

Middle States Substantive Response Report

For the

September 22-25, 2020

Middle States Virtual Reaffirmation of Accreditation Visit

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October 26, 2020

Introduction

California University of Pennsylvania hosted a virtual reaffirmation of accreditation evaluation team visit on Tuesday, September 22, through Friday, September 25, 2020. We would first like to thank PASSHE observer Donna Wilson, visiting team chair Kathryn Foster, and all evaluation team members for their dedicated and collegial interactions with our Cal U campus and local community participants during the fifty virtual meetings in which they participated.

We were pleased to read the evaluation team commendation of our “impressive” self-study process and products. The team indicated the self-study report was “clear and insight-filled,” “the evidence inventory is voluminous,” and “Cal U provided abundant information and documentation.”

The team also indicated that equally impressive is how “Cal U leveraged the Middle States process, especially in the past three years, to make measurable improvements in areas subject to the standards. Perhaps none is more impressive than design and implementation of a robust and still-maturing assessment program” and “how diligently the campus dedicated itself and how that diligence has led to insights and culture change” making it a “role model for institutional hosts.”

Summary of Outcomes

The Evaluation Team provided the following evaluation outcomes.

- Standard I: 3 collegial suggestions
- Standard II: 4 collegial suggestions
- Standard III: 1 collegial suggestion
- Standard IV: 4 collegial suggestions, 1 recommendation
- Standard V: 3 collegial suggestions
- Standard VI: 4 collegial suggestions, 1 requirement
- Standard VII: 3 collegial suggestions, 3 recommendations
- Requirements of Affiliation: compliance for all
- Federal Compliance Report: accepted

Overall, these outcomes are quite positive, and we have begun addressing many of the suggestions and recommendations during the current academic year. (progress provided below.)

- The Standard I collegial suggestion to extend the 2015-20 Strategic Plan has already been approved by the University President and Cabinet, and a third evaluation of the Strategic Plan will occur in the Spring 2021 semester to better inform our 2021-26 Strategic Plan.
- During the Fall 2020 semester, the Standard IV suggestion to require students on probation to attend a specific number of workshops was implemented (at least three workshops per semester) to improve persistence rates.
- The Standard V suggestion to “invite experts from the outside of the institution to conduct academic program reviews” was implemented in the 2018-19 revised program review process per PASSHE Policy 1986-04-A (C.1), where “each program not subject to specialized accreditation will be reviewed by an appropriate external evaluator” at least every other five-year review.
- The Standard VI suggestion that Cal U “leverage the university-wide Tuition Pricing Task Force to assist in the development of pricing models for undergraduate and graduate students and for high-demand and/or highly expensive degree programs” has been implemented as one of the major focuses of this task force. The various pricing strategies for online (undergraduate and graduate), high-demand programs (e.g., communication disorders), new educational

partnerships, out-of-state discount rate, military discount rates and doctoral program pricing have originated from this task force.

- The Standard VI suggestion that “Cal U share with a wider audience the context and methods for analyzing department viability and return on investment” for academic programs has occurred at APSCUF meet and discuss, meetings with APSCUF president and executive officers, and other campus-wide meetings such as Provost’s Council (academic deans and chairs) and Faculty Senate. Academic Program Sustainability meetings have also been occurring with various faculty groups (including department chairs) to solicit feedback on the assessment metrics used to determine program viability.
- The Standard VI suggestion that Cal U consider “improvements in its engagement of and communication to campus constituents in financial assessment and decision processes to increase understanding and buy-in for budget allocations ... for financial sustainability of the institution” began at a campus forum in February 2020, where the Sustainability Plan Version 1 and campus master plan were shared with the campus community. A Sustainability Task Force was created (March 2020) with representation from all employee groups (managers, faculty, and staff) to assist in the development of the Sustainability Plan Version 2 and the Comprehensive Planning Process (CPP). All versions (Sustainability plans 1, 2 and the CPP) were shared with the entire campus community.
- The Standard VII suggestion to consider a strategic-level integrated governance group to deliberate university-wide issues was initiated in early September 2020 with the creation of a new (focused) Shared Governance Taskforce including leaders of Student Government, Staff Leadership Council, APSCUF (faculty union), Faculty Senate, and administration to consider the creation of an integrated governance body such as a “University Senate.” The initial meeting of this taskforce occurred in the week prior to the MS virtual visit and all members of the new Shared Governance Taskforce were invited to participate in the virtual 9:00 to 9:50 virtual Middle States evaluation team meeting on September 23, 2020.
- The Standard VII suggestion to add a non-voting student member to the University Curriculum Committee is currently in process. UCC Chair Michael Perrotti confirmed they “will include an option for a non-voting student in our By Laws revision this year.”
- The Standard VII recommendation to provide further evidence of a clearly articulated and transparent structure that outlines roles, responsibilities and accountability for decision-making by each constituency has also been charged to the new Shared Governance Taskforce to develop a “Cal U Shared Governance Decision-Making Matrix Tool” as displayed in Self-Study Evidence Inventory example artifact VII.5.6.

Standard VI Requirement

We respectfully request consideration of the following rationale for reducing the Standard VI requirement to a recommendation. As detailed in the Team Report, the MSCHE evaluation report requires that Cal U “must demonstrate the sufficiency of resources to fulfill its mission and goals and to support its educational purposes and programs.”

Cal U’s core values of Integrity, Civility and Responsibility underlie decision-making and drive progress at our institution. Cal U takes pride in its 168 years of service to the Commonwealth, but in recent years the landscape of higher education has seen – and continues to see – significant demographic shifts which must be swiftly addressed if the university is to remain competitive and financially sustainable. Accelerated by a global coronavirus (COVID-19) pandemic, decisions have been made to safeguard the financial health and sustainability of the university as it adjusts to the extraordinary financial burdens created by the pandemic.

Because of these factors, more aggressive activities regarding enrollment, revenue growth and expenditure savings are now occurring.

Educational Partnerships

Cal U increased student enrollment in Fall 2020 and has many promising new programs and partnerships on the rise. As part of the work of the Pricing Strategy Task Force, Cal U created Educational and Non-Educational Alliance Partnerships to offer current degree programs, certificates and credentialing programs with specific pathways based on needs and educational goals. This initiative will significantly expand tuition revenue opportunities, and current progress indicates these partnerships will exceed original revenue projections. The university is currently finalizing agreements with major employers in the region.

Right Sizing our Faculty to Student FTE Ratio

Additional cost-saving measures have occurred since the virtual Middle States Evaluation Team visit. Forty academic programs have been reviewed with a recent recommendation to place at least five programs in moratorium and possibly four additional programs (depending on pending data results). Additionally, we have reduced our faculty FTE from 330 (Fall 2018) to 315 (Fall 2019) to our current Fall 2020 target of 291 FTE with a 2020-21 annualized faculty FTE target of 286 and a Fall 2021 target of 231 from a combination of additional retirements, expected full-time faculty retrenchments, and significant reductions of our part-time faculty complement.

Cal U is also currently sharing faculty with Edinboro University (1.0 FTE) and Clarion University (0.25 FTE) with an expectation to improve faculty resource sharing as a result of our pending integration with these universities as described below in the “System Redesign/Integration” section.

COVID-19 Impact on Financials

The global pandemic has impacted the financial picture at Cal U as institutions of higher education throughout the country made decisions to protect their students, faculty, and staff.

For fiscal year 2019-2020, Cal U had approximately \$2 million in unfunded expenditures as a result of COVID-19. The availability of Cares Act funds (approximately \$6.9 million) offset certain expenses, but it was not sufficient to meet the additional burdens, as residence halls closed and dining services were suspended, and various auxiliary-related fees were refunded, resulting in a \$2 million deficit in Auxiliaries.

Looking to fiscal year 2020-2021, Cal U announced it will operate remotely for the duration of the Fall 2020 semester. This decision, while made to protect the health and safety of the entire university community, carries significant repercussions to the budget. With no students returning to campus, the residence halls have remained closed and no dining income has been generated. Cal U projects, at minimum, a \$7.8 million deficit for Auxiliary enterprises.

These expenditures and the result they have had on operations – a situation being experienced nationally – is essentially out of university leadership control. Despite solid efforts, the pandemic has effectively diminished much of the progress of the last years, and has fostered a combined loss of almost \$11 million, which represents nearly 50% of the university’s unrestricted net assets.

University Net Position

The MSCHE Team Report catalogued the following:

“Finances. Cal U has faced its financial challenges with determination and vigor. Over the past several years, the institution reduced spending by \$7 million. Despite these efforts the Net Position for FY 2019 was \$3.8 million decline, \$3.5 million more than the previous year.”

In its earlier factual response, the university clarified that the \$3.8 million decline in net position in FY 2019 represents net position overall, including unfunded liabilities for compensated absences, postretirement benefits and pension benefits. Note 15 in the financial statements lists the various components of unrestricted net position and states, “The State System does not require the university or its member universities to fund compensated absences or postretirement benefit net asset deficits.” If one considers the change in net position (excluding these unfunded liabilities), a clearer picture of the university operating change in net position is displayed. This view shows the balance for these categories holding steady or increasing since the last Middle States review, reaching its highest level in FY 2018 (see attached).

System Redesign/Integration

Detailed in Standard VI, the Pennsylvania State System of Higher Education announced efforts to embark on a System Redesign that will transform the way its universities do business and respond to the challenges facing public higher education not only in Pennsylvania, but across the nation.

At its July 2020 convening, the Board of Governors “authorized the Chancellor to review the financial impacts of potentially integrating operations at selected State System universities as part of the Phase 3 System Redesign. This effort is intended to help all State System institutions sustainably provide their students and their communities with affordable, quality higher education for years to come.”

The results of the financial analysis were shared at the October 2020 meeting. Based on the findings, the Board approved the integration of a “Western Trio” (California, Clarion and Edinboro) to move forward with the next phase of the Redesign: development of implementation plans.

Results make evident that enrollment improves in a combined integration model which demonstrates reduced costs and an overall 2% enrollment increase over five years. In a standalone model, enrollment declines and would flatten out in five years.

The financial analysis also signifies promising financial viability metrics and projects financial sustainability can be achieved in outlier years as a result of the “Western Trio” integration.

- Operating Margins: Integrated improves to 3% vs. negative in standalone
- Primary Reserve Ratio: Integrated averages 3% vs. declining reserves in standalone

In terms of an integrated budget model, deficits will be diminished by 2022-23 with surpluses projected in 2023-26, ranging on average approximately \$10 million. In addition, the integration is projected to save approximately \$12 million in administrative functions.

Based on the financial analysis, performed by Deloitte Touche Tohmatsu Limited, it appears that the integration will strengthen the financial sustainability of all three schools.

Conclusion

Cal U is aggressively implementing processes that improve compliance with the MSCHE Standard VI requirement for sufficiency of resources to fulfill our mission and goals and to support our educational purposes and programs within an extraordinary (non-normal) COVID-19 related environment. While we have little control over the negative financial impact from this pandemic, we are engaging in bold actions to strengthen Standard VI compliance.

We continue to right-size our academic programs, physical buildings, and faculty/administrative/staff complements to better align with our declining regional population, and we are aggressively moving forward with a two-year PASSHE Redesign initiative to integrate and share resources via a “Western Trio” with Clarion and Edinboro universities. We hope these actions demonstrate our commitment to strengthening Standard VI compliance and will earn MSCHE consideration for reducing the Visiting Evaluation Team Standard VI requirement outcome to a recommendation with annual progress reporting of our achievements.