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Report TO THE
Community

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Indiana's Future



In a recent issue of *Trusteeship*, a publication of the Association of Governing Boards, a fellow of the AGB explained that some states are harnessing the power of public university research to improve the lot of their citizens, while others are not. An AGB study in progress shows that states with winning combinations score high on five critical success strategies: political leadership, a compelling vision, a plan or plans with measurable outcomes, an effective organization of institutions with good working relationships, and new resources. Despite the recent experience in state budget making, Indiana may be closer than one might think to scoring high on these strategic measurements. For example, the Central Indiana Life Sciences Initiative demonstrates leadership, vision, a plan, strong working relationships, and some new resources. We have great hope for its, and our state's, future.

As we work to become a high-achieving state, we must recognize that the state's ability to provide new resources for higher education will be limited. We have long since abandoned the idea that significant growth will be funded by the state as it may be in sunbelt states with faster growing populations. But should this reality predict relative decline and demoralization? Far from it. The best public universities will be those that build coalitions of business and government, take their futures in their own hands, and create alternative resources while maintaining a strong commitment to their public purposes. This is what Indiana University President Myles Brand described as "America's New Public University" when he launched the Strategic Directions Planning Process at IU nearly eight years ago.

Costs, Productivity AND Entrepreneurial Spirit

The best public universities will be those that are good at managing and controlling real costs, while increasing the breadth and quality of their outputs through an entrepreneurial spirit.

In furtherance of reducing costs, at IUPUI we have created one of the most transparent financial systems of any university, with ample information and authority vested in frontline managers to understand and reduce administrative costs. We have been a leader in using activity-based cost analysis, outsourcing, and reorganizing to lower the cost of administrative services. This year we are implementing recommendations of an IU Task Force on Non-Academic Administrative Services that are designed to consolidate back-office operations between IU Bloomington, IUPUI, and central university administration. All the recent evidence suggests that Indiana University and IUPUI continue to shape important models for keeping administrative costs to a minimum.

Any efforts to reduce administrative costs, however, should be part of a larger effort to achieve high performance and high quality in our academic programs. Not only do we want to avoid false savings that may reduce administrative costs at the expense of academic quality, but we must continue to develop a better understanding and measures of the outcomes of our work. We must continue to cultivate a culture of evidence and improvement that will help us find new ways to create better conditions for learning and to make ourselves accountable to our various publics. A good symbol of our emphasis on data-driven accountability and decision making is found in the performance report for IUPUI, published annually for public distribution since 1996.

Transparency, data, and good metrics contribute to an entrepreneurial environment that pervades every part of the university, both administrative and academic. It was in this environment that IUPUI faculty colleagues created Oncourse—the software now used as an online teaching platform for all faculty across Indiana University's campuses. Oncourse also begot ANGEL (A New Global Environment for Learning), an advanced version of Oncourse, developed here at

IUPUI, which has been licensed through a company created under the auspices of ARTI, IU's Advanced Research and Technology Institute. ANGEL has been adopted by our School of Medicine and at major universities across the country; most recently, at Penn State University's 30 campuses.

Another reflection of this entrepreneurial spirit is the Kelley Direct Online MBA program. The Kelley School of Business chose to develop this program here because of IUPUI's flexibility and support for innovative activities. Kelley Direct admitted its first students in August 1999, limited to employees of a few companies that had entered into a contract with the Kelley School. The growth in interest has escalated and enrollment has been opened to qualified students across the world. Kelley Direct has a projected enrollment in 2002 of 700 students, with entering credentials interchangeable with the Kelley cohorts in residence at Bloomington and IUPUI. Its possibilities are profound and could provide a pathway to serve key constituencies of various other programs.



Managing Enrollments AND *Fees*

The best public universities will become proficient at creating optimal fee rates for various academic programs. This will mean allowing the tuition rates for graduate programs of various kinds to float closer to the market, recognizing, as always, that adequate provisions must be made for financial aid so that access is not impaired. At the undergraduate level, this may mean having special fees for some high-cost programs, such as business, engineering, and nursing—again with adequate provision for financial aid opportunities. It may also mean strategic increases for general undergraduate programs. These will be used for special efforts, such as the initiative undertaken by the Trustees of Indiana University in 2001-2002 to address retention through the recruitment of full-time non-tenure-track lecturers to replace part-time faculty; or it may include other initiatives to support the advancing quality, number, and compensation of tenure-eligible faculty such as at Purdue University.

Optimal pricing strategies must be employed concurrent with the production and measurement of higher levels of student learning. At the top of IUPUI's learning goals has been an effort to produce more people who can lead Indiana's economic, cultural, and civil society. We have sought to award more high-quality degrees, at both the graduate and the undergraduate level. In pursuit of this goal, more than a decade ago, under the highly effective leadership of Executive Vice Chancellor and Dean of the Faculties William M. Plater, we examined how we could mine and cultivate more undergraduate students for the entire range of public higher education opportunities in the region. We sought to create a more complete system of higher education for our city and state. We accomplished this by forming a very productive partnership with Ivy Tech State College. Our aim was to make Ivy Tech into a community college where, we presumed, there would be a better capacity to help students in need of basic preparation for college-level study. This also was to help refocus IUPUI's undergraduate role so that it could be more coherent and better articulated with the lower-division programs at Ivy Tech. Of course, this relationship has accelerated dramatically with the formal designation of Ivy Tech State College and Vincennes University as the Community College of Indiana (CCI).

In this accelerated mode, we envisioned that we would refer an increasing number of students to the community college. We also assumed that this would allow us to devote more resources to helping those students who were admitted at IUPUI as entering first-year undergraduate students. Over these past two years, we have referred roughly 2,000 students to the community college under our Passport Program. This is the program by which we specify courses that students should take at the community college. If the students complete the specified courses with passing grades, they are admitted automatically with advanced standing at IUPUI with specified credit for the completion of those courses. Students know exactly where they stand upon completion of Passport Program courses.

At the same time, for the fall term 2001, we increased our tuition for undergraduates by 7.5 percent. This tuition increase was higher than our normal increase, well beyond the Consumer Price Index (2.6 percent as of 9/1/01), and modestly beyond the Higher Education Price Index (4.8 percent), but not higher than the average public university increase nationwide for the year (7.7 percent). Also, in the months leading up to the beginning of the fall term, there were rumors, based on our advertisement of off-campus parking, that parking on campus would be more difficult. In fact, it wasn't, but the perception existed just the same.

Despite all these factors—more referrals, higher tuition, and a concern that parking would be more difficult—our enrollments for the fall term 2001 once again set the IUPUI record, both in credit hours and in headcount. We began the fall term with 28,340 students, an increase from the previous year of 535 undergraduates and 330 graduate students. This is a total percentage change of 3.1 percent over the previous year. While we had a slight reduction (7 percent) in the number of new beginning undergraduate students, we increased retention, transfers, and the number of students who were returning to their studies by sufficient margins so that the undergraduate population increased by 2.7 percent. Our work is not done, however. We are at midpoint in this transition. We will have to work hard again this year to make sure we don't have a dip in enrollments as we refer more students to the community college; as the community college spends more than two times what IUPUI spends on marketing and advertising; as other universities escalate their advertising and recruitment activities here; and, as is likely, we increase our tuition rates again for the fall term of

2002 by an amount that may alter the price relationship between our undergraduate programs and those offered by other public institutions. Our early returns show that these forces may cause us to lose some enrollments this fall.

Research

Success for public universities will include the capacity to attract increased grant funds. We must also manage those grants in a manner that will create synergy and net benefits to academic programs as well as important secondary benefits to the economy. This has been a remarkable success story at this campus. Primarily through the School of Medicine, the campus has gone from a minor generator of grant income to the leading generator of grant income for IU.

In an address to our Faculty Council four years ago, I said that we should double our research income from \$128 million to \$256 million within five years. It seems we have achieved that goal, and then some, one year early. By the way, the message four years ago called for more graduate-level degrees to be awarded – including master's, Ph.D.s, and professional doctorates. This last year we awarded 18.5 percent more of those degrees than four years ago.

The total for IU and for IUPUI in grants for 2000-01 includes the Indiana Genomics Initiative grant of \$105 million from the Lilly Endowment, nurtured into existence by Myles Brand, Craig Brater, Ora Pescovitz, and others. This particular grant is not likely to be duplicated in other years. Even without the INGEN grant, we generated more than \$190 million during the last year, an all-time record in the history of IU, and up nearly 16 percent from the comparable figure for the previous year. Of that amount, 78 percent (\$148.5 million) was generated by the School of Medicine, and 22 percent (\$42 million) was generated by the other schools at IUPUI. These are roughly the percentages that have prevailed over the years, which means that research outside the School of Medicine has grown at the same pace as within the School of Medicine, even though medical research has been fueled by increasing NIH funding.

The most successful public universities of the future will capitalize on their research by establishing appropriate incentives and ownership rights so that intellectual property can be cultivated and exploited. According to the March 22 *Chronicle of Higher Education*, American colleges and universities collected more than \$1 billion in royalties, and created 368 spin-off companies. This total licensing income, however, is attributable to some very large one-time infusions of income, the biggest of which was a \$200 million Genentech, Inc., settlement of a lawsuit over patent infringement with the University of California at San Francisco. Nevertheless, the number of institutions reporting large royalties grew; 14 of them reported royalty earnings in excess of \$20 million, while only 8 had reported above \$20 million in the year before. Nineteen institutions reported earnings more than \$10 million, while only 14 reported in that category the year before.

This is another arena in which IU and this campus have performed well, although we are still not up in the higher reaches of university licensing income. The data show episodic but clear progress in all critical areas, including invention disclosures, licenses executed, patent applications, patents issued, and licensing income. Last year, for all of Indiana University, 29 patents were issued through the Office of Technology Transfer in ARTI (more than double what it was five years ago); 26 of those were issued pursuant to work at IUPUI. Similarly, 2001 ARTI processed \$4 million in licensing income for all of IU in FY 2001 (more than four times the amount received in FY 1996); \$3.4 million of that income was generated at IUPUI. If trend lines for licensing income are extrapolated, this income could become a major source of support.



The Campaign FOR IUPUI

The best public universities will also become very good at attracting philanthropic support, another arena in which IUPUI programs have gone from underdevelopment to prominence. Some of our units have not had much of an opportunity to engage in fundraising. Some have only recently had development officers assigned as part of the Campaign for IUPUI, which began its quiet phase in 1997.

Despite this late start, our units have been remarkably successful in this first-ever campaign for all our campus programs. We have even talked of beginning a treble, quadruple, and quintuple club for those units that have already, as of the time of the announcement of the public phase of the campaign, earned commitments that are three, four, or five times the estimate of what they could derive from the entire campaign. Of course, school goals were accordingly set higher. As of nine months after the date of the public event held here on campus to announce the campaign and its goal, the IUPUI campaign has projected commitments of nearly \$650 million of the \$700 million goal or 93 percent. Many schools are already over their initial goal. The law school is 138 percent over goal; Liberal Arts, 165 percent; Herron, 103 percent; and the largest unit, Medicine, is 89 percent of a goal that has already once been revised upward.

This is not only going to be the largest public university campaign in the history of Indiana to date, but it means that we should achieve a total that will put the campus in very elite company nationwide. Congratulations are in order for IU President Myles Brand, the IU Foundation, and all those within our campus community who have worked on the campaign.

Our Commitment TO *Public Engagement*

Our ability to cultivate these other resources and to withstand the shock of declining state support should make us confident and optimistic. Our management of undergraduate enrollments and student fees, our success in reducing costs, our focus on data and measurements of outcomes, our research success, our intellectual property generation, our licensing income growth and potential, and our successful fundraising campaign are all likely to be defining attributes for the next era of higher education. But are we becoming more like a private university, following the paths of some of those that have become elitists, not just elite? No, we're not. On the contrary, we are reaffirming our public commitments in various ways. Here are a few examples.

Our Neighborhood

The decision about where to locate this campus, made long ago, rejected centrifugal demographic forces and the appeal of less expensive land in the suburbs. Instead we pursued a commitment to be here in the center of the city, in part because of the government-supported hospitals already located here. It was a commitment that was made when the downtown area was not nearly as compelling as it is today. Since those early days, however, and with our help, our neighborhood has become a model for center city development. Along with Clarian, we have a solid commitment to make the northwest quadrant of downtown Indianapolis the best urban environment in the world.

Also, our own facilities development activities have contributed to the excitement and energy of this downtown neighborhood and constitute a reaffirmation of our commitment to downtown. There are no less than nine projects in varying stages of completion. Four of those projects (Research II, the Biotechnology Research and Training Center, VanNuys II, and the Communications Technology Complex/Informatics Complex) are under construction, and there should be three more groundbreakings (campus housing, the campus student center, and Eskenazi Hall, the new home for the Herron School of Art) in this coming academic year. This building boom on campus,

funded mostly with non-state resources, will be a real boost for the Indianapolis economy—lots of jobs and purchases. These seven projects will mean a total construction expenditure of \$235 million with less than 40 percent of the cost supported by state higher education facilities bonds.

Access and Opportunity

Our public responsibilities include creating access and opportunity for all members of our community and creating diversity in our university community that is essential to a high quality education for the 21st century. We envision Indianapolis as a city of the future in terms of race and diversity. Empowered by this campus, this city should continue to become a center for African and Hispanic American culture and success—a cosmopolitan city with a rich multicultural life. As a new member of the board of the Indiana Black Expo's effort to create an African American Historical Museum, I hope we can build that museum adjacent to IUPUI. Moreover, I like the vision stated by Dennis Bland, our law alum and the new head of the Center for Leadership Development. He said Indianapolis should become the nation's leading large city in terms of the percentage of its minority students who attend universities.

In January, I was pleased to give IUPUI's third State of Diversity message in which, among other things, I reported another record minority enrollment in both numbers and percentages. Today, minorities comprise almost 15 percent of our entire IUPUI student body. This continues to be the largest minority postsecondary student body in the state. One startling but welcome statistic is a 117 percent increase this year in the number of minority students who expressed an interest in graduate programs at IUPUI.

Community Engagement

IUPUI has remained engaged to help our city make the right policy choices through interdisciplinary centers such as SPEA's IU Center on Urban Policy and the Environment. We've provided cutting-edge education and service, both nationally and to our own not-for-profit community, through the IU Center on Philanthropy. We've renewed our teacher preparation programs, we've supported teachers in practice, we've engaged in various ways to promote educational achievement,

and we've joined with other area universities to make the transition from high school seamless, through the Lilly Endowment-funded Project SEAM. I am joining with 14 other urban university presidents/chancellors in writing case studies this year to highlight our involvement in promoting K-12 educational success—studies that will be compiled into a nationally distributed book. I'm serving as co-chair of the Lilly Endowment-funded Indiana INTERNnet to encourage college-level internships. Through the Purdue School of Science's Center for Earth and Environmental Science, we have given this region a new capacity to understand environmental science issues. The United Filter Company, the new manager of the Indianapolis Water Company, has committed to \$5 million over 20 years to joint research and development programs regarding water purity. We have made many profound contributions to the city's arts and culture, culminating in Herron's move to Eskenazi Hall—a fitting way to launch the new century. Currently, I'm privileged to serve on the mayor's newly appointed Commission on the Arts.

New Degree Programs

IUPUI has been aggressive in responding to postsecondary educational needs, as well. More than a decade ago, IUPUI created the Community Learning Network, which this year is serving more than 26,000 learners in both noncredit and degree programs. And we've responded to community need by creating new degree programs, of special importance to the economy. Since July 1986, IUPUI has created 24 new master's degrees, 9 baccalaureate degrees, 7 associate degrees, and 1 doctorate with Indiana Commission for Higher Education approval. Additional Ph.D.'s were created through IU and Purdue by offering already approved degrees for work done at IUPUI through IUPUI-based IU and Purdue faculty. These degree programs were created in such fields as electrical, mechanical, computer, and biomedical engineering; informatics; music technology; economics; early childhood education; public health; and hospitality and tourism (something close to my heart since I now have the honor of chairing the board of the Indianapolis Convention and Visitors Association). To date nearly 700 students have graduated from these programs. As of fall 2001, more than 1,250 students are in the pipeline toward graduation in these new programs. Only one of these programs received new state funding, and that amount was miniscule. IUPUI faculty did the rest on their own as entrepreneurs in the public interest.

Economic Development

Beyond degree programs, IUPUI has been instrumental as the site for important economic development efforts. IUPUI is the home of the operation centers for several advanced networks and three of the Lilly-funded Pervasive Technology Labs that are now being staffed. It is the purpose of these ventures to create economic growth in advanced information technologies. But the most important economic development strategy is the Central Indiana Life Sciences Initiative led by our mayor, business leaders, the Central Indiana Corporate Partnership, and IU and Purdue presidents, Myles Brand and Martin Jischke. More than any other, this is the initiative that most closely fits the success strategies for states as outlined by the AGB. It reflects leadership, vision, a plan, an effective organization with good working relationships, and new resources in the way of the Lilly Endowment-funded Indiana Genomics Initiative.

The life sciences initiative also brings into focus our research corridor in central Indiana. Joined as we are by Purdue West Lafayette on the north, which is mobilizing to claim a new preeminence, and IUB at our south, with a renewed focus on its own preeminence, we should continue to see the attention of the state and nation focused here. It will be focused here because these three campuses, connected through initiatives such as life sciences, form the long discussed Indiana research corridor, with IUPUI at the center.

Our Role

These thoughts have kept my wife, Jean, and me full of energy and enthusiasm for the work to be done here at IUPUI. We've been filled with pride for all the wonderful features of our two great universities that have come together here to generate a special spirit and ethic that has emboldened faculty, staff, and students alike. We feel privileged to have been asked to help advance the IU and Purdue programs in this remarkable city, which is itself becoming more and more livable, and shows many signs of being the key to the entire state's future.

And there's another important ingredient. Jeff Smulyan, president and chief executive officer of Emmis Communications, spoke this year at the Economic Club of Indianapolis about our greatest advantage—Hoosier values. He said:

As trite as that sounds, I am convinced that Hoosier values mean more than just about anything else.

We have nearly two centuries of people who work hard and play by the rules.

People who have integrity . . . whose words means something.

People who care about their neighbors.

People whose fundamental decency shines through every day.

People who aren't arrogant.

People who aren't afraid to roll up their sleeves to solve problems.

When Jeff was in Seattle, as owner of the Mariners, he was once criticized for saying something about Indianapolis. He said that, in Indianapolis, we could solve a problem in three days that has vexed Seattle for years. Jeff is right!

Our ability to roll up our sleeves and succeed produces leadership. Myles Brand is providing visionary leadership for IU as Martin Jischke is for Purdue. They are partners in their vision for what only the research universities can do in moving the state forward. Jean and I look forward to continuing to be aggressive supporters of this leadership team in the year ahead, and then to being their cheerleaders as they work with government and business leaders to combine the five ingredients that the AGB study identified. We want to be the best at harnessing the power of public university research resources to improve the lot of our citizens. Buoyed by the intangibles mentioned by Jeff Smulyan, I believe that we will create the winning combination of these critical success factors and become a major producer of new higher paying jobs, not only keeping more of our graduates in Indiana, but luring many people from other states. We need to take back those congressional seats that have been stolen from us so rudely by sunbelt states, something I believe we can do when we are fully mobilized.

