

**State of Indiana
Commission for Higher Education**

Minutes of Special Meeting

**August 20, 2010
Friday**

I. CALL TO ORDER

The Commission for Higher Education met in special session starting at 10:15 a.m. at the Conference Center, 101 W Ohio St., Suite 700, Indianapolis, IN, with Chair Michael Smith presiding.

II. ROLL CALL OF MEMBERS AND DETERMINATION OF A QUORUM

Members Present: Cynthia Baker, Gerald Bepko, Dennis Bland, Carol D’Amico (joined in the afternoon), Susana Duarte De Suarez, Jud Fisher, Keith Hansen, Marilyn Moran-Townsend, Eileen O’Neill Odum, George Rehnquist, Ken Sendelweck, and Mike Smith.

Members Absent: Jon Costas, Chris Murphy.

Representatives from State Student Assistance Commission of Indiana (SSACI): Claudia Braman, Executive Director, and Laurie Gavrin, Director of Research and Policy Analysis.

III. CHAIR’S REMARKS

Mr. Smith said that he can’t imagine another meeting when the discussion and review of the joint staff of SSACI and the Commission represent a more important topic. The state of Indiana has a history of a very generous student aid, and the intention of the Commission is to review opportunities to make it an even more effective and efficient process, with sensitivity to the following three issues: the financial aid with which the Commission has to deal; the increasing needs of our students, and the changing profile of our students.

Mr. Smith welcomed new Commission member Ms. Susana Duarte De Suarez, who replaced Mr. Gary Lehman on the Commission, and introduced her to the audience.

Mr. Smith invited Commissioner Teresa Lubbers to lead the meeting.

IV. DECISION ITEMS

Ms. Lubbers reminded the Commission members that at the last Commission meeting one of the decision items has been moved to discussion items, and the decision was made to have a special meeting regarding the Financial Aid Study. It is not typical for the Commission, but it is also not typical for the legislation to give the Commission the charge they gave in 2009 to do a comprehensive study on financial aid in Indiana. This has been a complex issue, and made more complicated because of the fiscal realities the state is facing right now, the need to be able to provide financial sustainability to financial aid, and the increasing student need that exists.

Ms. Lubbers said that the Commission has been working on this issue for almost a year. It has been a work product that the legislature mandated to the Commission to complete with SSACI.

The Commission also has reached out to anybody who would be interested in this throughout the year; during this year the Commission has brought to the members of the Commission incremental ideas and topics, so most of those present at the meeting are familiar with the topics that are included in this draft.

Ms. Lubbers suggested the best way of using the Commission members' time during this special meeting. The Commission has 22 considerations to look at and decide on during the meeting. Ms. Lubbers suggested starting by putting the whole discussion into context by putting Student Aid in Indiana in a national context; looking at Indiana programs and seeing what has been done in the past, what Indiana is doing now, and what some of the challenges for the future are.

Ms. Lubbers recommended taking those of the 22 items that the staff thinks are most likely to have consensus on, and consider them first. Ms. Lubbers pointed out that if some of these items become more controversial than the staff thinks, they will be revisited later in the day, but the staff hopes that the meeting will make progress and move forward in this positive way. Later the Commission will deal with those items that are likely to have a need for greater discussion.

Ms. Lubbers anticipated that one topic that will need greater discussion will be a topic of changing demographics and the way to reallocate the scarce resources among the changing population of students. In the last two years alone the population has changed from two thirds of traditional students applying for financial aid to over half of what used to be considered non-traditional students going back to college and needing financial aid.

Ms. Lubbers stated that the other discussion will be around how need for financial aid will be established, keeping in mind that Indiana has a differentiated model for public and private in terms of the size of the grant. However, this will be a discussion about establishing need, not the size of the grant.

Ms. Lubbers said that the third area that needs ample time to be discussed today is the 21st Century Scholars program. It has been widely supported by the Commission, the General Assembly and others as a program focused on increasing the number of students who aspire to go to college, improving their academic preparation, and ensuring completion from college. There is an increasing number of students who are participating in this program, and the Commission needs to talk about the fiscal realities as well.

Ms. Lubbers spoke about the final topic, that the Commission hasn't spent much time talking about, but that needs to be discussed today with the assistance of SSACI representatives, and this topic is programs for children of veterans and public officials.

Ms. Lubbers mentioned that Mr. Bernie Hannon, former Senior Associate Commissioner and Chief Financial Officer at the Commission, is present at the meeting, even though he is not a member of staff anymore.

Ms. Lubbers explained to everybody in attendance the State Financial Aid Context document. She also reminded the Commission that the legislature in Indiana has funded student aid very generously; the student aid fund was the only one of a few programs that got more money in the last budget cycle. The legislature was truly committed to the SSACI funding, but the increase of people applying for financial aid resulted in a nearly 40 percent decrease in the size of grants.

Ms. Lubbers said that Indiana ranks fifth in the nation in the need-based grant aid per undergraduate full-time equivalent enrollment; eighth in total dollars awarded in need-based grant

aid. Unlike some other states, Indiana is primarily a need-based financial aid state. Over three quarters of the aid goes to need-based scholarships. Ms. Lubbers quoted some other numbers reflecting the percentage of the financial aid in FY09.

Ms. Lubbers spoke about Frank O'Bannon (FOB) award recipients and the amount of FOB grant. The average FOB grant amount has been declining for three straight years. She expressed concern that the reduction in average state aid to FOB recipients will make college less affordable for most of Indiana's lowest income population, and this will likely reduce the number of low income Hoosier students who earn degrees beyond high school.

Ms. Lubbers mentioned that any consideration of reallocating funds within the state aid system must examine opportunity costs associated with state priorities, which include: target demographics, desired award sizes, certainty vs. uncertainty. Ms. Lubbers presented a chart showing SSACI Grants, and said that during the day this chart will be referred to several times.

Ms. Lubbers said the recommendations fall in one of the following areas: a continued priority for need-based rather than merit-based state aid; a priority on the neediest of those qualifying for need-based aid; a continued student-centered, rather than institution-centered approach; maintaining, or in some cases, rebuilding the integrity of the award system; an emphasis on access to college; aligning state aid to state goals by encouraging completion; improving the distribution of aid to the new majority students; simplifying state aid operations; and maintaining or improving SSACI's independence to maintain and improve the flexibility and responsiveness of state aid.

Ms. Lubbers pointed out that these considerations are interdependent, and it is difficult to deal with just one of them, because what is done with one, affects another, making it important to consider the issues as a group rather than independently.

Ms. Lubbers invited Mr. Hannon to speak.

Mr. Hannon began by acknowledging Ms. Angela Maher, who has been working at the draft document, and was a great help to Mr. Hannon and Commissioner Lubbers. Ms. Maher is a graduate student at IUPUI, and has been the Commission's intern for the last few months.

Mr. Hannon said that the Commission staff worked closely with the staff of State Student Assistance Commission of Indiana (SSACI), Claudia Braman and Laurie Gavrin, and this has been a long process. Individual financial officers from several institutions have met collectively with the committee of ISFAA (Indiana State Financial Aid Administrators). The Commission has met with several state agencies, like Department of Corrections, Department of Workforce Development, Department of Veterans' Affairs, and Governor's staff. Mr. Hannon added that the Commission staff has researched the practices of other states, as well as the literature on financial aid.

Mr. Hannon stated that the results of all this research, as well as the staff's best knowledge and input, have been presented to the Commission members in 22 specific considerations. Mr. Hannon emphasized that the staff does not make final recommendations on these considerations; they are being given to the Commission members for their review and recommendation.

Mr. Smith asked whether the Commission can assume that in their review and study the Commission staff remained sensitive to expected future trends, household income in Indiana, an

availability cost and manageable student aid levels, and likely cost trends that would be reflected in pricing of higher education services by the institutions.

Mr. Hannon stated that the student financial aid is a complex model, which involves lots of different sources of revenue, lots of different people, different schools and considerations. It is difficult but important to keep in mind all the complexities that go into that process. Mr. Hannon said that the staff understood that the state tuition is going up on average at seven percent a year. They also know that Hoosier incomes have not been going up on average, like national incomes. All these trends were taken into consideration by the staff.

Mr. Smith asked whether the FOB grants have been adjusted for the inflation or for the delta in the gross number that is the cost of education.

Ms. Gavrin stated that she has a model that helps her to make these kinds of projections. In her model she built in five percent for tuition increase, instead of seven. The model is also based on an average population increase of about five percent. Normally there will be on average over five years about a four to five percent increase in population; in the past two years the numbers were 23 percent and 15 percent. Ms. Gavrin said she is trying to go with conservative number; 23 could be high.

Dr. Bepko said that seven percent tuition increase seems high. Ms. Gavrin responded that some proprietary colleges have increased their tuition as much as 23-30 percent; the public colleges have increased theirs by 4.5 – 5 percent. Ms. Gavrin said that their numbers based on the information provided to SSACI by the colleges, and these numbers may differ from those provided to the Commission. Dr. Bepko asked whether the seven percent of tuition increase is SSACI's basic number; and whether if they took average increase in cost for the whole student population, this number will be much lower. Ms. Gavrin confirmed that.

Ms. Lubbers suggested that the Commission would start discussion of the considerations with numbers 2, 4, 5, 7, 8, 9, 10, 11, 12, 13, 14, 16, 21, and 22. These numbers will be discussed one at a time, since these are the considerations on which the Commission staff hopes to get a possible approval. Ms. Lubbers invited Mr. Hannon to start the discussion with number 2.

After discussion, Commission members approved considerations as outlined below:

Consideration #2: The state should develop a customized state-wide college cost estimator.

Consideration #4: The state should merge the Freedom of Choice fund with the Higher Education Award fund into a single program with one appropriation.

Consideration #5: Indiana should expand its collection of current Student Information System (SIS) data to include the independent and proprietary sectors, certificate programs below one year, and course-level information from both colleges and high schools.

Consideration #7: Receipt of Pell Grants should not be considered in the calculation for state financial aid for traditional students.

Consideration #8: The state should not require SSACI to incorporate institutional financial aid in its financial aid offers.

Consideration #9: The state’s public and private postsecondary institutions should wraparound their institutional financial aid with state and federal financial aid.

Consideration #10: Student eligibility for state financial aid should not consider receipt of tax credits.

Consideration #12: The state should affirm that state aid distributed through SSACI be based primarily on need.

Consideration #21: The state should fund prisoner education through the Department of Corrections.

Consideration #22: The state should further consider emerging issues in state aid.

The afternoon discussion focused on the remaining considerations and approved a final document that included the following recommendations:

Recommendation #1: The state should consider establishing a separate fund to meet the financial needs and aspirations of adult students.

Recommendation #2: The state should allocate state aid to support student degree completion through acceleration and transfer models.

Recommendation #4: The state should affirm freedom of choice for students by maintaining the current formula for distribution of state financial aid between public and private institutions.

Recommendation #7: The state should consider requiring students who receive a SSACI grant to achieve a more stringent satisfactory progress requirement before additional SSACI aid would be disbursed in future semesters.

Recommendation #13: The state should refocus the Twenty-first Century Scholars program on early intervention, student services, program requirements, and college and workforce preparation goals.

Recommendation #14: The state should expect that Twenty-first Century Scholars students participate in the early intervention and student services offered by the Twenty-first Century Scholars program.

Recommendation #15: The state should consider that Twenty-first Century Scholars students must show an aptitude and desire to be college prepared by having a minimum high school cumulative grade point average of 2.5.

Recommendation #16: The state should develop a sustainable funding model to ensure the long-term viability of the Twenty-first Century Scholars program. The state should consider when allocating financial aid whether Scholars meet statutory income requirements when they graduate from high school and enter college.

Recommendation #17: The state should assign all fiscal and administrative duties for the Child of Veteran and Public Safety Officer Supplemental Grant Program (CVO) to Indiana Department of Veterans’ Affairs (IDVA).

R-10-6.1 **RESOLVED:** That the Commission for Higher Education approves the *Funding of Indiana’s College Scholarship Programs*, as listed, and is planning to present it at the meeting of the State Budget Committee on September 8th, 2010 (Motion – Bepko, second – Rehnquist, unanimously approved)

V. ADJOURNMENT

The meeting was adjourned at 04:10 p.m.

Michael Smith, Chair

Jud Fisher, Secretary