



University Integrations Financial Review

July-October, 2020



Pennsylvania's
STATE SYSTEM
of Higher Education



Overview

Introduction



Since the passage of Act 50 in July 2020, the team conducted a financial review and alignment analysis in accordance with requirements.



From this analysis, the team recommends the integration of six institutions to form two new entities.



The following presentation provides an overview of the proposed integrations, opportunities for their futures, and projections of their combined financial viability.



This report concludes with high-level next steps to support the next phase of integration activities through April 2021.

July to October 2020: The Process We Followed

The integration process is defined in law and is deliberate, analytical, consultative and transparent.

JULY 2020 TO OCTOBER 2020

- Conduct **review** of financial impacts of potential integrations

OCTOBER 2020 TO APRIL 2021

- Develop implementation **plan(s)**

APRIL 2021 TO JULY 2021

- Submit plan(s) for **public comment** (April 2021) and Board approval (July 2021)

JULY 2021 TO AUGUST 2022

- Begin **implementation** activities per the plan

Recap on July 2020: What We Recommended



Integration Goals

1. Maintain or expand **high-quality educational opportunities** for students across Pennsylvania
2. Honor and engage **local identity and key stakeholders** (COTs, alumni, affiliates, donors, etc.)
3. Meet regional **economic and workforce needs**
4. Position **institutions for growth** including in new markets
5. Realize **cost-savings**
6. Leverage **talented faculty and staff**



Integration Criteria

1. Potential to **serve more students**, grow into **new markets**
2. Strong **regional proximity**
3. Opportunity for **cost savings and program alignment**






Integration Assumptions

1. One leadership team
2. A single faculty and staff
3. A single program array
4. A unified enrollment management strategy
5. A single, combined budget
6. One reporting relationship through the Chancellor to the Board of Governors

July to October 2020: What We Learned During the Financial Review Process

Expanded...

 <p>Integration Goals</p>	<ol style="list-style-type: none">1. Emphasize student success2. Recapture affordability advantage3. Re-think/enhance student supports and services, use of high-impact practices, career services, etc.4. Establish robust program pathways among universities, schools and community colleges5. Strengthen connections to workforce with pathways, experiential learning, career services, adult learning and post-traditional6. Establish a path to growth
 <p>Integration Criteria</p>	Responsive to regional community and economic development needs
 <p>Integration Assumptions</p>	A single accredited entity

Integrated Institutions That Honor Local Identity and Leverage Their Collective Strength

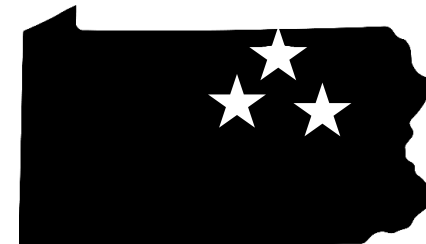
CAL U



CALIFORNIA | CLARION | EDINBORO









BLOOMSBURG | LOCK HAVEN | MANSFIELD



Institutional Fast Facts

IPEDS Preliminary Release

	Institution	Official Fall 2020 Headcount	Credit Completion Ratio*	Second Year Persistence	6-Year Graduation Rate (All Students)*	Average Unmet Need*	Average Net Price*	Percentage of Undergraduate Pell Grant Recipients
Northern Integration	 Bloomsburg University	8,346	89.1%	77.2%	61.1%	\$11,221	\$15,188	32%
	 Lock Haven University	3,163	88.7%	73.2%	53.9%	\$13,659	\$14,849	28%
	 MANSFIELD UNIVERSITY	1,792	87.9%	78.1%	54.4%	\$13,730	\$14,821	47%
Western Integration	 CALIFORNIA UNIVERSITY OF PENNSYLVANIA	6,885	87.9%	71.4%	54.9%	\$12,058	\$13,285	42%
	 CLARION UNIVERSITY	4,465	89.4%	77.23%	53.2%	\$11,474	\$15,329	39%
	 EU EDINBORO UNIVERSITY	4,319	88.9%	74.1%	48.9%	\$13,567	\$14,658	43%

* Data from CPP

Source: Percentage of undergraduate Pell Grant recipients sourced from IPEDS and reflects 2018-19 data. All other metrics provided by institutional CPP documents as of October 2020, showing 2018-19 data.

Challenges



**Expanding to New
Markets**



**Financial
Reality**



**Demographic
Trends**



**Supply has
Outpaced Demand**

Potential Benefits of Transformation

Through integration, PASSHE anticipates gains for the participating institutions on critical viability and student success metrics.

Increased 1st to 2nd Year Retention

- **Benefit:** Promote student success, enhance brand, capture lost tuition revenue

Stronger Operating Margin and Primary Reserve Ratios

- **Benefit:** Strengthen financial viability, enhance competitive tuition pricing, reinvest in academic programming and financial aid

Maintain, Increase, and Enhance Academic Opportunities

- **Benefit:** Strengthen academic program options available to students across the region, become more competitive and attractive to prospective students, enhance brand

Improved 4- and 6-Year Graduation Rates

- **Benefit:** Promote student success, enhance brand, capture lost tuition revenue

Overall Debt Reduction

- **Benefit:** Strengthen financial viability, enhance competitive tuition pricing, reinvest in academic programming and financial aid

Improve Access and Affordability

- **Benefit:** Promote mission of providing access to quality higher education opportunities, enhance brand

Early Indications of Integration Opportunities

- Provides regional postsecondary education **access through traditional and digital delivery**
- Delivers programming shaped by strong regional partnerships that meet **regional priorities**
- Leverages strengths of three institutions to **operate at-scale and reinvest** in programs
- Provides **career-ready internship experiences** with high-touch, student-focused on-campus and online undergraduate and graduate programs
- Offers legacy education, health and business programs with **advanced level accreditations**
- Builds upon on an existing strong foundation of collaboration and partnership to **efficiently expand and deliver undergraduate and graduate programs** across the region and beyond
- Enhances responsiveness to **traditional workforce-aligned, nondegree, certificate and stackable credentialing programs** to meet regional and statewide economic and workforce demands
- Continues offering **high-touch, personal on-campus experiences** that have historically reinforced the campus' identity, brand, and value proposition

Potential of Integrated Academic Program Arrays for Bloomsburg – Lock Haven – Mansfield

Opportunities leveraging existing strengths, including in areas with strong workforce demand

- Nursing
- Health Sciences and Health Professions
- Business, Finance, and Accounting
- Educator Preparation
- Early Childhood
- Social Work/Counseling
- Computer Science/ Information Technology/Data Science/Digital Forensics
- Music and Music Technology
- Psychology
- Biology

Opportunities leveraging new/expanded delivery modalities and credential types

- Remote education provided by synchronous, asynchronous, and multimodal delivery across multiple campuses
- Studio Arts – multiple campus residencies
- Expand graduate programs in areas of strength
- Guaranteed transferability model into an AACSB accredited Business College
- Guaranteed admission model for Physician Assistant Program
- Non-degree credentials

Opportunities for pathways (2+2 Programs, etc.)

- AA in Computer Information Systems to BS Computer Science/ Information Technology / Data Science / Digital Forensics
- Environmental Engineering to Environmental, Geographical, and Geological Sciences
- Pre-health Professions – multiple opportunities
- Liberal Studies – multiple opportunities

Opportunities to sustain low-enrolled and at-risk programs in:

- Physics
- Mathematics
- Chemistry
- Foreign Languages

Potential of Integrated Academic Program Arrays for California – Clarion – Edinboro

Opportunities leveraging existing strengths, including in areas with strong workforce demand

- Health sciences / professions including nursing and pre-professional school programs
- Business, finance, and accounting
- Data Science
- Engineering

- Education including secondary education, special education, and school administration
- Library Science
- Technology
- Social work/counseling/art therapy

Opportunities leveraging new/expanded delivery modalities and credential types

- Fully online undergraduate degrees in most academic areas
- Degree completion programs for adult learners
- Nondegree credentials
- Certificate programs
- 2+2 programs

- Educational agreements/consortia with corporations
- Accelerated bachelors to masters programs across campuses
- Associate to Doctorate Career ladders in Nursing, Education, Criminal Justice, Leadership, Health Sciences across all campuses

Opportunities to sustain low-enrolled and at-risk programs in:

- Social sciences
- Arts and humanities
- Chemistry
- Physics

- Foreign languages
- History

Ongoing Financial Sustainability Planning Strategies

Potential integration institutions have identified, implemented, and continue to explore broad, institution-wide initiatives to bolster institutional financial sustainability.



Pricing Strategy Implementation

Targeted pricing models and/or financial aid optimization strategies to increase net tuition revenue



Physical Footprint Reduction

Identified physical assets no longer required for the combined institutions' educational delivery



Workforce Alignment

Tailored workforce to new program array and changing administrative and operational needs



Program Array Alignment

Focused set of program offerings in-line with combined institutional mission and the students it serves

**INSTITUTIONAL
FINANCIAL
STABILITY**



Instructional Modalities

Redesigned educational delivery mechanisms (e.g., online) to improve access and affordability



Student Success Improvements

Increased focus on retention and graduation rates to support student success outcomes



Operational Alignment

Identified set of administrative and non-student facing functions for potential future consolidation



Revenue Generation

Continued expansion of local partnerships, including rental income, parking, etc.



Financial Review

Integrations Analysis Summary

Per Act 50, integration impact analyses were performed as part of initial institutional integration diligence, specifically:



Enrollment Projections

Review of annualized FTE enrollment based on historical trends, demographic shifts, and institutional enrollment management initiatives

New growth opportunities for enrollment, as well as associated financial impacts will be **part of the Implementation Planning process** reflecting integration decisions per Act 50



Financial Viability

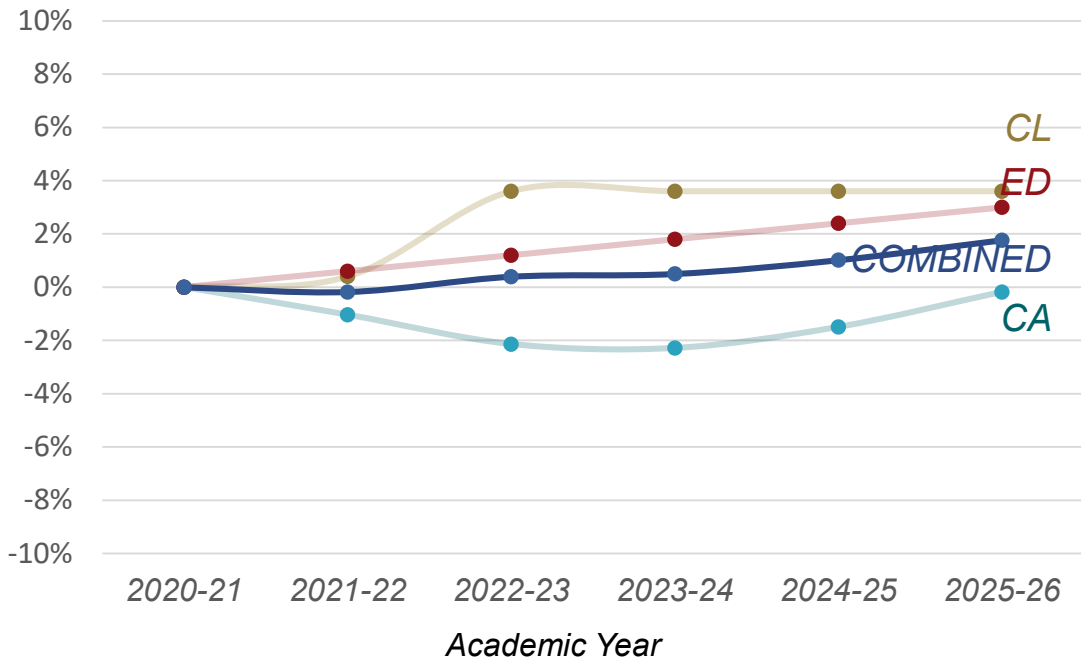
Analysis of revenues, expenditures, and net assets to determine both standalone and integrated institutional financial viability

Each institutional integration set has projected a **net positive financial viability in outer years (2023-24 through 2025-26)**

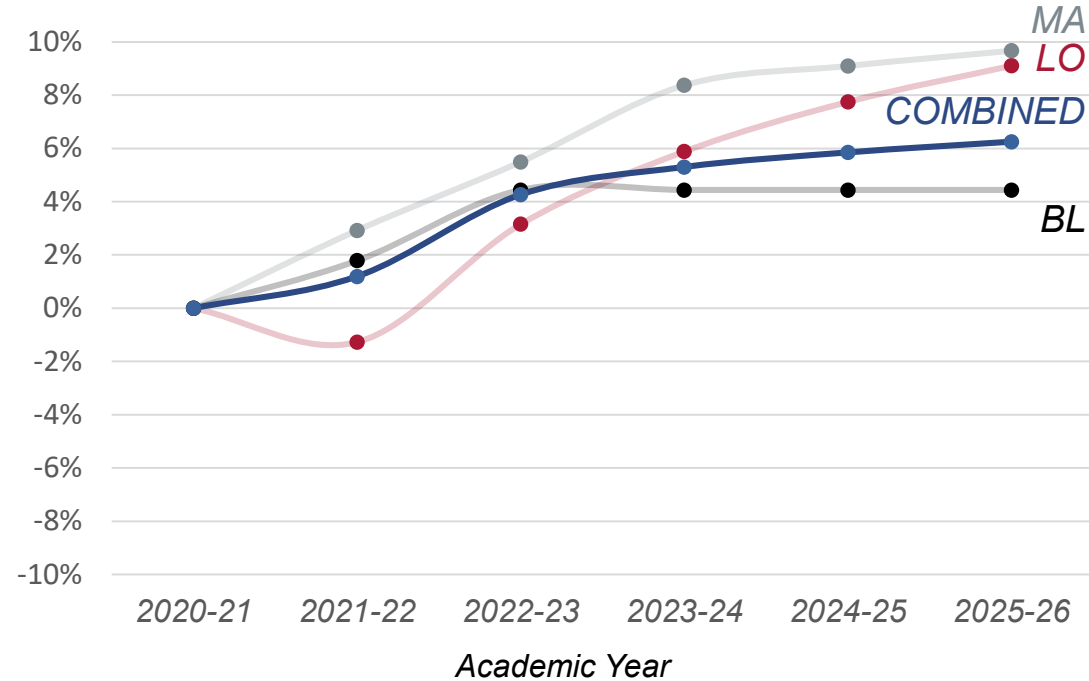
Enrollment Trends

Enrollment projections of the proposed institutional integration sets suggest that integration may mitigate standalone enrollment (and attendant gross tuition revenue) declines.

“Western Trio” Standalone & Integrated Cumulative Enrollment Trends



“North East Trio” Standalone & Integrated Cumulative Enrollment Trends



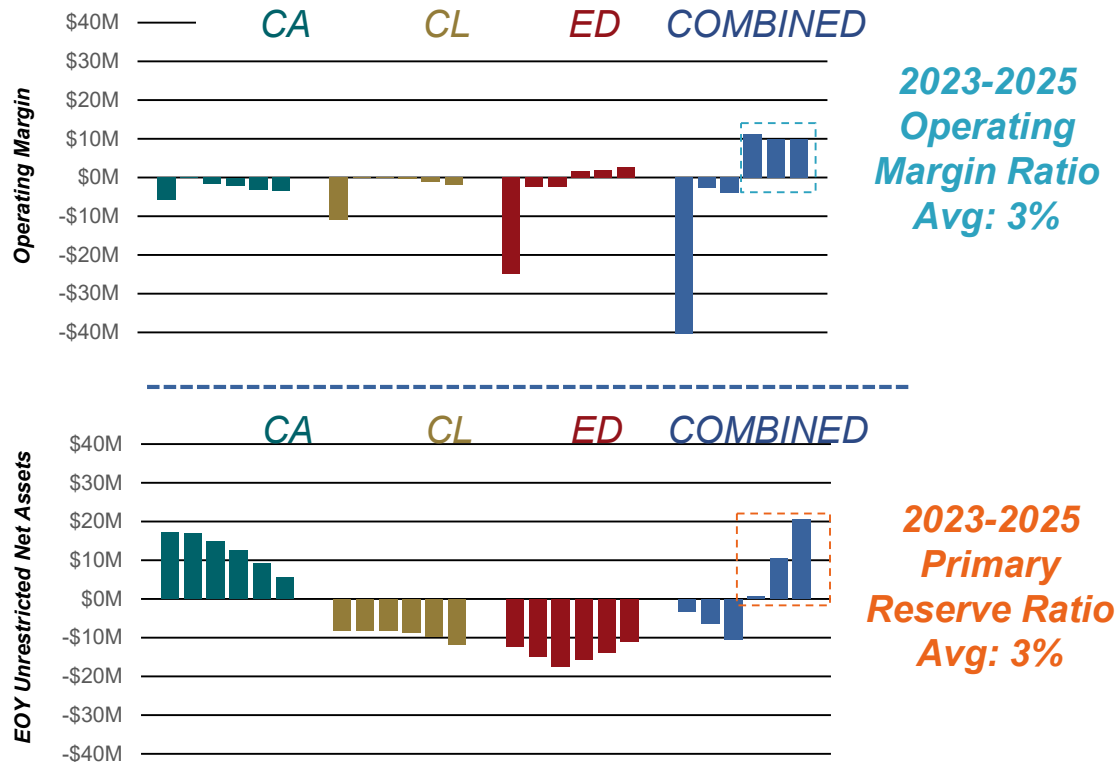
Source: PASSHE institutional CPP submissions as of October 2020

1. ED enrollment in FY 2025-26 was modified to a cumulative 3% growth and adjusted accordingly in FY 2021-22 through FY 2025-26. Enrollment-related revenue (tuition, fees, auxiliary sales) and student aid expenses were also adjusted accordingly in each year.

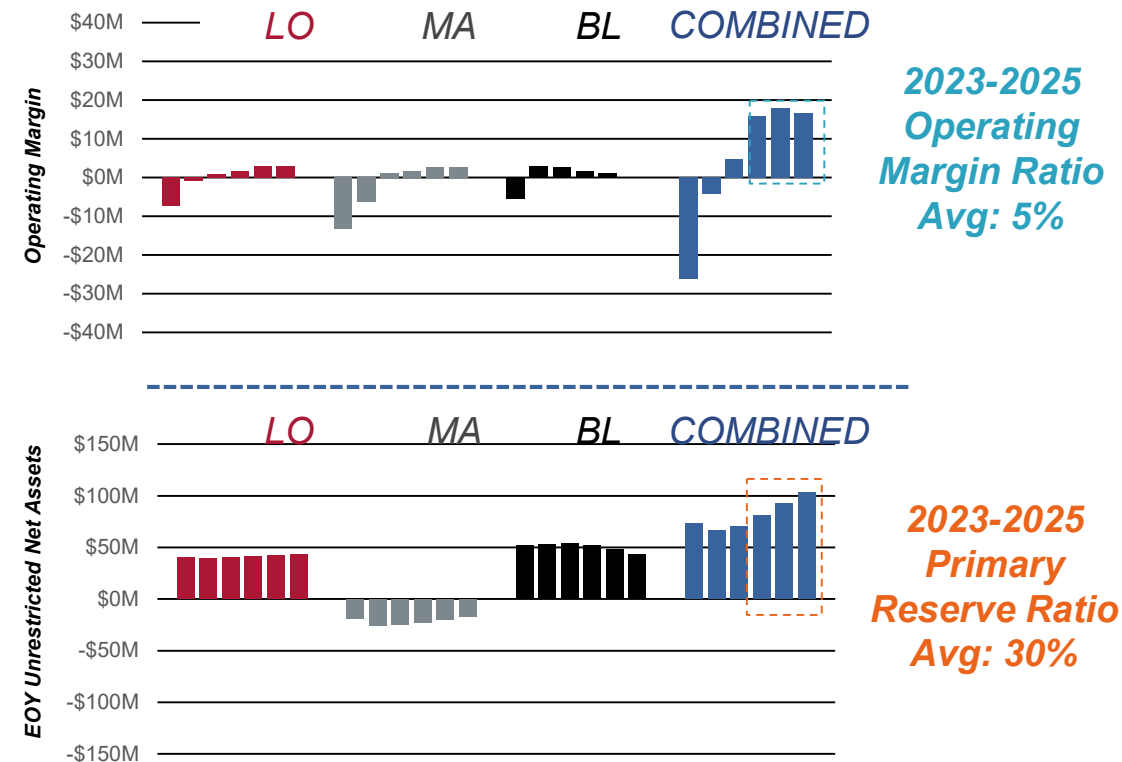
Financial Viability

Coupled with projected enrollment increases, financial projections suggest that outer-year financial viability potentially can be achieved by virtue of institutional integration.

“Western Trio” Standalone & Integrated Financial Viability Metrics (2022-23—2025-26)



“North East Trio” Standalone & Integrated Financial Viability Metrics (2022-23—2025-26)



Source: PASSHE institutional CPP submissions as of October 2020
 1: Operating Margin Ratio = (Total Revenues – Total Expenditures) / Total Revenues
 2: Primary Reserve Ratio = (EOY Net Asset Balance) / Total Expenditures
 3: 2023-2025 financial viability metrics include operational savings in combined institution set

Accreditation Impacts

The integrating institutions will continue to work with institutional and program-specific accrediting bodies as they construct a single academic program array.



Accreditation impacts are dependent on detailed, combined program arrays that will be further defined between October 2020 and April 2021.

Additional Impact Considerations

Community Impacts

Given the individual financial situation of many universities, if there is no action on integrations there will be the continuation of financial distress without the ability to reinvest in student success. It will also limit the ability to address growth needed to position universities for the next demographic decline. Integration leads to longer term sustainability. Additional analysis will be part of the Implementation Planning process.

Affiliate / Donor Impacts

Given the need for detailed analysis to occur as part of the Implementation Planning process, the impacts on alumni, foundations, affiliate organizations will be part of the Next Steps.

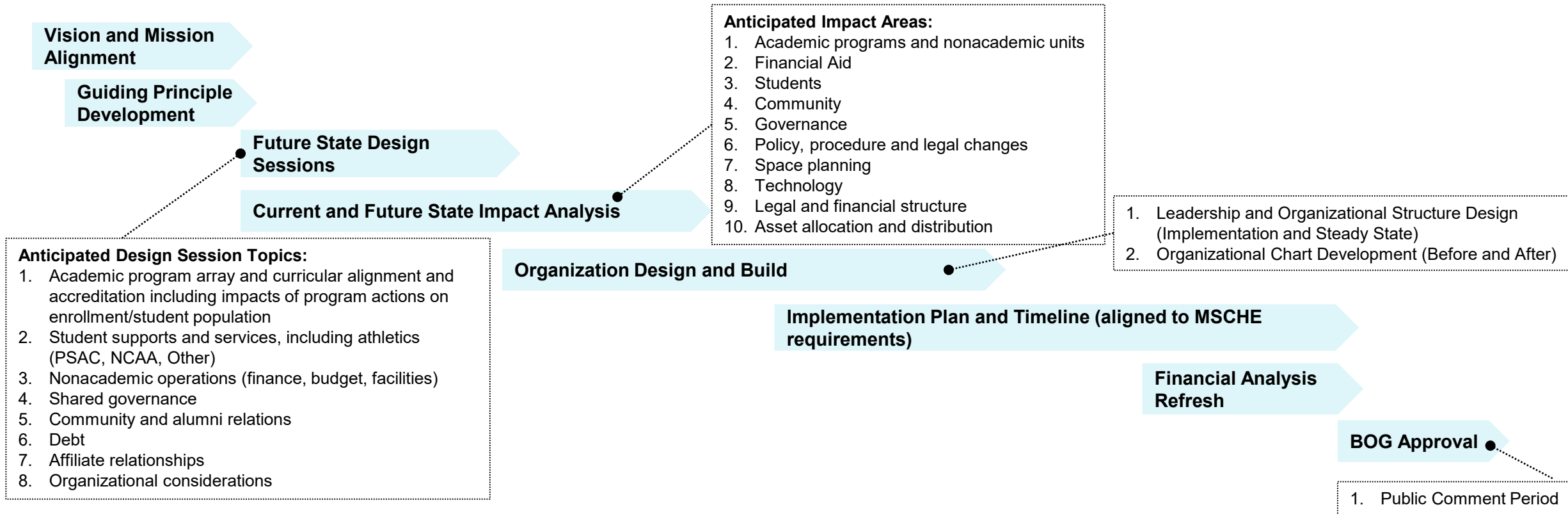
Additional impacts are dependent on detailed, combined program arrays that will be further defined between October 2020 and April 2021.



Next Steps

What happens next?

OCTOBER 2020 TO APRIL 2021



ONGOING

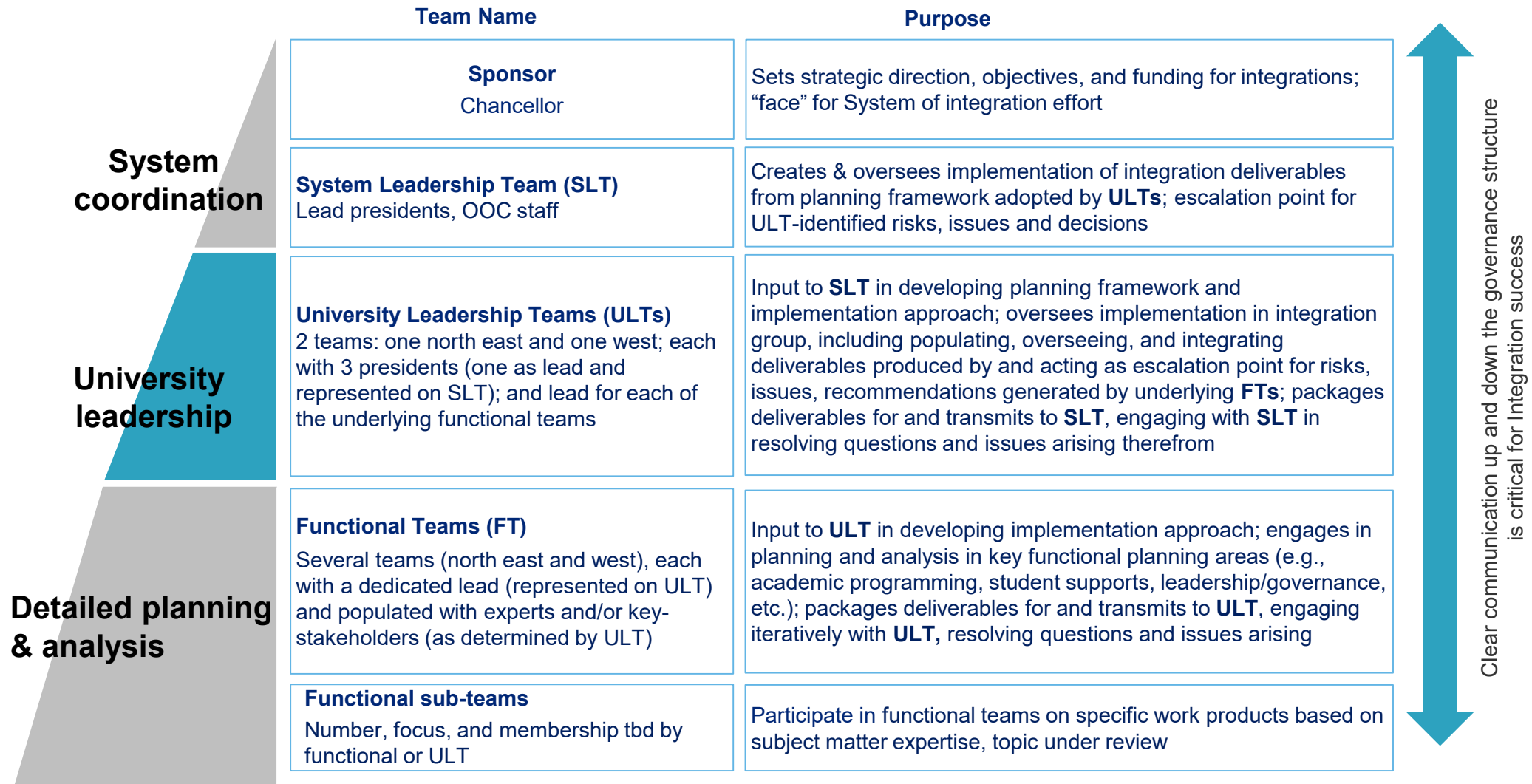
- 1) Middle States Accreditation, Complex Substantive Change Process, and Other Accreditors Alignment and Planning
- 2) Change Management & Communications

Shifts in the Planning Process

The transition from the financial review to implementation planning will entail higher level of engagement of and support for university-level effort.

	FINANCIAL REVIEW PHASE	IMPLEMENTATION PLANNING PHASE
STRATEGIC LEADERSHIP	<ul style="list-style-type: none">Framed and led and executed at the State System / Chancellor's Office	<ul style="list-style-type: none">Led by the State System comprising leads from each of the integration teams
OPERATIONAL TEAMS	<ul style="list-style-type: none">Largely comprised of OOC staff (with peer CAO and CFO), with input on early stage vision/mission considerations through facilitated meetings of university leadershipConsultation focused narrowly on CoTs, statewide collective bargaining units, members of the General Assembly	<ul style="list-style-type: none">Led by university relying on functional teams commissioned and charged by a university-level integration team and involving expert informants, conducting planning according to a common System-supplied frameworkConsultation focused more broadly on key statewide as well as university and community constituencies based on topics
PLANNING SUPPORTS	<ul style="list-style-type: none">Focused on the OOC	<ul style="list-style-type: none">Focused on university-level work

Planning Governance Structure



Planning Governance Structure



At every level, teams will have:

- **Charters** defining:
 - Membership including team lead and member roles, responsibilities, and RACI obligations
 - Expectations about timelines, milestones, and deliverables including specific planning parameters or targets
 - How their work relates to the integrated entity's ability to achieve its integration goals
 - Consultation paths (with whom to consult, when, for what purpose)
 - Consultation related to System or Integration coordination
- **Supports and resources** required to conduct and complete their work in a timely fashion



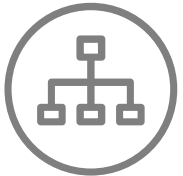
Each integration plan will:

- **Be expected to develop concrete multi-year, measurable goals** anchoring on:
 - Expanded student opportunity
 - Student success and affordability
 - Responsiveness to regional and Commonwealth needs
 - Institutional operating effectiveness and sustainability

Next Steps



Kick off Implementation Planning phase activities targeted to complete for April 2021 BOG review



Stand up governance structure, including integration operations teams at participating institutions



Begin stakeholder consultation path based on implementation planning activities