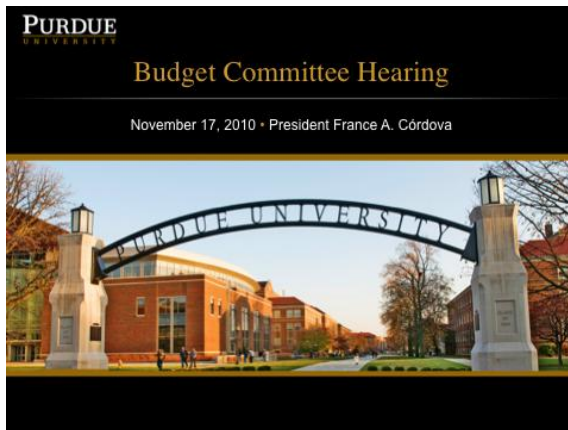


President France A. Córdoba
State Budget Committee Hearing
Statehouse
Indianapolis, Indiana
Wednesday, November 17, 2010

SLIDE 1: Title Slide



Good afternoon. I am France Córdoba, president of Purdue.

Thank you to Chairman Kenley and the other esteemed members of the State Budget Committee for inviting me to speak today. We appreciate the strong support of Governor Daniels, Lieutenant Governor Skillman, and our state lawmakers.

Last week, I attended the Indiana Chamber of Commerce Annual Award Celebration. There was valuable discussion about important issues that face us, including the growth of Indiana businesses and the role that education plays in that objective.

Universities can partner with government and business to deliver talented, educated students for the workforce of today and the businesses of tomorrow.

We are cognizant of the state's projected structural deficit, which we understand is on the order of roughly \$1 billion dollars. On Monday, we presented the state's fiscal situation – and its impact on Purdue – to our University Senate, which includes faculty, staff, and student members, as well as representatives from our regional campus senates.

We are communicating with the university community to help them understand the economic situation and the fiscal discipline that is necessary for Purdue to retain the quality for which it is renowned, and remain a vital employer and contributor to the state of Indiana.

In that presentation, we also shared specific actions that Purdue has taken to address the fiscal challenges, which I will cover in a few minutes.

Before I do that, I want to recognize that the state is investing in Purdue and illustrate how that investment is paying off.

First, student success.

[CLICK SLIDE]

SLIDE 2: Student Success

The slide features a dark background with a gold header bar containing the text 'Student Success'. Below the header, there are four bullet points: '• SAT and ACT scores: Up!', '• High school class ranking: Up!', '• High school GPA: Up!', and '• First-year retention: Up!'. To the right of the text, there are two small inset images: one showing three students in white lab coats working in a laboratory, and another showing a student in a blue shirt working at a table. The Purdue University logo is located in the bottom right corner of the slide.

This is our “Boiler Up” slide, which shows that the success of Purdue’s students continues to increase.

- This year’s freshman class has the highest average SAT and ACT scores in our history.
- Their class ranking and high school GPA are also the highest in our history.
- Our returning students showed a record-high first-year retention rate of 89 percent this year.

Purdue is producing more than 13,000 total degrees system-wide every year (bachelors, associate, educational specialist, professional, and graduate degrees). This includes nearly 9,000 bachelor’s degrees.

In the last few months, several national rankings of Purdue have told a strong story for the state’s investment.

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SLIDE 3: Reputational Rankings



The slide features a dark background with a gold header bar containing the text "Reputational Rankings". On the left side, there are three small inset images: the top one shows a group of students with a "BEST" award logo; the middle one shows two men in a discussion with an "FT" logo; the bottom one shows a group of people with "Bloomberg Businessweek" and "WSJ" logos. To the right of these images is a bulleted list of rankings. The Purdue University logo is in the bottom right corner of the slide.

Reputational Rankings

- Recognized in 5 out of 8 Student Success categories
- Among Top 12 Best Undergraduate Teaching
- 18th among national public universities
- Engineering ranked 8th
- 21st worldwide among international executive MBA degree programs
- Among Best College ROI Bargains
- 4th among Top 25 Recruiter Picks

PURDUE UNIVERSITY

- In the section “Finding the Right College,” *U.S News & World Report* described Purdue with a “reputation as big as space itself, and a student body trained to think locally as well as globally.”
- *U.S. News* acknowledged Purdue for its commitment to undergraduate teaching and programs that ensure student success.
- Particularly impressive was our cited “unusual commitment to undergraduate teaching” – which affirms that, in the minds of the presidents and provosts polled, Purdue excels in both teaching and research.
- *U.S. News* ranks Purdue 18th overall among national public universities, up from 22nd last year. Purdue was the only Big Ten university that showed improvement.
- Purdue’s College of Engineering was ranked 8th in the country with nine of its individual programs receiving top 10 rankings.

- The Krannert School of Management's International Executive MBA degree program placed 21st worldwide in rankings released by *Financial Times*.
- *Bloomberg BusinessWeek* named Purdue one of the "Best College Return-on-Investment Bargains," boasting a 30-year net return for graduates of more than \$1 million dollars. Additionally, among the 14 Indiana private and public institutions in the study, Purdue - West Lafayette was ranked #1 in annualized net ROI for in-state students.
- A recent *Wall Street Journal* survey of 800 corporate recruiters ranked Purdue 4th in the nation in preparing its students for the workforce.

This steady rise in our rankings tells us that our student success initiatives are working.

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SLIDE 4: Research Awards, Inventions, and Start-Ups



Every legislator who has toured our facilities has come away with a powerful impression of the new innovations that are happening at Purdue and how those discoveries will benefit society and the economy. Our current effort is to have more legislators visit our campus and see the benefit firsthand.

Our research funding stands at record levels. In fiscal 2010, Purdue's faculty brought in nearly \$440 million dollars in sponsored research awards, the most in our history and a nearly 30 percent increase from the previous year.

The increase in sponsored research awards represents 700 new or continuing jobs.

Purdue researchers have also produced breakthroughs that have resulted – or may soon result – in commercial applications to benefit society.

This year, our faculty researchers have earned a record number of 51 patents and 257 invention disclosures. That's an increase of nearly 55 percent in patents and 30 percent in disclosures over the previous year.

Additionally, across Indiana, our network of commercial incubators provides high-tech companies with a platform to spur aggressive growth through entrepreneurship.

- The network currently has 200 companies and just over 4,000 employees.
- Nearly 85 percent of the startups in the Purdue Technology Park are still in operation after three years and longer.

And Purdue's Extension Offices provide services in all of Indiana's 92 counties.

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SLIDE 5: Negishi



Following in the footsteps of our two World Food Prize winners, is our 2010 Nobel Prize Winner for Chemistry, professor **Dr. Ei-ichi [H.] Negishi**. He has made great contributions to both research and teaching.

His research has also impacted Indiana, with nearly 25 percent of all chemical reactions in the pharmaceutical industry based on his method.

I am especially pleased that Professor Negishi continues to teach an organic chemistry class to 300 Purdue sophomores.

We are investing in our top-ranked faculty, and in turn, they are increasing the quality of the classrooms at Purdue through their interactions with students.

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SLIDE 6: 2011-13 Operating Budget Request

2011-13 Operating Budget Request

Purdue is within \$1 million of 2004-05 levels
(WL campus)

Key Items:

- Successfully Completed Credit Hours Adjustment
- Research Support Adjustment

Let's turn to the matter at hand ... how Purdue can partner with the state to meet the fiscal challenges we face.

In late August, Purdue presented its request for incremental operating appropriations to the Indiana Commission for Higher Education and the State Budget Office in line with levels determined by their formulae. This is something that we have been preparing since November of last year.

We appreciate that the Commission and Legislature recognize the impact that graduates from our regional campus have on their local communities ... that sponsoring agencies do not reimburse all of the indirect costs related to research ... and their acknowledgement of the substantial need for repair and rehabilitation funding.

Consistent with the Commission's guidelines, Purdue's request for operating appropriations totals an increase of \$20.5 million dollars for various performance measures, such as research support and successfully completed credit hours.

This total does not include increases associated with what the Commission defines as “maintenance” -- or inflation -- and “quality improvements” for new programs -- even though those are real costs.

As also requested in the guidelines, we did not include increases for the state line item budgets.

I can address any questions you may have about our specific request, but in my remarks today I’d like to cover four important items.

First, for the West Lafayette campus, this year Purdue is within \$1 million dollars of 2004-05 appropriation levels. In 2004-05, our appropriation was \$240 million dollars, and this year, our appropriation is \$241 million dollars.

We understand the restraints that limit our operating budget and are prepared to work toward a plan that will allow us to accommodate an operating budget without increases ... but we very much need our requested research support adjustment and R&R funding.

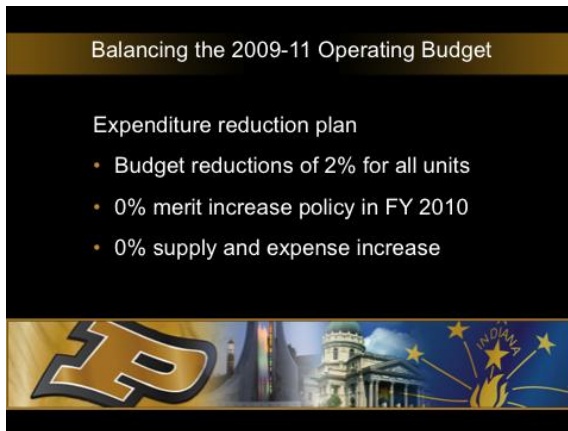
We stepped up our own efforts to operate within a restrained environment by restructuring our operations so that we could reinvest in our goals. We put a great deal of energy behind maximizing our resources to ensure that we can continue to retain talent and provide value, while operating with a flat budget request.

Our goal is to be as well known for our operational excellence as we are for our academic excellence. This is an important goal because:

- Purdue is the largest employer in the local area,
- Purdue is the 5th largest employer in the state, and
- Our annual economic impact on the state exceeds \$4 billion dollars.

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SLIDE 7: Balancing the 2009-11 Operating Budget

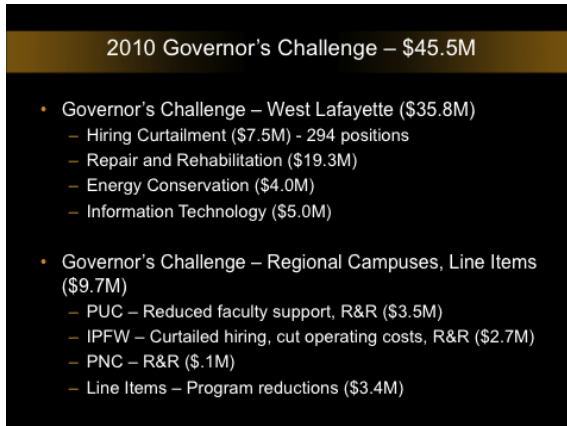


To balance our 2009-11 biennial operating budget, Purdue created an expenditure reduction plan that included:

- Budget reductions of 2% per year for all units,
- 0% merit increase policy in FY 2010, and
- 0% supply and expense increase.

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SLIDE 8: 2010 Governor's Challenge



2010 Governor's Challenge – \$45.5M

- Governor's Challenge – West Lafayette (\$35.8M)
 - Hiring Curtailment (\$7.5M) - 294 positions
 - Repair and Rehabilitation (\$19.3M)
 - Energy Conservation (\$4.0M)
 - Information Technology (\$5.0M)
- Governor's Challenge – Regional Campuses, Line Items (\$9.7M)
 - PUC – Reduced faculty support, R&R (\$3.5M)
 - IPFW – Curtailed hiring, cut operating costs, R&R (\$2.7M)
 - PNC – R&R (\$.1M)
 - Line Items – Program reductions (\$3.4M)

Additionally, Purdue – West Lafayette has been engaged in a yearlong effort to **cut costs** and improve efficiencies – both to respond to the Governor's \$45.5 million dollar challenge and also to prepare for this year's biennial budget appropriations process.

We achieved a cut of \$36 million on the West Lafayette campus by:

- Curtailing hiring,
- Deferring repair & rehabilitation,
- Implementing energy conservation efforts, and
- Realigning our Information Technology infrastructure.

Our regional campuses and programs funded on state budget line items contributed the remaining \$10 million, as shown on this slide.

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SLIDE 9: FY 2011-13 Deficit Reduction Plan

FY 2011-13 Deficit Reduction Plan	
Projected Recurring Budget Plan Deficit	(\$67,400,000)
Plan Changes and Reductions	
Total Recurring Salary Policy Change	26,280,000
<i>1.5% Salary Increases versus 3.0% for FY 2011-13</i>	
Total Revenue and Central Expense Reductions	21,120,000
<i>\$8M New Revenue, \$13.1M Reduced Expense (Medical Cost, Energy)</i>	
Total College & Operating Unit Expense Reductions	20,000,000
<i>Unit Budget Reductions of 2% FY 2012 and 2% FY 2013 (\$10M IT, \$2.9M Strategic Sourcing, \$ 5M Overtime, \$6.6M Unallocated Balance – ex. Early Retirement Contribution)</i>	
Total Reductions	<u>67,400,000</u>
Remaining Deficit	0

In response to the state economic challenges, Purdue projected a deficit of \$67 million dollars for FY 2011-13. To address this deficit, Purdue developed the following plan, shown here.

- We identified \$26 million in savings by changing our salary policy from 3% to 1.5% increases for FY 2011-13.
- We have identified revenue and additional places for cost savings.
- We asked all of our units to scrutinize how they operate through budget expense reductions of two percent during each of the next two years. To find those savings, they will use savings from:
 - Information Technology restructuring,
 - Strategic Sourcing,
 - Revision of the overtime pay policy, and
 - An Early Retirement Incentive.

Examples of what we have achieved include:

- Keeping medical premium increases to 6 percent despite the national average of 12 percent.
- Reducing the institution's retirement contribution from 15 percent to 10 percent and requiring employees to contribute 4 percent. The university increased the budgeted salaries of affected employees to maintain total compensation levels.
- We continue to strive for administrative efficiencies.
 - According to the recently released Goldwater report, Purdue has the lowest number of administrative employees per 100 students -- at 6.7 -- among our peer institutions. Purdue also has the lowest among the top 20 public universities as ranked by *U.S. News & World Report*.
 - The number of administrative personnel remained unchanged over the last 10 years when normalized by the number of faculty. In 2009, the number was 114 per 100 faculty, and is the lowest among our Big Ten/Peer comparison group.

We've **retained great people** and we've seen the success that comes from that in student success, enhanced rankings, and significant gains in sponsored funding for research.

Scholarships from the state, private giving, and Purdue help defray costs and make a college degree more affordable for students. And we appreciate the SSACI funding and federal funding that have contributed to this area.

According to a report from the U.S. Department of Education, Purdue has the second lowest “net cost” among all Big Ten universities.

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SLIDE 10: 2011-13 Operating Budget Request



The second key item I’d like to mention today is Purdue’s Successfully Completed Credit Hours Adjustments for our regional campuses.

This incentive is an evolution from enrollment growth, and we commend the Commission and the Legislature for focusing on performance at our regional campuses. It demonstrates their impact on their regions and their graduates’ contributions to the state.

The third key item I'd like to mention today is Purdue's Research Support Adjustment.

The research support adjustment is an important part of Purdue's operating request. In order to secure additional external funding from sponsored research grants, we must expend resources in support of research, such as cost-sharing on sponsored awards, start-up packages to attract top researchers, support for core or shared facilities used in research, laboratory upgrades, and system or staff infrastructure.

Additionally, because we are Indiana's land-grant university, Purdue has additional research that we are required to do for the state in order to fulfill our land-grant mission. This research generally carries no indirect cost, yet still has similar infrastructure needs as our other research.

Last year, Purdue did not receive an adjustment from the state to support these activities, and it would be devastating to be denied this support for a second year in a row. Research support is the only feature a mature campus like Purdue - West Lafayette can qualify for, given the Commission's White Paper that differentiates roles among the various Indiana colleges and universities. Purdue - West Lafayette's role is to attract sponsored research that can be grown into the products and businesses of tomorrow.

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SLIDE 11: 2011-13 Capital Request



Another key item is Repair & Rehabilitation, which I shared with the Commission in August as part of our Capital Request.

Safety concerns and critical facility needs drive many of our R&R decisions.

We are doing what we can to mitigate the need for repair and rehabilitation, but that doesn't hold back water leaking into our old buildings or dangerous fires.

We have to be responsible to our commitments to serve our faculty, staff and students.

Due to historic shortfalls in this area, Purdue has had to plan for critical needs, has reallocated significant levels of funding, and has fully implemented a student R&R fee to support repair and rehabilitation.

Replacing facilities is often a more effective way to address R&R issues than a direct investment in repairing or maintaining existing facilities.

We have adopted an approach for a balanced capital program that replaces aged existing facilities when they have been deemed too expensive to renovate ... renovates existing facilities where feasible ... and adds new space only when needed to keep research at the cutting edge. This approach will:

- Make major strides in reducing our deferred R&R backlog.
- Cut down on new investments in operating costs.
- Eliminate old, inefficient space when we replace facilities, and will add newer, more energy-efficient space when we renovate and build new.

As our long-term plan evolves we will build responsibly, ensuring that our investments are part of a balanced capital program and sustainable.

- We will pursue all available sources of external support.
- We will continue to request state funding to supplement private giving and leverage external support.
- Our requests for state funding will be respectful of the state budgetary situation and will be focused only on our critical teaching and research space needs.

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SLIDE 12: Armstrong/Sullenberger



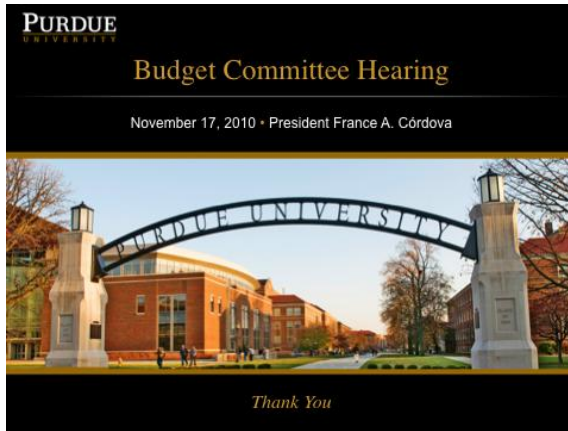
In conclusion, Purdue is educating students that will transform Indiana and America. That is the most important thing we do.

Last week, we had another opportunity to celebrate an historic moment with two famous Purdue alumni. Neil Armstrong returned to campus to present Captain Chesley “Sully” Sullenberger – the Hero on the Hudson – with the **Neil Armstrong Medal of Excellence**.

It was a wonderful event that featured two powerful alumni role models and demonstrated the impact that Purdue has had on great moments in history.

[CLICK SLIDE]

SLIDE 13: Closing Slide



With your support we will continue to land in the right place at the right time.