

Close Neighbors, Worlds Apart: Funding Higher Education in Ohio and Indiana

Dave Kokandy

Kent State University

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Although they share a common border, the states of Ohio and Indiana view funding higher education differently. From the amount of appropriations and growth of expenditures in each state to the states' respective systems of higher education, the two states are vastly different. This paper will examine the sources of funding for higher education, including allocations to public schools, allocations to state financial aid programs, endowments, and the student's share of tuition costs. Comparing and contrasting the funding and structure of higher education in Indiana and Ohio can provide insights into best practices for funding of public higher education.

Funding Higher Education in Indiana

In Fiscal Year 2009-2010 and 2010-2011, the state of Indiana plans to appropriate over 1.7 billion dollars each year to higher education (Indiana State Budget Agency [SBA], 2009). This amount includes direct appropriations to its public institutions of higher education, support for its state financial aid agency, the State Student Assistance Commission of Indiana, and related line-item higher education expenses. This 1.7 billion dollar allocation represents only seventeen percent of all state spending on education (SBA).

Public Higher Education in Indiana

The state of Indiana operates seven institutions of higher education, including three large state-wide systems, the Indiana University system, Ivy Tech Community College of Indiana, and the Purdue University system. Indiana University operates seven regional campuses, one of which is designated by the Carnegie Foundation for the Advancement of Teaching as a research university in its own right. Purdue operates three regional campuses. The Ivy Tech Community College of Indiana has twenty-three locations statewide.

A nationally recognized research university, Indiana University is the state's flagship institution. Indiana University is classified by the Carnegie Foundation as a research university with a very high output of research. Indiana University also oversees the operations of Indiana University-Purdue University-Indianapolis (IUPUI), the state's urban research university. Between its Bloomington and Indianapolis campuses, Indiana University runs the state's two public law schools and the state's only medical and dental programs. IUPUI operates its own second campus in Columbus, and Indiana University has five regional campuses throughout the state. IU Southeast, IU South Bend, and IU Northwest each offer postgraduate, baccalaureate, and associate degree programs. IU Kokomo and IU East offer primarily baccalaureate degrees.

Purdue University is Indiana's land-grant university. Founded following the Morrill Act, Purdue's specialties are science, technology, and agriculture. Purdue University's West Lafayette campus houses the state's only university airport. Purdue University is the managing partner of Indiana University-Purdue University-Fort Wayne (IPFW) and operates regional campuses in Hammond (Purdue-Calumet) and Westville (Purdue-North Central). Purdue's regional campus offerings, like those of Indiana, consist of a mix of associate, bachelor, and master degree programs. Purdue also runs a statewide College of Technology system, offering Purdue associate and bachelor degree programs at ten locations throughout the state in technological areas.

The Ivy Tech Community College of Indiana is Indiana's largest system of higher education by statewide enrollment. Although Ivy Tech has been present in Indiana since the 1960s as Indiana Vocational Technical College, it was not until a state mandated union between Ivy Tech and Vincennes University in 1999 that liberal arts, general studies, and transfer programs were added to Ivy Tech's curriculum. In 2005, the Ivy Tech-Vincennes partnership

ended, but Ivy Tech was re-chartered as a statewide system of community colleges. Although community colleges typically are partially funded by their local municipalities, Ivy Tech receives its funding from state appropriations and state and federal grants and contracts.

In addition to its statewide systems, Indiana also operates Ball State University, Indiana State University, and the University of Southern Indiana. Ball State and Indiana State are the current descendants of Indiana's normal school system. The University of Southern Indiana was at one point a branch campus of Indiana State, but was given its own charter by the state in 1985. Each school is classified by the Carnegie Foundation as a doctoral university without substantial research activity.

The oldest university in the state of Indiana, Vincennes University was chartered by future President William Henry Harrison, then Governor of Indiana Territory, to be the territory's university in 1806. In 1889, Vincennes was re-chartered as a two-year public university. Vincennes operates its main campus in Vincennes, a branch campus in Jasper, the Indiana School for the Deaf in Indianapolis, and offers programs in aviation technology in Indianapolis.

State Appropriations

Indiana will appropriate almost \$1.46 billion directly to its public institutions of higher education in fiscal year 2009-2010 (SBA, 2009). Of that, over one third, or \$552 million, is designated for the Indiana University system. Its Bloomington campus will receive over \$221 million, and IUPUI will receive \$220 million, \$108 million of which are intended for its health programs (SBA). IU's regional campuses will share a total of \$96 million, and the nearly \$10 million remaining is earmarked for other purposes (SBA).

The single campus with the largest appropriation is Purdue University's West Lafayette campus, with a \$274.7 million dollar allocation (SBA). IPFW will receive over \$43 million, Purdue-Calumet, \$28.5 million, and Purdue-North Central, \$11.8 million (SBA). Purdue's statewide technology program will receive \$11.5 million, and \$22.6 million is designated for Purdue's extension program and related line-items (SBA). In total, the Purdue system will receive over \$393 million (SBA).

For the 2007-2009 budget and subsequent budgets, the state of Indiana changed its system of increasing general operations appropriations based on enrollment growth to increasing appropriations based on degree completion. The Indiana Commission on Higher Education (2009) hopes that this change will increase state-wide completion rates.

Endowments

Three Indiana institutions have endowments of over one billion dollars. At the end of fiscal year 2008, the University of Notre Dame's endowment stood at over \$6.2 billion (National Association of College and University Business Officers [NACUBO], 2009). The Purdue system's endowment was over \$1.7 billion, and Indiana University had an endowment of \$1.5 billion statewide (NACUBO). Rounding out the five highest endowments in the state, DePauw University's endowment was greater than \$539 million, and Wabash College held an endowment of over \$367 million (NACUBO).

Tuition

According to the National Center for Education Statistics (NCES, 2008), the average charge for tuition and fees for an in-state student at Indiana's public universities was \$6,604 in 2007-2008. Including room and board, in-state residents pay an average of \$14,096 (NCES). Indiana charges more than the national average, which in 2007-2008 was \$5,950 and \$13,424,

respectively (NCES). The two-year colleges of Indiana charged \$2,819 in 2007-2008, while nationally, the average two-year college charged just less than that, \$2,063 (NCES). Private colleges and universities in Indiana actually charge less than the national average. A student's total cost for attending a private college in Indiana in 2007-2008 was \$29,953, compared to the national average of \$30,393 (NCES).

Institutional Budgets

Budgets among Indiana institutions vary greatly between schools. The University of Notre Dame, a private institution, has a different budget style than Purdue University does.

Purdue University's 2007-2008 budget included over \$1.667 billion of funds received from a variety of sources. The \$1.667 billion budget was broken into four main sections. \$835.9 million is Purdue's general academic & base operation fund. \$447.6 million is restricted grant and gift aid. \$248.3 million stays within Purdue Auxiliary Services, and Purdue accounts \$133.7 million on both sides of the books as university student aid (Purdue University, 2008).

The largest single source of funds was from student fees. \$472.9 million was received from the students. Purdue received \$316 million worth of appropriations from the state of Indiana, including \$262 million of general operating appropriation, \$27.9 million of line item appropriations, and \$26.1 million of debt appropriation. The federal government directly appropriated \$15.4 million to Purdue University and provided Purdue with another \$150.6 million in federal grants and contracts. Purdue received \$94.1 million from non-federal sources of grants and contracts, and another \$32.5 million in gifts. Purdue generated over \$248.3 million from its auxiliary services and received \$133.7 million in student aid. \$48.9 million was generated by Purdue's cost recovery program, \$30.2 million from interest and other investment revenue, and \$122 million from other restricted forms of income (Purdue University, 2008).

As a private school, the University of Notre Dame's budget does not rely upon allocations of the state. Notre Dame's operating budget for fiscal year 2007-2008 was over \$730 million. Of that, \$276 million was spent on instruction, over \$69 million on research, \$16 million on public service, \$44 million on academic support, almost \$29 million on student activities and services, \$149.5 million on general administration and support, and \$144.9 million on auxiliary services. The University of Notre Dame receives the majority of its cash flows – over \$382 million – from student tuition and fees. Notre Dame's budgeting method considers scholarships, on which it spends over \$131 million, as a reduction from incoming tuition, for a net receipt of tuition of \$250 million. Notre Dame received \$76.6 million from grants and contracts, \$43.6 million from directed gifts and contributions, over \$178.6 million in returns on auxiliary services, and \$44 million from other sources. From its endowment, Notre Dame applied over \$95 million of investment returns to its operating budget and released over \$92.6 million of assets from restrictions (University of Notre Dame, 2009).

Comparisons with Ohio

The state of Ohio operates nine universities with at least high research activity, as classified by the Carnegie Foundation. Ohio State University and University of Cincinnati produce very high quantities of research, and Kent State University, University of Akron, Bowling Green State University, University of Miami, Ohio University, University of Toledo, and Wright State University each create a high quantity of research activity. Cleveland State University also grants doctoral degrees, but has a smaller research output. Youngstown State University offers additional master's programs, and four additional institutions and regional campuses, Central State University, Shawnee State University, Kent State-Stark, and Ohio University-Eastern each grant primarily bachelor's degrees. Seven additional regional and

branch campuses of the research universities offer a mix of associate and bachelor degrees, and thirteen branch and regional campuses offer primarily two-year associate degrees. In addition, the state of Ohio has chartered twenty three different community colleges and technical schools throughout the state, many of which have multiple campuses. In addition, Northeastern Ohio Universities College of Medicine is a specialized, medical campus, and the University of Miami operates two primarily health-based regional campuses.

The state of Ohio has appropriated over \$2.68 billion for higher and other postsecondary education for fiscal year 2009 (Office of Budget and Management, 2009). In fiscal year 2009, over \$1.7 billion was designated in direct appropriations to Ohio's public schools, and \$350 million was designated to the student access programs and the state financial aid system (Ohio Board of Regents, 2008). Although Indiana allocates almost \$1 billion less in total funds than Ohio, Indiana allocates more money per capita than Ohio does. With a population of 6,376,492 according to the 2008 US Census, Indiana allocates \$266 per Indiana resident to higher education. Ohio, with its population of 11,485,910, allocates only \$233 per Ohio resident to higher education.

As a result of Indiana's higher per-capita expenditures on higher education, and as a result of the sheer size of Ohio's higher education system, while Indiana's in-state charges in 2007-2008 were somewhat above the national average, \$14,096 and \$13,424, respectively, including room and board, Ohio charges even more, at \$16,354 for in-state tuition, room, and board (NCES, 2008). In addition, Indiana provides a higher average state financial aid award per financial aid recipient than Ohio (Indiana Commission on Higher Education, 2009).

Ohio's largest endowments during fiscal year 2007-2008 included the Ohio State University and Foundation, with over just over \$2 billion, Case Western Reserve University with

almost \$1.77 billion, University of Cincinnati with almost \$1.1 billion, Oberlin College with over \$760 million, and Denison College with about \$686.6 million (NACUBO, 2009).

Indiana's Efficiencies and Deficiencies

Professional Schools

One of Indiana's systematic efficiencies is its consolidation of expensive professional schools within its system. The state of Ohio provides financial support for six public medical schools. Ohio State University, Ohio University, University of Cincinnati, University of Toledo, Wright State University, and Northeastern Ohio Universities College of Medicine each offer medical education. Indiana offers only one medical program, located at IUPUI. According to US News and World Report's rankings of Best Medical Programs, IUPUI is ranked higher than any Ohio medical school in its primary care program (2009). Ohio State University and the University of Cincinnati are ranked higher than IUPUI in medical research (US News & World Report), but medical research can be costly and divert funding from being used to actually educate future doctors.

Indiana University's Board of Trustees oversees Indiana's two law schools, the Maurer School of Law in Bloomington and the Indiana University School of Law in Indianapolis. Ohio has five universities which provide legal education: University of Akron, University of Cincinnati, Cleveland State University, Ohio State University, and University of Toledo. When law professors can expect to earn \$82,000-\$182,556 based upon rank plus benefits in Ohio and Indiana (Society of American Law Teachers, 2009), centralized programs can increase schools' return on faculty salaries.

Technology and aviation programs are characterized by expensive faculty, costly materials, and equipment upkeep. Purdue University's College of Engineering offers a

comprehensive engineering program at five locations throughout the state. Purdue's West Lafayette campus, Purdue Calumet, Purdue North Central, IPFW, and IUPUI each offer an array of engineering programs based upon the College of Engineering curriculum. While Purdue's branch programs cannot match the facilities or the faculty of the West Lafayette campus, which is consistently ranked highly at the undergraduate and graduate levels, the systematic nature of the program facilitates sharing of knowledge and resources. The state of Ohio sponsors comprehensive engineering programs at seven of its universities, none of which rival Purdue in program quality. Purdue University is also the home of Indiana's only university airport. Ohio has operational airports at Ohio State University, Ohio University, and Kent State University.

Economies of Scale

While Ohio spends a great deal of money on ensuring comprehensive undergraduate and postgraduate education in every corner of the state, Ohio could learn from Indiana's streamlined system of higher education. Rather than funding nine research universities across the state, as Ohio does, Ohio could select a few institutions as research institutions based upon institutional strengths. Increasing the scale of research operations at a small number of institutions should help consolidate expensive research operations by sharing facilities, grant administrators, grant writers, research assistants, and other related costs.

Indiana makes use of economies of scale in a number of ways. Ohio's six public medical schools have enrollments of between 417 and 843. IUPUI's medical program has an enrollment of over 1200. Indiana's system-based organizational structure creates levels of bureaucracy, but eliminates the need for multiple boards of trustees, for instance. Common endowment pools for state-wide systems provide endowment relief to each campus in the system with an increased likelihood for donation support for smaller campuses. Networking technologies have allowed

Indiana's state-wide systems to hold simultaneous classes at multiple campuses. For instance, a class held at the Bloomington campus can be simulcast in a technology classroom in Indianapolis, allowing for full, real-time participation in the class with the same instructor.

Competition between Community Colleges and Regional Campuses

While most states were growing and developing a community college system in the 1960's and 70's, Indiana University and Purdue University resisted the movement and proposed instead to open campuses throughout the state, at which they would offer associate, bachelor, and postgraduate degrees (Trombley, 2000). At the time, Ivy Tech offered only vocational education, including vocational associate degrees and certification. Students who graduated with such vocational credentials were not continuing their education to the bachelor's level, even at the regional campuses. For that reason, and because Indiana ranked 48th nationally in number of adults 22-48 with a bachelor's degree (Trombley), the Indiana Commission on Higher Education mandated the addition of liberal arts coursework to existing Ivy Tech campuses statewide.

2009 marks the ten-year anniversary of the Community College of Indiana, and the roles between regional campuses and community colleges still have not been clearly defined. Every regional campus except Purdue University-Calumet shares a municipality with an Ivy Tech CCI location, and Purdue-Calumet has neighboring campuses in two nearby towns. Such overlap in campus locations, plus the differential in tuition between the regional campus and the community college, should have driven the regional campuses to reduce or remove their associate degree offerings.

Some overlaps in degree program offerings are almost comical. Purdue University-Calumet, Indiana University-Northwest, Ivy Tech-East Chicago, and Ivy Tech-Gary each offer an associate degree in business administration. A well-placed circle with a seven-mile radius

would include all four campuses. Indiana University-Kokomo and Ivy Tech-Kokomo each offer associate degrees in criminal justice. How much of a demand can a town of just over 46,000 people have for criminal justice careers? Indiana will need to find a better mix of programming options for its community college and regional campuses to best maximize its use of educational funding.

Ohio is more effective than Indiana at balancing program offerings between regional campuses and community and technical colleges, but Ohio's system of higher education allows for unproductive competition between research universities. In three geographic regions – Cincinnati, Toledo, and Akron – large research universities are unnecessarily close geographically. Although the institutions in these regions work to differentiate their programmatic offerings, their presence causes undue competition for precious student enrollment. Further eliminating competing programs between paired universities is important to ensure best use of scarce resources.

Conclusion

Although both Indiana and Ohio charge higher than average tuition for an in-state tuition, the scope and size of their higher education systems are different. If Ohio's educational system can be criticized for making higher education convenient at considerable expense, Indiana's system is unnecessarily internally competitive at the undergraduate level. While undergraduate students in Indiana have more convenience and more access to the first two years of higher education than ever before, Indiana's state-wide systems must be more mindful of their role in increasing the number of bachelor's degree recipients within the state. While Ohio provides myriad opportunities for postgraduate study, unnecessary duplication of expensive graduate and professional programs raises the price of undergraduate education in the state. While neither

Ohio's nor Indiana's system of higher education is perfect, the analysis of the two systems in tandem can help analysts identify best practices for funding higher education in an age of ever-diminishing state appropriations and a wider gap between students who can afford to attend college and those who cannot.

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