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• System trends and their implications for Lock Haven
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The State System and how it works
Board of Governors
Overall governance of the system as a single public corporation; create a policy environment that promotes “high quality education at the lowest possible cost to students” and has fiduciary responsibility for system.

Chancellor
CEO of system; advances the Board’s policy objectives using an accountability framework that tracks progress toward Board-approved metrics.

Council of Trustees
Provides guidance on a range of institutional matters, and approves budgets, tuition/fees, and establishment of schools and academic programs prior to Board consideration.

University President
University CEO; provides institutional strategic leadership; serves on Chancellor’s cabinet to advance system-level objectives.
In this structure, the Board...

- Defines policies, appoints/manages leadership, approves new programs
- Sets tuition, receives/approves and formulaically allocates university operational and capital funds

The system that is overseen by the Board...

- ...owns/manages land, buildings, contracts, issues paychecks, and is responsible for the $1.6 billion education and general budget and the $456 million of cumulative net reserves

In this structure

- Board actions can have differential impacts on universities
The System Leadership Group is designed to mitigate impacts while advancing the success of individual universities.
Why this matters?

• Because what happens at Lock Haven affects other System universities

• Because what happens at other System universities affects Lock Haven

• Because our statutorily defined corporate structure requires universities to work together and with the chancellor to advance their objectives in ways that promote and support the good of all

Our structure requires universities to vest in each other’s success as well as in their own
System trends and their implications for LHU
Enrollment has declined steadily from 2010 (by 21% overall)

Decline is 27% without WCU, which has grown.
Steepest enrollment decline is among students from low- and middle-income families

Source: Census Student and Annual Financial Aid Data Collection, State System Student Data Warehouse
Enrollment decline reflects (but is greater than) decline in the size of the high school leaving population…

Pennsylvania Public High School Graduates (Historic and Projected)

Enrollment from Pennsylvania declined 18% while high school graduates declined 6% from 2012 to 2020
...and a crowded and 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
Average net price of attendance has increased by 62.4% from 2009-10 to 2018-19

<table>
<thead>
<tr>
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</thead>
<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>
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<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>
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<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>
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<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>
</tr>
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</table>

The trend has significantly reduced State System Universities’ affordability advantage in PA.
Annual operating margin continues to weaken

The State System’s goal* is for each university to achieve a 3-year rolling average operating margin of at least 2-4%.

The operating margin has declined in all but the most recent year and is still overall less than the 2-4% goal.

In 2019-20, operating margins at 11 universities was below 2%, compared to 5 universities in 2015-16.

The 2019-20 reflects deposit of CARES Act Funds (June 2020) – funds which were already spoken for (and inadequate to meet COVID related )

Threshold goal is recommended by National Association of College and University Business Officers and is industry standard; calculation was slightly modified beginning 2014/15 based on KPMG methodology; prior data reflects Moody’s methodology.

Source: SAP; Business Warehouse
Annual primary reserve ratio continues to weaken

The State System’s goal* is for each of its universities to have a reserve 3-year rolling average of 40%.

The ratio for the System overall has declined in recent years.

In 2019-20, 9 universities were below 40%, compared to 5 in 2015-16.

*Threshold goal recommended by the National Association of College and University Business Officers and is industry standard. Primary Reserve Ratio: Expendable financial resources (unrestricted plus temporary restricted) divided by annual operating requirements (total expenses).

Source SAP; Business Warehouse
Minimum reserve (days cash* on hand) continues to weaken

The State System's goal* is for universities to have reserves on hand for 180 days of operations.

- In 2019-20:
  - 10 universities have lower minimum reserves than in 2015-16
  - half do not have 180 days reserves on hand
  - 3 have less than three months (90 days)

*Threshold goal recommended by the National Association of College and University Business Officers and is industry standard.
Includes System loans, where applicable.

Source SAP; Business Warehouse
Why this matters? (1 of 3)

- Financial stress at any university shows up at all universities
- As university enrollments decline, their per-student expenditures grow unless they adjust to new enrollment realities
- By 2019, several universities experiencing enrollment declines, including LHU, had not adjusted
Why this matters (2 of 3)

Till now, universities that adjust to new enrolments or grow (WCU), subsidize those that don’t.

This is no longer possible given the system’s financial condition and the condition of several universities.

Sustainability policy addresses this – requires 9 universities to achieve sustaining operations by June 2022.

8 of 9 are making progress; Lock Haven not so much.

<table>
<thead>
<tr>
<th>University</th>
<th>Fall Student: Faculty Ratio</th>
<th>% of sections with &lt;21</th>
<th>variance from average allocation 2019/20</th>
<th>cumulative since 2010/11</th>
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</thead>
<tbody>
<tr>
<td>West Chester</td>
<td>17.8 18</td>
<td>35%</td>
<td>($29,326,106)</td>
<td>($146,880,608)</td>
</tr>
<tr>
<td>Slippery Rock</td>
<td>20.7 18.7</td>
<td>35%</td>
<td>($9,095,453)</td>
<td>($32,484,375)</td>
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<tr>
<td>Bloomsburg</td>
<td>19.8 17.9</td>
<td>40%</td>
<td>($5,614,246)</td>
<td>($49,567,569)</td>
</tr>
<tr>
<td>East Stroudsburg</td>
<td>18.9 19</td>
<td>53%</td>
<td>($2,159,417)</td>
<td>($32,449,491)</td>
</tr>
<tr>
<td>Kutztown</td>
<td>20.4 16.7</td>
<td>47%</td>
<td>($1,894,423)</td>
<td>($11,476,932)</td>
</tr>
<tr>
<td>California</td>
<td>25.4 17.1</td>
<td>45%</td>
<td>$534,239</td>
<td>($12,719,452)</td>
</tr>
<tr>
<td>Millersville</td>
<td>20.4 17.3</td>
<td>43%</td>
<td>$591,668</td>
<td>$8,933,376</td>
</tr>
<tr>
<td>Shippensburg</td>
<td>19 15</td>
<td>53%</td>
<td>$1,490,112</td>
<td>$13,492,838</td>
</tr>
<tr>
<td>Edinboro</td>
<td>18.1 13.2</td>
<td>59%</td>
<td>$4,809,667</td>
<td>$12,927,136</td>
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<tr>
<td>Indiana</td>
<td>19.2 14.8</td>
<td>52%</td>
<td>$5,427,919</td>
<td>$2,960,093</td>
</tr>
<tr>
<td>Clarion</td>
<td>18.9 14.5</td>
<td>58%</td>
<td>$6,010,030</td>
<td>$28,912,222</td>
</tr>
<tr>
<td>Lock Haven</td>
<td>19.2 13.9</td>
<td>63%</td>
<td>$9,299,049</td>
<td>$39,307,579</td>
</tr>
<tr>
<td>Mansfield</td>
<td>16.2 13</td>
<td>60%</td>
<td>$9,471,883</td>
<td>$78,853,901</td>
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<tr>
<td>Cheyney</td>
<td>15.4 13.2</td>
<td>65%</td>
<td>$10,455,078</td>
<td>$100,193,568</td>
</tr>
</tbody>
</table>
Why this matters? (3 of 3)

We can no longer expect universities operating sustainably to pay for those that are not.

It’s not fair to their students, faculty, and staff.

Going forward, we expect allocations of resources to reflect that and to be conditional.
LHU trends and their implications for the System
Lock Haven enrollments have declined 42% since 2010: twice the system average

Enrollments stabilized in 2020

But with unsustainable levels of scholarship funding that threaten continued financial decline.

Source: State System Student Data Warehouse, Fall Census
The pattern is not wholly explained by regional demographics...

Enrollments are 6x as predicted by regional population change (twice the system average)
LHU’s average is slightly higher than the system average (and higher than 7 PASSHE schools)

Lowering net price can reverse enrollment decline, but draws down on reserves at a faster pace.

Growing retention aid will have same effect.

…it may be effected by net average price…
...and by student family income

Slightly more undergraduates than the system average from families earning 30,001-110,000 and fewer from families earning 110,001+

Undergraduates’ family income is 10k lower than the system average, 3k lower if outliers – Bloom, Cheyney, and WCU – are removed

Near system average wrt proportion of Pell recipients
Student outcomes are relatively weak

LHU 6-year graduate rates, 2010-20 are consistently low compared to other system universities.

Graduated by 2010
- Bloomsburg
- California
- Edinboro
- Millersville

Graduated by 2015
- Cheyney
- Indiana
- Shippensburg

Graduated by 2020
- Clarion
- East Stroudsburg
- Lock Haven
- Mansfield
- Clarion
- Shippensburg

System
As are 1\textsuperscript{st} to 2\textsuperscript{nd} year persistence rates
Students preparedness doesn’t account for relatively weak performance; they track with system averages for place in HS class…
...and increasingly with Average SAT

In 2019, LHU Average SAT was 16 points lower than the system average at 1039
Minority enrollments have grown...

Source: State System Student Data Warehouse, Fall Census
Underrepresented Minority includes American Indian or Alaska native, black or African American, Hispanic, and Two or More Races
...but significant six year graduation gaps persist between URM and non-URM students

6-year graduation rates for black students at LHU is consistently around 30%

Source: State System Data: Annual Data Collection, Student Data Warehouse
Other explanations of weak student outcomes also seem not to apply

- Expenditure per-student is high (third highest in the system)
- Faculty workload is low
  - Student-to-faculty ratio (13.9:1 in 2019, down from 19.2:1 in 2010) and
  - Average section size (63% of which have fewer than 21 students – a number 24% greater than the system average)
- Faculty are well compensated
  - $103k average total comp ($5k higher than system average)
  - Base salaries are 25% higher than faculty at peer institutions in comparable regional settings nationally
Why all this matters (1 of 4)?

High relative price for the student population and stubborn relative underperformance with respect to outcomes:

• creates downward pressure on enrollments (students have comparably priced options where they can experience better outcomes)

• contributes to financial instability (high stop out rates translate into lost revenues)

• has negative community impacts (resulting from LHU’s continued contraction)

• makes it difficult to advocate for greater public investment, given questions raised about performance and the apparently higher ROI available elsewhere for expenditure of state appropriated and PHEAA dollars

The trend can be reversed, notably by lowering net average price but also by emphasizing evidence-based retention practices
Why all this matters (4 of 4)?

But those paths aren’t possible so long as LHU carries more programs than enrollments support

The undergraduate program array is “under water” and not carried even by strong graduate programs (e.g., PA and sports science)

The challenges:

• Other State System universities can no longer support the status quo at LHU

• Reducing LHU’s program array to the level enrollments supports will create further downward pressure on enrollments
Integration is a long-term solution

- Expanding program breadth while maintaining essential residential character
- Capitalizing/doubling down on LHU’s existing strengths (and those at sister institutions)
- Investing in new areas to serve new students who need our help, growing enrollment, driving regional economic development
- Re-tooling and strengthening supports for all students
- Reducing administrative costs investing savings in student success