September 7, 2018

Mr. Jason Dudich  
Director  
Indiana State Budget Agency  
State House, Room 212  
Indianapolis, IN 46204

Ms. Teresa Lubbers  
Commissioner  
Indiana Commission for Higher Education  
101 West Ohio Street, Suite 300  
Indianapolis, IN 46204

Dear Partners in Education,

On behalf of the students, faculty, Trustees, and other leaders of Purdue University, I respectfully submit our operating and capital state appropriations request for FY 2020-21.

As I do, I can’t help but reflect on the year 1869. One-hundred fifty years ago next May, the State Assembly acted to create Purdue University. The vote would allow Indiana to participate in a federal offer, signed by Abraham Lincoln, to subsidize the creation of so called land-grant universities.

As explained by Purdue historian John Norberg, the rationale could be reduced to three simple goals. With only about 1 percent of Americans receiving a college degree in that era, the first was to increase the number of students attending a university, especially among the working classes. The second goal was to use the university and the students it prepared to develop the state economically and civically. And third, the new university would advance practical disciplines such as agriculture and engineering that were vital to the nation’s long-term interests.

These three goals continue to guide our operations. Over the last two years, we’ve made the benefits of a Purdue education more available to Hoosiers. We’ve enrolled more students from Indiana, added an online adult education institution to our system known as Purdue Global, become more affordable, and enlarged our role as a supplier of the state’s STEM workforce. Thanks to the efforts of many, including the support of Governor Holcomb, the General Assembly and the Commission for Higher Education, the state is earning a strong return on its investment.
As we mark our 150th birthday, demand for a Purdue education has never been stronger. The West Lafayette campus received some 12,000 more undergraduate applications in the Fall of 2018 than in the Fall of 2014, an increase of 30 percent. As such, we were able to enroll roughly 1,000 more Hoosier freshmen on our West Lafayette campus this fall than we did in 2014.

One explanation for the growth in demand is that Purdue has proven it can do something rarely seen in higher education: hold the line on rising costs, while increasing investments in quality. Even after growing our faculty to unprecedented levels, putting millions into student success, investing in our engineering, plant sciences and other leading research programs, it is still cheaper to attend Purdue West Lafayette today than it was in 2013.

We are now in year six of what will be at least seven years of frozen tuition at our main campus. Had we raised our rates on Hoosier students at the average rate of increase at other 4-year public schools, our in-state tuition would be more than $1,400 higher, and Purdue students would have paid $465 million more in tuition, fees, and room and board increases. Instead, student borrowing has plummeted, as have loan default rates.

Now ranked fourth in the country by the Wall Street Journal as the university offering the most value, our students are completing their degrees at a higher rate than ever before. Graduation rates are at all-time highs, even for first generation students and underrepresented minorities.

Meanwhile, a completely revamped entrepreneurial ecosystem has led to unprecedented contributions to the Indiana economy. Today, twice as many patents are filed out of the Purdue system by our faculty and student inventors and researchers as were filed in 2012, and five times as many startup companies are born annually out of Purdue research — which too, has reached an unprecedented level of volume and quality, system-wide.

Across all our campuses, with the now consistent names of Purdue University, Purdue Northwest, Purdue Fort Wayne and of course, Purdue Global, we are united and remain committed to the land-grant mission. If Indiana did not have a Purdue University, we would all be scrambling to create one. Fortunately, thanks to the actions taken by the General Assembly 150 years ago, we only need to maintain, cultivate and support this great university.

Through this request, we respectfully ask for your continued trust and backing.

Sincerely,

Mitchell E. Daniels, Jr.
President
There are six components to Purdue’s biennium budget request, each of which is briefly described below:

**Operating Appropriations**
Operating appropriations for public higher education institutions are adjusted according to a performance funding formula (PFF) of student-based metrics. The performance formula may be supported by new state funding for higher education, by budget reallocations to the institutions, or some combination of the two. For the 2019-21 biennium, there were changes to the formula including student persistence and at-risk degree completion changing to a rate based metric and the STEM degree completion metric has now been expanded to include all institutions. In addition to the metric changes, the weighting of the metrics changed and put a greater emphasis on the on-time graduation metric. Ultimately, funding for operating appropriations is dependent on how Purdue performed versus other institutions and the manner in which the PFF is funded from new money versus reallocation from the institutions.

**Dual Credit Line Item**
Funding for dual credit is formula-based for those college credits offered in Indiana high schools. For the 2017-19 biennium, dual credit was funded at $50 per credit hour completed.

**Repair & Rehabilitation**
Funding for R&R is formula-based and typically funded as a percentage of the facility replacement value, both asset and infrastructure, currently $4.9 billion for the Purdue system.

**Debt Service**
Each institution confirms Indiana Finance Authority data related to its current debt portfolio.

**Line Item Appropriations**
The table below summarizes Purdue’s line item appropriation requests;
Salary and Fringe Benefit Increases. We are requesting increases of 2.5% for salaries and 3.34% for fringe benefits for the Crossroads, Agricultural Extension, Purdue Polytech Statewide and the Center for Paralysis Research line-items. This request totals $760,909 for FY 2020 and $782,569 for FY 2021.

Crossroads R&R. We are requesting $800,000 in recurring funding for repair and rehabilitation of infrastructure at the University’s eight regional agricultural centers (PACs) and other agricultural properties. The PACs are not included in the formula used to calculate the University’s state R&R appropriation. Historically, the College of Agriculture has invested approximately $1.5 million per year in R&R at the PACs, primarily from two University sources, distributions from the Lynwood Endowment and budgeted general operating funds. State funding would be used in conjunction with these existing funding sources to assist the College of Agriculture in reducing the deferred R&R at the PACs.

Indiana Technical Assistance and Advanced Manufacturing Competitiveness Program. We are recommending combining the current line-item appropriations for the Technical Assistance Program (TAP) and the Indiana Next Generation Manufacturing Competitiveness Center (IN-MaC). The primary objective for both of these programs is to provide statewide resources to assist Hoosier businesses and industry partners to remain globally competitive, enhancing capital investment and job creation and retention in Indiana. We believe combining these programs will result in a more coordinated and robust set of offerings. Additionally, in recognition of the expected efficiencies gained from the combination, we recommend foregoing a request for salary and fringe benefit increases for the FY 2019-21 biennium.

Purdue Fort Wayne. Following extensive planning and research into regional workforce needs, assessment of the current curriculum offered on the PFW campus and the results of the realignment of IPFW, PFW is requesting a new line-item in the amount of $2 million for the following programmatic areas identified for strategic growth:
PFW requests this new state line-item for a period of three (3) years to allow the campus to build enrollment and transition these programs to become self-sustaining.

**Animal Disease and Diagnostic Laboratory**
We are requesting an increase to the current $3.7 million ADDL. The State Board of Animal Health at their July 10, 2018 meeting has approved the request. The table below shows the details of the request.

<table>
<thead>
<tr>
<th>ADDL Appropriation Summary</th>
<th>FY 2019 Actual</th>
<th>FY 2020 Request</th>
<th>FY 2021 Request</th>
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<td>$3,711,561</td>
<td>$3,955,350</td>
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<td>Recurring Annual Incremental Request:</td>
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<td>Avian Pathologist (Heeke Lab)</td>
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<td>2.50% S&amp;W Increase</td>
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<td>3.34% Fringe Benefit Increase</td>
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<td>One-Time R&amp;R and Equipment:</td>
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<tr>
<td>Next Generation Sequencing (NGS) Equipment</td>
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<tr>
<td><strong>Total One-Time R&amp;R and Equipment:</strong></td>
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<td><strong>Total Budget Request</strong></td>
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</table>

1. The ADDL line item is also approved by the Indiana State Board of Animal Health on July 10, 2018.

**College of Veterinary Medicine**

After a thorough internal review of the College of Veterinary Medicine’s financials and enrollment data it has been determined that $17,616,120 of the General Fund Allocation provided to the College of Veterinary Medicine is from State Appropriations. As part of the 2019-21 biennium, Purdue University requests this amount be reallocated from the University’s general operating appropriation and established as a separate operating appropriation.

**Capital Budget Request**

For the 2019-21 biennium, our near-term projects total $99 million. Projects with a request for state funding are presented in priority order.

A high-level summary of each prioritized project is listed below. Complete detail can be found in each project’s submission data and narrative.

Priority 1
The Engineering and Polytechnic Gateway Facility will accommodate enrollment growth in both the College of Engineering and the Purdue Polytechnic Institute. The building will act as a new entrance/gateway to Purdue’s academic campus and provide an eastern terminus to the extended student success corridor (which runs along Third Street from Horticulture Park to Grant Street), consistent with the new campus master plan. Project-based instructional laboratories, design studios and collaborative spaces will be included with an aim to maximize shared spaces between the two colleges with collaborative inter-disciplinary opportunities.

The total project cost is estimated at $80 million. We are requesting state funding of $60 million with the balance funded by gifts.

Priority 2

The South Campus Renovations Phase II project on the Purdue University Fort Wayne campus will continue the renovations to Helmke Library and Kettler Hall. This project represents the second half, or phase II, of the request to repair and or replace building infrastructure on these two buildings. While their physical structures are sound and space configurations still viable, the mechanical, electrical, and plumbing (MEP) systems are failing and in need of repair or replacement. Phase I of this renovation project was funded by the 2013 legislative session in the amount of $21.35 million, half of the original request.

The total project cost of phase II is estimated at $10 million.

Priority 3

The Chiller Plant Upgrade and Chilled Water Line Replacement project at Purdue University Northwest includes the replacement of the existing cooling tower and the addition of a chiller for increased capacity on the Westville campus and the replacement of the existing chilled water main on the Hammond campus. Current infrastructure on both campuses has been in service for over 40 years and has exceeded the life expectancy. The work on the Westville campus will ensure adequate and reliable chilled water capacity and allow for future campus growth. The existing chilled water line on the Hammond campus shows serious signs of deterioration.

The total project cost is estimated at $9M.