

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

JOINT SENATE AND HOUSE EDUCATION COMMITTEE HEARING

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HARRISBURG, PENNSYLVANIA

MONDAY, APRIL 30, 2018

IN RE: RAND CORPORATION STUDY OF THE PASSHE SYSTEM

BEFORE:

SENATOR JOHN H. EICHELBERGER, MAJORITY CHAIRMAN
SENATOR ANDREW E. DINNIMAN, MINORITY CHAIRMAN
HONORABLE DAVID HICKERNELL, MAJORITY CHAIRMAN
SENATOR RYAN AUMENT
SENATOR JOHN DiSANTO
SENATOR MIKE FOLMER
SENATOR ROBERT TOMLINSON
HONORABLE HAL ENGLISH
HONORABLE MINDY FEE
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BEFORE (cont.'d) :

**HONORABLE CAROL HILL-EVANS
HONORABLE PATTY KIM
HONORABLE MARK LONGIETTI
HONORABLE MAUREEN MADDEN
HONORABLE STEPHEN McCARTER
HONORABLE DAN MILLER
HONORABLE GERALD MULLERY
HONORABLE MICHAEL SCHLOSSBERG
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1 P R O C E E D I N G S

2 * * *

3 MAJORITY CHAIRMAN SENATOR EICHELBERGER: I'm
4 going to call the Education Committee meeting to order
5 today. It's a hearing to look at the RAND Study of the
6 State System of Higher Education.

7 And we have several people to testify today, a
8 couple that will be up early and briefly; and then we'll get
9 into the meat of things with the people from the RAND
10 Corporation.

11 This is a subject that has gotten some attention
12 over the last year or two. Last year the PASSHE system
13 sanctioned a study themselves and had that completed. In my
14 opinion, it wasn't worth a lot. Some people might argue
15 that. But it seemed like it was money ill-spent that didn't
16 really give us anything that we can work with to make
17 substantial changes to the system. We have a system that's
18 in very difficult shape financially and has academic
19 problems as well.

20 So we're here to try to address those problems
21 and see what we can do to help fix the system. We have
22 schools in the system that are doing exceptionally well, a
23 lot of schools that are somewhere in the middle, and some
24 schools that are really failing in every respect.

25 They're state-owned universities. It's incumbent

1 upon the Legislature to make the final decisions about how
2 they operate. They have a Board that both studies have
3 criticized because of the structure of the Board, not
4 anybody there individually, but the structure of the Board
5 being something that isn't working very well, is very
6 political.

7 We have a union contract in place that's probably
8 the most restrictive union contract that I've ever seen. It
9 makes it almost impossible to manage the system. And we
10 have external factors that have been identified in the
11 studies. We have fewer Pennsylvania kids graduating from
12 high schools here and more options for people than we had
13 years ago.

14 We have 14 community colleges in Pennsylvania
15 today. We have online universities across the country that
16 are advertising in Pennsylvania, taking a fair share of
17 students. There's a lot more competition. So there's
18 reasons why we need to look at this system and make
19 decisions about what its future will hold.

20 So I'm anxious to get into the meat of this today
21 and get some more detail from the RAND people before they
22 return back to their business and leave Pennsylvania.
23 They've been here for quite a while doing this work.

24 Chairman Hickernell, would you like to make some
25 opening comments?

1 MAJORITY CHAIRMAN REPRESENTATIVE HICKERNELL:

2 Thank you, Mr. Chairman.

3 Just very briefly. I think John did a real good
4 job of framing the issue. I want to thank him for including
5 the House Education Committee in this hearing this morning.
6 I, too, look forward to the testimony.

7 I must admit I'm about three-quarters of the way
8 through the report so I haven't gotten through the entire
9 thing yet. I'm looking forward to everybody's questions
10 this morning.

11 I do want to recognize to my left, Patty Kim.
12 She's acting Democratic Chair this morning. I'm sure she'll
13 fill Jim Roebuck's shoes quite well.

14 Thank you very much.

15 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Welcome,
16 Patty.

17 REPRESENTATIVE KIM: Thank you.

18 MAJORITY CHAIRMAN SENATOR EICHELBERGER: And
19 Senator Dinniman is the Minority Chairman in the Senate and
20 he'd like to say a few words this morning as well.

21 MINORITY CHAIRMAN SENATOR DINNIMAN: Thank you.

22 While reviewing the State System certainly is of
23 importance, this report from RAND Corporation has many holes
24 in it based on the methodology it used and based on certain
25 assumptions.

1 So my job is to try to create the best State
2 System of Higher Education we can but also to get these
3 questions answered and to understand why certain decisions
4 were made and to get at the basis of how the report was put
5 together and to have a full discussion of assumptions which,
6 in my judgment, lack appropriate statistical and other types
7 of credibility.

8 We'll get to it. The ultimate idea here is to
9 understand that the State System of Higher Education goes
10 back to the 19th century. And this notion has a glorious
11 history. Our job is to find out how we can continue this
12 key institution that is vital to so many of our students and
13 vital to so many of our communities.

14 That's my hope as what we'll get to today. I
15 thank both the Majority Chairs for having this hearing.
16 I've read thoroughly the first report on the State System
17 and I read this report. And ultimately we'll be able to put
18 some decisions together.

19 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Thank
20 you.

21 Representative Kim.

22 REPRESENTATIVE KIM: Thank you, Chairman.

23 I am the Chair of the Subcommittee of Higher
24 Education. That's why I'm here today. Just before we
25 start, I just want to remind everyone -- and everyone knows

1 this in here -- the mission of the State System is to make
2 sure that our students have accessible and affordable
3 education. And I hope that as we go through this report,
4 that we can keep that focus in mind, that goal.

5 Thank you.

6 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Okay.
7 Thank you, everyone.

8 The first person to testify this morning is
9 Senator Dave Argall. He's the sponsor of the resolution
10 that was passed in the Senate to create the study that we're
11 going to look at this morning.

12 Dave, welcome. You have some remarks for us to
13 frame our discussions today.

14 SENATOR ARGALL: Thank you, Chairman
15 Eichelberger, Chairman Dinniman, Chairman Hickernell,
16 Chairman Kim, members of the House and Senate Education
17 Committees. I really appreciate the opportunity to provide
18 just a few comments this morning about the genesis of Senate
19 Resolution 34, which called for an independent study of the
20 Pennsylvania State System of Higher Education, PASSHE.

21 Many of you have seen in the Governor's Executive
22 Budget the section on higher education which listed
23 enrollment trends regarding the four entities funded in the
24 State Budget: the State-relateds, our community colleges,
25 Thaddeus Stevens, and PASSHE.

1 During last year's Senate Appropriations
2 Committee State Budget hearings, those enrollment trends
3 really caught my attention. I wanted to know why PASSHE's
4 total number of students is declining while other state
5 colleges and universities are growing here in Pennsylvania.

6 In this year's proposed budget by the Governor,
7 the enrollment forecast paints an even more troubling future
8 for PASSHE between Fiscal Years 2016-'17 and 2022-'23.

9 PASSHE is anticipated to lose 1 percent of its enrollment
10 while at the same time community colleges are expected to
11 grow by 2 percent, our state-relateds by 7 percent, and
12 Thaddeus Stevens by 18 percent.

13 And again, even more troubling, as many of you
14 know, many of the PASSHE universities are expected to
15 decline by much, much more than just the 1 percent.

16 The chart that I indicated in my testimony
17 explains, I think, the issue better confronting our 14
18 state-owned universities when compared to other areas of
19 higher ed. It's not just a percentage issue. If you look,
20 PASSHE is expected to lose more than 1,300 students. That's
21 about the same size as many of our small colleges here in
22 Pennsylvania. At the same time, community colleges are
23 going to grow by over 2,000 students. Our state-relateds
24 are going to grow by over 12,000 students and Thaddeus
25 Stevens is going to grow by almost 200 students all at the

1 same time.

2 And so I think the chart here is crystal clear.
3 Our 14 state-owned universities have a serious problem and
4 the General Assembly needs some serious answers.

5 Because of these trends, I was approached by men
6 and women who cared deeply about the future of PASSHE:
7 their graduates, their professors, their administrators,
8 their students. That's why I introduced Senate Resolution
9 34.

10 Now, some will say that more state funding is
11 needed to fix PASSHE. I agree. But I caution against using
12 that as the only approach given the data. No single entity
13 in Pennsylvania higher education has been immune to the
14 budget challenges over the past decade. From Fiscal Year
15 2008-'09 to Fiscal Year 2017-'18, PASSHE's funding has been
16 reduced by 13 percent.

17 However, during the same time, funding for the
18 state-related universities dropped by 19 percent. Penn
19 State has seen its funding reduced by 25 percent. And
20 again, as I mentioned earlier, at the same time
21 state-related universities are expected to add more students
22 over the next seven years while PASSHE is expected to lose
23 more.

24 The bottom line is the tax dollars do not always
25 provide the full answer in this regard. I think the State

1 System made a good request, made a good first step, by
2 agreeing to do their own study. However, many express some
3 serious reservations about its troubled system studying
4 itself.

5 The goal of my resolution was to conduct a
6 separate study of the State System to give us an unbiased
7 report and unbiased solution. Senate Resolution 34 had 18
8 cosponsors, 15 Republicans and 3 Democrats. More
9 importantly, the resolution was approved with the unanimous
10 support of the Senate by a vote of 50 to zero on April 18th
11 of last year.

12 I think all of us in this room can agree with
13 this premise: Our 14 State-owned universities are wonderful
14 institutions with a long tradition of affordable education
15 for Pennsylvania's families. I requested this study to help
16 us understand why these trends are occurring and how the
17 problem can be remedied.

18 Many of us attended classes at one of these
19 institutions. And if we did not personally attend, we
20 certainly know many people, spouses, friends, neighbors,
21 parents, grandparents, our children, who graduated from a
22 PASSHE university and who remain convinced that it was one
23 of the best decisions of their lives to study there.

24 In my own family, we traced these ties to my
25 Grandfather Argall. Pennsylvania Dutch. We never throw

1 anything away. This is his yearbook from 90 years ago.
2 It's not exactly the way I remember him looking but this was
3 when Kutztown was transferring from the Kutztown normal
4 school. He was a member of the first class of what was then
5 called the Keystone State Teachers College.

6 So I think you can understand many of us have a
7 special place in our heart for these universities. But time
8 marches on. The needs of students and the universities
9 changed greatly from the 1920s to the 1950s when my parents
10 attended Bloomsburg and Kutztown.

11 Then the needs changed again when my best friends
12 attended PASSHE universities in the 1970s and again when my
13 children's friends attended there during the past decade.

14 The RAND Corporation Study I think provides us
15 with a variety of opportunities to pursue to allow the State
16 System to evolve and adapt so that it can continue to
17 prepare students for the jobs of the 21st century.

18 I'd like to thank everyone who's been involved in
19 this study, the Legislative Budget and Finance Committee,
20 the RAND Corporation, my colleagues in the House and Senate.
21 I think now it's up to us to carefully consider all of the
22 options presented to us in this study.

23 But just realize one thing. The status quo
24 regarding the PASSHE system is unacceptable. I would hope
25 that we could all agree on that simple premise.

1 Academic research -- Senator Dinniman, you know
2 this well. We often consider what is called the no-action
3 alternative. We do not have this alternative today
4 regarding the PASSHE universities. If we, the House, the
5 Senate, the Governor, if we fail to act now, the
6 alternatives which all of us, students, faculty, State
7 Government officials, those alternatives that we would face
8 in the future only become much, much more troubling.

9 Again, thank you for this hearing. Thank you for
10 this time.

11 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Thank
12 you, Senator Argall. Great comments this morning.

13 Next we have Patricia Berger, who is the
14 Executive Director of the Legislative Budget and Finance
15 Committee. And if you didn't know, her organization, the
16 Budget and Finance Committee, is the group that was charged
17 in the resolution to produce this report. And they
18 contracted it out to the RAND Corporation. She's here in
19 that capacity.

20 We also have with us from the RAND Corporation,
21 Dr. Charles Goldman, who is the Senior Economist in the
22 study, and Dr. Rita Karam, who is the Senior Policy
23 Researcher for the RAND Corporation.

24 They spent a lot of hours in interviews and
25 visiting campuses and putting this report together. So

1 we're very anxious to hear what you have to say. And then
2 we'll open it up for questions once you do your
3 presentation.

4 Welcome. Go ahead.

5 MS. PATRICIA BERGER: Good morning.

6 Chairman Eichelberger, Chairman Hickernell,
7 Chairman Dinniman, Chairwoman Kim, and members of the House
8 and Senate Committees, my name is Patricia Berger and I'm
9 the Executive Director of the Legislative Budget and Finance
10 Committee.

11 Thank you for inviting us here today to discuss
12 the report of the Legislative Budget and Finance Committee
13 that we released last week regarding the long-term
14 sustainability and viability of universities in the
15 Pennsylvania State System of Higher Education.

16 This study was initiated, as you know, by Senate
17 Resolution 34 of 2017. Due to the specialized nature of the
18 study, the Committee contracted with the RAND Corporation to
19 conduct this study. With me today are Dr. Charles Goldman,
20 a Senior Economist with the RAND Corporation, and Dr. Rita
21 Karam, a Senior Policy Researcher with the RAND Corporation,
22 who were the lead researchers on this project.

23 With your permission, I will have Dr. Goldman
24 begin the presentation of the report findings.

25 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Sure.

1 DR. CHARLES GOLDMAN: Thank you.

2 Good morning. Senate Resolution 34 of 2017
3 directed the Legislative Budget and Finance Committee to
4 conduct a study and issue a report relating to the long-term
5 sustainability and viability of universities in the
6 Pennsylvania State System of Higher Education.

7 This work included the development and assessment
8 of possible courses of action that would help sustain the
9 universities. The Committee contracted with the RAND
10 Corporation to conduct the study and issue the report. I'm
11 Charles Goldman. And with Dr. Karam I co-lead the RAND team
12 that worked on this project.

13 We conducted the project by reviewing other
14 reports, interviewing stakeholders inside and outside the
15 system, examining practices in other states, and analyzing
16 statistical data. Our team found several internal and
17 external challenges that currently and likely will continue
18 to challenge the sustainability of the State System in its
19 current configuration.

20 To help the State address these challenges, we
21 developed and assessed five options for change. In this
22 testimony I will provide an overview of the most critical
23 factors challenging the State System's universities and then
24 discuss the options we developed to improve the
25 universities' long-term sustainability.

1 The State System universities face both external
2 and internal challenges and I'll speak briefly about each in
3 turn. The first external challenge is that Pennsylvania has
4 a declining traditional college-age population. Most of the
5 State System universities draw students from surrounding
6 counties, as well as some from the Philadelphia and
7 Pittsburgh regions.

8 As you can see on the map that I'm showing you
9 now on the screen, most Pennsylvania counties are expected
10 to experience a decline in the traditional college-age
11 population. The orange indicates counties that are
12 projected to experience declines in this population, with
13 darker shades indicating larger declines. The white
14 indicates counties with relatively stable youth populations.
15 And the green indicates counties that are projected to grow.
16 And as you can see, most of the map is orange.

17 A second factor, external factor, that
18 universities in the State System are dealing with is limited
19 public financial support. Pennsylvania provides a low level
20 of public financial support for public higher education
21 compared with other states. And state appropriations for
22 higher education declined sharply in 2011.

23 Consequently, as you can see in the graph here,
24 state appropriations are accounting for a progressively
25 smaller share of State System university revenues while

1 tuition and mandatory fees are accounting for a larger
2 proportion.

3 Several internal factors also challenge the
4 viability of the State System's universities. Governance in
5 the system is reportedly bureaucratic and sometimes places
6 political goals above the needs of the system's university.

7 A second internal challenge is inflexible labor
8 relations with faculty. Interviewees from around the State
9 System reported a stressed relationship with the statewide
10 faculty union. And terms in the faculty Collective
11 Bargaining Agreement are seen as limiting universities'
12 abilities to respond to challenges such as by restructuring
13 academic programs.

14 A third internal challenge arises from state
15 rules pertaining to procurement and construction, which add
16 costs and slow down efforts to purchase services and improve
17 facilities.

18 A fourth challenge is that the system office
19 support and services do not always meet the needs of
20 individual universities.

21 And a fifth challenge is that the market focus of
22 State System universities is primarily on instate and
23 undergraduate students.

24 These internal and external challenges are
25 already affecting State System universities in negative ways

1 and will continue to do so. Several universities are
2 experiencing financial stress and others are headed in that
3 direction.

4 The figure that I'm showing you now shows the
5 three-year average of surpluses or deficits at the 14 State
6 System universities. Each cluster of bars represents the 14
7 State System universities for one three-year period.

8 As you can see in the early years, most of the
9 universities show surpluses. During the Great Recession a
10 few universities show deficits in each period. But in the
11 most recent three years, the pattern changes significantly.
12 More universities are experiencing deficits over time,
13 although some of the later values may reflect accounting
14 changes from 2015 that require recognition of long-run
15 pension costs.

16 These challenges have likely affected students.
17 Room and board charges are increasing faster than at
18 competing institutions and could continue to rise. And
19 services such as counseling have been curtailed or
20 downsized.

21 Generally speaking, the strongest strategies for
22 change include giving autonomy to universities that have
23 demonstrated capacity to manage while providing support and
24 pathways to struggling institutions that allow them to
25 become healthier.

1 In addition, universities need greater
2 flexibility in managing their workforces to adapt to
3 changes. Closing universities entirely is difficult
4 politically and practically. Rather than closing
5 institutions, a more promising approach is to maintain some
6 academic programs at all or almost all of the current State
7 System universities through some type of consolidation among
8 institutions inside or outside the current system.

9 We recognize that such consolidation could result
10 in reduced affordability and access for students as well as
11 changes to the mission of certain universities. But it
12 should give the universities the flexibility they need to
13 respond to their challenges.

14 We have identified five options that have the
15 potential to address the challenges that the State System
16 and its universities are facing. It is also possible that
17 the State could adopt a combination of these options, as it
18 is not necessary to apply the same option to all
19 universities.

20 Option 1 is to keep the broad State System
21 structure, including the current individual universities,
22 but with some improvements. This option upgrades the
23 existing system by modifying the governance structure to
24 reallocate authority across the various system levels and
25 freeing universities from some State requirements such as

1 those regarding procurement and construction.

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

7 Option 3 would eliminate the State System
8 structure and convert the universities to state-related
9 status. We do not recommend a dependence for universities
10 that are struggling or facing significant market challenges.
11 So this option would be applied to stronger universities or
12 to weaker universities that could be merged with stronger
13 ones prior to independence.

14 Option 4 would place the State System at all of
15 its universities under the management of a large
16 state-related university building on its strong performance
17 possibly for a defined period of time such as ten years.

18 Option 5 is to merge the State System
19 universities as branch campuses into one or more of the
20 state-related universities.

21 The State System and its universities face
22 significant external and internal challenges, including
23 long-term shifts in the population, limited state funding,
24 and poor internal structures within the system.

25 Our research indicates that a continuation of the

1 current system even as modified in Option 1 is unlikely to
2 address these challenges fully. Instead we recommend major
3 structural changes such as those found in Options 2 through
4 5. These options are likely to be more difficult to
5 implement than Option 1 and could entail other risks.

6 In particular, options where the current State
7 System universities become independent state-related
8 universities or merge with State-related institutions could
9 result in the loss of the State System's valuable sovereign
10 immunity from lawsuits and might lead to increases in
11 student costs.

12 But if Options 2 through 5 are implemented well,
13 they are likely to meet key objectives of strengthening
14 financially stressed universities and better matching
15 staffing size to enrollment trends.

16 The mergers described in Options 2, 3, and 5
17 could generate cost savings by matching financially stressed
18 universities with stronger ones and allowing institutions
19 more flexibility. However, institutions are likely to lose
20 aspects of their current missions and anchor institutions
21 could lose their academic standing and incur more debt if
22 the State does not provide support.

23 Allowing a large State-related institution to
24 manage the State System as in Option 4 balances structural
25 changes, feasibility of implementation and associated risks

1 and it does not entail the complexities of mergers. Because
2 of these factors, Options 4 and 5 have the best long-term
3 prospects if the state and one or more large State-related
4 institutions can reach an agreement for implementation.

5 If such an agreement is not possible, the State
6 should consider other mergers such as those described in
7 Options 2 and 3. And if none of Options 2 through 5 appear
8 feasible, the State should pursue Option 1 as a final
9 choice. As already noted, Option 1 would improve prospects
10 for the current State System universities though quite
11 possibly not sufficiently to address their long-term
12 challenges.

13 As my final point, I would like to say that the
14 State could theoretically benefit from a coordinating body
15 to align the activities of its diverse set of higher
16 education providers. But concerns of added bureaucracy and
17 the difficulty in getting political support from the major
18 higher education sectors argue that the State should not
19 establish such a body unless it is necessary for a specific
20 purpose under one of the options selected.

21 Thank you for the opportunity to present today.
22 Dr. Karam and I look forward to your questions.

23 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Thank
24 you, Doctor and panel. We'll open it up for questions.

25 Senator Dinniman, proceed.

1 MINORITY CHAIRMAN SENATOR DINNIMAN: Yes. I have
2 some questions on the methodology. Understand I come at
3 this -- I have a Doctorate in Education from the Center of
4 Higher Education at Penn State and I respect your Doctorates
5 and I respect your research.

6 The questions are really three. When you did the
7 six-year comparison rate, these are questions that you
8 answered to support your goal of Option 4 and 5 -- or they
9 back up what you're trying to do in Option 4 and 5.

10 You stated that the graduation rate for six-year
11 Penn State graduation is 69.1 percent. But in doing so, you
12 put the main campus and all the branch campuses together.
13 And the main campus in no way compares to a State
14 university.

15 First of all, they are highly selective. It's
16 harder to get into Penn State. And if you looked simply at
17 the branch campuses, which, by the way, have the very option
18 that you are recommending under 4 and 5, what you'll find is
19 that six-year graduation rate drops to 50.1 percent instead
20 of your 69.1 percent. The main campus is 85.5. But you
21 have one, two, three, four, five, six, seven, eight, nine,
22 ten of the branch campuses are under 50 percent in the
23 six-year graduation rate.

24 In fact, in Senator Argall's district -- and I do
25 appreciate -- I have deep respect for Senator Argall. We're

1 friends. But in your district in Schuylkill, Penn State
2 Schuylkill, the six-year graduation rate is 41.1 percent.

3 So the first question -- let me put all three out
4 since they're related. Why did you decide to do this as
5 one? Why didn't you divide the graduation rate? Because
6 what you're doing when you don't take the branch campuses,
7 the branch campuses compare to the State System more fully.
8 The branch campuses are in local communities, have students
9 who come from the local area. If you add the enormous
10 number of students at Penn State at State College, you skew
11 this in a way to make the State System look worse.

12 The second question involves this as well. You
13 talk about the decline in student enrollment at the State
14 System campuses. But again, by using the main campus, what
15 you will see -- in fact, 12 of the -- in fact, if you did
16 the branch campuses, you would see that 12 out of 21 of the
17 Penn State campuses, branch campuses, have enrollment
18 declines of over 20 percent during this time from 2010 to
19 2016. And if you looked at Pitt, two of their four campuses
20 had declines of 10 percent.

21 In other words, by putting the main campus again
22 and not separating the branch campuses, in my view, you gave
23 a statistic which puts the State System looking at their
24 worse. I'm trying to understand why you would do that
25 because you're adding in a factor here of the main campus of

1 Penn State or Pitt, which is totally different than what
2 they are experiencing. They're experiencing the same thing
3 the State System is, both in the decline in the graduation
4 rates and the six-year cohorts and in the actual enrollment
5 declines. So this comparison raises questions.

6 And the third question is this: You are not
7 differentiating anywhere in this report, from where I can
8 see, the per-capita expenditures per students, State-related
9 universities versus the State System. And this is a
10 question that my friend Representative Kim is trying to get
11 at. We have always said that the State System will be the
12 most accessible vehicle for students who are first
13 generation getting a college degree.

14 And if there is a difference in cost, you
15 basically say to this difference of cost -- and you said it,
16 Dr. Goldman, several times, well, that's too bad because --
17 you didn't use the words too bad -- well, but if that saves
18 the structure, that's okay.

19 For us who represent our constituents, the most
20 important matter is the cost of higher education, which the
21 State is in part responsible by decreasing the expenditure.
22 They do care about the per-capita expenditure, which you
23 didn't talk about. They also care about what we call the
24 EFC, which you didn't deal with, which is expected family
25 contribution, into the cost of higher education.

1 So my three questions for you are, how does this
2 -- how does the mission -- you don't get into -- I think you
3 have dismissed the mission of public higher education in the
4 Commonwealth of Pennsylvania, which was provide education at
5 the lowest possible cost to the greatest number of students,
6 especially first-generation students and now an increasing
7 number of minority students as well.

8 And so I hope you can answer those. Let me say
9 on a positive note that I do understand this notion of
10 having a higher education coordinating console. And that I
11 do -- in fact, West Chester University actually asked for
12 some autonomy previously.

13 And finally, I want to agree with you -- and the
14 bill is being put in this week -- that if we really want to
15 help the State System of Higher Education, all we have to do
16 is end the rules and regulations for the 75 percent of the
17 money that comes from -- not from the State but comes from
18 tuition and grants. That alone will save millions of
19 dollars for our schools.

20 So if this body wants to do a quick action to
21 help finance the State System of Education, you end those
22 rules. You give the State System the same privileges that
23 the State-relateds have had for years. And that's the
24 privilege of not having to go through seven signatures every
25 time someone wants a voucher and you do it and give the same

1 privileges to the State-owned institutions. You'll save
2 millions and you'll have a more even playing field. And it
3 also will enable us to -- the 25 percent, hey, you want to
4 keep them in bureaucracy that Pennsylvania is known for,
5 keep it. I don't think I'll ever get that through. But a
6 75 percent -- why are we putting rules on money that's not
7 ours if you really want reform?

8 So, sir, I've made my statement. But I am
9 interested in why you used what you did for the main campus
10 to make the comparisons in the graduation of cohorts and the
11 decline of institutions, when if you look at the branch
12 campuses separately, they are either at or worse than the
13 State-relateds.

14 They currently are your structure 4 or 5. They
15 are currently under the leadership under the structure of
16 the State-relateds. And I think that these statistics of
17 branch campuses belie what you're saying in 4 and 5.

18 And I'd appreciate a response so that we can have
19 a good discussion. And that's the purpose. It's not just
20 to attack or criticize. It's to get that discussion going.

21 So thank you for allowing me this amount of time,
22 Mr. Chairman and people. I appreciate it. And I'd
23 appreciate an answer.

24 DR. CHARLES GOLDMAN: Thank you, Senator. We'll
25 do our best to respond.

1 I hope I got the main question down here. Let me
2 start with graduation rates.

3 MINORITY CHAIRMAN SENATOR DINNIMAN: Yes.

4 DR. CHARLES GOLDMAN: Throughout the report, in
5 almost all the statistical analysis we do, we first compare
6 the four main sectors of higher education in Pennsylvania.
7 In the case of graduation rates, only three of them apply,
8 the State System, the State-relateds, and the private
9 institution. And then we look more deeply at the system and
10 variations.

11 And I think that the larger point in our
12 discussion of graduation rates is really the variation
13 within the State System. Because we do acknowledge in the
14 report that there are many factors that affect six-year
15 graduation rates, which include the mix of students that
16 attend the institution as well as the programs and supports
17 that the institution provides. So graduation rates alone
18 should never be used as an indicator to make major
19 decisions.

20 But I think we are concerned when you look -- I
21 don't have it on the slides today. But those of you who
22 have the report, on page 35, you've got a graph that shows
23 the six-year graduation rates at each of the 14 State System
24 universities. And you see a significant degree of
25 variation, which we think should raise some questions about

1 what's going on at these different universities.

2 MINORITY CHAIRMAN SENATOR DINNIMAN: But that
3 same variation, sir, exists in the State campus branches
4 that go down as low as 27 percent. So why -- but if you're
5 going to pursue points 4 and 5, then it seems to me you
6 needed to do both. That's all I'm saying. But I do
7 understand the methodology you used. I'm just saying that
8 you're backing 4 and 5 but I'm not say seeing the branch
9 campuses.

10 DR. CHARLES GOLDMAN: We do acknowledge that one
11 of the complexities in looking at these graduation rates is
12 that the graduation rates are measured by an individual
13 student who receives a Bachelor's degree at the same
14 institution within six years.

15 When you have institutions that are related to
16 each other, it's common for students to transfer to the
17 related institutions. And these six-year graduation rates
18 don't pick that up in the case of the State System. And
19 they don't pick that up in the case of the branch campuses
20 of the State-related institutions where the student earns
21 the Bachelor's degree from another branch or from the main
22 campus.

23 We do note that the Chancellor's Office provided
24 us data because we can't calculate this from publicly
25 available statistics. But the Chancellor's Office provided

1 us data that shows that if you looked at the State System as
2 a single unit, that the six-year graduation rate from any
3 institution -- and the system is about 5 percentage points
4 higher than the number we give in the report. And I think
5 something akin to that would apply as well if you looked at
6 Penn State or Pitt as a unit, although I don't have the
7 figures.

8 MINORITY CHAIRMAN SENATOR DINNIMAN: What your
9 chart on page 35 also shows is the more selective a
10 university is -- since West Chester is the most selective of
11 the universities, the higher the graduation rate, which
12 makes perfect sense.

13 DR. CHARLES GOLDMAN: Indeed. That's certainly a
14 factor. And we acknowledge that. I do want to transition
15 to --

16 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Can I
17 just follow up on this? I typically don't interrupt in
18 these things. If you're at Penn State and you go to a
19 branch campus -- they don't call them branch campuses
20 anymore, whatever they call them -- like I did and then I
21 had to get my upper-level courses back then at University
22 Park, some of the -- what do they call these schools now? I
23 don't want to say the wrong word.

24 DR. CHARLES GOLDMAN: The Commonwealth campuses.

25 MAJORITY CHAIRMAN SENATOR EICHELBERGER: The

1 Commonwealth campuses. Thank you.

2 Some of those I believe still did not have
3 four-year programs. Am I right? Altoona where I went does.
4 They have. But not for everything. So that would be, I
5 think, a much -- when you said percent, I would think with
6 the Penn State schools it would be much higher than that.
7 You would have lots of kids that would start at a
8 Commonwealth campus and then move to University Park to
9 finish.

10 So you're telling me that the rates that Senator
11 Dinniman has, they don't capture all of those students.
12 That would be a significant number of students.

13 DR. CHARLES GOLDMAN: Yes. If they're calculated
14 from the National Center for Education Statistics Database,
15 which is what most people use, they count only the student
16 who graduates from the same institution within six years.

17 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Wow.
18 That kind of tosses out that information, in my opinion. I
19 mean, that would be a huge number of kids.

20 MINORITY CHAIRMAN SENATOR DINNIMAN: But, John,
21 you're basing it -- Senator, excuse me. Senator
22 Eichelberger, you're basing it on the fact that these
23 institutions are not four-year institutions. The vast
24 majority are in the Commonwealth. Some even have
25 dormitories and students stay there full time, your campus

1 and the campus near me.

2 So then if you want to do this comparison, then
3 take those institutions that are four-year institutions,
4 take those students who are doing their four-year study and
5 go from there. And this way both you and I have both of our
6 concerns met. But that's not what the report does.

7 MAJORITY CHAIRMAN SENATOR EICHELBERGER: That's
8 fine. I just wanted to make sure we had it clear.

9 Thank you. Go ahead.

10 DR. CHARLES GOLDMAN: Sure. I'd like to address
11 your point about the cost of higher education. We do
12 recognize that the mission of the State System is to provide
13 accessible and affordable higher education to the residents
14 of the Commonwealth. And we acknowledge, as I think you
15 reflected, that some of the options we propose could
16 jeopardize aspects of that mission. And obviously for this
17 body, it's important to think about that.

18 But I'd like to also highlight that our analysis
19 suggests that the current situation in the State System is
20 unsustainable, financially unsustainable in particular. And
21 therefore it seems that the cost of education is likely to
22 rise in the State System if no major actions are taken.

23 And so that while today the State System is able
24 to offer lower tuition and fee rates than the State-related
25 institutions or certainly than the private institutions, we

1 don't think that there's a guarantee that it will always be
2 able to do so unless changes are made.

3 And so it's important I think to make a good
4 comparison, not necessarily between just what the prices are
5 today but what the prices are likely to be in the future if
6 no changes are made.

7 MINORITY CHAIRMAN SENATOR DINNIMAN: You're
8 asking us to accept the rising cost per student of higher
9 education in Pennsylvania, which many of us have a hard time
10 accepting. That's the -- the end of that logic would be
11 that.

12 And about the decline in the 20 percent, that was
13 the final question.

14 DR. CHARLES GOLDMAN: Yes. And I'd like to come
15 to that. The enrollment trends, the demographic trends that
16 we presented are, of course, affecting all institutions in
17 the state of Pennsylvania, although they seem to be having
18 the greatest effect on the State Systems right now.

19 The decline in branch campus enrollment at Penn
20 State, at Pitt to us illustrates the wisdom of having
21 larger, more unified systems as Penn State and Pitt have.
22 Because if they have declines in enrollment at a branch
23 campus, it's within their authority as a single institution
24 to say, well, maybe we won't offer quite as many four-year
25 degrees at this particular campus. We'll consolidate them

1 into a smaller number of offerings or we'll focus the
2 education here.

3 The State System universities really don't have
4 that flexibility today because they're 14 separate and
5 independent institutions that are in a system but they don't
6 have a lot of flexibility to do that kind of sharing and
7 consolidation. And that's precisely what motivated us to
8 develop Options 2 through 5 that you see on the slide.

9 MINORITY CHAIRMAN SENATOR DINNIMAN: Finally,
10 they actually do have that coordination. That's why we
11 created a System of Higher Education and don't have 14
12 independent universities. So your restructuring option
13 hopefully will take care of that.

14 But the point I'm trying to get at is, if the
15 decline that you mention for the State System as a whole
16 compared to Penn State is only when you add the main campus
17 into it, the same thing with Pitt, when you look at the
18 small -- at the branch campus, the Commonwealth universities
19 which are similar to the state-relateds, all are facing the
20 same decline. Twelve are at decline of over 50 percent --
21 over 20 percent -- excuse me -- 20 percent or more.

22 So once again, I'm simply trying to get at
23 Options 4 and 5 and the statistics that you used to back it
24 up. You've answered the questions, not to my satisfaction.
25 But you have answered the methodology that you've used.

1 And also most of the State System would ask the
2 question in reverse. If many of these State System colleges
3 -- for example, West Chester has been there since 1812, way
4 before Penn State was even thought of in anyone's mind,
5 which was 1865, I think.

6 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Andy,
7 we've got to move on here.

8 MINORITY CHAIRMAN SENATOR DINNIMAN: The final
9 question is, why should we -- why should the State System
10 and the branch campuses put in there without ever asking the
11 State System. Why do you put the burden on the State System
12 and not just simply say as one option for Penn State and
13 Pitt to end their branch campuses?

14 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Okay.
15 Chairman Hickernell is going to recognize a House
16 member.

17 MAJORITY CHAIRMAN REPRESENTATIVE HICKERNELL:
18 Representative Phillips-Hill.

19 REPRESENTATIVE PHILLIPS-HILL: Thank you, Mr.
20 Chairman.

21 Thank you so much for being here. I will try and
22 be concise and to the point. I read the report. I also
23 should note I'm the mother of a 2014 West Chester University
24 grad. And we were very appreciative of the education she
25 received there.

1 Today we will be considering a piece of
2 legislation I have on second consideration in the House that
3 has to do with regulatory reform. You note that there are
4 many regulations that stand in the way of our State
5 universities from being efficient, effective, fiscally
6 responsible.

7 Can you or have you listed anywhere specifically
8 what regulations need to be targeted?

9 DR. CHARLES GOLDMAN: Dr. Karam, do you want to
10 give us some information on that?

11 DR. RITA KARAM: Sure.

12 If you look at the options, under each of the
13 options we actually list, you know, what codes, what acts
14 need to be modified, you know, to respond to the current
15 challenges that the system is facing.

16 Depending on the option, for example, for Option
17 1, which is improving the State System structure, we did say
18 that this requires modifying Section 20, 2004(a), which
19 specifies the selection of the Board; Section 20, 2008 and
20 2009, which addresses the membership selection rules and
21 function of the Council of Trustees; as well as Section 20,
22 2005, and 20, 2010, which addresses the authority of the
23 Chancellor and of institution Presidents. And also we
24 addressed the issues pertaining to the Construction Code and
25 the Procurement Code.

1 REPRESENTATIVE PHILLIPS-HILL: So basically
2 you're saying that depending on which option we select would
3 require different regulations to be repealed, modified,
4 addressed?

5 DR. RITA KARAM: Yes.

6 REPRESENTATIVE PHILLIPS-HILL: Okay. Very
7 briefly. You indicate on page 50 that we do not know
8 whether the large State-related institutions would be
9 seriously interested in Option 4, which is the State-related
10 control or Option 5, which is a merger at branch campuses,
11 or really have a preference between these options.

12 When you put these options forward, did you ask
13 them if they were interested in these options? Did they
14 provide any type of response to you?

15 DR. RITA KARAM: We did talk to some about these
16 different options and they did provide responses to us, yes.

17 REPRESENTATIVE PHILLIPS-HILL: So they did. And
18 that's all shared with us in this document? Because I mean,
19 I read it. I read it very quickly obviously. Did I glance
20 over it?

21 DR. CHARLES GOLDMAN: We didn't -- all the
22 interviews that we conducted in the project were conducted
23 on the basis that we would not quote or attribute statements
24 that anyone made to us, that they were only for our
25 information to feed into our analysis. So we did present

1 these options to the four State-related universities in
2 Pennsylvania, their leadership. They did provide us
3 reactions to them. And then we wrote our analysis and
4 assessment of those options.

5 REPRESENTATIVE PHILLIPS-HILL: Okay.

6 And lastly, Mr. Chairman, if I may. One of the
7 things is that we have seen the State-related schools if
8 they had not expanded their branch campuses in recent
9 decades, do you believe that the decline in the PASSHE
10 student numbers still would have occurred?

11 DR. CHARLES GOLDMAN: I don't think we have
12 enough information to be able to say for sure. But we do in
13 the report highlight that the topic of competition between
14 the State System universities and the branch campuses came
15 up frequently when we asked the institutions about their
16 market competitors.

17 REPRESENTATIVE PHILLIPS-HILL: Thank you very
18 much.

19 Thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Senator
21 Tomlinson.

22 SENATOR TOMLINSON: Thank you, Mr. Chairman.

23 Just a followup on that point. I wonder how many
24 people actually don't realize that Penn State is not a
25 State-owned institution. A lot of people think Penn State

1 is part of the system. And what's bothered me for so many
2 years -- and I said this as a member of the Appropriations
3 Committee -- is that we're giving money to institutions that
4 have opened up branch campuses right next to a State school.

5 So a State-related school opens up a campus to
6 compete against the State System which we do own. We own
7 the property. We own the school. We own the system. It's
8 run by the State. And yet we've given last year \$564
9 million to those schools. And we've only given \$453 million
10 to the system we own.

11 I mean, that's kind of like saying Sheetz is
12 going to give money to Wawa to open up a store across the
13 street. Does anybody get that? We're giving our competitor
14 money to put us out of business. And we're the ones who are
15 really offering the access to the student in this state.
16 And we're supposed to be investing in the system.

17 And I've argued year after year after year that
18 we're giving money to Sheetz and we're Wawa. And we're
19 taking those kids that would normally go to our school and
20 helping them go to another school.

21 And to Senator Dinniman's point, you didn't
22 factor out the main campus. That's critical here. You
23 didn't factor out that the graduation rate after six years
24 is vastly different. I would like to say that Senator
25 Dinniman and I got ourselves in a lot of trouble around here

1 because we tried -- we recognized that this system is in
2 very severe trouble. We know the demographic problems we
3 have in the west. We know what's going on in the system.

4 And I've used this comment, too. Margaret
5 Thatcher said the problem with socialism, you run out of
6 other people's money, too. So the successful institutions
7 are also going to be critically hurt if the system does not
8 survive. I don't think the system can survive the way it is
9 now.

10 I don't understand why we exacerbate that problem
11 by investing money in the competitor. More money. \$100
12 million more into Penn State. Penn State alone gets \$252
13 million. And they have 20 branch campuses. And those 20
14 branch campuses compete directly with the State System. So
15 I think we have a problem there and I think we have to
16 address that, too.

17 We do have a demographic problem. And we do have
18 a problem with the system. I don't think it's all
19 demographic but we do have a problem. Schools had to adjust
20 and become relative. Not all of them did. And West Chester
21 certainly enjoys a great demographic area being outside the
22 city of Philadelphia.

23 But I think that we have shot ourselves in the
24 foot. And we have allowed these State-relateds which we
25 don't own -- and everybody -- not everybody but a lot of

1 people think that we own Penn State. And we don't. Yet we
2 give them \$252 million to compete against other State
3 schools.

4 I think that's wrong. I think that your
5 methodology, as Senator Dinniman pointed out, should take
6 into account apples and apples and oranges and oranges. It
7 shouldn't go apples and oranges. So I think we should
8 definitely relook at that.

9 But I want to say that Senator Dinniman and I a
10 couple years ago took a little criticism -- a lot of
11 criticism for saying that we need to do something for this.
12 And I wanted to put some of the successful schools in a
13 state-related category.

14 Why should they get money and not have any
15 responsibility back to us? Why don't we go there? Free us
16 from the bureaucracy. Free us from trying to get new
17 programs, develop programs. You're local Trustee Board is
18 constantly looking at what makes that school relative. And
19 yet you are recommending that we get rid of the local
20 trustees and go to the PASSHE system.

21 I think that's part of the problem. They're
22 trying to take everybody's problems and put them into one
23 hat and solve them and you can't do that. That's why I
24 said, let's let some of the schools that can financially do
25 it get out of the system.

1 The other big thing that I think is important is
2 we own this property. The State owns this property. How do
3 you just turn over State-owned property to a non-state
4 entity? Temple is not owned by the State System. Penn
5 State is not owned. Pitt is not owned. And yet you're
6 going to turn State assets over to someone who has no
7 accountability to the State. I think those are a couple
8 major flaws in your study.

9 Thank you.

10 MAJORITY CHAIRMAN SENATOR EICHELBERGER:

11 Representative Kim.

12 REPRESENTATIVE KIM: Thank you, Chairman.

13 Good morning. I want to preface this by saying
14 that I know we need a comprehensive plan to fix this
15 problem. And I know that funding is not the only issue
16 here. But I'm very discouraged at the way you present a
17 financial distressed problem without emphasizing more
18 funding.

19 It's not coincidental that as we decrease the
20 funding for the schools, so did enrollment, because tuition
21 went up and therefore one reason may be because they didn't
22 want to go because tuition was too high.

23 Page 11 in your report. Economic situations and
24 budget priorities shift over time so perhaps the General
25 Assembly will decide to vote more funding to higher

1 education in the future. And you talk about some of the
2 reasons why and then, as a result of these long-term trends,
3 we are not confident that the State will decide to allocate
4 significantly more public funding to higher education in
5 general or to the State System in particular.

6 Why did you not put this as one of the
7 recommendations? No. 4 and 5, you didn't even get a
8 response from them if they were willing to participate but
9 yet you wouldn't put increased funds as one of your strong
10 recommendations.

11 Could you respond to that, please?

12 DR. CHARLES GOLDMAN: Certainly. We do think
13 that additional State funding would help make the State
14 System more sustainable. But given that the State funding
15 is still a minority of total revenues and that additional
16 funding won't change the long-term demographics, we don't
17 think that funding alone is likely to solve the problems.

18 REPRESENTATIVE KIM: But why wouldn't you put
19 that as one of the recommendations as a whole to help fix
20 this problem?

21 DR. CHARLES GOLDMAN: Well, we tried to frame the
22 recommendations in a way that we thought as the authors of
23 the report would be helpful to you in the Legislature in
24 thinking about the options that you have. And we hope that
25 the report serves that purpose.

1 REPRESENTATIVE KIM: Thank you.

2 My next question is you talk about mergers within
3 the State-related. And you gave an example for Cheyney and
4 Lincoln merging. It makes sense because they're only 25
5 miles away. But how about the other universities where
6 they're much further apart, an hour, two hours? What does
7 that look like? How does faculty -- do they go back and
8 forth? What kind of merger? What would that merger look
9 like with those universities further apart?

10 DR. CHARLES GOLDMAN: Well, one of the reasons
11 that we looked at the mergers is because we think it's a
12 good strategy to give the current universities greater
13 flexibility in aligning their staffing and their academic
14 programs to the enrollments that they can attract.

15 The one possible configuration is for merged
16 institutions to specialize in certain aspects of the
17 educational spectrum. So one option is for some of the
18 current universities maybe to focus on just the first two
19 years of undergraduate education and then offer junior- and
20 senior-level courses at the other campuses in their new
21 university or to have certain high-demand Bachelor's
22 programs available in full on the campus and others smaller,
23 lower-demand programs. Students might be able to start at a
24 place like Cheyney or Mansfield and then continue at the
25 partner institutions.

1 REPRESENTATIVE KIM: Okay. And then my last
2 scenario would be a State-related takes a State System
3 school as a campus school. I think in your report you still
4 recommend that we still pay for these universities and the
5 costs of it running.

6 I guess depending on the restructuring, would the
7 State get to say when it comes to tuition changes and rate
8 changes, would we be able to have a say as to, you know, if
9 the main campus wants to raise tuition rates to one of our
10 schools that they have taken on as a satellite campus?

11 DR. CHARLES GOLDMAN: Well, you could certainly
12 bring that up as a point of negotiation in an agreement with
13 the State-related institutions. One of the points we make
14 in the report is that the State-related institutions may
15 want a commitment from the Legislature that you will at
16 least maintain the current levels of funding so that they
17 can make a financial plan that's based on that. And perhaps
18 you may want to address the provision for how much tuition
19 is charged.

20 We do note in the -- I think we note in the
21 report that Penn State at least offers lower-tuition rates
22 at its Commonwealth campuses than it does at main campus.
23 They are higher than the current State System tuition and
24 fees. But they're kind of somewhere in between the State
25 System and the main campus rates.

1 So it seems to us reasonable to expect that there
2 would be some differential in tuition, although there might
3 also be a tendency for the tuition to go up from the current
4 level.

5 REPRESENTATIVE KIM: All right. Thank you.

6 That's all I have.

7 Thank you.

8 MAJORITY CHAIRMAN SENATOR EICHELBERGER:

9 Representative Grove.

10 REPRESENTATIVE GROVE: Thank you, Chairman. I
11 appreciate it.

12 On page 6 of your slide, you have the net
13 positions. Gatsby 67 required local governments to put as
14 part of their cash, their net statements an accurate
15 reflection of their pension costs. What was Gatsby 67
16 implemented for years? Do you recall?

17 DR. CHARLES GOLDMAN: Yeah, it was implemented
18 for the fiscal year ending in 2015.

19 REPRESENTATIVE GROVE: Okay. So on your chart,
20 16 shows the net positions under Gatsby 67, correct?

21 DR. CHARLES GOLDMAN: So each of those groups of
22 bars represents the average of the three financial years
23 that end in the year stated. So the 2016 cluster is the
24 2014, 2015, and 2016 financial years. So the last cluster
25 has two out of the three years under the new accounting

1 standards. And the second to last cluster has one out of
2 its three years.

3 REPRESENTATIVE GROVE: Okay. Because you can see
4 significant drops as the years get closer to actually
5 reporting fully the Gatsby 67. What aspect of that is
6 pensions versus other long-term debt on their financial
7 balances? Do you know?

8 DR. CHARLES GOLDMAN: I'm not sure I understand
9 the question you're asking.

10 REPRESENTATIVE GROVE: They're showing -- they're
11 reflecting their pension costs in the position now more
12 accurately under 2016. How much of that is their pension
13 costs as it relates to their net position of the deficits?

14 DR. CHARLES GOLDMAN: We didn't have specific
15 data to be able to disentangle it. But the fact that, as I
16 mentioned in response to your previous question -- because,
17 for instance, the 2014 bars are completely unaffected by the
18 accounting change. And the 2015 bars are affected but only
19 one-third of the data that's being averaged in there.

20 So we do think that there are negative trends in
21 the finances even apart from the change in accounting
22 standards.

23 REPRESENTATIVE GROVE: I got you.

24 DR. CHARLES GOLDMAN: Although it's certainly
25 likely that the accounting standards are also having an

1 effect here.

2 REPRESENTATIVE GROVE: My understanding is most
3 faculty in higher ed wouldn't be in the SERS system. They
4 would be in TIAA-CREF, a DC plan, so there shouldn't be that
5 much effect of pension costs. That's what I'm trying to get
6 at with my questions on pensions in Act 67 just to see what
7 decisions they're making with their long-term debt that's
8 resulting in those huge negative balances with their net
9 position.

10 Thank you.

11 MAJORITY CHAIRMAN SENATOR EICHELBERGER:

12 Representative Madden.

13 REPRESENTATIVE MADDEN: Thank you, Mr. Chairman.

14 I'm going to preface my first question by saying
15 that before I was elected, I was a Communications Professor
16 at East Stroudsburg University. And East Stroudsburg
17 University is in my district.

18 So my question is more of an economic question.
19 A recent State System study concluded that for every dollar
20 spent on the State System, \$11 was returned to the State
21 local economies. What impact do you think your proposals
22 would have on the state and local economies?

23 DR. CHARLES GOLDMAN: Thank you.

24 We do recognize that consolidating institutions
25 is likely to result in reduced employment at some or all of

1 the current 14 university locations and therefore have a
2 significant local economic effect. Many of these
3 institutions are the largest or one of the largest employers
4 in the geographic area. That's certainly an issue that we
5 do anticipate.

6 REPRESENTATIVE MADDEN: Okay. Thank you.

7 SENATOR TOMLINSON: Just a followup on the
8 tuition. It's almost double. I mean, if you look at the
9 State System and you look at Abington, you look at Abington
10 campus, which is in the southeast, and their tuition is
11 13,540 where the State System is \$7,400. And if you go to
12 University Park, it's \$17,000. So it's significantly
13 different, the tuition difference, which is also an access
14 situation as far as I'm concerned, what is affordable to
15 these students. Even in their branch campuses, they're
16 almost double what the State System is.

17 So the point that's being made is that -- and
18 with the graduation rates -- if you look at the graduation
19 rates based on just branch campuses, not without the main
20 school in there, and then you look, it actually takes you an
21 extra year, higher education costs go up. They don't go
22 down. So I think we're almost going to cross purposes on
23 that.

24 DR. CHARLES GOLDMAN: If I could, I'd like to
25 respond. On page 32 of the report we've got median tuition

1 and mandatory fees across the four sectors in Pennsylvania.
2 And so if you look at the 2016 data, when you include the
3 mandatory fees, the differences are considerably smaller.
4 There's still differences. So State System tuition and
5 mandatory fees averages roughly \$10,000 in 2016 and the
6 State-related branch campus tuitions average 14,000.

7 So, yes, obviously a difference. But it's not a
8 two-to-one difference when you think about the price that
9 the students are really being charged.

10 SENATOR TOMLINSON: But it is significant. And
11 when you take the main campus out and the graduation rate
12 and the number of years of graduation, I think that's a
13 better comparison. You have to take -- as Senator Dinniman
14 and several others made, you have to take that branch campus
15 graduation rate out of what you're calculating to the branch
16 campuses versus the State System definitely.

17 MAJORITY CHAIRMAN SENATOR EICHELBERGER:
18 Representative Mullery.

19 REPRESENTATIVE MULLERY: Thank you, Mr. Chairman.
20 Just to follow up on what Senator Tomlinson said.
21 Not only are we supporting our competition but I think in
22 some cases we're giving money where it's not needed. When
23 you're looking at Penn State and Pitt, you're talking about
24 schools with an endowment at or approaching \$4 billion.
25 Heck, we give money to the Penn Vet School. They have an

1 endowment of \$12 billion, which is more than one-third of
2 our State budget on a yearly basis. Yet we continue to, you
3 know, send money in those directions and we're not taking
4 care of our own.

5 If you can pull up Slide 6 again, though, that
6 was the one that intrigued me. If I'm understanding you
7 then, so 2014 what we're looking at is '11, '12, and '13; is
8 that correct?

9 DR. CHARLES GOLDMAN: '12, '13, and '14.

10 REPRESENTATIVE MULLERY: Okay. So the biggest
11 change that occurred for the PASSHE schools over those
12 three-year periods was the decrease in funding that we
13 allotted, correct?

14 DR. CHARLES GOLDMAN: Well, that certainly
15 happened but enrollment was also declining.

16 REPRESENTATIVE MULLERY: Okay.

17 DR. CHARLES GOLDMAN: Both of those put pressure
18 on the budget.

19 REPRESENTATIVE MULLERY: Is there any way you can
20 tell us, given your report, your study, what was most
21 attributable? What is the substantive cause to all of those
22 schools all of a sudden going below the zero line? What
23 role did our lack of State funding play in that? Was it 75
24 percent of the cause? Was it the root cause? What are we
25 talking about?

1 DR. CHARLES GOLDMAN: Well, it's difficult to
2 attribute the end result to any one factor. And that's why,
3 of course, we detailed the different factors. But earlier I
4 think I showed you -- let's see. I showed you this chart.
5 So we can get at least a general sense of how significant
6 the reduction in State appropriations is because you can see
7 that viewed over the period from about 2009 to about 2012,
8 the share of the total State System university budgets goes
9 from 28 or 29 percent down to 21 or 22 percent. So there's
10 a fairly significant reduction in State support there.

11 REPRESENTATIVE MULLERY: Correct. Let me ask it
12 a different way. I'll ask it in the reverse. If we
13 continue to fund the PASSHE schools at the level we had up
14 to and including 2010 with the increases that we were
15 realizing over the years 7 to 8, 8 to 9, etc., would the
16 system still be in the position it is right now?

17 DR. CHARLES GOLDMAN: Well, we didn't
18 specifically look at that hypothetical. But as I said I
19 think in an earlier answer, we'd still be very concerned by
20 the long-run demographic trends in the state about who is
21 interested and available to attend the institutions no
22 matter how much State support.

23 Even if you provide the same level of State
24 support, you are providing about 28 or 29 percent of the
25 budget before. So even if you completely fund that, you

1 still have another 70-plus percent that ultimately students
2 or other funders are paying.

3 REPRESENTATIVE MULLERY: Was there anything in
4 your report -- and I apologize. I didn't get through the
5 whole thing. But was there anything in your report to
6 indicate whether or not the PASSHE schools would have seen
7 an increase in enrollment had we not lost the State funding?

8 DR. CHARLES GOLDMAN: We didn't look at that.

9 REPRESENTATIVE MULLERY: Thank you, Mr. Speaker.

10 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Senator
11 Aument.

12 SENATOR AUMENT: Thank you, Mr. Chairman.

13 There's been a lot of discussion about various
14 funding scenarios. I'm curious if you looked at, if none of
15 the five options that you presented, if none of those five
16 options were acted upon and the status quo was maintained,
17 what the result, what the impact would be on tuition and the
18 requirement for State appropriations.

19 In other words, did you take a look at what
20 funding would be required in either increased tuition paid
21 by students and/or an increase requirement from the General
22 Assembly to increase State appropriations to the State
23 System in order to maintain the status quo? Did you take a
24 look at that option at all and have any information with
25 regards to that?

1 DR. CHARLES GOLDMAN: We didn't make any
2 estimates. But we do see that the trends that are currently
3 playing out are likely to increase pressure in both of those
4 directions, the request to you for increased State
5 appropriations and to increase charges to students.

6 SENATOR AUMENT: Thank you. Because I think
7 there's been some suggestion made that perhaps the status
8 quo could be maintained if just simply the General Assembly
9 were to appropriate more dollars or we were to ask students
10 to contribute more through tuition increases or some
11 combination of the two.

12 I think it would be helpful as we have this
13 discussion that we weigh these alternatives against what the
14 cost of that would be upon taxpayers and on students who
15 would most certainly bear the cost of meeting those funding
16 requirements.

17 I think there's been a good discussion here in
18 terms of how we ought to prioritize funding with higher
19 education in terms of how we drive out funding to PHEAA, to
20 our State-related institutions, to our State-owned
21 institutions. And I certainly think there's been a model
22 that this General Assembly has utilized to make funding
23 recommendations to utilize a commission format to put in
24 place, whether it's been K through 12 education, basic
25 education funding, or Special Education funding. I think

1 that model has worked very well here in the General
2 Assembly. And one of the suggestions that I've made to a
3 number of my colleagues and I think as we continue to have
4 this conversation I think we ought to consider perhaps
5 putting in place a Higher Education Funding Commission to
6 ensure that we're looking at higher education funding in a
7 thoughtful way, whether that be to Thaddeus Stevens, whether
8 that be to our State-owned, State-related institutions, to
9 our community colleges, but to be more thoughtful in how
10 we're driving State appropriations out to institutions of
11 higher education.

12 The final question I have in terms of the study,
13 one of the outcomes you take a look at is the graduation
14 rate. And there's been a lot of discussion about that. Did
15 you look at all at these various institutions to also take a
16 look at their performance in terms of the investment we're
17 making and their performance in terms of employment,
18 employment of students in their academic major? In other
19 words, if the heart of the mission is to ensure that
20 middle-class students, working-class students in
21 Pennsylvania are able to attend institutions of higher
22 education but certainly the goal ought to be to ensure that
23 these young people who are able to graduate, to earn a
24 degree, and to experience economic opportunity and upward
25 mobility, did you in any way take a look at that data, the

1 employment data, the outcomes of students attending these
2 institutions for the investment that we're making?

3 DR. CHARLES GOLDMAN: No, we did not, Senator.

4 MAJORITY CHAIRMAN SENATOR EICHELBERGER: I have
5 some questions. We'll probably allow a couple others for a
6 second round here.

7 I know we can talk about money because a lot of
8 people think if we just continue to throw money at a
9 problem, it will make it better. I don't think that's the
10 central issue here. I think we've had a system that's been
11 mismanaged over time and is losing its popularity for a
12 variety of reasons. There are other opportunities for
13 students to go other places. Competition is good in my
14 opinion for lots of things and certainly is in education.

15 We have an enrollment decline in your study that
16 I can see that is about 13 percent but employment of
17 instructional staff only declined 2.3 percent. In
18 non-instructional, 5 percent.

19 Did you look into how that works and the problems
20 we have with overhead at the schools? And do you have any
21 rule of thumb for staff-to-employee ratio and how PASSHE
22 compares to other institutions?

23 DR. CHARLES GOLDMAN: I'm not sure I understand
24 the exact intent of your question, Senator.

25 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Should

1 we be laying off staff if we have fewer students?

2 DR. CHARLES GOLDMAN: Yes, Senator. So one of
3 the things that we tried to highlight in the report is to
4 make the universities sustainable in the long run, they have
5 to be able to match their staffing size to their enrollment.
6 And no matter what you do in terms of funding, you're
7 unlikely to make them sustainable if they don't
8 fundamentally have the right number of staff to serve the
9 students that they attract.

10 And that's partly why we highlight -- I think you
11 may be on page 28 of the report. We highlight that between
12 2010 and 2016 enrollments declined about 13 percent, as you
13 said. Instructional staff declined a little over 2 percent
14 and non-instructional staff by about 6 percent.

15 The universities when we visited them told us
16 that they were initially focusing on trying to reduce
17 non-instructional staff and that that was their first
18 strategy in response to enrollment and funding declines.
19 But that also comes with some consequences, because those
20 non-instructional staff are frequently involved in student
21 services. So they may be helping students to have a good
22 quality of life at the campus, to feel attached and
23 connected to the campus, to receive academic or non-academic
24 services that unable them to make progress and graduate.

25 So I think we would have a concern that

1 disproportionate cuts in staffing could have negative
2 consequences for attracting students to the universities and
3 retaining them to graduation. So I think we would like to
4 see a balanced realignment of staffing. And that is a large
5 part of why we put forward the various merger options
6 because we think that they give the universities greater
7 flexibility and staffing.

8 MAJORITY CHAIRMAN SENATOR EICHELBERGER: You
9 didn't talk -- I thought you would probably have more in
10 your report about the union contract. When we talked to the
11 universities, that's probably the single biggest issue they
12 talk about. They can't afford it. The university
13 presidents feel that they weren't privy to the negotiations,
14 they don't have a say-so, and it's extremely restrictive.

15 So probably why they don't get rid of more people
16 is because they're not allowed to. They're not allowed to
17 do many things in the system unless the faculty votes to
18 approve it. So I don't know how they manage and change.

19 When you look at a massive institution like Penn
20 State, which is one of the top two or three largest schools
21 in the country, and you see them being more flexible than
22 these 14 regional schools we have, there's something wrong
23 with that picture. They should be the flexible, nimble
24 facilities that are able to adjust to market changes and
25 change programming, change staffing, adapt, look at

1 workforce issues, do those kinds of things.

2 We just don't see that because their union
3 contract is so restrictive that they're not permitted to
4 make those changes unless there's other downfalls with
5 management. There may be. But I hear generally the
6 management blame the union contracts for it.

7 Do you know where the system would be if West
8 Chester was pulled out, if West Chester became an
9 independent or State-related university, how the other
10 schools would fare? Did you look at any of that?

11 DR. CHARLES GOLDMAN: We didn't specifically look
12 at the impact of pulling out one or a small number of the
13 universities. But I think it's useful to note that the
14 system fundamentally has each of the 14 universities manage
15 their own budget, their own employment. There are shared
16 services, of course. The Chancellor's Office, the State
17 system does provide a number of services to the system. And
18 there would be a financial effect of reducing the number of
19 institutions in the State system on the provision of those
20 shared services.

21 But a lot of the costs are in the individual
22 university budgets so that it should be reasonable --
23 looking at the individual university budgets should be a
24 fair indication of what's likely to happen were they given
25 greater independence.

1 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Because
2 if you regionalize those and you combine schools, that would
3 be an issue if West Chester is helping to fund the system.
4 Then that money would be concentrated in one region and not
5 everywhere else.

6 I have more but do we have others that have
7 questions?

8 SENATOR TOMLINSON: Yeah. Just not to belabor it
9 but as I said before, Senator Dinniman and I, we actually
10 went out on No. 3, convert universities to State-related
11 status. But to say that you're going to place the State
12 System and institution under the management of State-related
13 schools or to merge the State System as branch campuses of
14 the State-related schools, I'd rather see some of these
15 schools become autonomous.

16 When we were going over who was running your
17 computer services for an individual institution, it was
18 actually cheaper for West Chester to run their own because
19 of the size of the school. And it was actually better and
20 cheaper for other schools that were smaller to stay within
21 the State System and let the State System do some of those
22 services for them. So shared services based on economy to
23 scale I think is important.

24 And my question to you would be this: At what
25 level of student population do you think a school might not

1 be viable anymore? In other words, we have some schools
2 that are 2,100, 3,000. They used to be six, eight, nine
3 thousand students. Now we have a couple schools under 1,000
4 -- or no, one school at 1,000, one school at 2,100. I think
5 that at 2,100, we have small independent schools that can
6 operate at those numbers.

7 What do you think the State System -- what number
8 do you think makes a school viable?

9 DR. CHARLES GOLDMAN: We think the most important
10 factor is that the staffing and ideally the facilities of
11 the universities should be well-matched to its student
12 enrollment.

13 As you said, Senator, there are examples of
14 private colleges and universities in the State that have
15 fewer than 1,000 students and seem to be able to balance
16 their budgets. Now, many of them are also facing a lot of
17 these same challenges so I don't want to pretend that all is
18 rosy. But it's hard to say that there's some threshold
19 below which you couldn't have a university.

20 But what's clearly unsustainable is to have a
21 university that was built and sized for a much larger
22 student population that's now serving a much smaller
23 population.

24 SENATOR TOMLINSON: And I think we used that very
25 language when we right-sized the institution to the

1 population and repurposed that institution or purposed that
2 institution to something that that region in those areas
3 those students could go find meaningful employment after
4 they get out of that school. I think there's a repurposing
5 and a resizing that I think we can talk about.

6 But just to make the recommendation to turn it
7 over to Penn State or Temple, I mean the thoughts of Temple
8 running West Chester to me are pretty scary. I'm not sure
9 they'd do that great of a job.

10 MINORITY CHAIRMAN SENATOR DINNIMAN: Thank you,
11 Mr. Chairman.

12 I was interested when you talked about
13 demographic trends that you focused on the number of high
14 school students graduating. But you and I know and, in
15 fact, the RAND Corporation has done reports on this that our
16 demographic for those who need a college education is
17 varied.

18 We now know that we deliver many of our services
19 online and that's going to continue. We now know that many
20 of our intuitions use a hybrid approach where you can
21 actually go into a class and some of the students are
22 sitting there and others are from around the world just like
23 a corporation would do in terms of a conference. We know
24 the number of corporations that are sending their employees
25 back to a university even if just to update them on the

1 latest change in technology.

2 In other words, what I found missing and perhaps
3 you can explain why is this: We're going through the
4 greatest era of change in human history. The rapidity of
5 change has never -- no generation has ever felt this
6 rapidity of change. And higher education institutions
7 should be on the vanguard of helping us adjust to this
8 change.

9 And so I was wondering why your focus was simply
10 on the high school graduation rate, which goes up and down.
11 I used to be on a School Board. We make -- so was Senator
12 Tomlinson -- a projection and then all of a sudden a new
13 development comes in and we go up. It sort of goes in a
14 cycle.

15 But what I was trying to find out is, why did you
16 limit it simply to the high school cohort?

17 DR. CHARLES GOLDMAN: We do briefly talk about
18 the needs of older Pennsylvanians, you know, older than high
19 school graduates for higher education. And we note that the
20 State System universities have traditionally concentrated on
21 the traditional age market and on undergraduate education,
22 whereas many of the State System's competitors have steadily
23 expanded their offering in graduate education, particularly
24 in professional fields where there's a lot of demand for
25 Master's degrees in business, in health-related professions.

1 And the State System universities have not expanded as
2 rapidly in those markets.

3 We also started to talk about -- on page 25 in
4 the report, we looked at the percentage of the student
5 enrollment in each of the universities that is 100 percent
6 distance education. So that's not necessarily all measures
7 of using technology, but it's a good indicator.

8 One of the things that struck us is that four of
9 the 14 universities have more than 10 percent of their
10 student enrollment coming from pure online education. But
11 10 of the 14 have much less and many of them have only 1 or
12 2 percent of their students.

13 And that is going to make it difficult for those
14 universities to reach out into the population of
15 Pennsylvanians that are already working and want to better
16 themselves, maybe they want to finish their college degree
17 or they want to get some additional training. We do think
18 there's an important market and the State has real needs to
19 serve that population and that perhaps over time a more
20 flexible structure in the State System might better address
21 those needs.

22 MINORITY CHAIRMAN SENATOR DINNIMAN: Well, two
23 things. I think when we as a Legislature discuss the future
24 of the State System or higher education in general, we need
25 to do so against the current economic situation that we have

1 and against this matter of change.

2 As you know, the way you make money today is to
3 identify and solve problem through knowledge. And that
4 knowledge depends on a particular study that you do as well
5 as to learn to collaborate with others who are coming from
6 other knowledge bases.

7 So I think that our discussion here needs to look
8 at this in terms of the totality of what's necessary today.
9 And I agree totally with Senator Aument. Once we do that,
10 we need to have this Funding Commission fund based on this
11 new fundamental economic paradigm which has changed. We
12 just haven't changed in education.

13 And the reason I'm bringing your stuff under
14 cohort was you had some stuff. But I was sort of
15 disappointed that we're not looking at this in total of a
16 global economy in terms of the new skills, in terms of how
17 rapid things are changing. And that's why Senator Aument's
18 proposal, which I think is a good one, it has to be done in
19 relationship to the economic scene that's out there.

20 The other -- by the way, you know, there are
21 proposals now. I remember attending a White House
22 conference when Obama was President of which we're thinking
23 of making community colleges being free. Before 1900, we
24 only went up to the 8th Grade. And in the '20s and '30s we
25 went up to the 12th Grade. And there are many who think

1 that we need to go up to the 14th Grade in this environment
2 and economy. And if that was done, then the State College
3 system would have a very different role.

4 Just one correction. Some of our institutions
5 are involved very heavily in graduate education. West
6 Chester University has a number of graduate degrees. The
7 one in Public Administration, for example, both the Master's
8 and Doctorate has over 200 students in it. Within a very
9 short time, many of these students are coming because of
10 price. They're coming from all over the United States and
11 indeed from other countries because we have the most
12 reasonable price. And so we need to consider that.

13 Here's the problem for us. We can't look at this
14 you see -- and your reports are value. And we appreciate it
15 and we thank you. We thank you, Senator Argall, for having
16 brought this resolution. But it has to be looked upon in a
17 macro sense. The universities in higher education are only
18 one part of the picture that we have to understand. Who
19 needs to be educated now? Where is this new demographic?
20 What happens to a community, as Representative Madden, who
21 very wisely brought up as East Stroudsburg or as Clarion
22 when you regionalize and when there's no institution and
23 that's all that was in the community, we'll end up having to
24 spend a lot of money on economic development and bringing in
25 new industry or other factors. You know, any student

1 enrollment now more and more has to look at cost.

2 So our aim is to take what the system report had
3 been, to take your report, but hopefully my colleagues will
4 join me in a very thoughtful consideration of the larger
5 context in which all this is in. The economic viability of
6 these communities, our desire for students at the lowest
7 possible price in education, a continuum in education where
8 we try to guarantee a student who graduates from a community
9 college will get that enrollment into the State System, and
10 ultimately hopefully we'll get support for a bill such as
11 Senator Aument has and what Senator Tomlinson and I are
12 putting in in terms of evening the playing field, of making
13 sure that State-owned institutions have the same privilege
14 of State-relateds. And any money that's theirs, they
15 determine -- it doesn't go through the regulatory process
16 with the 20 signatures as required on a simple voucher. And
17 I see Ms. Berger smiling because you know what we're talking
18 about even in your office.

19 That ends up in millions of dollar in costs. So
20 hopefully -- I do appreciate all this. But hopefully -- and
21 the issue at the Legislature, as said in Senator Aument's
22 bill, Senator Tomlinson's bill, my bill are already trying
23 to find ways to even the playing field.

24 My final comment is, this has to be understood
25 within the larger economic aspects and the community aspects

1 of the Commonwealth. And I know that wasn't your charge
2 necessarily, but I wish it had been to some degree because
3 ultimately that's what we're going to have to do.

4 I thank you, from my point of view, for having
5 prepared this information. I know it's never easy, having
6 done this type of work myself. Senator Argall has done this
7 type of work as well. But we do appreciate it. But it's
8 very important we do the macro in order to put your report
9 into context. Would you agree at least on that part?

10 DR. CHARLES GOLDMAN: Yes. And we did try to
11 take a broad perspective where we could. Obviously, we were
12 limited by the time and resources.

13 MINORITY CHAIRMAN SENATOR DINNIMAN: Right.

14 DR. CHARLES GOLDMAN: I do want to point out that
15 we do have a section in the second-to-last chapter where we
16 do talk about the features and functions that a statewide
17 body could perform. And if you and your colleagues are
18 interested in that, we hope that that analysis will at least
19 give you a starting place to consider what you'd like to do
20 with that kind of body.

21 MINORITY CHAIRMAN SENATOR DINNIMAN: Well, we
22 appreciate that greatly because higher education
23 institutions don't have to be necessarily just to educate
24 students. They actually have a role in helping companies
25 develop the knowledge base, which leads to our economy.

1 And, in fact, Senator Tomlinson, your bill
2 finally allowed the State-owned institution professors to
3 have a right to patent and not be under the State Conflict
4 of Interest Act privilege that our State-related friends
5 already had.

6 We have a long ways to go. And thank you for
7 helping. I will look at that with great interest to figure
8 out this context. Thank you.

9 And thank you, by the way, both Chairmen, for
10 allowing me to ramble on.

11 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Senator
12 Tomlinson.

13 SENATOR TOMLINSON: Just as a final comment.

14 Thank you so much. Actually, I sponsored Senator
15 Argall's resolution. I was anxious. I'm also anxious for
16 new ideas. I'm always anxious because we do need to do
17 something. If we do nothing, I think we'll fail. We do
18 need to make some changes here.

19 Senator Dinniman and I tried earlier on some of
20 our initiatives. There's other initiatives out there. I
21 will admit that I haven't read the hundred pages yet. I
22 just got it last week. I'm going to go through it
23 thoroughly and look at this honestly. But it just does
24 upset me that we own a system and the recommendation to just
25 pass off to another system or to the State-related, which is

1 not a system, to me doesn't make a lot of sense.

2 However, some type of consolidation, some type of
3 work within the system that we could make this more
4 efficient, some type of independence, I honestly believe
5 that the Board of Trustees at Shippensburg or Bloomsburg
6 know better what's good for that institution and that region
7 and that area and what helps those students the best.

8 I really do think if you take the Board of
9 Trustees out of this and put the PASSHE Board in it -- I'm
10 not saying get rid of the PASSHE Board. But I'm saying you
11 should really -- we should be delegating more control
12 locally to those institutions because they know their area.
13 They know their schools. They know what is successful in
14 those areas. I don't think we should dismiss that
15 immediately.

16 I thank you for this report. I look forward to
17 reading the entire report. I was a sponsor for the
18 resolution. I think we need to do something. To do nothing
19 is a mistake.

20 Thank you.

21 MAJORITY CHAIRMAN SENATOR EICHELBERGER: A couple
22 follow-ups here and we'll close it out.

23 Do you have any idea why we have a school that's
24 gained 16 percent and schools that have lost as much as 52
25 percent of their student population? Do you have anything

1 you can attribute that to?

2 DR. CHARLES GOLDMAN: We think the factors that
3 are driving enrollment growth and declines are multiple. We
4 tried to draw them out in the report. If you remember the
5 map with the orange and green counties, the distribution of
6 population across the state is concentrated. A lot of the
7 population is concentrated in the southeast part of the
8 state so that provides a natural recruiting area for the
9 colleges, for the universities, that are located there.

10 Some of the universities have been better able to
11 navigate the challenges that they face. The fact that, as I
12 mentioned a few moments ago, four of the universities have
13 moved markedly into online education. One university, I
14 think California, has declined in its total enrollment. But
15 it's also added thousands of online students. And had it
16 not developed those online programs, the total decline would
17 have been even more severe.

18 There are also local factors that have to do with
19 the culture environment at the institutions. As Senator
20 Dinniman pointed out, West Chester has moved substantially
21 to open up professional graduate programs that are of
22 interest to an urban and suburban population. A number of
23 the other universities haven't done that for a variety of
24 reasons. So I think all these factors play out in increases
25 and decreases in enrollment.

1 MAJORITY CHAIRMAN SENATOR EICHELBERGER: You had
2 mentioned on page 17 of the report about how many residence
3 halls that -- you just said a number of residence halls were
4 sitting empty at some of the institutions.

5 Again, we get back to management issues. I
6 recall hearing from schools over the last ten years a lot of
7 construction, a lot of construction was happening. A lot of
8 these halls are new. They apparently overbilled as they
9 lost. They were building residence halls as they were
10 losing student population.

11 Do you have more specific numbers on how many
12 rooms we have available at the schools?

13 DR. CHARLES GOLDMAN: No, Senator.

14 MAJORITY CHAIRMAN SENATOR EICHELBERGER: We'll
15 have to try to check on that and see what's available.

16 And again, when we get into the union contract,
17 as I understand it -- we've had this at a hearing -- we
18 can't have other people on those campuses doing things. So
19 as we have opportunities available for community colleges or
20 somebody else to come in, utilize space, they're not
21 permitted to because of the union contract.

22 Are you aware of that?

23 DR. CHARLES GOLDMAN: Do you want to address
24 that?

25 DR. RITA KARAM: No.

1 DR. CHARLES GOLDMAN: I don't actually remember
2 that provision. But I think that's correct that there are
3 restrictions on provisions of higher education on the
4 campuses by other than the university faculty.

5 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Other
6 than APSCUF members?

7 DR. CHARLES GOLDMAN: Yes, other than the
8 represented members.

9 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Okay.

10 DR. CHARLES GOLDMAN: And one other thing if I
11 could add a little bit beyond?

12 MAJORITY CHAIRMAN SENATOR EICHELBERGER: Sure.

13 DR. CHARLES GOLDMAN: One of the points that we
14 did hear in our interviews that I don't think we actually
15 ended up putting in the report is a number of people
16 mentioned in the interviews that there's an increased
17 interest in collaborating with high schools to dual enroll
18 students simultaneously in high school and college and that
19 some institutions are able to do that by certifying high
20 school teachers to deliver the college-credit classes.

21 Obviously, that's an economical model because the
22 school district is already paying those high school
23 teachers. And the point was made to us that the State
24 System universities aren't able to pursue that strategy
25 because again they're not allowed to teach classes that bear

1 credit from the university other than by represented faculty
2 members.

3 MAJORITY CHAIRMAN SENATOR EICHELBERGER: There's
4 problems with that throughout the system.

5 DR. CHARLES GOLDMAN: Right.

6 MAJORITY CHAIRMAN SENATOR EICHELBERGER: I had
7 staff do a per-pupil comparison between PASSHE and the
8 State-relateds from '06-'07 up until '15-'16. And per-pupil
9 PASSHE students receive more than State-relateds per pupil.
10 And the gap got slightly bigger over that period so that it
11 was actually more money going proportionally to PASSHE
12 students than State-relateds. Just an interesting
13 statistic.

14 Lastly, do you see a trend as we look from a
15 policy decision and as we talk to people with workforce
16 development issues where we talked about one of the points
17 you mentioned was less students graduating from high school,
18 Pennsylvania students graduating from high school, so less
19 of a pool there? We're hearing that we should have far more
20 skilled workers in the trades today. That is where we're
21 missing the boat. For every five we have retiring in
22 Pennsylvania today, we only have two coming in. So there's
23 a dire need to have skilled laborers in our workforce.

24 I visited a vo-tech last week. I actually met
25 with three vo-tech directors last week. And they're telling

1 me they had calls that morning from local industries begging
2 for people, if they have any ideas, or if they can get kids
3 graduating this spring, they want them. We hear that on a
4 regular basis.

5 So do we see that impacting how many people are
6 going to go to a Liberal Arts college for four-year
7 programs? Was that something you considered?

8 DR. CHARLES GOLDMAN: We didn't look in much
9 detail at that. We did look a little bit at the broad
10 trends in graduations by curriculum area. And that's in the
11 report. And in particular we note that one of the big
12 challenges that the State System universities are facing is
13 that most of them were originally teacher training colleges
14 and historically strong in education while enrollments in
15 education have declined precipitously across all kinds of
16 institutions in this state. And that's affected the State
17 System universities.

18 We do more generally share your interest in
19 promoting the skilled trades. There are a lot of good jobs
20 and careers that are available that industries are having
21 difficulty filling. But it's also true that there's been a
22 cultural shift in favor of going to college and college
23 attendance becoming a common expectation of a high school
24 graduate as opposed to just one of many choices.

25 And so it's hard to say how that will play out in

1 terms of the State System universities.

2 MAJORITY CHAIRMAN SENATOR EICHELBERGER: With the
3 new ESSA plan, Every Student Succeeds Act, the Federal
4 program, Pennsylvania's program will have opportunities
5 provided to children in 5th Grade. So they will be able to
6 see all the career paths for the vo-tech school and beyond
7 starting in 5th Grade. I think that's a good thing.

8 DR. CHARLES GOLDMAN: Yes.

9 MAJORITY CHAIRMAN SENATOR EICHELBERGER: We've
10 got to get parents engaged at that age so they can see
11 what's available, what kids are interested in, what jobs are
12 in their own communities that they can strive for.

13 We may see more and more people opt out of
14 college and take another career path and do very well. A
15 lot of these trades pay extremely well. And you start
16 earlier without all the cost of education and the time in
17 school. So there's certainly a need for colleges. I think
18 we're going to see a more of a balance at some point here in
19 the future like we used to have years ago.

20 Okay. Well, we appreciate all your work and
21 we'll be working on this as a Legislature moving forward.
22 This report, by the way -- I'll emphasize was for the
23 Legislature -- this wasn't for PASSHE. Certainly it's a
24 public report. Everybody can use it. But I heard a comment
25 last week that PASSHE would look at it and they were already

1 deciding to dismiss a large portion of the report. This
2 report is for the Legislature. We'll be looking at what
3 decisions we think we'll need to make with the system moving
4 forward.

5 So thank you all for attending. Thank you,
6 folks, from the RAND Corporation and the Legislative Budget
7 and Finance Committee for all your fine work.

8 We're adjourned.

9 Thank you.

10 (Whereupon, the hearing concluded.)

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I hereby certify that the proceedings and
evidence are contained fully and accurately in the notes
taken by me on the within proceedings and that this is a
correct transcript of the same.

Jean M. Davis
Notary Public