part of each undergraduate’s credits toward graduation include a vetted and approved online course. Quality programs that go online are able to expand access and increase tuition revenue.

Though they require infrastructure, staffing, and expertise to succeed, online programs have far more reach per dollar than a capital building project. It’s true: Training and incentives may be necessary to overcome initial faculty aversion to program change. But numerous institutions have embraced these innovations, and research documents impressive student learning gains.

Governor Daniels has already given a nod to online education by announcing the establishment of Western Governors University-Indiana, a competency based university aimed at expanding access for Hoosiers.

Your existing institutions can expand online as well.

## **2. Capital Projects: Less is More**

Yes, it’s always fun to build. There is always a temptation to have a larger building, a bigger lab—even a more glorious student center and climbing wall. But is this the time for expensive new amenities, especially if funding may come out of the hides of students in the form of increased student fees or indirectly from the taxpayers?

Even Harvard suspended plans for its \$1 billion science complex. Stanford froze \$1.3 billion in capital projects and, in Missouri, Governor Jay Nixon halted a number of college projects.

Trustees need to ask whether dedicating money to a new building will bring higher quality education, increased capacity to offer degrees, and enhanced revenue stream as much as initiatives to improve retention and graduation or technological infrastructure for high-quality distance education?

Let's go one step further: Can you use what you have more effectively? Or share facilities where community colleges and four-year are in close proximity?

Why not schedule classes on Friday and Saturday or use the facilities year-round?

### **3. Cutting Administrative Expenses**

I don't need to tell you that the primary business of any college takes place in the classroom.

Yet we are seeing quite the opposite: the ratio of non-instructional staff to instructors in American colleges and universities nearly doubled from 4.5-to-10 in 1975 to 8-to-10 today.<sup>6</sup> As a result, a growing share of "educational and general expenses" are going to pay for layers and layers of administration, even allowing for the objection that some support staff are integral parts of instruction.

ACTA has been saddened to report that in the four states we have graded so far in our state report cards—Georgia, Illinois, Missouri and Minnesota—far too many institutions got a big fat F for increases in administrative spending that outstrip instructional spending.

A new report from the Goldwater Institute, "Administrative Bloat at American Universities: The Real Reason for High Costs in Higher Education" confirms our findings. There, Dr. Jay Greene and his colleagues provide some alarming statistics for 198 of America's leading institutions on runaway administrative costs. In a word: "Inflation adjusted spending on administration per student increased by 61 percent, during the [period studied], while instructional spending per student rose 39 percent."<sup>7</sup>

While there may be some comfort in company, Indiana suffers from the problem we are seeing across the country. My staff and I looked at the relationship between instructional and administrative spending in two different ways and what we found was not pretty.

At nine of the state's public universities, administrative spending increased at a faster rate than instructional spending over the 2002-2007 timeframe (see Appendix C). At

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<sup>6</sup> Richard Vedder, *Over Invested and Over Priced: American Higher Education Today*, Center for College Affordability and Productivity, 2007.

<sup>7</sup> Jay P. Greene, Brian Kisida, and Jonathan Mills, "Administrative Bloat at American Universities: The Real Reason for High Costs in Higher Education," Goldwater Institute Policy Report, August 2010.

Indiana University-Bloomington, administrative spending doubled! At Purdue University-Calumet, it more than doubled—shooting up by 144%. Only one university decreased its administrative spending: Indiana University-Purdue University-Indianapolis.

Turning to a comparison of instructional and administrative spending as a percentage of educational & general expenditures, we see administrative spending swallowing up ever larger shares of university budgets at nine of the 14 institutions we looked at (see Appendix D).

This, however, need not be an intractable problem.

Consider the Show Me state. Faced with reductions in state appropriations, trustees and the president at the University of Missouri identified nearly \$20 million in savings, including eliminating unnecessary academic and nonacademic programs, reducing costs in administrative services areas, and enhancing the use of technology without increasing expenses. Actual spending dedicated to instruction rose, while administrative expenditures have been declining.

Former University of North Carolina President Erskine Bowles, who is now trying to solve our financial crisis, brought in Bain & Company, the respected management firm, to document administrative bloat. He told school officials: “Administrative growth within the university is an absolute embarrassment and we brought it all on ourselves.” Consider hiring a consultant to help you locate savings.

How about scrutinizing the different offices of your institution, e.g., the Office of Assessment, the Office of International Education? Can any of these be outsourced or replaced with more efficient and effective programs? For as little as \$6,500, for example, an institution can administer a standardized assessment that will provide clear, quantifiable, and valid measures of growth in core academic skills. Do you really still need multiple employees and a freestanding office to support a complex, non-standardized assessment system?

Overseas study is important for students, but—especially if your institution’s experience base is thin—have you considered outsourcing or partnering with other agencies and institutions?

Can you and other state institutions combine back office business functions – expanding joint purchasing and implementing e-procurement. In the state of Wisconsin, the Independent Colleges have all come together in a central cost saving program.

What about combining faculty and their intellectual specialties into larger multidisciplinary groups? Arizona State University found that higher education's rigid departmental structure caused course duplication and educational silos. By merging different faculties under an interdisciplinary school, ASU was able to enjoy significant savings—in the millions of dollars—as well as appreciable improvement in intellectual vitality.

#### **4. Partnerships of Community Colleges and Four Year Schools**

Community colleges excel at remediation and enhancing students' level of college readiness. They are able to do so effectively at much lower cost than four-year institutions, and four-year institutions can realize remarkable efficiency and progress by eliminating remedial courses.

For these reasons, Indiana and the Commission deserve a real big "A" for taking steps to centralize remediation in the community colleges. This ensures that students are prepared, and that a college education provided at the four-year level can in fact be a real college education.

Dual enrollment programs which Indiana has underway can also offer opportunities for efficient partnerships. Take the Bridge to Clemson Program which shares the resources of a liberal arts university and a technical or community college, allowing students to dual enroll while building academic strength and experience. The sharing of resources, including meal plans for both Clemson and the tech college, benefits everyone.

#### **5. Explore Academic Consortia**

In an age of interactive video, have you looked into the wisdom of maintaining multiple low-enrollment programs, each of which demands a number of highly paid senior faculty? Emerging around the country are collaborative initiatives that are proving a cost effective alternative.

In Pennsylvania's State System of Higher Education, for example, many small majors, like physics and foreign languages across the 14 campuses, formed consortia for delivery. The program has been so successful that new majors, such as Arabic and

Chinese, were added. A B.A. in physics is now being offered jointly by four institutions in the system. Faculty from different institutions have different expertise and they can bring their talent to the table; online technology makes it possible.

Three University of California campuses have formed a consortium to deliver a graduate program in Classical Studies. Duke and University of North Carolina-Chapel Hill have now formed a fully-integrated graduate program in German, a public-private partnership. Contrast the experience of the University of Southern California, which “went it alone” and saw its German major disappear.

It is worth noting that our suggestion is also in line with the recommendations of the Indiana Commission for Higher Education to “develop a system-wide consortium of campus leaders to guide savings initiatives and create opportunities for collaboration and consolidation.”

## **6. Take a Look at Travel**

It is not micromanagement for a board to ask to review policies on travel. Do departments allow multiple attendees at the same conference? Under what circumstances? How many days a year do administrators spend offsite at professional association conferences? Figure out what is important and what is not.

## **7. Teaching Loads: Can They Be Increased?**

At many universities, faculty teach 4 classes a year. At most others, it’s no more than 5 or 6. Do you have accurate information about teaching loads at your institution?

You should obtain fine-grained data, department by department, on the number of classes that each professor—adjunct or tenure-track—teaches and the number of credit hours generated.

This is a quality issue as well as an economic one. Often, serious teaching is assigned to “tenure-track” faculty—in other words, the junior faculty with the least experience and depth in the field. At some institutions, senior, tenured faculty teach small seminars and have limited contact with students in introductory level classes who most need their comprehensive vision.

In this crisis, would an increase of one class per year—which would generate a substantial increase in productivity—be an onerous burden? Could the assignment of teaching loads be prioritized to faculty who are less productive in research?

By way of example, the University System of Maryland has undertaken an “effectiveness and efficiency” initiative and it has increased teaching loads across the system by 10 percent.<sup>8</sup>

## **8. Think twice before you seek specialized accreditation.**

What do your programs spend on specialized accreditation, on preparations for the visits of accreditation teams, and on meeting the demands of the specialized accrediting agency?

The AACSB (Association to Advance Collegiate Schools of Business), for example, insists on costly low student-faculty ratios. NCATE (National Council for the Accreditation of Teacher Education) puts significant financial pressure upon the institutions that want its accreditation by requiring that courses, faculty lines, and governance structures *it deems* appropriate be in place.

Accreditation visits are so expensive that some institutions have petitioned to delay their accreditation cycles. Bottom line: Consider whether specialized accreditation is worth the cost.

## **9. Look at Tenure Policies**

Tenure is virtually a life-time commitment—costing institutions millions of dollars in salary and benefits. Now, I am not advocating the elimination of tenure, but you must ask yourselves whether there are other alternatives to consider. Richard Chait and Cathy Trower at Harvard University report that many young faculty are receptive to alternative employment structures.<sup>9</sup> And multi-year contracts can offer institutions greater agility to respond to academic and research demands.

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<sup>8</sup> Paul Fain, “Voluntary Cuts: New Tactic to Preserve State Support,” *The Chronicle of Higher Education*, October 17, 2008.

<sup>9</sup> Richard Trower and Cathy Chait, *Where Tenure Does Not Reign: Colleges with Contract Systems* (Washington, D.C.: American Association for Higher Education and Accreditation, 1997).

At least one institution, as of 2002, had a policy where professors could opt out of the tenure track in favor of a five-year renewable contract and a 15% salary increase.<sup>10</sup>

It's time to be creative.

## 10. Look at Core Courses

Have you reviewed your curriculum to ensure that students are learning the topics they must know at the lowest possible cost? Numerous surveys show that colleges are failing at providing a strong general education.

Let's see how schools in Indiana fare [See Appendix E]

All universities have a composition requirement. This is excellent. Ten of the 13 we looked at have a science requirement, 8 require college-level math, and 8 also require intermediate-level foreign language.

But there is still room for improvement: No university requires economics or American Government or History. Only Indiana State University has a literature requirement.

Instead of ensuring students are exposed to a limited number of courses designed to provide skills and knowledge needed after graduation, institutions today have in place cafeteria-style curricula which give students often hundreds and thousands of courses from which to choose.

At one institution in Bloomington which will remain unnamed, there are over 200 courses one can take to fulfill the Social and Historical Studies requirement, including:

- "The Archaeology of Sex"
- "Hollywood I"
- "Hollywood II"
- "Foundations of Recreation and Leisure"

The list goes on and on.

When finances are good, "curriculum by adding machine" may be acceptable. But when resources are tight, reforming the core curriculum offers both financial and academic gains.

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<sup>10</sup> Jennifer Jacobson, "Trading Tenure for Money," *The Chronicle of Higher Education*, 29 August 2002.

A tighter and more coherent program of courses can improve student achievement and cut costs. Indeed, the solid, fundamental courses that students need are typically much less expensive to deliver than many of the “boutique” and “niche” programs.

An English Composition program, for example, will usually employ a very high proportion of adjuncts and graduate instructors under the guidance of a small core of senior professors. With this structure, thousands of students can receive high-quality writing instruction in small classes, contrasting sharply with specialized or trendy programs which have fewer majors and limited application to current business, industry, or public sector needs.

But be vigilant: often cost-effective programs, the ones that have teams of adjuncts and graduate instructors guided by senior faculty, are highly vulnerable.

Since adjuncts and graduate students have little if any voice in administrative decision making, their programs may be most vulnerable to termination by faculty governing bodies dominated by tenured senior faculty.

Bottom line: Does your board have solid data on this issue?

**Insist on regular productivity analyses of existing programs. This means simply examining course enrollment and numbers of degrees granted in the programs.**

Too often, new programs are created without doing parallel work of eliminating unproductive or obsolete ones.

In the state report cards, ACTA grades institutions on how well they are monitoring program growth through approval of new ones and closure of others. If a university established twice as many or more programs than it closed, it received a failing grade. Of the public systems we have surveyed, all but one failed: however, the Minnesota State Colleges and University board secretary provided a written report which showed that between January 2007 and December 2009 the board approved 191 new programs and closed 345.<sup>11</sup>

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<sup>11</sup> *At a Crossroads: A Report Card on Public Higher Education in Minnesota* (American Council of Trustees and Alumni, 2010).

The good folks at the Commission couldn't pull the actual numbers for Indiana since apparently you are not required to report suspended/eliminated programs. But between January 1, 2005 and August 13, 2010, the Commission approved a total of 253 new degree programs for our 14 public university campuses. This total includes 24 programs that were approved for delivery via distance (online) education.

Hint: Start collecting data on program closures.

## **VII. Increasing Productivity**

Finally let us turn to discussing ways to increasing productivity.

### **1. Improving Graduation Rates**

It's one of higher ed's dirty little secrets—nationally less than 60% of students enrolled today graduate in six years. Things have gotten so bad in fact that the Department of Education announced earlier this year that it would begin tracking 8-year graduation rates. Not only are such low rates unacceptable, they also don't look good in the eyes of the world. The US is 10th in college completion, although it spends more than any other OECD country.

The situation is no prettier in Indiana: only a third of college freshmen earn a degree in four years, according to the Indiana Commission for Higher Education. Just over half graduate within six years.

Six-year graduation rate for all 4-year institutions in the state is 58.6%—slightly better than the national average of 57.2%—but still abysmal: More than 40% of students at four-year colleges still haven't graduated after six years.<sup>12</sup>

We broke down the data for all publics and looked at four and six-year graduations and the numbers are troubling (see Appendices F and G):

- 8 institutions have single digit 4-year graduation rates
- Only one—IU-Bloomington—has a 4-year grad rate above 50%.

Six-year rates are no more encouraging:

- At 8 of the institutions, less than a third of students have a diploma in hand.
- None crack the 75% mark.

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<sup>12</sup> *Chronicle of Higher Education*, Almanac of Higher Education 2010.

Please note that these data are for first-time, full-time freshmen.

There is some good news: when we compare the 1998 and 2003 cohorts, there is a marked improvement at most universities. But Indiana still ranks 21<sup>st</sup> in the nation in college completion in six years.

Part of the problem is the large number of students who drop out after their freshman year (see Appendix H).

Let's look at the first-year retention rates for first-time, full-time freshmen. It is an important measure for two reasons. First, remaining after the first year is an indicator that the student is more likely to complete his or her degree. Second, it can also suggest—especially to an institution that has a large drop-out rate after the first year—that the students were not sufficiently prepared (either academically or socially) to succeed. Both are important indicators for board members to examine. Indiana's retention rates are better than some – Indiana ranks 16<sup>th</sup> in persistence nationwide – but there is still much work to be done.

Given the graduation and retention rates, it's imperative to explore ways to ensure greater student success:

- Ensure that class schedules permit students to take what they need when they need it. If too few gen ed or key courses in the major are offered, new courses should be curbed and availability of core and concentration courses expanded so that students can fulfill necessary requirements on time. It's imperative to prioritize and reallocate resources to high-demand academic programs.
- Increase course availability by using alternative course delivery modes such as distance learning.
- Improve counseling services and make course requirement more transparent. Reach out to students and provide systems of early intervention.
- Look closely at credit creep. Cap four-year degree programs at 120 hours, unless a special case has been made. California, North Carolina, Virginia, Wisconsin, and Maryland have undertaken credit audits when degree requirements would require full-time enrollment into a fifth year.

- Document time to completion trends. Do a more sophisticated analysis of credit accumulation, patterns and course blockages.
- Consider offering more financial aid as the ratio of credits earned to credit required increases. This can even help those students who change majors and have greater credit requirements.
- Make certain that internal policies do not discourage students taking higher credit loads.

Remember that every time that a student takes longer to graduate, he raises his own costs and keeps someone else from taking his seat.

## **2. Facilitate Credit Transfers between Two- and Four-Year Institutions**

Evidence suggests that problems in transferring credits may be a significant underlying cause of students' failure to graduate.

Indiana has no uniform standards for courses or even a uniform course numbering system. This needs to be changed. That has given individual universities great latitude in whether they accept credits. So much so, that in some cases whether a student's course work transfers may come down to an individual dean's decision.

In a world where nearly 60 percent of college students can be expected to earn credits from more than one institution of higher learning, we must do a better job of ensuring seamless transfer. ACTA is pleased that Secretary of Education Arne Duncan responded yes to our request that he explore barriers to credit transfer, including accreditation. The students who are hurt most by difficulties in transfer are those with the least amount of advising, the least amount of money to spend. This is unconscionable.

There is good news: The goal of increasing student transfers by 50% has been met at five institutions—Purdue-West Lafayette; Indiana Purdue –Ft. Wayne; IU Evansville; IU Northwest; and Purdue North Central.

## **VIII. So where does this leave us?**

Indiana institutions have many challenges but you are also doing many great things.

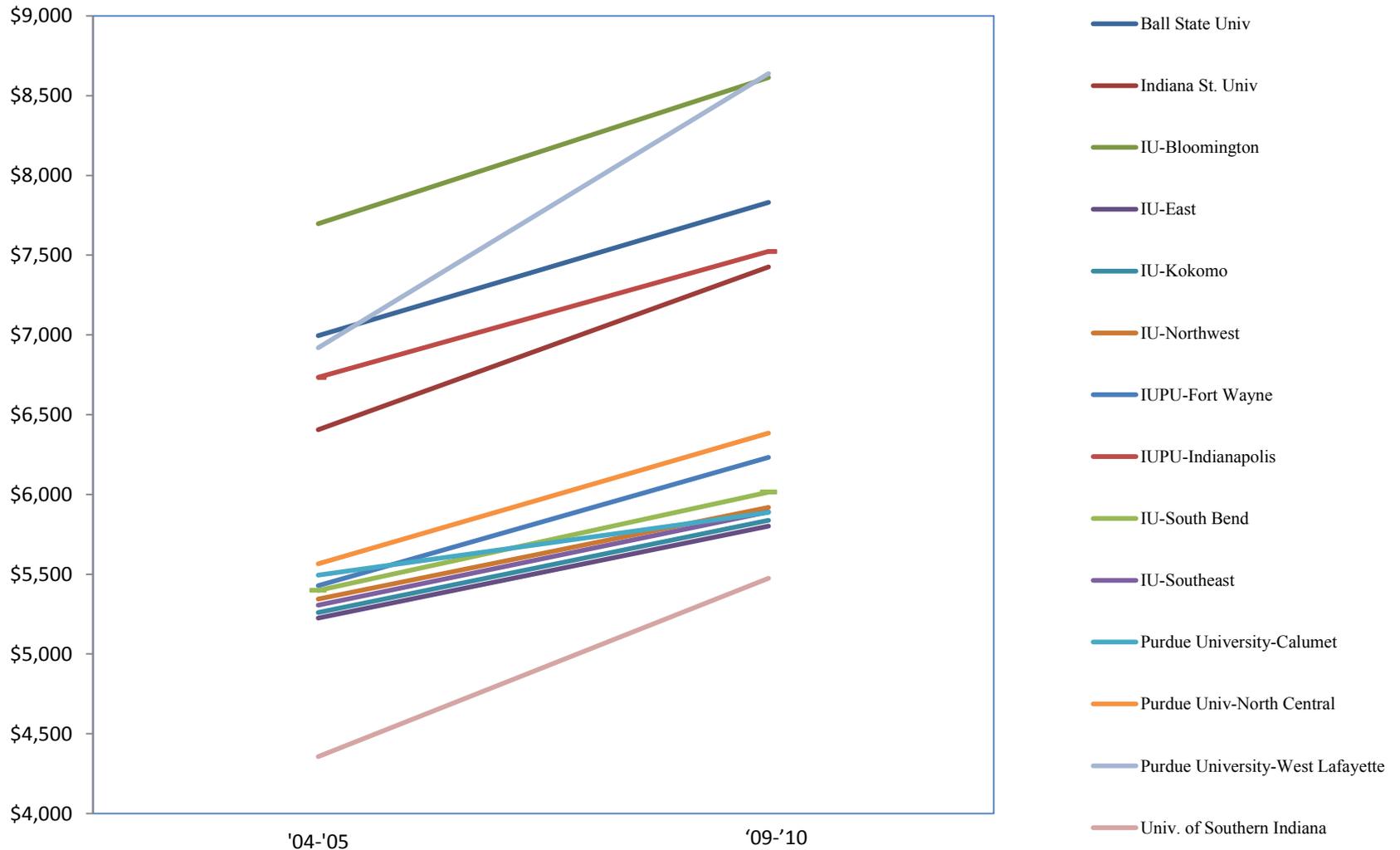
Going forward, As trustees you have a legal and fiduciary responsibility to ensure students receive a quality education at an affordable price. Too often in the past, trustees have been told they are to be boosters, no questions asked. Too often they have been told they must increase tuition to compensate for lost state revenues. But tuition cannot be the only means of balancing the budget. Many problems facing higher education are the result of too much spending, not too little.

As trustees, you need to be asking tough questions – and demanding answers – if Indiana expects to achieve the important goals of greater access and student success in attaining a college degree.

Ultimately, each university is unique and there is no one-size-fits-all approach. But there is one thing that is true across the board: Costs are rising too fast, more students deserve to succeed, and the buck stops with trustees. You as trustees have the urgent responsibility and wonderful opportunity to *Reach Higher* for Indiana.

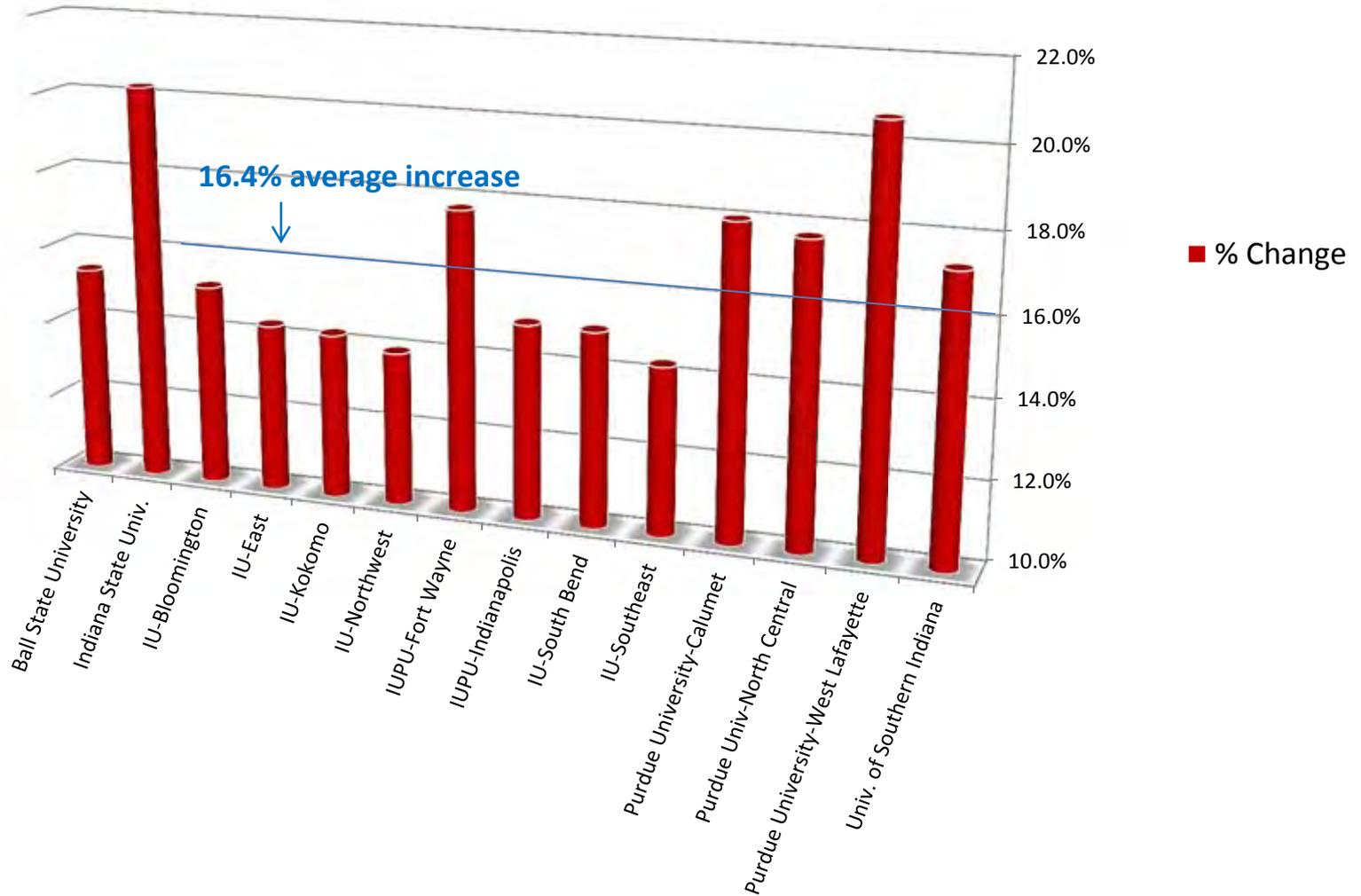
I thank you for allowing me to be with you and look forward to continuing the discussion.

# Appendix A: Trends in Tuition & Fees 2004-05 to 2009-10



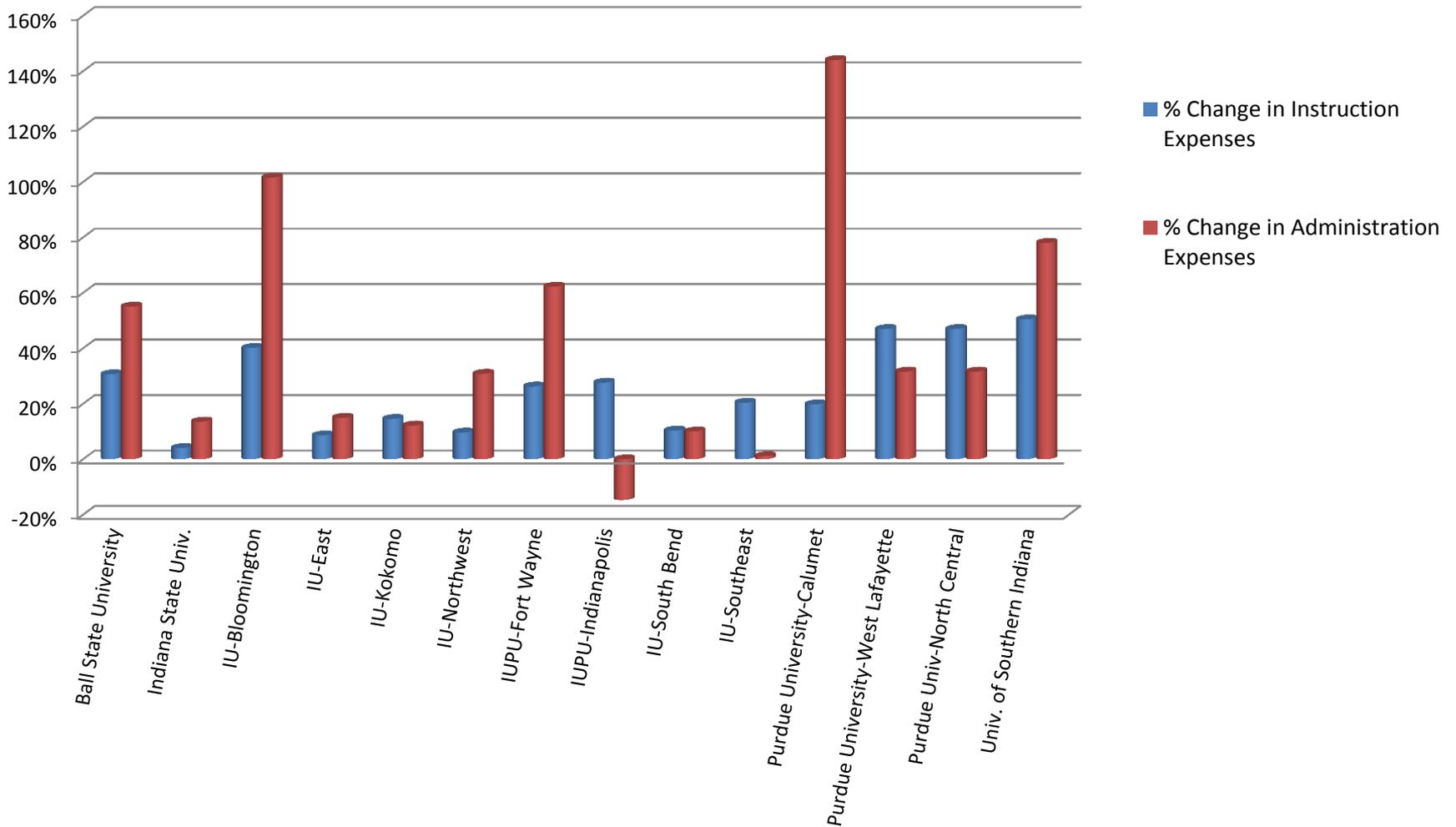
\*Source: IPEDS  
2004-05 dollar amounts are expressed in 2009 inflation-adjusted numbers

# Appendix B: Tuition Increase as a Percentage of Median Household Income (2003 to 2008)



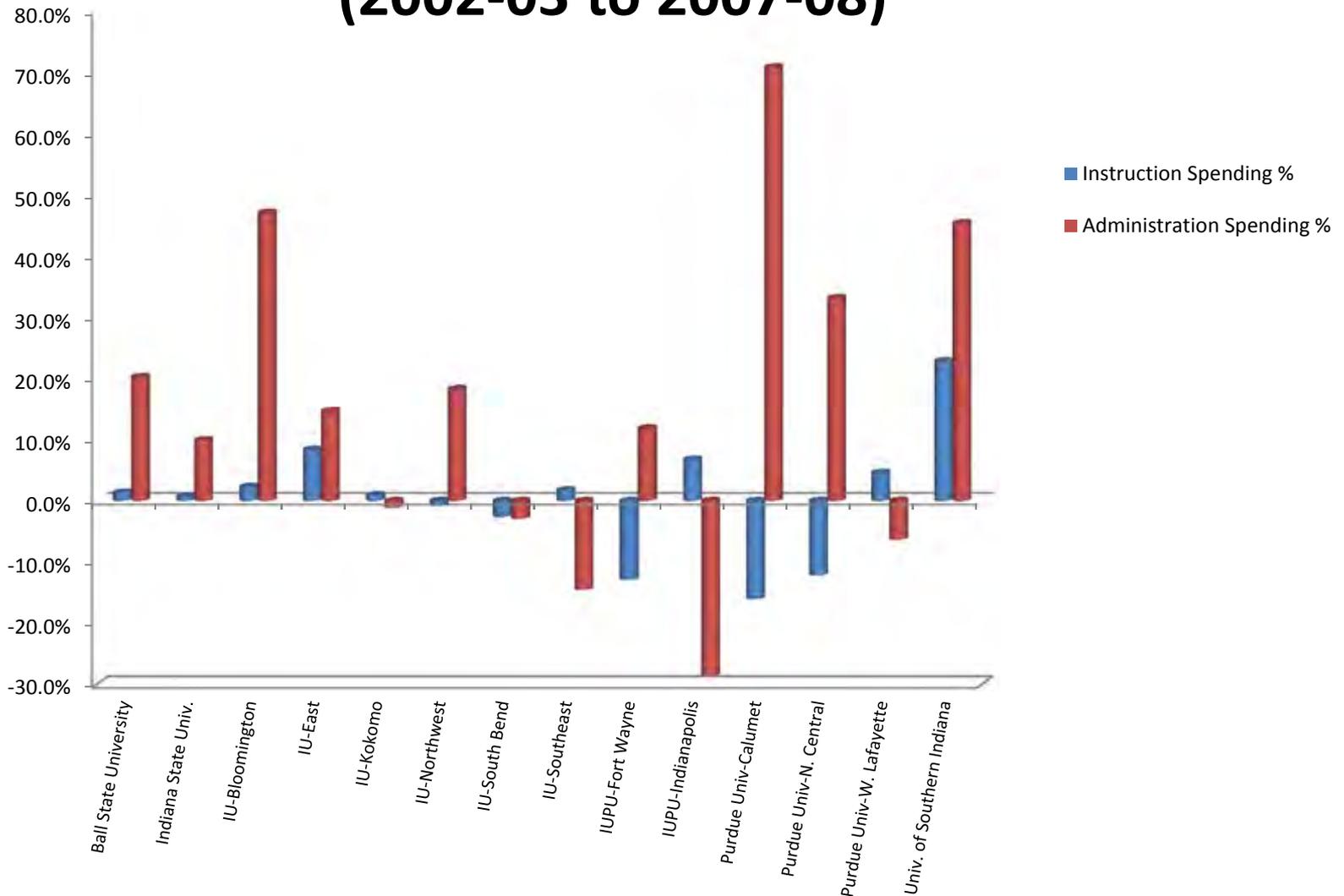
\*Source: IPEDS and US Census Bureau

# Appendix C: Percentage Change, Instructional vs. Administrative Spending (2002-2008)



\*Source: IPEDS

# Appendix D: Instructional vs. Administrative Spending as a Percentage of E&G Expenditures (2002-03 to 2007-08)



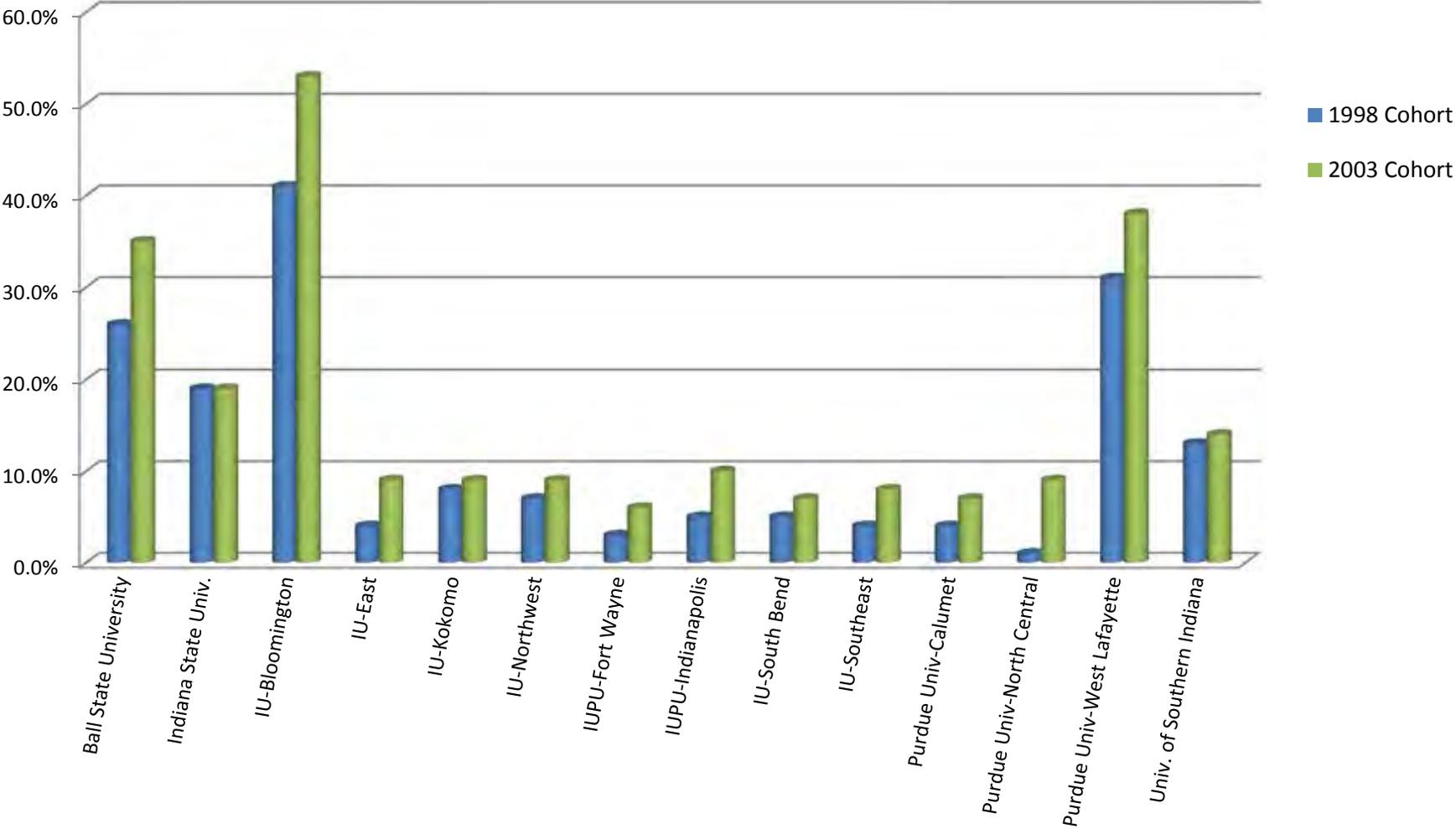
\*Source: IPEDS

# Appendix E: General Education Requirements

INSTITUTION	Comp	Lit	Lang	Gov/ Hist	Econ	Math	Sci
Ball State University	√		√			√	√
Indiana State University	√	√					√
Indiana University - Bloomington	√		√				
Indiana University - East	√					√	√
Indiana University - Kokomo	√		√			√	√
Indiana University - Northwest	√		√				√
IUPU - Fort Wayne	√		√			√	
IUPU - Indianapolis	√					√	√
Indiana University - South Bend	√		√			√	
Indiana University - Southeast	√		√				√
Purdue University - Calumet	√					√	√
Purdue University – North Central *							
Purdue University - West Lafayette	√		√			√	√
University of Southern Indiana	√						√

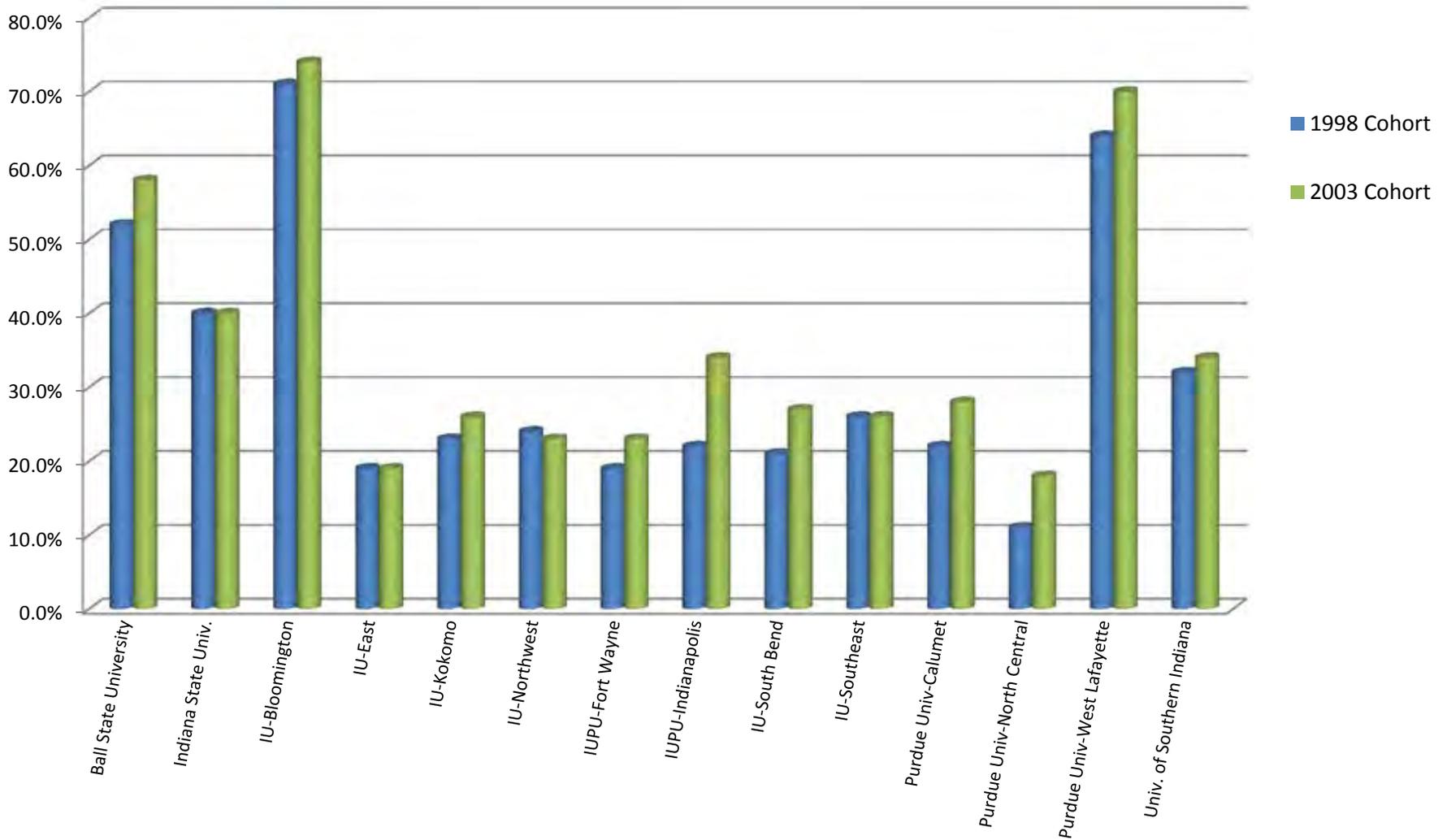
\* Purdue University – North Central was not evaluated in since it offers almost exclusively B.S. degrees

# Appendix F: 4-Year Graduation Rates



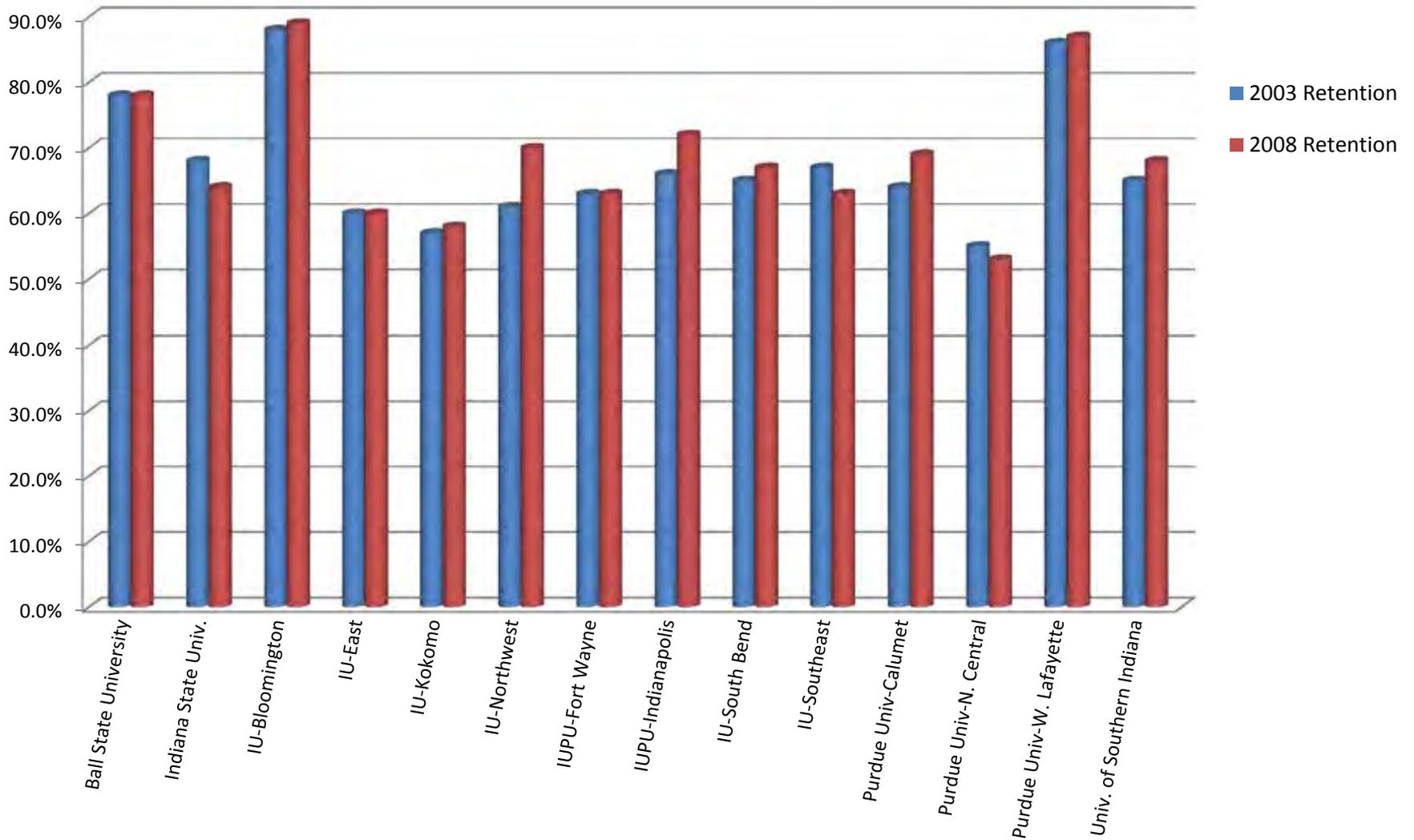
Baccalaureate Graduation Rates for First-Time, Full-Time Freshmen  
 \*Source: IPEDS

# Appendix G: 6-Year Graduation Rates



Baccalaureate Graduation Rates for First-Time, Full-Time Freshmen  
\*Source: IPEDS

# Appendix H: 1<sup>st</sup>-Year Retention Rate for First-time, Full-time Freshmen



\*Source: IPEDS