System-Level Onboarding for University Trustees
Spring 2022
System-Level Onboarding for University Trustees

TODAY’S AGENDA:

• PA’s Higher Education Landscape: The State System in Context
• System Governance Structure, Roles, and Responsibilities
• System Redesign & Priorities (Time Permitting)
PA’s Higher Education Landscape: The State System in Context
Affordable public higher education — a public good

Economic prosperity
• Addressing skills shortages in high demand fields like STEM-H
• Producing resilient life-long learners
• Supporting a resurgence of economies with knowledge workers and jobs
• Expanding powerful economic multiplier effects

Social mobility
• College-educated people earn significantly more than those with a high school diploma, experience less unemployment, have better health outcomes, and contribute more in taxes

Equity through education
• Access for—and success of—historically underserved students
Our Piece of the PA Higher Ed Enrollment Pie
+/- 700,000 Students in the Commonwealth

Private Institutions

State-Related Unive

State System

Public Institutions (less than 4-year)
PASSHE: The people’s university system (1 of 2)

- We are the **most affordable** option in the state, though our affordability advantage is shrinking.
- We have **10,000+ talented faculty and staff**, though the diversification of our employee base is not keeping pace with the diversification of our student population.
- We are home of the **nation’s oldest HBCU**, which transforming itself for the future.
- The State System produces **26,000 career-ready graduates each year**:
  - 95% of them are employed within two years of graduation
  - 88% are working in their field of study
  - 72% are working in PA
  - Equipped with critical thinking, communications, analytical, and other **skills employers demand**
  - Working in **PA’s high-need areas** (Business, STEM-H, Education) especially in rural PA
PASSHE: The people’s university system (2 of 2)

- We serve more than 90,000 from every region in PA
- Nearly 90% of our students come from PA
- Nearly 80% will stay in PA after graduation
- We serve largely middle and low-income students
- Our student population is more diverse than the state’s overall population
- Second-year persistence rates show signs of increase, especially for underrepresented minority students
- Six-year graduation rates are higher than the national average, though significant attainment gaps exist for low-income and underrepresented minority students
- While we serve a largely traditional student population at present, significant opportunities exist to serve a larger adult/working student population
At this funding level, Pennsylvania ranks 48th of 50 states in terms of educational appropriation per student FTE, representing a decline from FY 2018, where Pennsylvania was ranked 47th.

Pennsylvania is ranked 47th in net tuition per FTE, spending $3,719 per student less than the 50-state average.

Source: State Higher Education Education Executive Officers Association FY 2019 State Higher Education Finance Report
As state funding has lagged over the years….

Annual state appropriations to PASSHE adjusted for inflation

The rising price of education at the State System is directly related to the level of state funding.

Although Pennsylvania has increased funding in recent years—holding funds steady in FY 2020-21—current funding is down $210 million (31%), when adjusting for inflation. In nominal dollars, the current state funding is between FY 2010-11 and FY 20110-12 levels.

*Inflation adjustment based on CPI-U through 2019-20, and 2020-21 inflation of 0.9% per Congressional Budget Office projection. Does not include CARES Act funding.
...the cost burden has been shifted to the student, driving up the price of attendance...

History of Price of Attendance with Average Federal, State, and Institutional Grants for Typical New In-State Undergraduate Living on Campus

Growth in room & board costs outpace tuition and fees

Sources: Costs - Annual Data Collection, State System Data Warehouse; Grants: The Integrated Postsecondary Education Data System
Notes: Tuition is the standard tuition as approved by the Board of Governors. Room and Board rates are average of most common university rates. Average grants include federal, state, local, and institutional grants, scholarships, and waivers.

Pennsylvania’s STATE SYSTEM of Higher Education
...and driving down enrollments (by 21% since 2010)...

Decline is 27% without WCU, which has grown
...particularly among students from low- and middle-income families, which public universities were created to serve.

Change in Fall In-State Degree/Certificate-seeking Undergraduate Headcount by Family Income Level

For those who completed the FAFSA and received any aid

Source: Census Student and Annual Financial Aid Data Collection, State System Student Data Warehouse
Demographic trends contribute but account for only a fraction of the loss...

Change in size of high-school-leaving population

Enrollment from Pennsylvania declined 18% while high school graduates declined 6% from 2012 to 2020
...so does the competitive higher ed marketplace...

Nearly 250 Institutions Offer Degrees in PA

- PASSHE
- Community Colleges
- State-Related
- Thaddeus Stevens
- Private State-Aided
- Private Colleges/Universities
- Theological Seminaries
- Private 2-Year Colleges
- Specialized Associate Degree Institutions
- Out-of-State Provider

Source: Pennsylvania’s Department of Education
…while the greatest driver appears to be price. PASSHE’s average net price of attendance up 62.4% 2009-10 to 2018-19)

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<tbody>
<tr>
<td>State System</td>
<td>$12,807</td>
<td>$14,078</td>
<td>$15,342</td>
<td>$16,304</td>
<td>$16,333</td>
<td>$17,696</td>
<td>$18,482</td>
<td>$19,763</td>
<td>$20,270</td>
<td>$20,799</td>
<td>62.4%</td>
</tr>
<tr>
<td>PA State Related</td>
<td>$19,330</td>
<td>$20,577</td>
<td>$19,983</td>
<td>$20,620</td>
<td>$20,868</td>
<td>$21,676</td>
<td>$21,471</td>
<td>$21,835</td>
<td>$22,504</td>
<td>$22,428</td>
<td>16.0%</td>
</tr>
<tr>
<td>PA 4 Year Privates</td>
<td>$21,028</td>
<td>$22,007</td>
<td>$22,457</td>
<td>$23,220</td>
<td>$23,382</td>
<td>$22,748</td>
<td>$22,651</td>
<td>$22,968</td>
<td>$23,296</td>
<td>$23,496</td>
<td>11.7%</td>
</tr>
<tr>
<td>National 4 Year Public</td>
<td>$11,641</td>
<td>$11,966</td>
<td>$12,631</td>
<td>$13,032</td>
<td>$13,143</td>
<td>$13,497</td>
<td>$13,746</td>
<td>$13,957</td>
<td>$14,033</td>
<td>$14,294</td>
<td>22.8%</td>
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The trend has significantly reduced State System Universities’ affordability advantage in PA.
System Governance Structure, Roles, and Responsibilities
Board of Governors

Chancellor

System Leadership Group (SLG)

(convened by Chancellor)

Executive Leadership Group (ELG)

Chancellor and University Presidents; convened by Chancellor
The lead(s) from the SLG Councils serve as ELG Advisors who periodically meet with the ELG as appropriate

A&F Vice Presidents Council
Chief Academic Officers Council
Student Affairs Officers Council
Faculty Council
Chief Diversity Officers Council
Chief Info Tech Officers Council

Other Individuals/Groups Provide Input as Needed

Trustees
(Represented by PACT and 5 trustees on BOG)
Office of the Chancellor
Organizational Chart

RED = OOC Executive Team
System’s Founding Legislation
Act 188 of 1982 + Act 50 of 2020

- Board of Governors
  - Most appointed by Governor with Senate confirmation
- Councils of Trustees
- Chancellor
- Presidents
  - Appointed by Board of Governors
# Highlights of Statutory Authority

<table>
<thead>
<tr>
<th>Board Member and Trustee Appointments</th>
<th>Board</th>
<th>Chancellor</th>
<th>Trustees</th>
<th>Presidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appoints student trustees for universities and student members of the Board</td>
<td>Appoints student trustees for universities and student members of the Board</td>
<td>May appoint alternate student trustee</td>
<td>Advise and consent on student appointments to the board</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Presidential Appointment &amp; Evaluation</th>
<th>Board</th>
<th>Chancellor</th>
<th>Trustees</th>
<th>Presidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employs / evaluates presidents and chancellor</td>
<td>Employs / evaluates presidents and chancellor</td>
<td>Assists in appointment; establishes professional development plan; assesses performance</td>
<td>Recommend appointment and retention of president; establish professional development plan; evaluate president; make recommendation on dismissal</td>
<td>Self-evaluation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Academic Programs</th>
<th>Board</th>
<th>Chancellor</th>
<th>Trustees</th>
<th>Presidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sets policies / criteria governing all new academic programs; approves or delegates to chancellor approval of new degree programs</td>
<td>Administers academic policies/criteria governing new academic programs; approves some new degree programs</td>
<td>Approve new academic degree programs to move forward to Board for final approval (associate degree or higher); approve/notified of other academic program changes</td>
<td>Approve curriculum consistent with law and collective bargaining agreements; recommend to chancellor and trustees per Board policies/criteria</td>
<td></td>
</tr>
</tbody>
</table>
## Highlights of Statutory Authority

<table>
<thead>
<tr>
<th></th>
<th>Board</th>
<th>Chancellor</th>
<th>Trustees</th>
<th>Presidents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shared Services</strong></td>
<td>Board may establish systemwide shared services</td>
<td>Provide evidence of cost reductions and improved efficiencies</td>
<td>May opt out within 10 days (requires 2/3 vote)</td>
<td></td>
</tr>
<tr>
<td><strong>Institutional structure</strong></td>
<td>May create, expand, consolidate, transfer or affiliate an institution (except IUP and WCU); may NOT close an institution</td>
<td>Conduct a review of the financial stability of any impacted institution utilizing student support metrics, student success metrics and other financial metrics and develop a report and recommendations</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Policies</strong></td>
<td>Sets policy</td>
<td>Develops policy and ensures compliance; Board studies; etc.</td>
<td>Approve university standards and certain policies</td>
<td>Set standards/policies for students, instruction, research, service, etc.</td>
</tr>
<tr>
<td><strong>Relationships with Affiliates</strong></td>
<td>Sets policy</td>
<td>Establishes procedures and standards</td>
<td>Annually certify compliance of all affiliates; annually review affiliates’ benefit to university</td>
<td>Enter into agreements; delineate between affiliate and university; joint fundraising</td>
</tr>
</tbody>
</table>
## Highlights of Statutory Authority

<table>
<thead>
<tr>
<th>Board</th>
<th>Chancellor</th>
<th>Trustees</th>
<th>Presidents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procurement Contracts</strong></td>
<td>Administers System-wide business procedures</td>
<td>Review awarded contracts</td>
<td>Negotiate and award contracts and purchases</td>
</tr>
<tr>
<td><strong>Budget—Operating and Capital</strong></td>
<td>Approves budget request; sets tuition; allocates state funding</td>
<td>Recommends the System’s overall budget</td>
<td>Review and approve president’s recommended budget; set fees</td>
</tr>
<tr>
<td><strong>Collective Bargaining</strong></td>
<td>Enters into agreements</td>
<td>Negotiates contracts</td>
<td>Administer contracts; employ personnel</td>
</tr>
</tbody>
</table>
System Redesign:
Achieve more. Together.
System Redesign Overview

**PHASE 1**
- Gather and analyze data
- Identify challenges and priorities
- Organize for collaborative redesign processes

**PHASE 2**
- Establish foundational tools
- Strengthen partnership with the state
- Stabilize financially
- Arrest student cost increases

**PHASE 3**
- Develop, prioritize, fund, and implement strategies that expand opportunities for students
- Drive growth and economic impact

(Fall 2016) July 2017 July 2018 July 2019 July 2020 July 2021 July 2022 July 2023 July 2024
## Transforming PASSHE

### FROM A SYSTEM…

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
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<tbody>
<tr>
<td><strong>universities compete</strong> with one another for scarce students and resources</td>
<td><strong>universities collaborate</strong> to serve students better by working together</td>
</tr>
<tr>
<td><strong>limited student mobility</strong> in which students struggle to take classes at other institutions</td>
<td><strong>expanded student mobility</strong> and flexibility, allowing access to courses across the system</td>
</tr>
<tr>
<td><strong>centralized strategic leadership</strong> flows from the system headquarters</td>
<td><strong>enterprise-wide strategic leadership</strong> leverages a breadth of talent across the entire system</td>
</tr>
<tr>
<td>managed to <strong>political outcomes</strong></td>
<td>managed to <strong>student and university success</strong> and driven by data-informed decision-making</td>
</tr>
<tr>
<td><strong>university-based DEI efforts</strong> to create more diverse, equitable, and inclusive experiences</td>
<td>in which advancing <strong>DEI is everyone’s responsibility</strong> and is coordinated by a shared plan with progress measured at the highest levels of accountability</td>
</tr>
<tr>
<td><strong>wide variation in key operations</strong>—adding cost, inefficiency</td>
<td>with more <strong>standardized operations</strong> that reduce cost, increase efficiency, strengthen accountability</td>
</tr>
<tr>
<td><strong>loose federation</strong> of universities regulated from Harrisburg</td>
<td>Of <strong>collaborative universities</strong> with greater local responsibility yet clearer accountability to the Board and each another</td>
</tr>
</tbody>
</table>
System Redesign Progress (as of Fall 2021)

**Stabilizing the system financially**
- Required universities to align costs with revenues and program arrays with enrollments
- Achieved efficiencies through shared services
- Addressing unnecessarily redundant programs

**Addressing student affordability**
- Froze tuition for three consecutive years
- Increased student aid

**Forging a closer partnership with the Commonwealth**
- Secured essential new investments
- Won necessary legislative reform in governing statute

**Strengthening governance & accountability**
- Involved university and faculty leaders directly in system governance
- Tied accountability to progress against measurable goals
- Achieved transparency in dashboard reporting, legislative testimony, and other means

**Expanding student opportunity and impact**
- Enabling cross-campus instruction
- Improving student outcomes
- Growing in underserved student markets and high-demand credentials
- Ensuring universities are diverse and support success of all members

Integrating universities to advance all these objectives
System Redesign Priorities 2021-2024

- Operate sustainably
- Expand student opportunities and improve student outcomes
- Expand student affordability and grow
Measurable goals:
• Cost and revenues remain aligned

Prospects for implementation:
• High
Financial stability required by policy; managed routinely

- Universities reviewed annually, and detailed plans required from those not making adequate progress
- Universities annually submit three-year budgets that must balance, align headcount to enrollment levels, and work to meet key financial health goals
- Process is ongoing and adjusted to take account of changing enrollments and revenues
Driven by real accountabilities and incentives

**Financial incentives**
- Allocation formula moving away from high-subsidy model
- Aggressive covenant attached to system loans/master leases

**Other actions used under policy**
- Requiring universities to wind down / share low-enrolled programs; curtail use of adjuncts
- Use of expert visiting committees and/or audits to support and pressure-test university plans
- Personnel actions
Implemented in a planful manner

Respectful of quality and program breadth:

- Ensure students everywhere have access to wide range of educational programs and disciplines
- Maintain 2010/11 student-to-faculty ratios that align with normal range of national peers today

Respectful of faculty and staff, cushioning impacts through:

- Retirement incentives
- Support for employee mobility within System and/or to Commonwealth
The Sustainability Policy Works

Goal Set in April 2020:
By June 2022, universities will balance budgets without use of reserves and will meet faculty-to-student ratios

Results as of June 2020:

- Total cost down by $173M
- Faculty headcount down by 663 (13%)
- Staff headcount down by 616 (10%)
- Two universities have improved plan levels
- Chancellor directives used to drive course corrections where necessary (February 2020, April 2020, and Oct 2021)

<table>
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<tr>
<th>Annualized Unrestricted FTE Employees</th>
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<tr>
<td>Compared to '19</td>
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<td>Compared to '11</td>
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<tr>
<td>2020-21</td>
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<tr>
<td>2021-22</td>
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<tr>
<td>Faculty</td>
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<tr>
<td>5,435</td>
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<td>5,069</td>
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<td>5,011</td>
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<td>4,593</td>
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<td>4,406</td>
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<td>(663)</td>
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<tr>
<td>-13%</td>
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<td>(1,029)</td>
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<tr>
<td>-19%</td>
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<tr>
<td>4,249</td>
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<tr>
<td>4,222</td>
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<tr>
<td>Non-Faculty</td>
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<tr>
<td>6,279</td>
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<td>5,979</td>
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<td>5,834</td>
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<td>5,382</td>
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<td>5,364</td>
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<tr>
<td>(616)</td>
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<tr>
<td>-10%</td>
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<tr>
<td>(915)</td>
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<tr>
<td>-15%</td>
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<td>5,366</td>
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<td>5,359</td>
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<td>11,714</td>
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<td>10,844</td>
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<tr>
<td>9,975</td>
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<td>9,770</td>
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<tr>
<td>(1,279)</td>
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<tr>
<td>-12%</td>
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<tr>
<td>(1,944)</td>
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<tr>
<td>-17%</td>
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<tr>
<td>9,615</td>
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<td>9,581</td>
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Annualized Unrestricted University Employees, Source – September 2021 CPPs
**Continuing Headwinds | Budgetary**

**Funding**
- Flat General Fund Appropriation 20/21 and 21/22

**System investment in student affordability ($160M/year)**
- $100M/year to student aid from E&G funds; up $30M/year since 2019
- $60M in foregone recurring revenues resulting from three successive tuition freezes
Continuing Headwinds | Pandemic Effects on 2021 Enrollment

Fall Headcount Enrollment 1976-2021

Fall 2021 enrollments down 5.4% (Fall 2020 was down 4.7%)
Impacts and Actions

- Fall 2021's enrollment results in E&G and auxiliary losses for 2021/22 and future projections
- Integration projections weakened since July resulting from enrollment declines and unmet workforce targets

- Chancellor reinforces Feb. 2020 directives
- Chancellor directs selected schools to address low-enrolled programs
- Budget targets reset in fall 2022 to take account of new enrollments and revenues
But shrinking exacerbates PA’s workforce development crisis

Austerity saves money, but sacrifices PA’s future. We must expand student opportunity and grow to meet workforce need.

Fall 2023 Gap: 7,909
Student Headcount 8,605 FTE

PRIORITY: Operate sustainably
Measurable goals

1. Community college and high school pipelines strengthened
2. Traditional students’ retention / graduation rates improved
3. Access and attainment gaps reduced
4. Proportion of non-degree credentials increased
5. University communities are more diverse and support success of all their members
6. University integrations implemented successfully
7. Education programs reflect market demand, respond to demographic & enrollment trends, available in every region without inefficient redundancy

Prospects for implementation
High, with availability of one-time funds; otherwise, low
Prioritized initiatives

- Align with and leverage university investments and strategic priorities
- Integrate stakeholder priorities, including those of our Commonwealth owners
- Are advanced with evidence-based practices and by leveraging System’s scale/reach
- Are supported with $300M in one-time funds available over four years—including SERS (guaranteed) and state commitment of federal funds

Success contingent on availability of one-time funds for strategic investment
2021/22 distribution of $75M one-time funds

- **Launch Integrating Universities** $15.0
- **Student Success Initiatives** $18.5
- **Diversity, Equity and Inclusion Goals** $3.25M
- **Enhance Workforce-Aligned Programming** $4.0
- **Debt Relief** $12.5
- **Essential Infrastructure** $5.0
- **Support Transition to Sustainable Operations** $15.0
- **SERS contingency funds** $2.5

*Encompasses labor impacts and variances in appropriation allocation*
Measurable goals

1. Average net student cost declines relative to other providers

2. Student cost increases kept within prevailing rate of inflation

3. Enrollments and credentialing productivity grow

Prospects for implementation
High, with recurring state investment; otherwise, low
PASSHE has invested in student affordability

- Buying three years of tuition freezes and $100M in institutional aid with self-imposed cuts to E&G budgets

- As we near peak efficiency there is little more we can do given the scale of the affordability challenge that pushes into the **$300M/yr range** simply to hit national and regional averages