

## Report Highlights

### Promoting the Long-Term Sustainability and Viability of Universities in the Pennsylvania State System of Higher Education

Senate Resolution 34 of 2017 directed the Legislative Budget and Finance Committee to conduct a study and issue a report relating to the long-term sustainability and viability of the 14 universities in the Pennsylvania State System of Higher Education (State System). The RAND Corporation conducted the study and developed and assessed five options for change. The RAND team found:

- **Demographic trends pose significant challenges to State System universities.** Between 2015 and 2030, 55 of the 67 counties in the state are projected to experience declines in youth population ranging from 3 to 45%. This will likely result in a significant drop in enrollment of traditional college-age students.
- **State financial support is limited.** Appropriations for State System universities declined sharply in 2011. Today, tuition and fees account for the largest proportion of State System revenue: over the period 2006 to 2016, state appropriations fell from 29% of total revenues to 21% while tuition and fees increased from 36 to 42%.
- **Internal factors reduce the State System's ability to respond to challenges.** Governance that is reportedly bureaucratic and places politics above system needs, and inflexible faculty labor relations, hinder opportunities to change. State regulations slow down procurement and construction as well as efforts to purchase services and improve facilities.
- **Challenges will continue to affect institutions and students.** System enrollment has declined 13% between 2010 and 2016. As of 2016, 11 of the 14 State System universities are operating in deficit (although some of this effect may stem from 2015 changes in accounting rules for retiree pensions). Given the projected decline of the state's youth population, student costs could continue to rise while services may continue to be curtailed or downsized.
- **Five possible options for change:** University closures are not recommended. Instead, the report presents five options to increase flexibility and responsiveness. Several of these options could affect the missions of the universities, accessibility and costs for students, and the sovereign immunity that currently protects the State System from lawsuits.

**Option 1** is to keep the broad State System structure with improvements. It upgrades the existing system

by modifying the governance structure to reallocate authority across the various system levels and freeing institutions from some state requirements.

**Option 2** makes the changes in Option 1 and also consolidates the current 14 universities into a smaller number—perhaps 5 to 8—by merging State System universities in each region of the state and including at least one fiscally viable university in each merger.

**Option 3** would eliminate the State System structure and convert the universities to state-related status. This option would be applied to the stronger universities or to weaker universities that could be merged with stronger ones prior to independence.

**Option 4** places the State System and all its institutions under the management of a large state-related university, building on their strong performance, possibly for a defined period of time such as ten years.

**Option 5** merges the State System universities into one or more of the state-related universities as branch campuses.

**Recommendations:** The RAND team recommends:

- (1) **Understand the seriousness of the challenges and plan for major changes.** Option 1 is unlikely to address long-term challenges; Options 2 to 5 may be more difficult to implement, but they are more likely to strengthen financially weak institutions and match staff size to enrollment trends.
- (2) **Seek to develop a new structure with state-related universities.** Pursue either Option 4 or 5 if large, state-related universities are willing.
- (3) **If that is not feasible, pursue other options,** starting with Option 2 or 3. If those cannot be implemented, pursue Option 1.
- (4) **Do not establish a statewide coordinating body, unless it is needed to implement a specific option.** Most of the options probably do not justify establishment of a new statewide higher education body.