



PRESIDENT'S LETTER

JOHN W. MOORE

JANUARY 1994

Dear Colleagues:

I hope that winter recess afforded all of you the opportunity to share some special times with family and friends and that the beginning of the spring semester finds you refreshed, renewed, and ready to participate in helping Indiana State and its students realize their goals and aspirations during the coming year.

In this President's Letter, I hope to provide some information about the environment in which the University will be operating during 1994. My intention in doing this is to make it possible for us to make intelligent and informed decisions about the challenges we will face.

Although these are serious times for higher education in Indiana, I do not wish to be unduly alarmist about our situation. To a certain extent we control our own destiny, but in order to do so we must be aware of the circumstances we face and the opportunities that are available to us. There are any number of things we can do to mitigate the situation and ensure our future. At Indiana State, we already have embarked on several initiatives that are designed to help us enhance our academic, research/creativity, and public service missions, and I will discuss these in more detail in future President's Letters.

As for the immediate future, in years past, as the Indiana Legislature has looked toward its January session it has always been with the expectation that the biennial budget would be opened and amended in order to provide additional funds for state agencies, schools, and universities. For several reasons, however, there is not much likelihood that this will be the case during the upcoming legislative session.

First, over the past several years, Indiana has had to accommodate in its budget major increases in expenditures for certain programs such as Medicaid without corresponding increases in the state's revenue base. In the case of Medicaid, for example, the state's share of the program's cost has increased by 94 percent during fiscal years 1989-93. As a result Medicaid will represent 13.8 percent of the state's general operating budget in fiscal year 1994 where it only made up 9 percent in fiscal year 1988-89.

This development has translated into a smaller share of the state budget for entities such as state agencies, schools, and universities. For the state's public universities, it has meant a decrease — from 16.2 percent to 15.4 percent — in their combined share of the state's operating budget.

While it is true that over that same period funding for public universities statewide increased by 20 percent, most of that money went to meet instructional and other related expenses associated with increased enrollment at those institutions which experienced growth. Because of this, those funds were not available for such things as compensation increases, new programs, and the further development of existing programs, among other things. Those institutions which have maintained somewhat stable enrollments — like ISU — have seen no major increase in their state operating appropriations.

Along with this, there are indications that the state's tax base has not kept pace with changes in the state's economic base. A study recently released by Purdue University shows that if the state's revenue base would have increased at the same rate as income, there would have been over one billion additional dollars for use in meeting the state's critical needs in the 1993-95 biennium.

While it is clear from this study that Indiana's economic structure has undergone substantial change over the last 20 years, the last time a major tax restructuring occurred here was in 1982. Because of this, a number of people throughout Indiana have come to believe that the time is right to review the state's taxes and restructure them to reflect a new economic reality. In the last legislative

PRESIDENT'S LETTER

session, there were several proposals — some of which came from our own area legislators — that would have produced additional revenues through tax revision. However, we are told that such proposals would have little chance of being heard in the upcoming session.

Consequently, as we prepare Indiana State's budget for the next fiscal year, we do so with the expectation that our state appropriation will remain as approved in the last session. In discussions with state legislators, we have expressed our concern that universities have not received sufficient funding to offset inflation over the last two biennia. It has only been through reallocation that there has been money for compensation increases and increases to pay for higher costs in utilities, health insurance, and other such needs. The expectation for the coming fiscal year is that we will continue to have to meet these needs through internal reallocation.

Our situation at Indiana State is made even more problematic by the fact that we will receive \$173,454 less in state appropriations for 1994-95 than we received during the current fiscal year. (As mentioned previously, additional state funds for operating expenses have been granted only to those institutions which have experienced enrollment growth.) Further complicating the challenge we face is the fact that 72 percent of our operating dollars are from state appropriations; 24 percent are from student fees; and the remaining 4 percent comes from various miscellaneous fees and interest income.

In preparing next year's budget, we are taking a hard look at both the revenue and expense sides of the ledger.

Given the fact that we can expect no increase in our state appropriation for the next fiscal year, it is clear that the only possibility for significant revenue increases exists in the area of student fees. In looking at the option of raising student fees, however, we are concerned that higher education at ISU remain affordable so that we can continue our tradition of being the state's "opportunity" university. On the other hand, it is critical that the University, at the very least, maintain the current level of quality of its academic programs and its favorable student-faculty ratio.

Another important factor we must take into account when considering increasing student fees is the potential negative effect this can have upon enrollment. We don't want to price ourselves out of the reach of those persons who most need us. If we were to experience a decline in our enrollment, this would ultimately bring about a corresponding decrease in our state appropriation.

As a result, I can't place enough emphasis on the importance of our enrollment base to ISU's future. In preparing our strategic plan, we have made note of the fact that only 10 percent of the high school graduates in

Indiana live within a 50-mile radius of ISU. As you can see, it is of critical importance that we sustain a vigorous recruitment and marketing effort and that all of us share in the responsibility for making ISU a place that students, both full- and part-time, want to attend and graduate from. From this perspective our need to provide academic support services, enhance residential life, and continue our tradition of personalized education become even more critical.

In considering the expense side of the budget, we need to be aware of the fact that 73 percent of the University budget goes for the salaries and wages and fringe benefits of University employees.

Increases in compensation — salaries, wages, benefits such as health care and corresponding increases in areas such as retirement and social security — can be made only by reducing other areas of the budget. With compensation representing such a large proportion of the budget, it is clear that if we are to make increases in this area, corresponding decreases will have to be made in other budgetary areas but also in the size of the University's work force. In the past, these reductions in faculty and staff have come through not filling vacant positions. As we are in the third consecutive year of major reallocations, however, it is becoming increasingly difficult to accomplish this through vacancies and still preserve the level and quality of programs and services for our students. This year, our decisions in this area will prove to be much more difficult than they were in the past.

In preparing next year's budget, the overriding challenge we face is balancing the areas of student fee increases, compensation (salary, wages and fringe benefits), and work force. This task presents us with a significant challenge, and, because of this, it is important that the entire ISU community be aware of the economic challenges we are faced with as well as our responses to them.

In making budget decisions for next year, we must guard against cuts which will hinder our ability to compete for students, faculty, and staff. These are the central issues that the President's Planning and Resources Committee (PPARC), which includes representatives from all campus constituencies including faculty, student government, the Office Personnel Council and the administration, is currently discussing and will continue to consider in the coming weeks. Each unit of the university also has been asked to study various budget scenarios to see how it can best adapt to the current fiscal environment.

Although it provides little solace, Indiana State University is not alone in facing these tough decisions. Universities throughout Indiana and the rest of the nation are confronted with the need to find answers to the questions of how they will operate in an environ-

PRESIDENT'S LETTER

ment of less money from the state and increased demand for services in the areas of instruction, research/creativity, and public service. It is clear from our own legislators, from the Indiana Commission for Higher Education, from articles in *The Chronicle of Higher Education* and other publications that higher education nationwide will have to respond to requests from state legislatures, Congress, and the taxpayers that it become more accountable and better explain what it does and how it does it.

Given this, the challenge for higher education, including Indiana State, is to find ways to measure instructional activities to show outcomes. For decades, public higher education was not subjected to demands for accountability in order to justify state investment. This wasn't thought to be necessary because the results of that investment were readily apparent in an increasingly better-educated public and a thriving economy unmatched by any other country. Times have changed, however, and policy makers are increasingly under pressure to provide funds for more and better state services without increasing taxes. They, in turn, want to know that taxpayers' money is well-invested.

At Indiana State University, as at all public institutions, our task is to show in tangible ways, that taxpayers and students reap the benefits from the tax dollars and fees that are invested in the institution. We are working diligently with faculty, staff, and students to make our achievements known.

We also are working at ISU to put in place the means to identify and measure progress toward our goal of becoming more focused, more efficient, and more effective. The strategic planning process forced us to evaluate our strengths and weaknesses at the institutional level and to look at the environmental factors which will influence many of our decisions.

In July, the Board of Trustees approved the establishment of an Office of Planning and Budgets to bring together the functions of budgeting, audit, planning, institutional research, and governmental relations so that we could measure and evaluate what we are doing as an institution. The Advisory Committee for Institutional Research, composed of deans, chairs, faculty, and staff will review data collection models and provide input as to the collection and evaluation of data.

The Business Affairs Office has joined a national benchmarking study which will enable us to compare our operations with those of similar institutions. The Cost Containment and Efficiency Committee will continue to work to identify ways that we can do more effectively and efficiently many of the tasks associated with the operations side of the campus.

The University will be required to respond to many questions about our philosophy of education and its cost. We want to — and will — be prepared to show that at

all levels, academic as well as administrative, we are doing our best to use state and student dollars wisely and productively.

I have tried since assuming the presidency to create structures through which all segments of the campus community have a voice so that decisions are not dictated from the top down but are arrived at collaboratively. Campus representatives on the PPARC are challenged to help make decisions by balancing the needs of their respective constituencies with those of the institution as a whole. This is not easy, but it is necessary if we are to succeed.

The next few years will be challenging ones as we learn to operate within state budgetary parameters that will be increasingly targeted to meet particular state needs — such as enrollment growth — rather than general inflationary purposes.

As a way of addressing this particular state concern, we currently are participating in six task forces which have been charged by the Commission for Higher Education with finding a way to accommodate additional students in the face of less-than-adequate increases in resources.

The proportion of Indiana's citizens who have post-secondary educational experiences is higher than that of only two other states. If Indiana is to sustain a technology-based economy and compete successfully in the global marketplace, however, it simply must have a better-educated populace. In order that Indiana at least meet the national average in terms of the percentage of its population which is college-educated, the CHE has asked the state universities to set goals for increased participation in education.

As a result, by 1997, Indiana's public institutions of higher education must enroll an additional 20,000 students if the state is to make substantial progress toward reaching the national average by the year 2010. The challenge in this is that more students must be educated while there will be no major increases in state appropriations. During the past summer, we spent countless hours in meetings with the staff of the CHE discussing how we will meet this challenge. In addition, the CHE has organized six study groups, which include representation from ISU, that will make recommendations about how the state can achieve these enrollments. These groups are:

Enrollment. The CHE is studying where additional students could most easily be accommodated and where the increased enrollment will take place. Its conclusion is that the regional campuses — USI, IUPUI, and the IVTC campuses — will experience the greatest growth. Other campuses will be expected to maintain their current enrollment, continue to work to achieve increases through retention, and make substantial gains in the enrollment of minority students.

PRESIDENT'S LETTER

Productivity. The CHE will make recommendations as to campus productivity, including the instructional load which various campuses will be expected to achieve, enrollment patterns, retention rates, etc. They are studying a set of 15 ratios to establish benchmarks for productivity.

Mission. In order for the Legislature to best make decisions related to funding and programs, the CHE is proposing a "mission" statement format for all of the institutions which will delineate certain defining characteristics for all public institutions.

Funding Alternatives. The CHE assumes that the Legislature will not be able to fund universities in the traditional ways, so it is recommending alternative ways to measure the need of institutions.

Improving the Interface Between K-12 and Higher Education. Given the fact that a growing number of high school graduates are less than adequately prepared for college, the CHE proposes that the institutions of higher education recommend a curriculum which high school students must complete if they are to be considered for admission to those institutions. In addition, the institutions will develop alternative approaches for admission, including the 12th Gateway Assessment, a post-secondary assessment that is currently under development by the Indiana Department of Education. Institutions also will identify how Tech Prep courses fulfill these requirements and will develop competency-based admission standards for adults.

Capital Needs. This is a study of the physical needs of the universities. There will be a facilities inventory to compare the physical square footage for particular uses among the institutions. The CHE believes this study will help the Legislature better set priorities for spending on capital projects.

As we participated in these working groups throughout the summer and fall, we have tried to include campus leaders in the discussions. Summaries of the working papers have been shared with the deans, the Faculty Senate Executive Committee, student leaders, administrators and the members of the Board of Trustees. These discussions have yielded a number of valuable insights and helpful recommendations.

There is concern, however, that a number of important policy issues are being discussed too quickly to allow adequate opportunity for input from the various constituencies within the campus or time for extensive discussion among policy makers such as Trustees, members of the Commission for Higher Education, and legislators. The basic premise that increased enrollment is the highest state priority diminishes other priorities such as increasing — and even maintaining — quality.

We expect that instructions for the preparation of the

1995-97 biennial budget will be based on the final reports from these studies in the coming months.

We are told that Indiana State University in a number of ways is meeting the expectations of our state policy leaders. We provide a much more personalized instruction for our students than many other institutions because of our smaller classes which are taught by full-time, fully credentialed faculty. As a result, we receive a great deal of positive feedback about the quality of instruction on our campus from the state.

Despite this, our "productivity" is sometimes called into question when that term is defined as "credit hours produced" or state appropriation per student. In working with the CHE on these six studies, we are working to show that the philosophy of education at ISU is one of great value to the state.

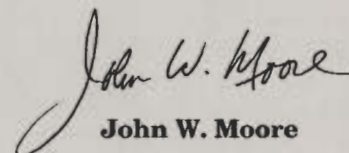
Today's environment demands as prerequisites for success the practice of self-analysis, collaborative decision-making, and good faith efforts to present an honest appraisal of strengths and weaknesses to all of the University's constituencies. Such activities are healthy for institutions because they compel them to refocus on their central mission and to make decisions about and commitments to the future.

In the past 18 months, I have tried to create, along with the leadership of the campus community, a climate that promotes and facilitates these kinds of exercises. If we are to remain a strong and vital institution, we must, I believe, continue along these lines in the future. For it is only in this way that ISU will be able to avail itself of the full range of talents and knowledge that exist in the various segments of the University community.

As we proceed through the next several months, it appears to me that the interests of Indiana State will best be served if we look upon current conditions as an opportunity to test and strengthen ourselves. Knowing the caliber and the commitment of Indiana State's people, there's no doubt in my mind that we will succeed in this endeavor despite any obstacles we face and that, in the end, ISU will emerge a stronger and better institution.

I am looking forward to hearing your thoughts and your ideas.

Sincerely,



John W. Moore