

Considerations for the PASSHE consolidation of universities

Summary: At this point the enrollment and financial woes of the Pennsylvania State System of Higher Education (PASSHE) are well known. Briefly, the system's enrollment has plunged by 21 percent from 2010's peak of 119,513 to 93,708 in the fall of 2020. The enrollment loss coupled with rising costs caused the legislature to empower PASSHE's board of governors to make drastic changes, including mergers and consolidation of schools.

Enrollment losses were smallest at Millersville, Bloomsburg and East Stroudsburg, all with losses under 20 percent. The largest drop occurred at Cheyney (50 percent) while Mansfield, Lock Haven and Edinboro were each over 40 percent. There were five others with enrollment declines in the 20-to-40 percent range.

West Chester managed to grow enrollment by over 20 percent while Slippery Rock held steady. Absent West Chester's growth, the system enrollment is down by 23 percent since 2010. As noted in earlier *Policy Briefs*, losses of 20 percent or more produce extreme hardships in finances as revenues drop and costs per student rise sharply.

An earlier *Policy Brief* (Vol. 20, No. 6) included a discussion of PASSHE's 2019 net financial position (assets minus liabilities) which had moved to a negative \$1.6 billion as pension and other post-employment benefits (OPEB) had swollen massively over the decade. In the latest financial report for fiscal year ending June 2020, the net position improved slightly to negative \$1.56 billion. Revised OPEB and pension liability calculations and fewer eligible OPEB recipients resulted in lower total system liabilities.

Another *Policy Brief* (Vol. 20, No. 32) described the severity of the financial and enrollment situation by looking at the faculty costs per student at the 14 PASSHE schools. Of course, faculty costs alone are not the sole measure of a school's cost per student, but they are available from the Joint State Government Commission, and they no doubt track closely with total costs.

Faculty costs per student are presented for lower division students (freshmen and sophomores) and upper division (juniors and seniors) as well as for graduate students. In general, schools with the largest losses of enrollment had a higher faculty cost per student. Interestingly, the 14-school average faculty cost per upper division student jumped 89 percent above the lower division student cost. Several schools were over \$7,000 per upper

division student cost compared to \$4,982 at Penn State. Only California and Slippery Rock were lower (but only slightly) than Penn State's cost per upper division student.

The terrible financial picture at PASSHE reflects two major causes. Obviously, the drop in enrollment in the absence of reductions in overall spending over the past few years produces higher per student costs. The second cause has been the power of the faculty union (and no doubt other unions as well) to continue driving ever higher salaries and other compensation despite falling enrollment. Massive increases in retiree OPEB have driven liabilities and funding requirements sharply higher. Then too, faculty unions have usurped management prerogatives in assignments, hiring and dismissals, making for more inefficiencies and higher costs.

In July 2020, legislation was passed that recognized the precarious situation facing PASSHE and, in particular, schools that have seen such large enrollment drops. The legislation empowers PASSHE's board of governors to make dramatic changes, including mergers and consolidations of programs. Of course, the legislation was not a carte blanche permission to act without input from the stakeholders, legislators and the affected communities.

Initially, there was a proposal to merge six schools into three operational units. The big issues of what they would be called and how they would be managed would be determined in consultations and negotiations among all the stakeholders. Originally, the plan was to merge Edinboro and Slippery Rock, Clarion with California and Lock Haven with Mansfield. But evidently some pushback, presumably from Slippery Rock, resulted in a new proposal that would merge Edinboro, Clarion and California instead. That was followed by an announcement that Bloomsburg would be added to the Lock Haven-Mansfield combination.

The Oct. 16 Williamsport Sun-Gazette reported the following regarding the Board of Governors' plan:

"As PASSHE Chancellor Daniel Greenstein has outlined, the goal is for the combined universities to share a single administration, a combined management enrollment strategy, faculty and staff and offer common academic programs.

"The three schools will operate under a single annual budget. It does not mean, he has said, that the three schools will share a single campus.

"The physical footprint of the combined university, its name and other major details have not been decided."

Another goal is to reduce student costs by 25 percent to help eliminate equity gaps. Obviously, the hope is that the mergers will stop and possibly reverse enrollment losses and improve the financial situation.

The problems and obstacles of merging two universities would be daunting. Merging three will greatly increase the difficulty of reaching a satisfactory arrangement. There is already pushback from the faculty union, local community homes of the schools and from legislators. No doubt students and alumni groups will be heard from as well.

But beyond the predictable political and emotional objections and possible legal roadblocks from unions, there are some very real concerns regarding underlying realities at the schools.

The Lock Haven, Bloomsburg and Mansfield combination brings together two very small schools and a fairly large one. According to the latest data for the fall of 2020, Lock Haven has 1,729 students; Mansfield has 1,663 and Bloomsburg 8,436. Interestingly, however, while Bloomsburg enrollment is more than double the combined counts at the other two schools, its faculty count, from the latest data available, 2018-19¹, was only 11 percent greater than the combined number of faculty (full time equivalents) at Lock Haven and Mansfield.

Bloomsburg's student-to-faculty ratio was 18 to 1. At Lock Haven it was 8.3 to 1, and at Mansfield only 7.9 to 1. The PASSHE average was 19 students per full time equivalent faculty. Thus, on its face these ratios point strongly to major reductions in faculty positions at the Lock Haven and Mansfield locations.

If enrollment and faculty counts remain near 2019 levels during the consolidation planning period, reducing the combined student to faculty ratio to 16 to 1—which is still well below the PASSHE average (Penn State and Temple have ratios of 18:1 and 19:1)—would necessitate the elimination of 157 faculty positions at the combined school. To get to a more appropriate ratio of 18:1 would require a reduction of 239 full time equivalent faculty members.

Moreover, the situation is further complicated by the huge average pay differences among the three universities as of 2019. Lock Haven's average faculty cost was approximately \$96,000, Mansfield's was \$41,000 and Bloomsburg's stood at \$78,000. Lock Haven had the highest average faculty salaries of any state-related or state-owned university. Penn State's average salary was \$84,000, Pitt's stood at \$73,000 and Temple \$68,000. In fact all six schools, besides Mansfield, that PASSHE is considering for merger had average faculty pay above Pitt and Temple.

Thus, owing to sharp declines in enrollment (over 40 percent) during the last 10 years at Lock Haven and Mansfield that were not accompanied by significant reductions in faculty, boosted faculty cost per undergraduate student at Lock Haven to \$6,466 and Mansfield to \$5,559. Bloomsburg's enrollment drop was much smaller so its faculty cost per undergraduate student was only \$4,094 and slightly lower than the PASSHE average of \$4,262 and in line with the state-related university average of \$4,077.

Clearly, Lock Haven, with its high faculty pay and per student costs, would be subject to the biggest hit in terms of staff cuts. The question is whether the PASSHE union contract that requires staff reductions to be based on seniority will provide disproportionate protection for faculty at Lock Haven and disproportionately negatively affect Bloomsburg and Mansfield. Or is contract language applicable to each university and, if so, how will it apply in a merger situation? Eliminating 157—or more—faculty members, with considerations of programs and degree offerings to be retained, will be a nightmare to figure out.

¹ Joint State Government Commission Report, *Instructional Output and Faculty Costs of State-Related and State-Owned Universities*, March 2020.

Moreover, does the contract language speak to what happens if whole departments are eliminated at the proposed consolidated school?

Finally, a key element that should be taken into account in the deliberations is overall school performance in providing value added. College Factual, a company that provides detailed information about virtually every U.S.-based institution of higher education (over 1,700), ranks 123 Pennsylvania institutions. The College Factual rankings are outcomes-based using graduation rates, retention rates and salaries of graduates by degree—a measure of how the market values the education from the schools being ranked. The rankings eschew acceptance rates and college preparedness as indicated by SAT or ACT scores, although there is little doubt that outcomes are affected by those factors.

In this three-school group, Bloomsburg, at 64th in 2020, ranks highest among the 123 Pennsylvania schools. Lock Haven ranked 88th and Mansfield 100th. For comparison, the worst-ranked PASSHE school was Cheyney at 121 while the best was West Chester at 33rd. For non-PASSHE schools, note that Penn State was ranked 13th, Pitt was 14th and Carnegie Mellon was third.

Thus, the consolidation efforts must be mindful of very different performances of the three PASSHE universities under consideration in addition to looking at dollars, faculty seniority and degree offerings in its effort to optimize the cost-benefit ratio of the consolidated school.

In this proposed merger, Bloomsburg is by far the healthiest, highest ranked, lowest cost and by far the largest in terms of enrollment. The two much smaller universities will almost certainly be largely swallowed up by Bloomsburg. Was that the reasoning behind adding Bloomsburg to the original Lock Haven-Mansfield proposal? As stand-alone universities the two schools were unlikely to survive independently with their massive enrollment losses and high costs.

As for the California-Clarion-Edinboro consolidation, the range of differences in costs and rankings is much narrower than the Bloomsburg-Lock Haven-Mansfield combination. Nonetheless, of the three, California is the strongest by several measures. It had the smallest 10-year decline in enrollment (23 percent). It has the lowest faculty cost per undergraduate student (\$3,821), the lowest average faculty pay (\$74,000) and the best College Factual ranking (93 of 123 ranked Pennsylvania schools) and the largest remaining student count (6,885) with a student to faculty ratio of 19 to 1.

On the same measures, Clarion's enrollment was down 31 percent, faculty cost per undergraduate student was \$4,821, average faculty pay was \$80,000, College Factual ranking was 98 of 123, its 2020 student count was 4,465 and its student-faculty ratio of 2019 was 16:1. Edinboro is the weakest of the three on virtually every measure. Enrollment has fallen 41.6 percent since 2010 to stand at 4,319, the student-faculty ratio of 2019 was 14:1, faculty cost per undergraduate student was \$5,659 and its College Factual ranking was 107 of 123.

For the consolidation of the three schools to achieve a student faculty ratio of 19 to 1, roughly 118 full time equivalent positions at current enrollment levels would need to be eliminated. As with the Lock Haven-Mansfield-Bloomsburg merger, considerations of degree programs to be cut or reduced substantially along with faculty seniority will weigh heavily in the final plan for consolidation.

However, unlike the Lock Haven-Mansfield-Bloomsburg proposal, the massive differences in size, cost measures and school rankings are not present. And that could make decisions harder and more contentious since neither school dominates although, California is clearly stronger on several of the measures.

Finally, whatever form the mergers take, it will need to consider the impacts on the eight non-merging PASSHE schools. Indeed, it might be necessary to rethink the entire system in terms of degree program offerings as well as student-faculty ratios and academic performance at the schools not involved in mergers.

In sum, the consolidation, right-sizing, and in general, the optimization of the state-owned universities will be a stupendous challenge because of union contracts and decisions about degree programs to be cut or reduced. But that will just be the beginning. The pushback from communities affected by major downsizing, alumni and legislators will be enormous.

But something must be done to deal with the surge in costs and loss of enrollment over the last 10 years. Perhaps other schemes for consolidation will emerge that are more palatable to the stakeholders and easier to carry out. Still, without doubt, the task of completing the mergers and being ready for fall 2022 is a daunting challenge given its complexities and the obstacles it will face.

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