



DRAFT

Pennsylvania's
STATE SYSTEM
of Higher Education

14 universities.
Infinite opportunities.

PENNSYLVANIA'S STATE SYSTEM OF HIGHER EDUCATION



**Financial Risk Assessment:
State System**

Review Completed January 2019

Components of Financial Assessment

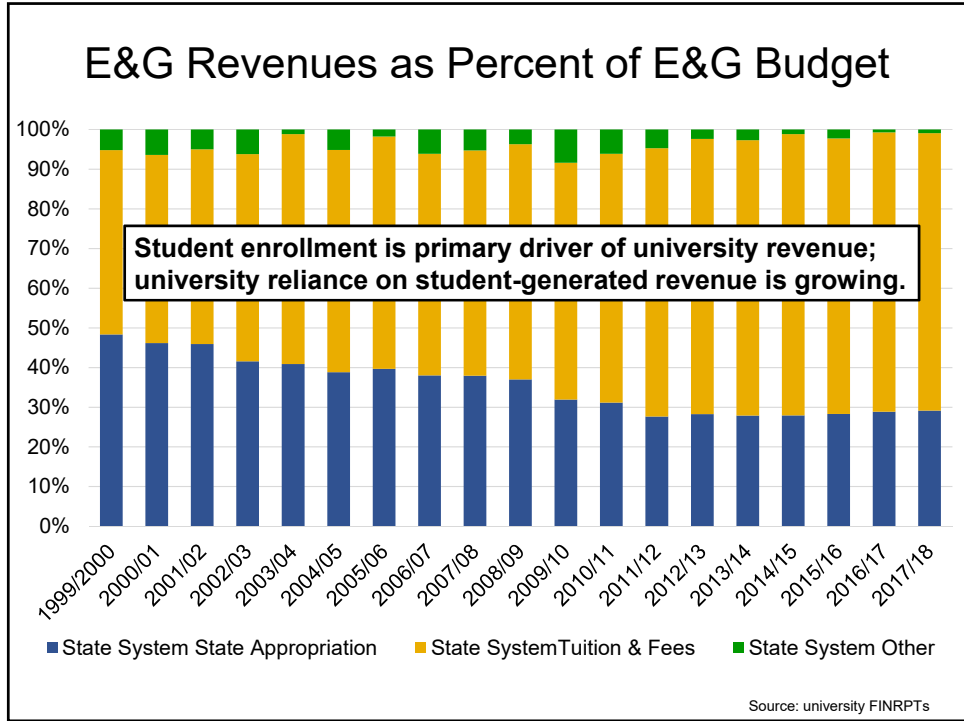
Modeled after a typical analysis used in an external review of the financial strength of higher education institutions.

- **Market Demand**
- **Operating Efficiency**
- **Financial Performance**

Market Demand

- **Enrollment and Population Trends**
- **Projected Enrollment**
- **Brand Strength**

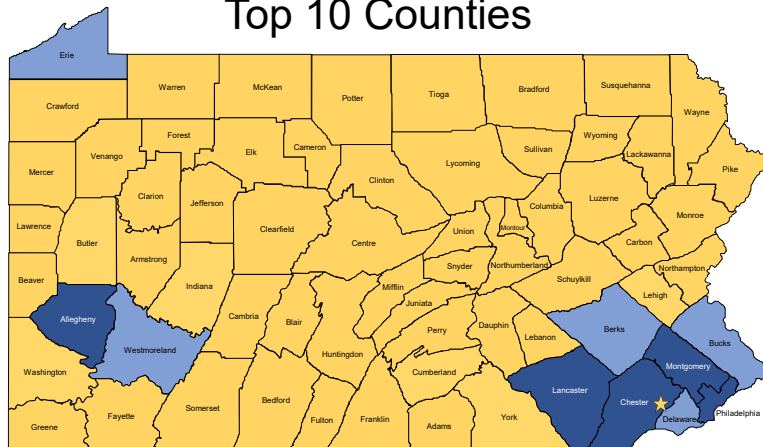
Why is market demand an integral part of a financial assessment?



Enrollment and Population Trends

- **Top 10 (15) counties contributing to university enrollment**
- **2000–2018**

State System Fall 2000 Headcount Enrollment Top 10 Counties

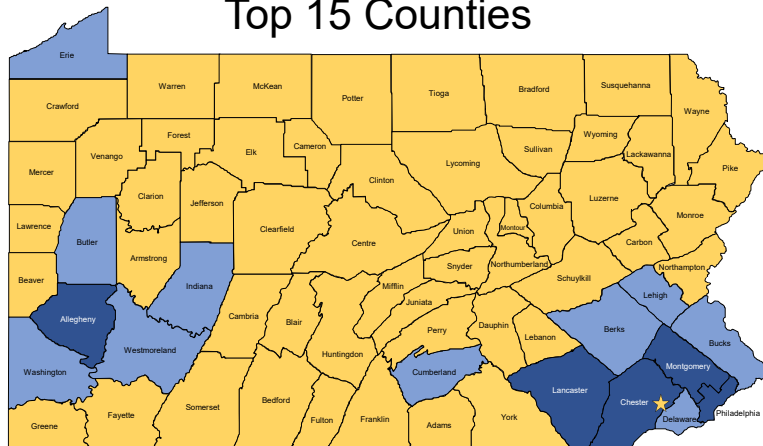


Top 5 counties: 24% of students
 Counties 6–10: 17% of students

Top 10 counties: 41% of students

Source: student submission, preliminary end of 15th day data

State System Fall 2000 Headcount Enrollment Top 15 Counties

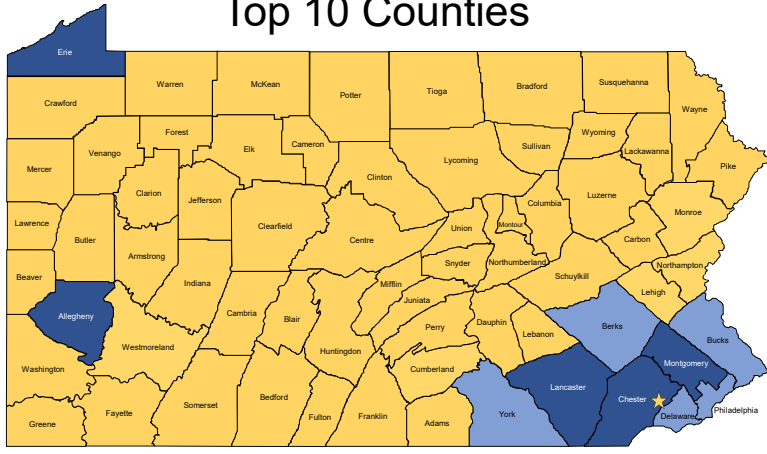


Top 5 counties: 24% of students
 Counties 6–15: 28% of students

Top 15 counties: 52% of students

Source: student submission, preliminary end of 15th day data

State System Fall 2010 Headcount Enrollment Top 10 Counties

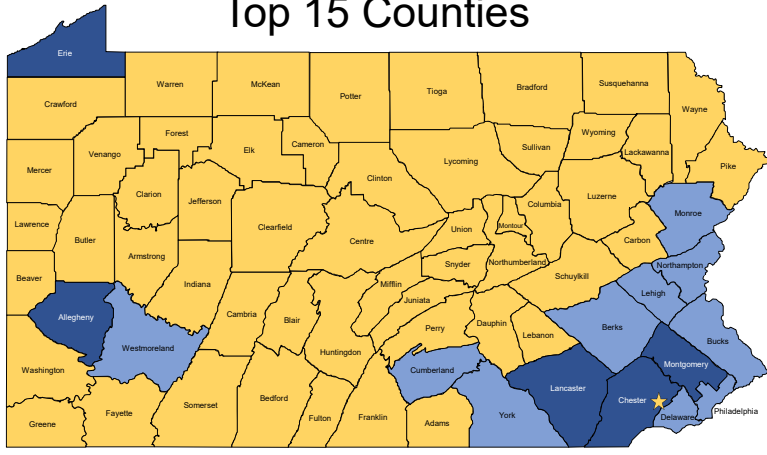


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State System Fall 2010 Headcount Enrollment Top 15 Counties

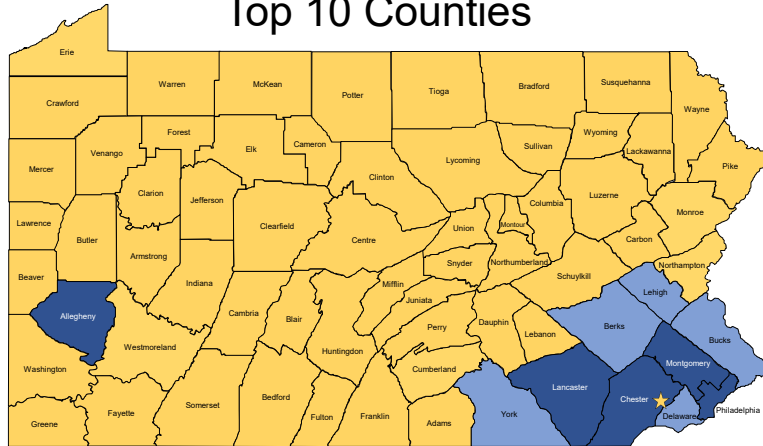


Top 5 counties: 24% of students
 Counties 6–15: 29% of students

Top 15 counties: 53% of students

Source: student submission, preliminary end of 15th day data

State System Fall 2018 Headcount Enrollment Top 10 Counties

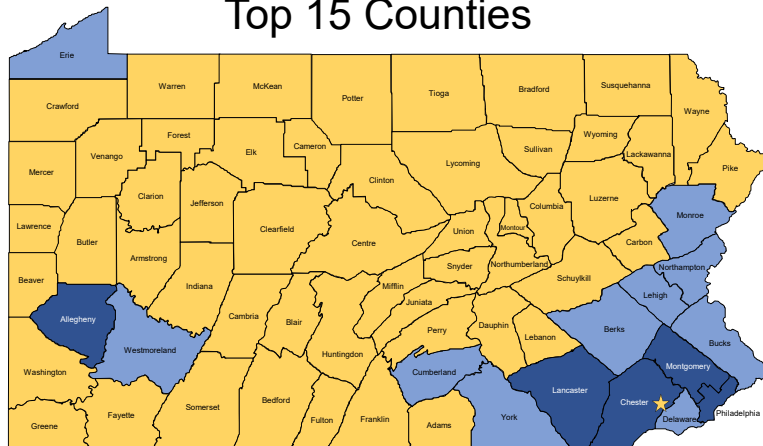


Top 5 counties: 27% of students
 Counties 6–10: 17% of students

Top 10 counties: 44% of students

Source: student submission, preliminary end of 15th day data

State System Fall 2018 Headcount Enrollment Top 15 Counties



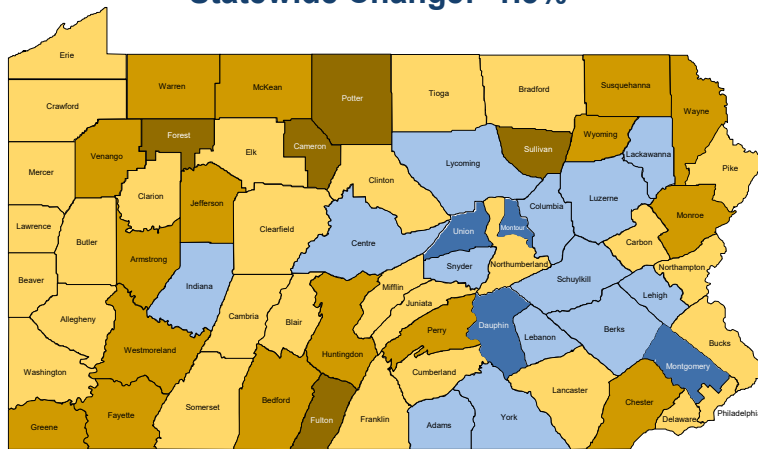
Top 5 counties: 27% of students
 Counties 6–15: 29% of students

Top 15 counties: 56% of students

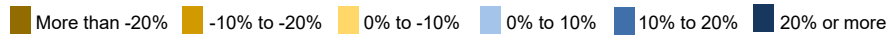
Source: student submission, preliminary end of 15th day data

Pennsylvania County High School Graduates *Projected Change: 2017–2022*

Statewide Change: -1.5%



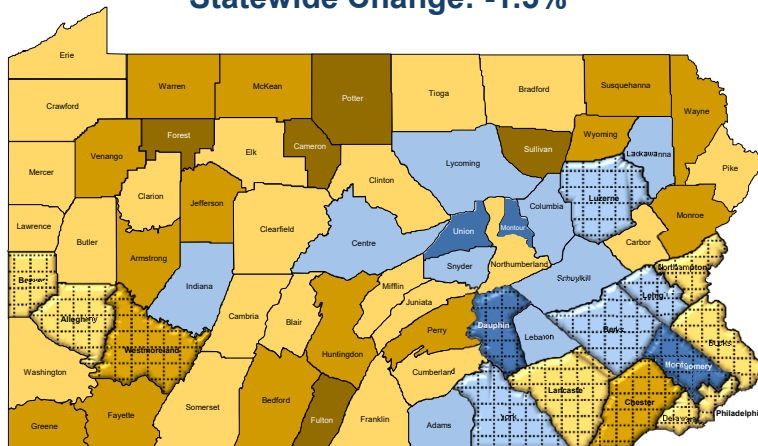
Percentage Change



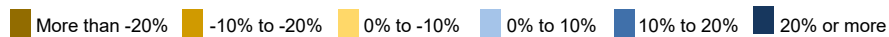
Pennsylvania County High School Graduates *Projected Change: 2017–2022*

Top 15 Counties for Number of High School Graduates 2016/17 (cross-hatched)

Statewide Change: -1.5%



Percentage Change

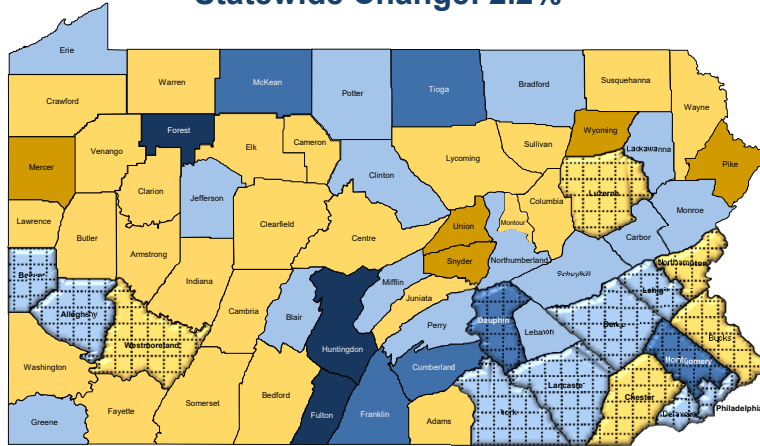


Pennsylvania County High School Graduates

Projected Change: **2022-2026**

Top 15 Counties for Number of High School Graduates 2016/17 (cross-hatched)

Statewide Change: **2.2%**



Percentage Change

More than -20% -10% to -20% 0% to -10% 0% to 10% 10% to 20% 20% or more

2017 Top 15 Counties for Number of High School Graduates and Projected Percent Change by 2022

Philadelphia	11,658	-1.6%
Allegheny	10,869	-5.1%
Montgomery	8,867	18.0%
Bucks	7,011	-0.5%
Chester	6,231	-15.2%
Delaware	5,285	-1.2%
Lancaster	5,078	-0.7%
York	4,757	4.6%
Berks	4,756	0.6%
Lehigh	3,839	2.8%
Westmoreland	3,746	-10.6%
Northampton	3,397	-0.2%
Dauphin	3,293	13.7%
Luzerne	2,965	5.4%
Beaver	2,942	-1.5%
Total	84,694	-0.3%

Top 15 counties comprise 67.5% of all high school graduates.

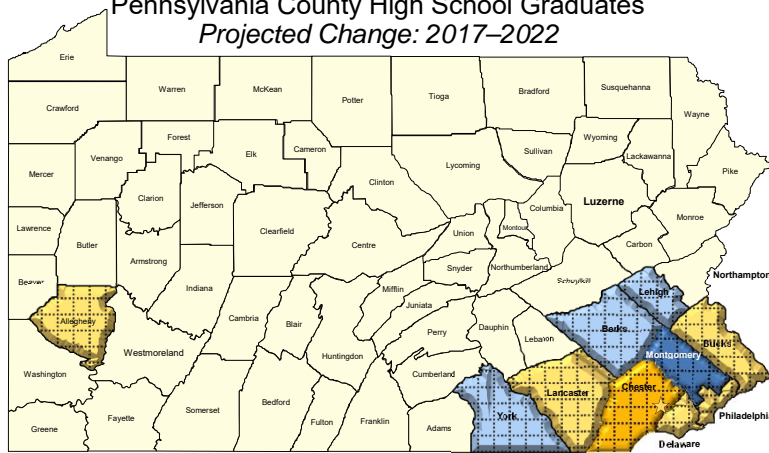
Fall 2018 State System Headcount Enrollment

Top 10 Counties: 44% of Students

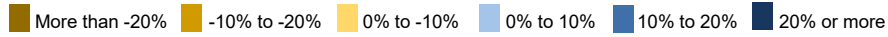
Top 10 Counties for Number of High School Graduates 2016/17 (cross-hatched)

Pennsylvania County High School Graduates

Projected Change: 2017-2022



Percentage Change



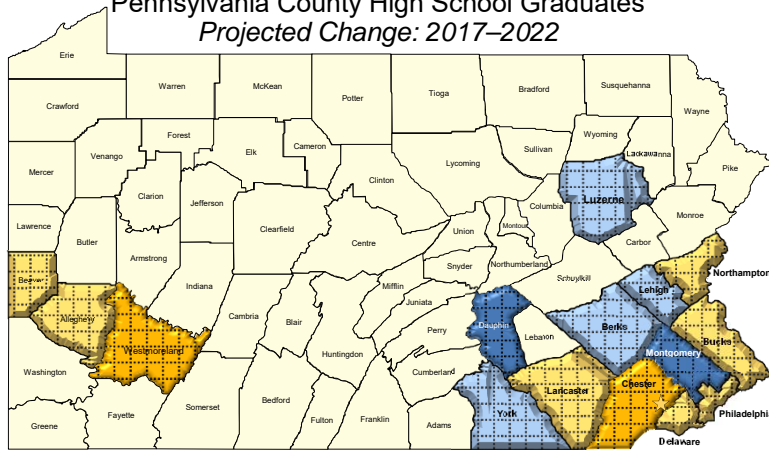
Fall 2018 State System Headcount Enrollment

Top 15 Counties: 56% of Students

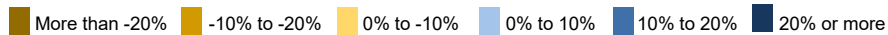
Top 15 Counties for Number of High School Graduates 2016/17 (cross-hatched)

Pennsylvania County High School Graduates

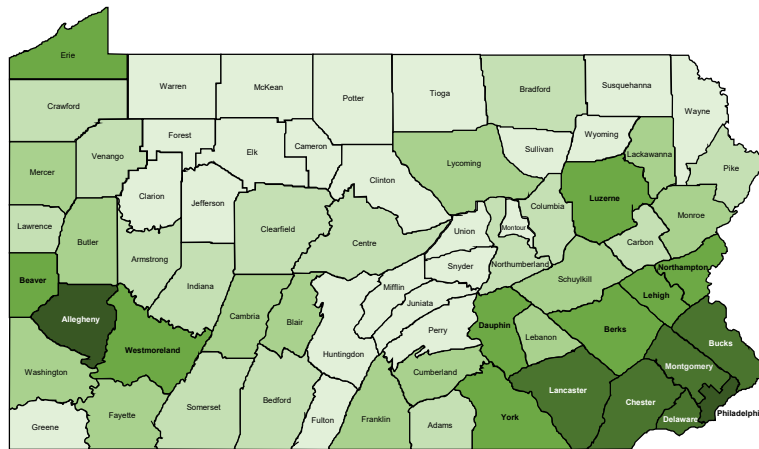
Projected Change: 2017-2022



Percentage Change



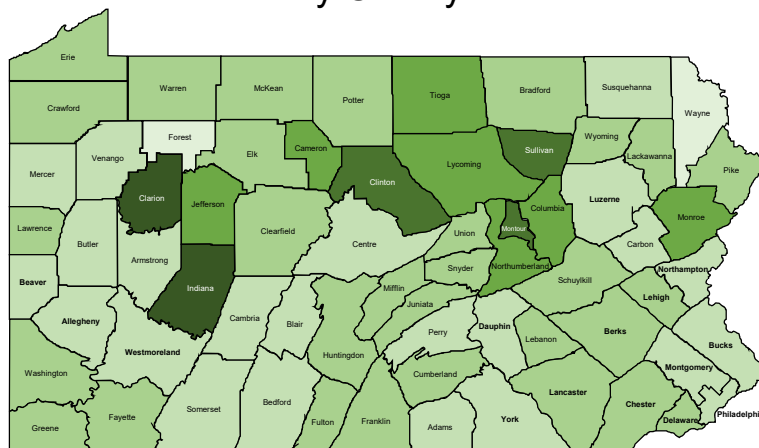
Pennsylvania 2017 High School Graduates, by County



Number of Graduates



Market Share of 2017 High School Graduates Attending State System Universities in Fall 2017 by County



Percent of High School Graduates

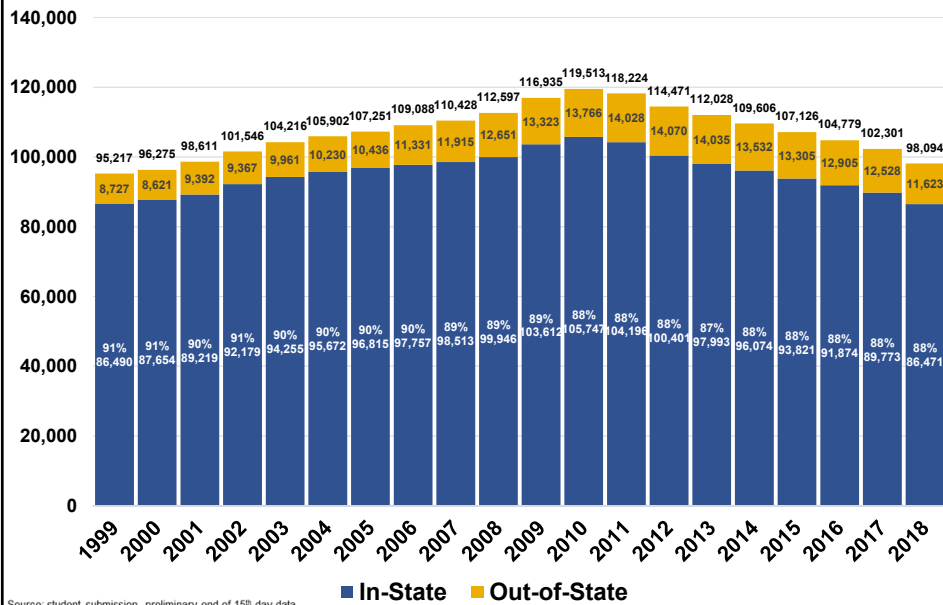


Fall 2018 State System Enrollment and 2017 High School Graduates, by County

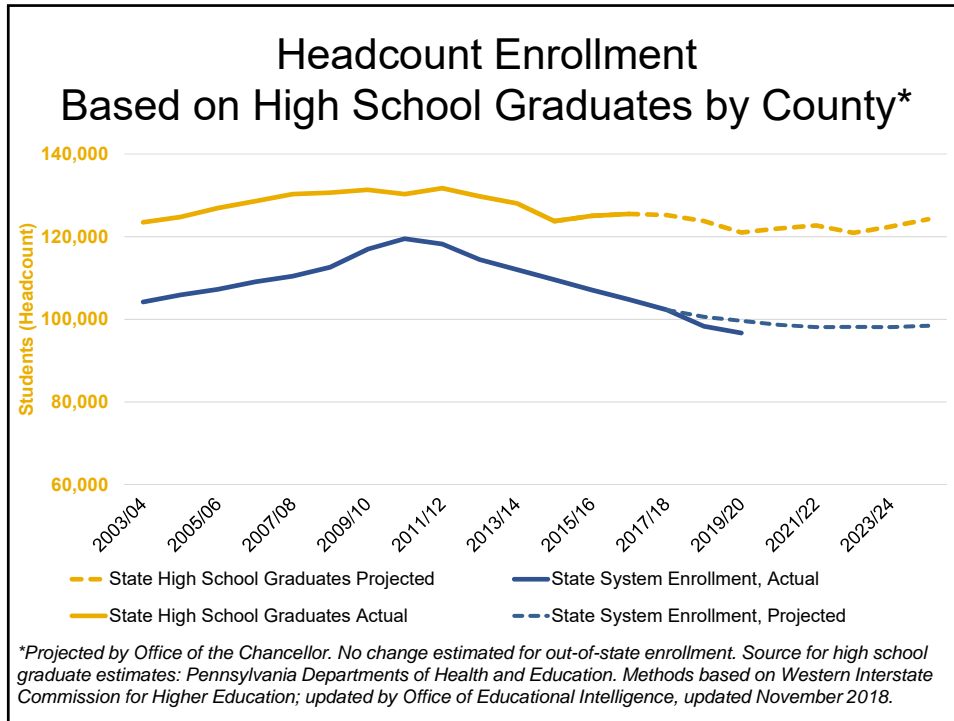
	Fall 2018	2017		Fall 2018	2017
Out-of-State	11,623	N/A	Westmoreland	2,211	3,746
Chester	6,344	6,231	Washington	1,862	2,002
Allegheny	6,218	10,869	Butler	1,860	2,031
Montgomery	4,985	8,867	Dauphin	1,764	3,293
Philadelphia	4,729	11,658	Indiana	1,392	658
Lancaster	4,357	5,078	Luzerne	1,281	2,965
Delaware	4,100	5,285	Franklin	1,233	1,437
Bucks	3,631	7,011	Schuylkill	1,042	1,271
Berks	3,392	4,756	Fayette	1,038	1,165
York	2,752	4,757	Columbia	968	723
Lehigh	2,518	3,839	Lycoming	966	1,066
Erie	2,433	2,659	Cambria	924	1,258
Monroe	2,296	2,232	Beaver	919	2,942
Cumberland	2,269	2,162	All Other PA Counties	16,729	22,147
Northampton	2,258	3,397	Total	98,094	125,505

Source for fall 2018: student submission, preliminary end of 15th day data Source for 2017: PA Department of Education *Top 15 counties for number of high school graduates

State System Fall Headcount Enrollment by Residency



Source: student submission, preliminary end of 15th day data

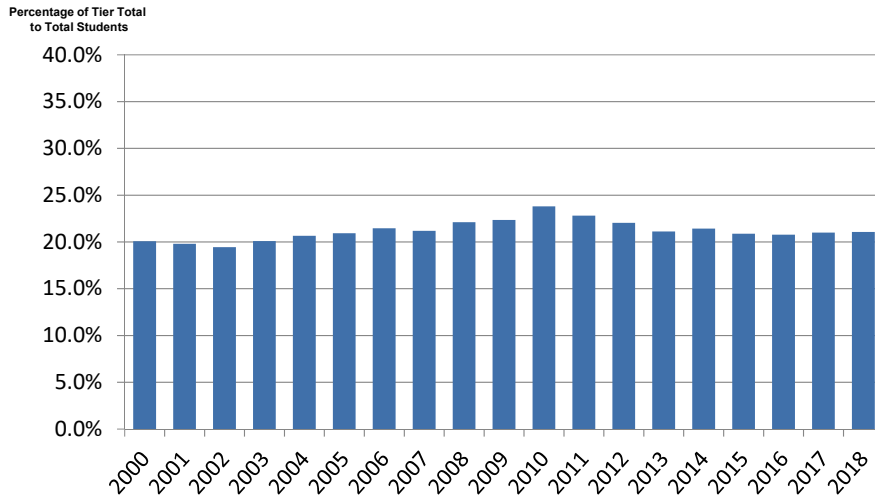


Brand Strength

College preparedness of incoming students is an indicator of brand strength.

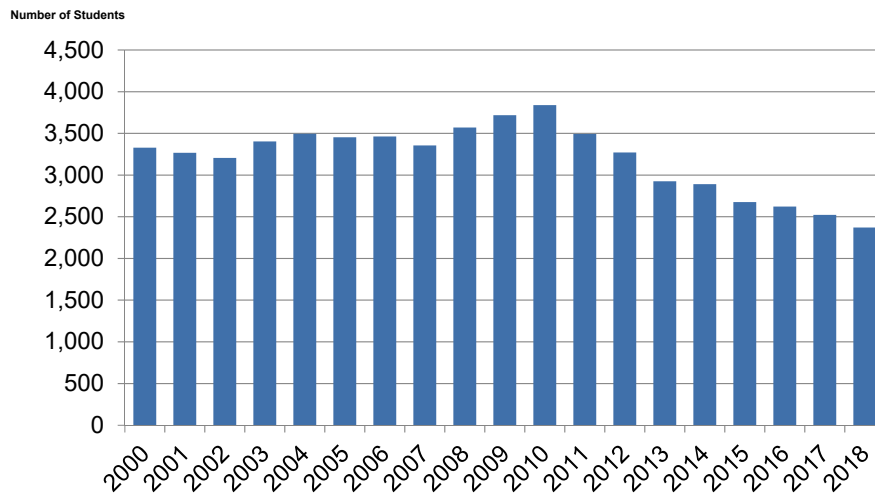
- **Incoming freshman enrollment by quintile of high school rank**
- **Selectivity**
- **Matriculation**
- **SAT scores**

State System High School Class Rank Tier 1 Percentage of Incoming Students Fall First-Time, Full-Time, Baccalaureate-Seeking Freshmen



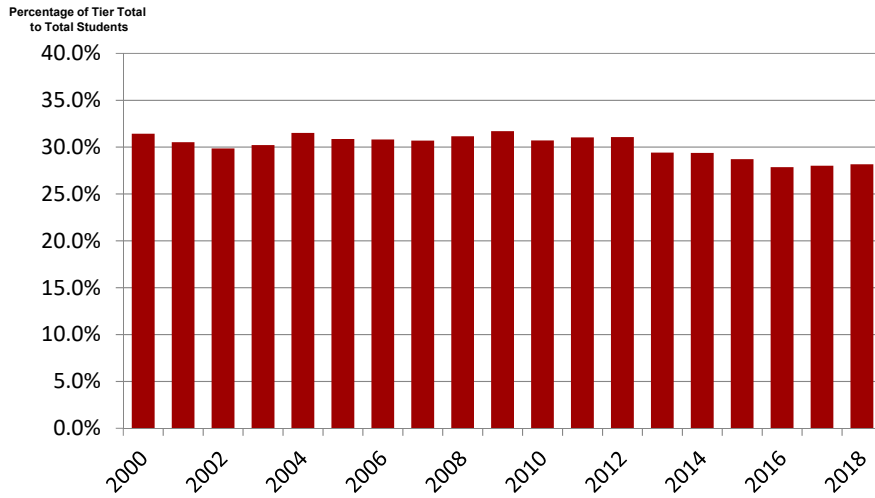
Source: student submission, preliminary end of 15th day data

State System High School Class Rank Tier 1 of Incoming Students Fall First-Time, Full-Time, Baccalaureate-Seeking Freshmen



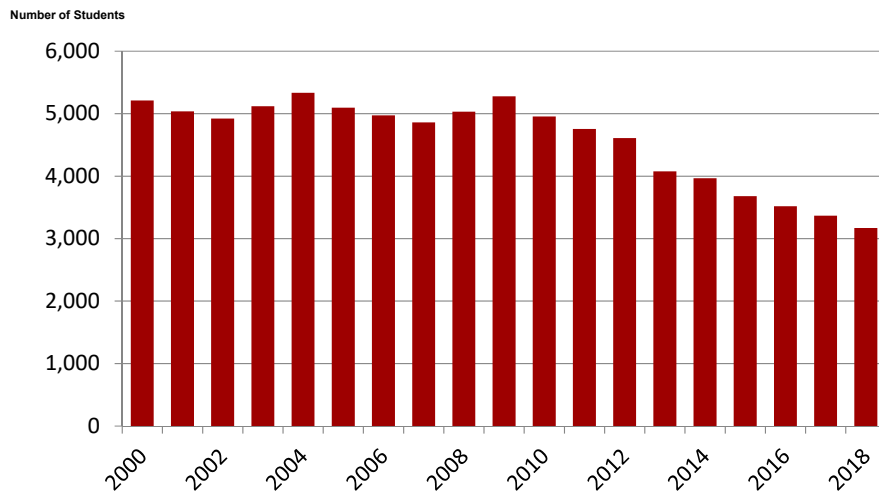
Source: student submission, preliminary end of 15th day data

State System High School Class Rank Tier 2 Percentage of Incoming Students Fall First-Time, Full-Time, Baccalaureate-Seeking Freshmen

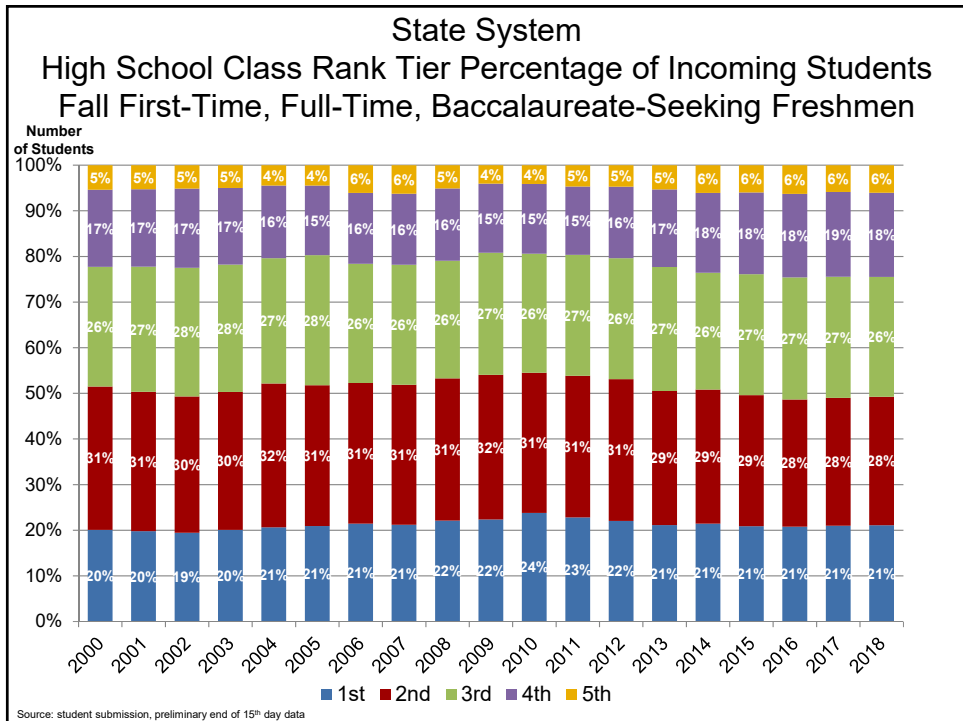
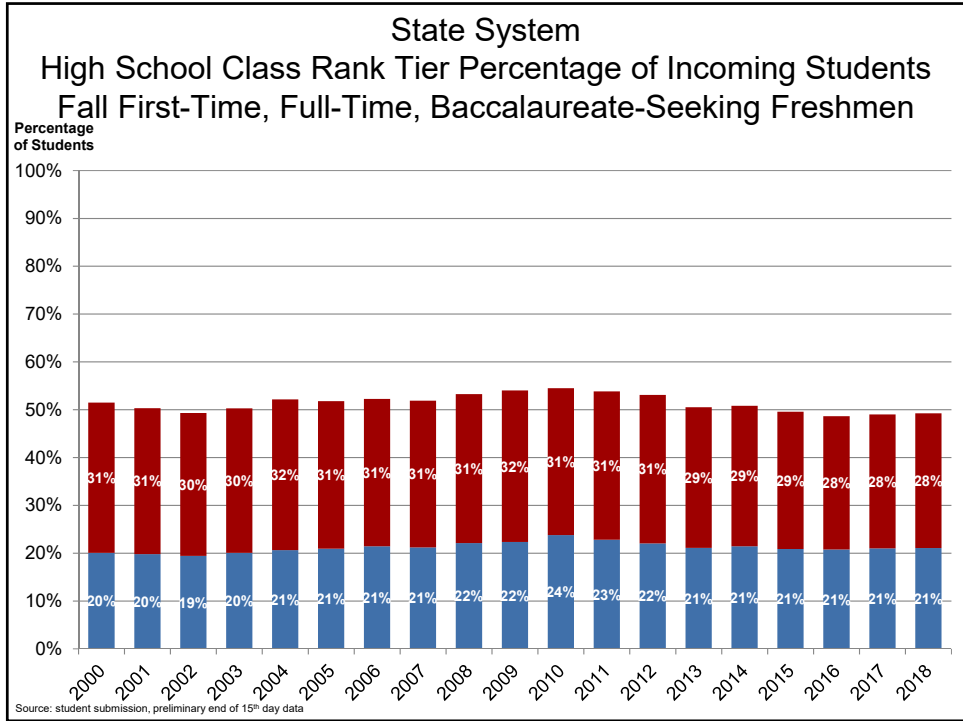


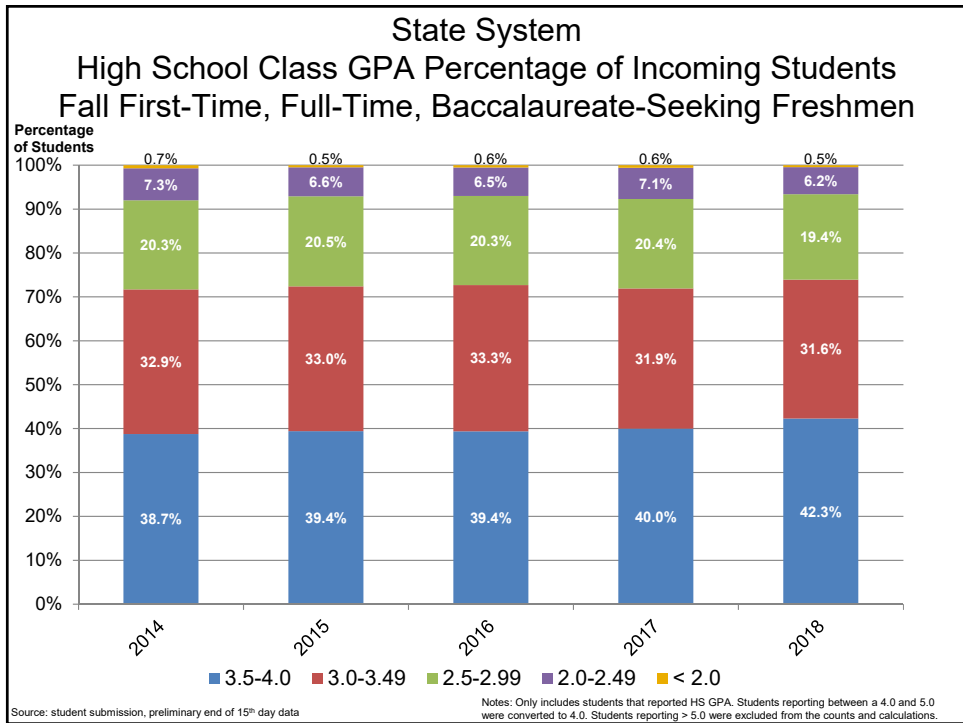
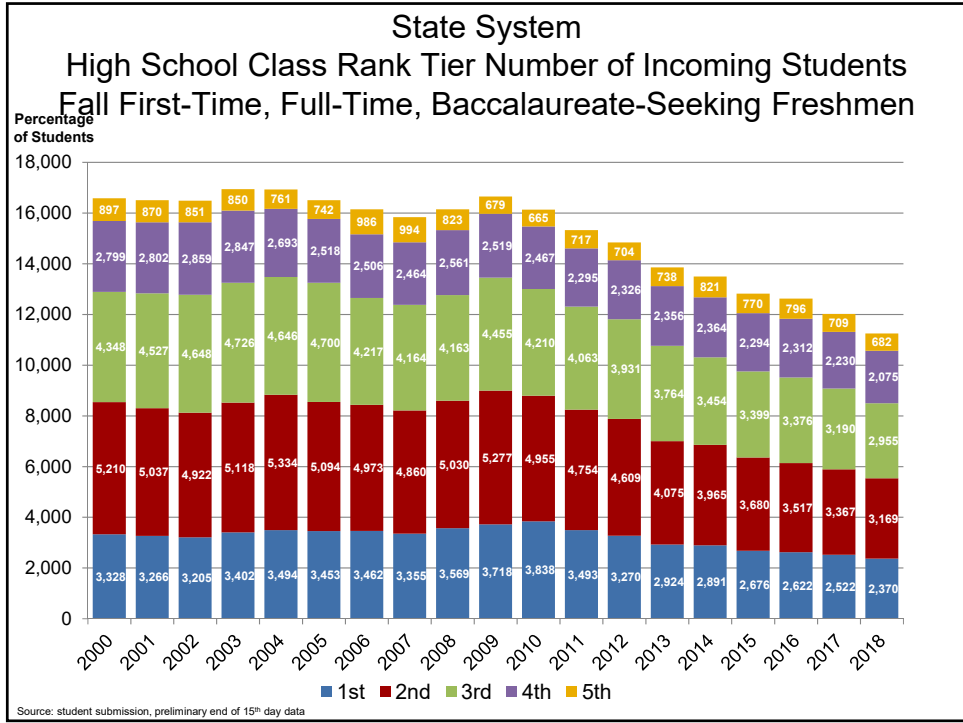
Source: student submission, preliminary end of 15th day data

State System High School Class Rank Tier 2 of Incoming Students Fall First-Time, Full-Time, Baccalaureate-Seeking Freshmen

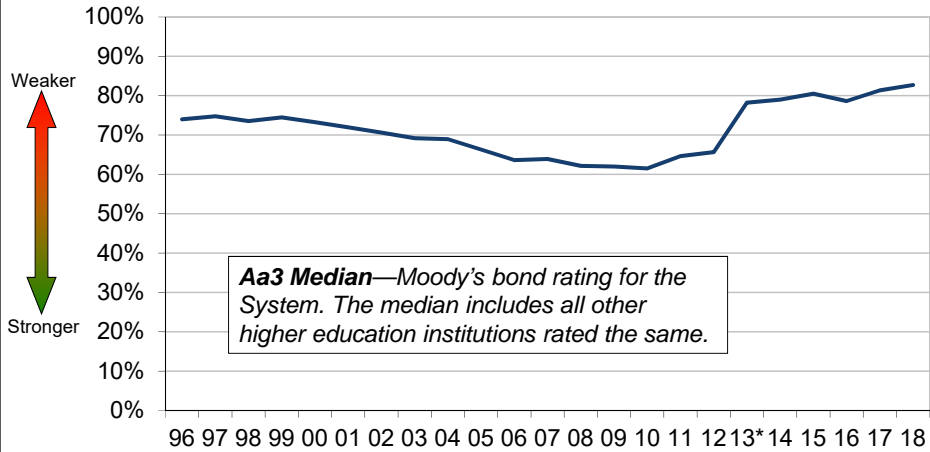


Source: student submission, preliminary end of 15th day data





State System Selectivity



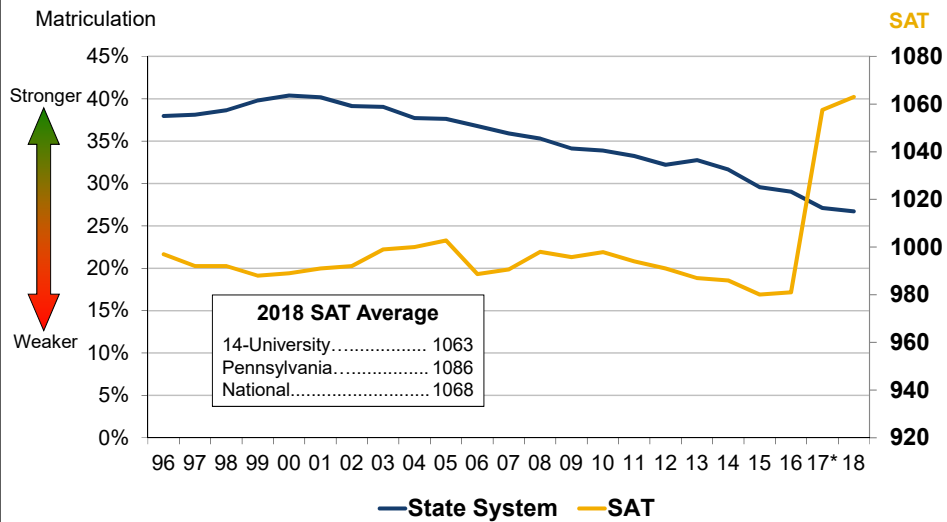
Median Aa3 (2017) = 73.1%

Selectivity—% of applicants accepted

Source: student submission, preliminary end of 15th day data

*Change of methodology for counting completed applications

State System Matriculation/SAT



Median Aa3 (2017) = 29.9%

Matriculation—% of accepted students who enroll

Change in scoring the SAT began with tests taken after March 1, 2016 and reflect in 2017. Results of the scoring change resulted in higher test scores overall.
Source: student submission, preliminary end of 15th day data

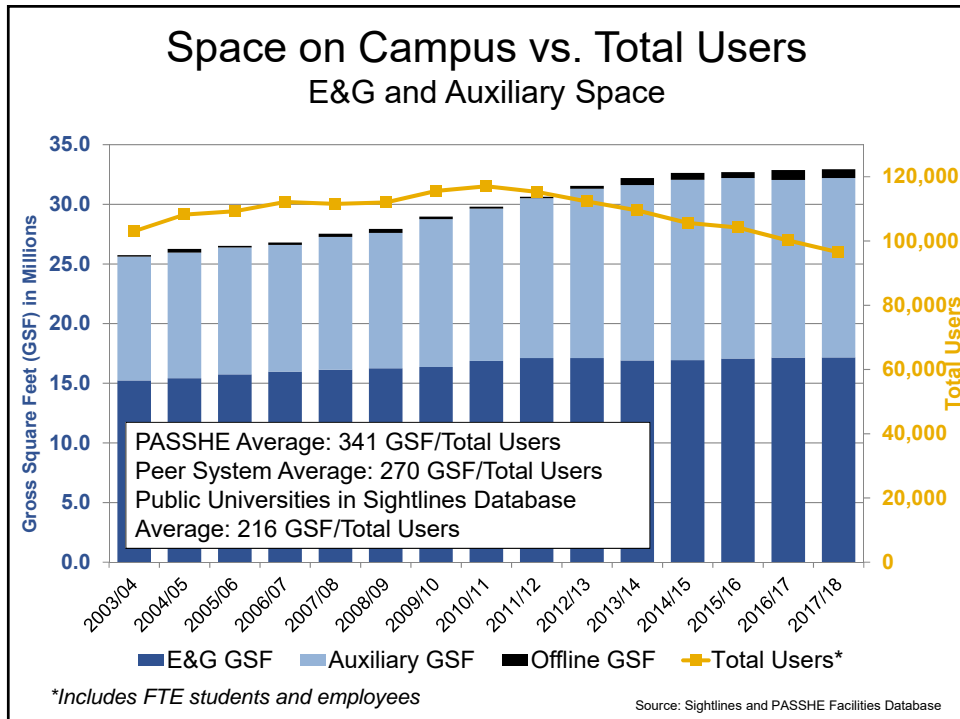
Operating Efficiency

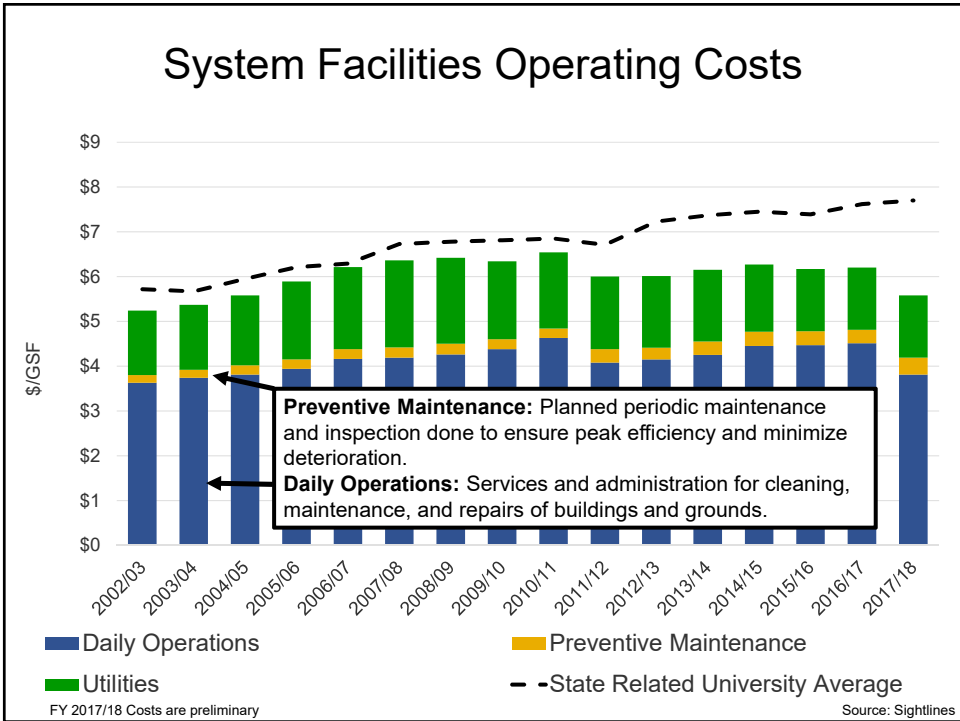
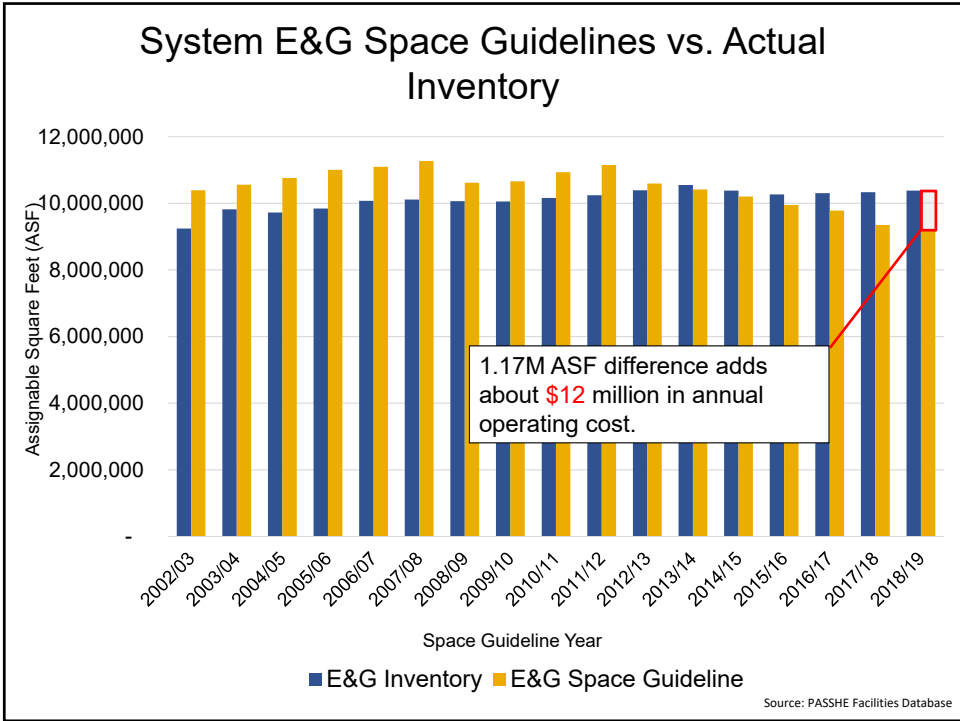
Stewardship of Physical Resources

- Density of Space
- Investment in Plant

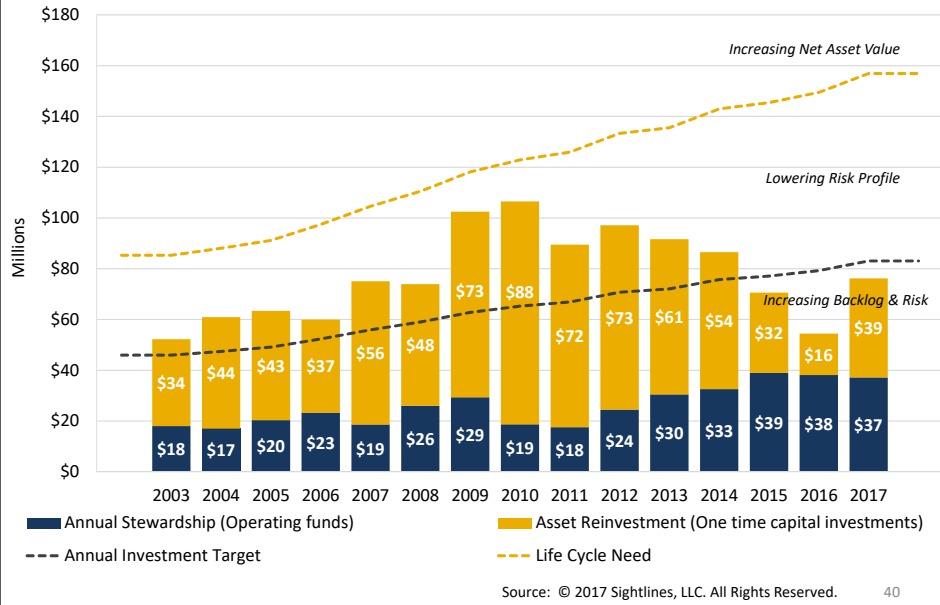
Stewardship of Financial Resources

- Revenue Sources
- Expenses Per Student

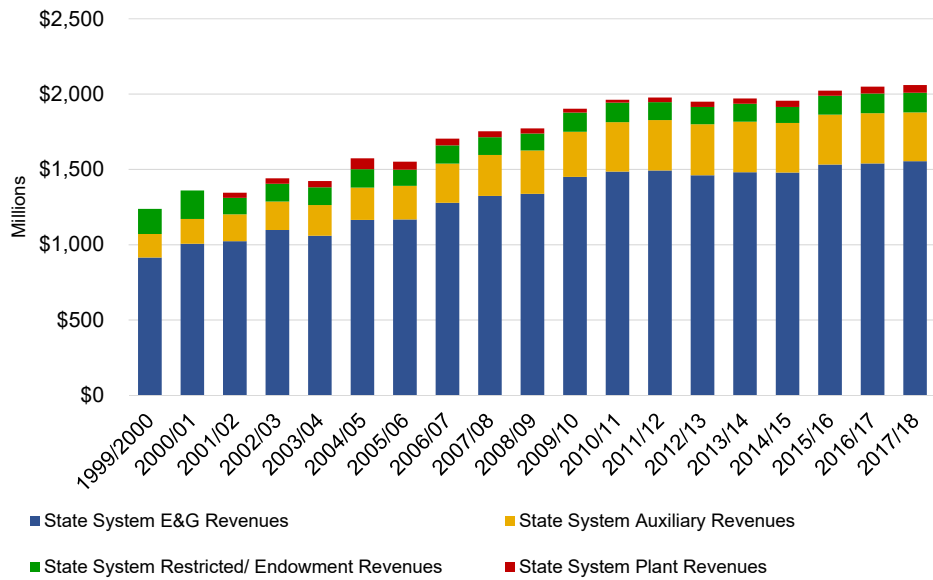




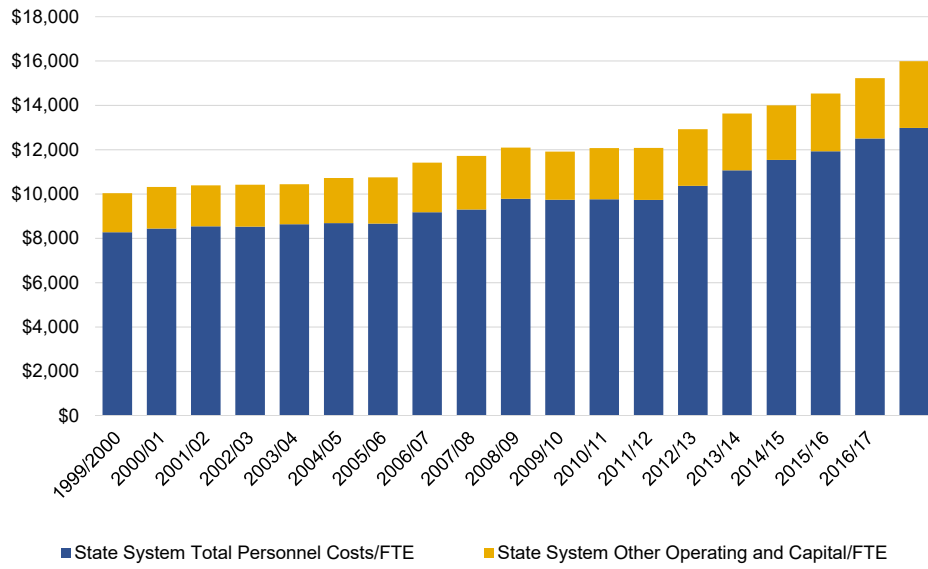
Total E&G Capital Investment vs. Funding Target



Total Revenues

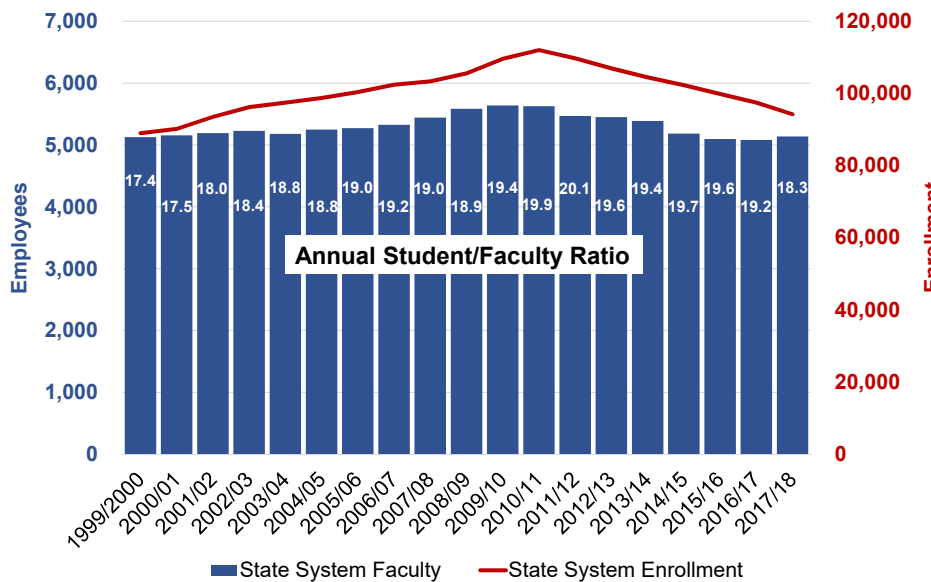


E&G Expenditures Per FTE Student



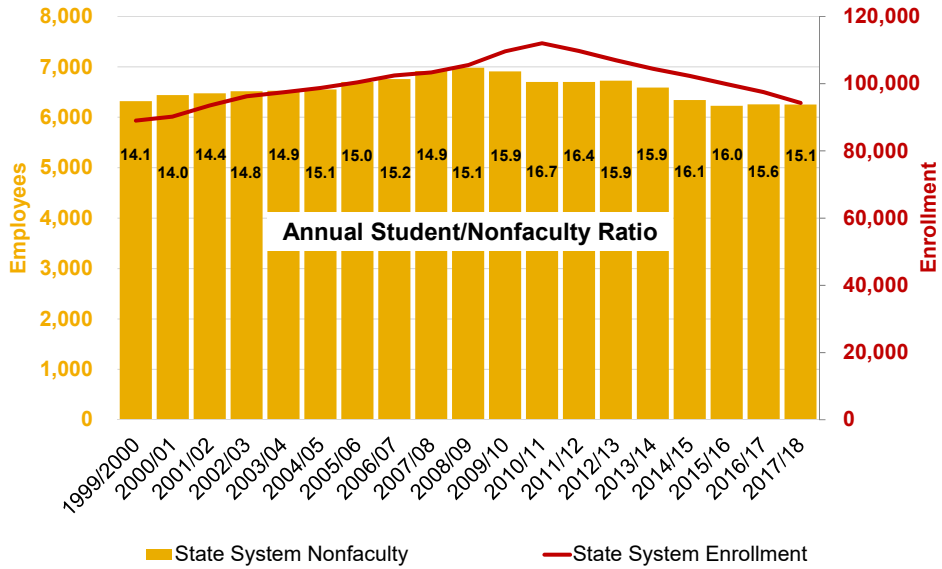
Source: university FINRPTs

Annualized FTE Faculty and Enrollment



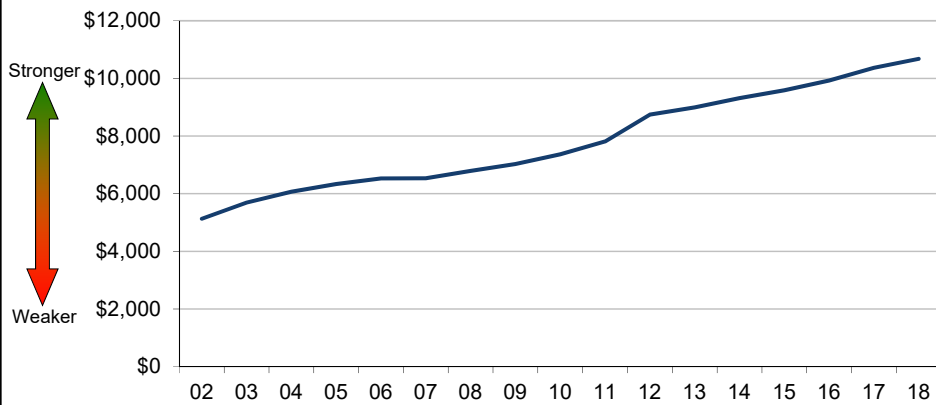
Source: university BUDRPTs

Annualized FTE Nonfaculty and Enrollment



Source: university BUDRPTs

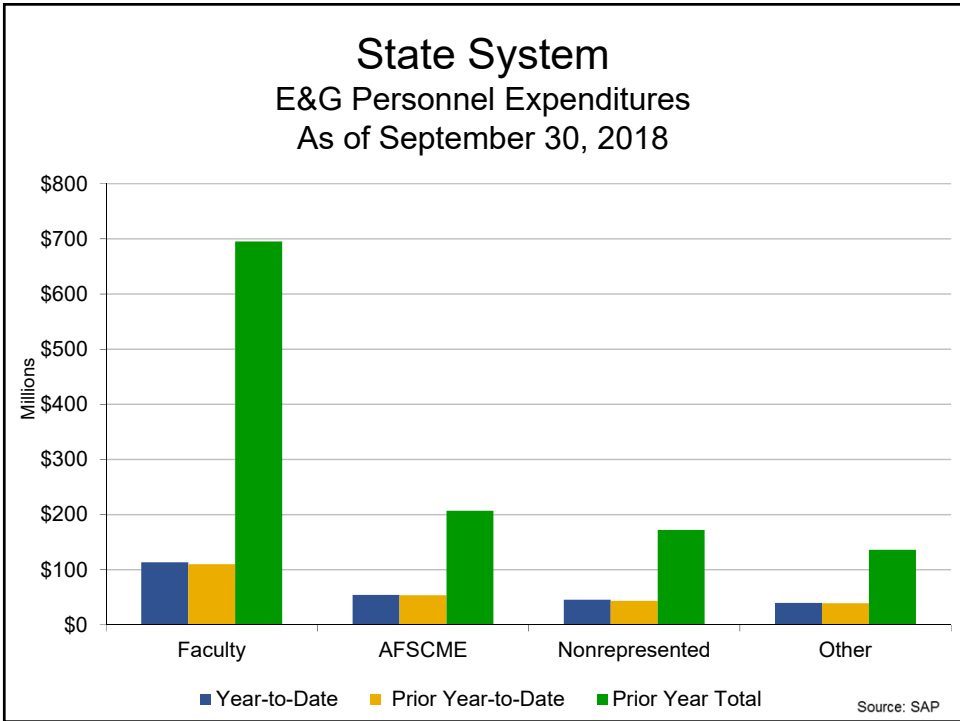
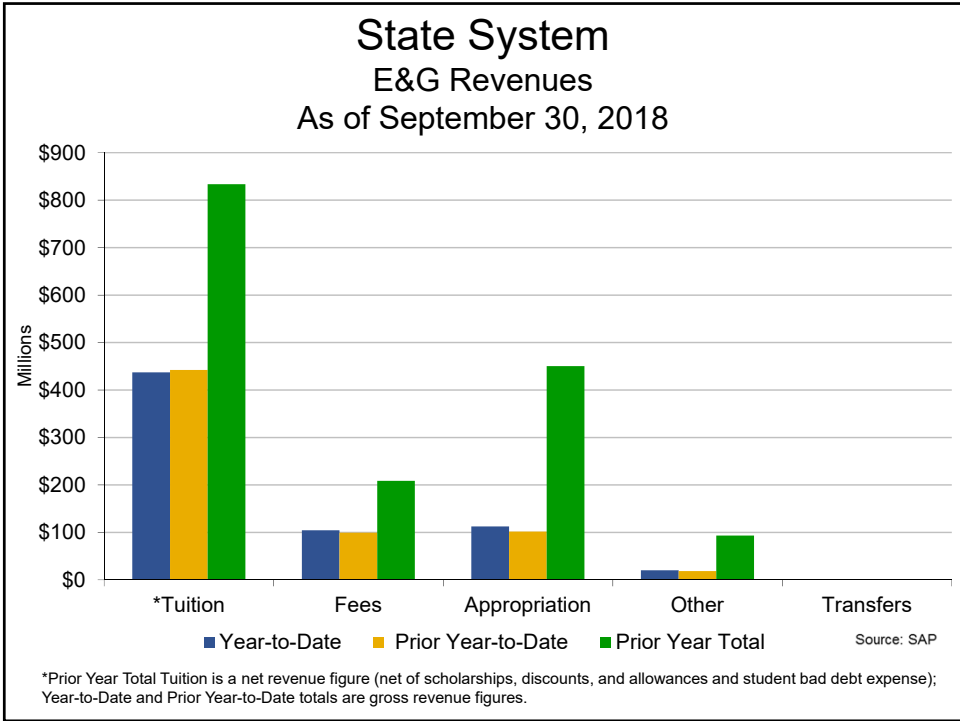
State System Net Tuition Per FTE Student



Median Aa3 (2017) = \$10,959

Net tuition = tuition and mandatory fees less financial aid (primarily Pell and PHEAA grants and loans)

Source: university FINRPTs; student submission, preliminary end of 15th day data

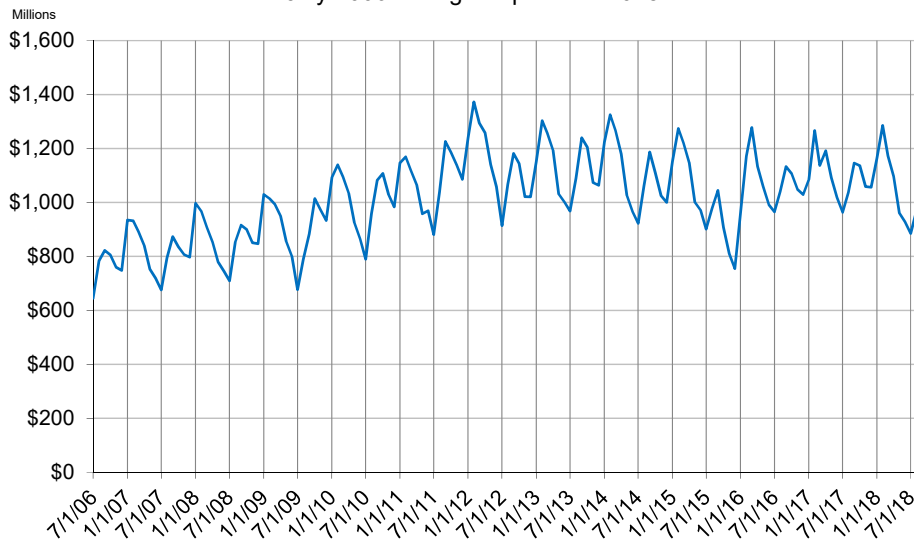


Financial Performance

- Cash
- Operating Margin
- Unrestricted Net Assets
- Debt

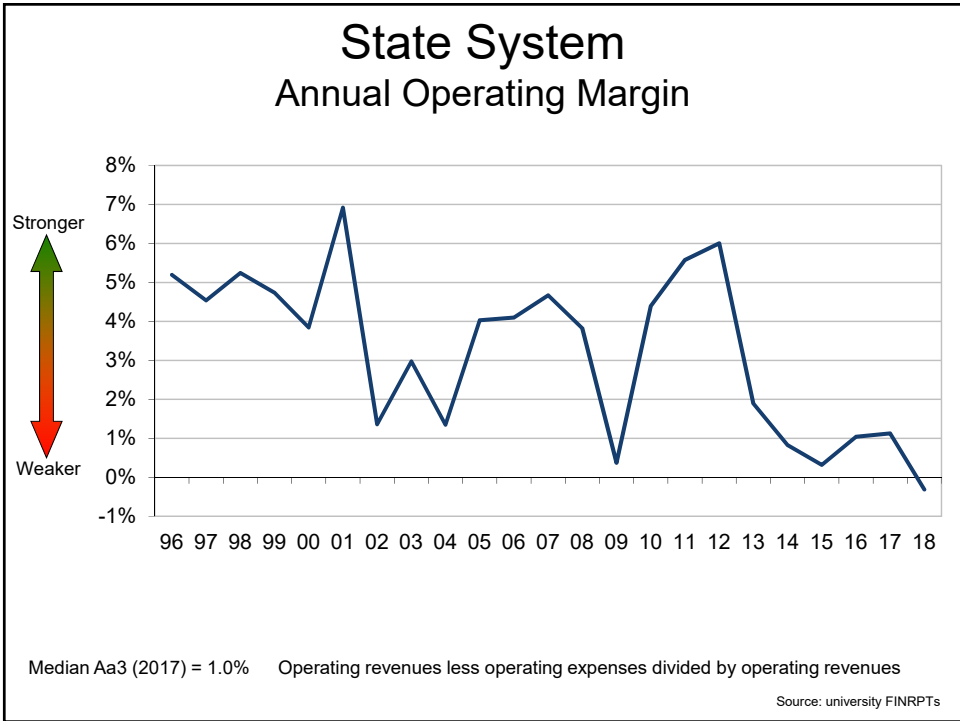
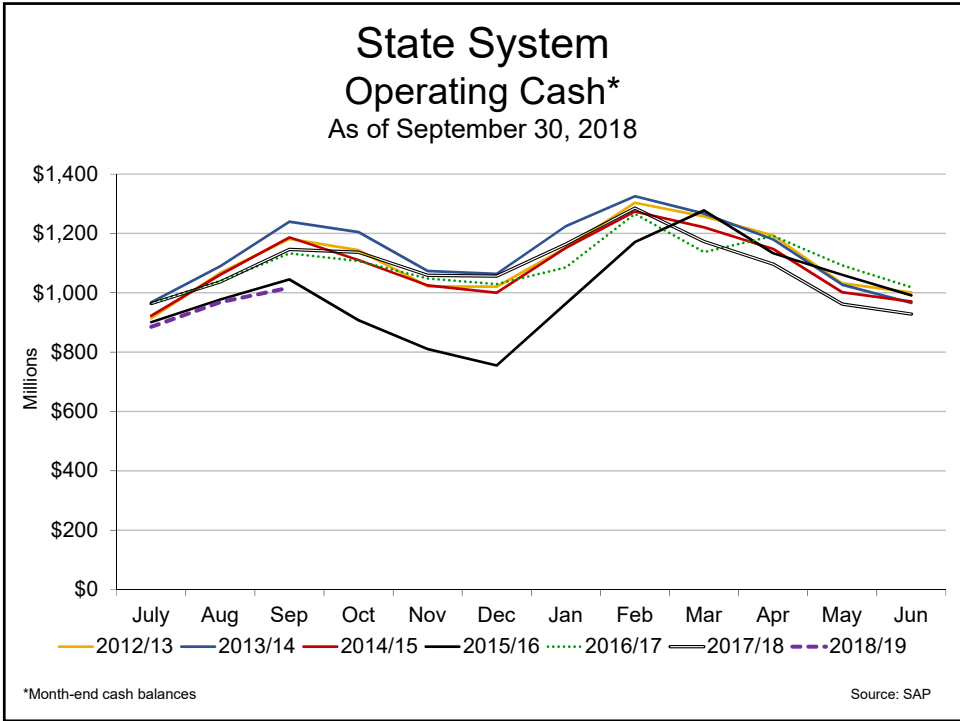
State System Month-End Investment Balances*

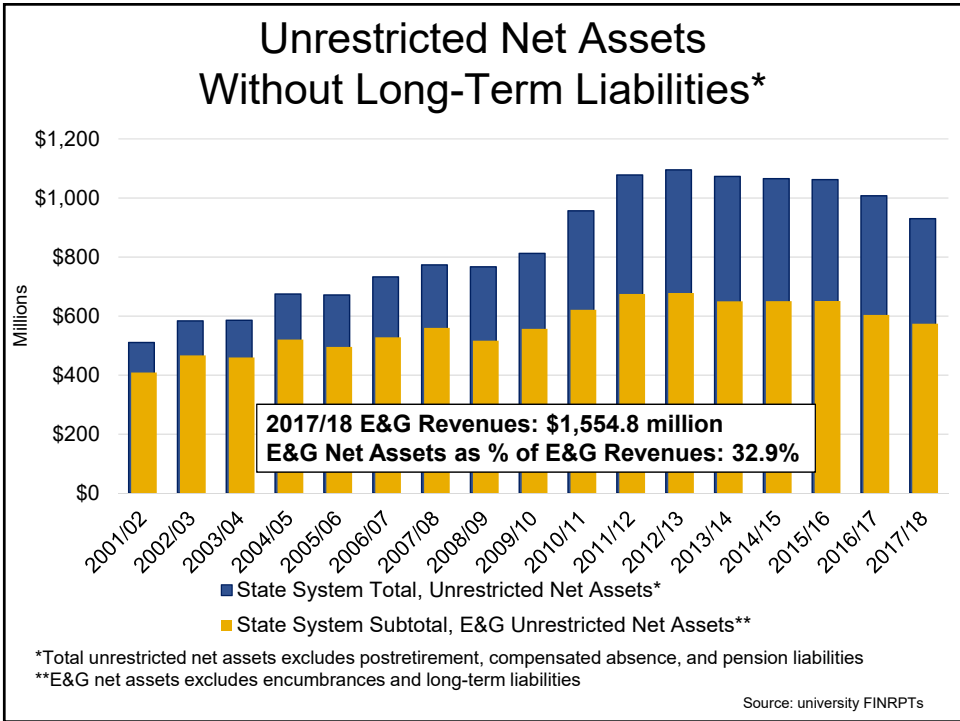
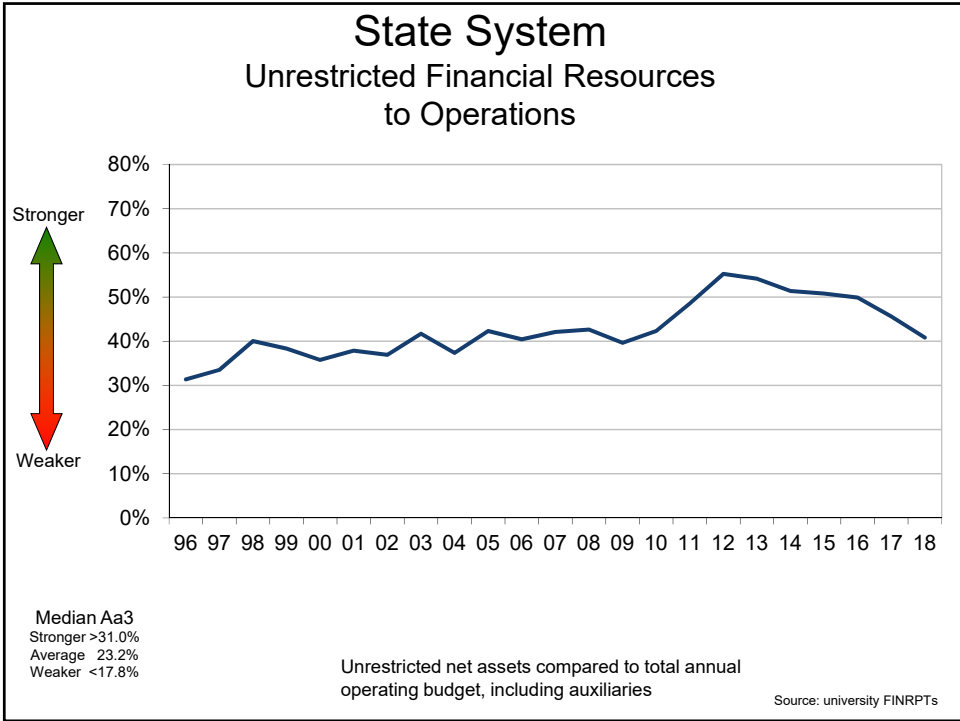
July 2006 through September 2018

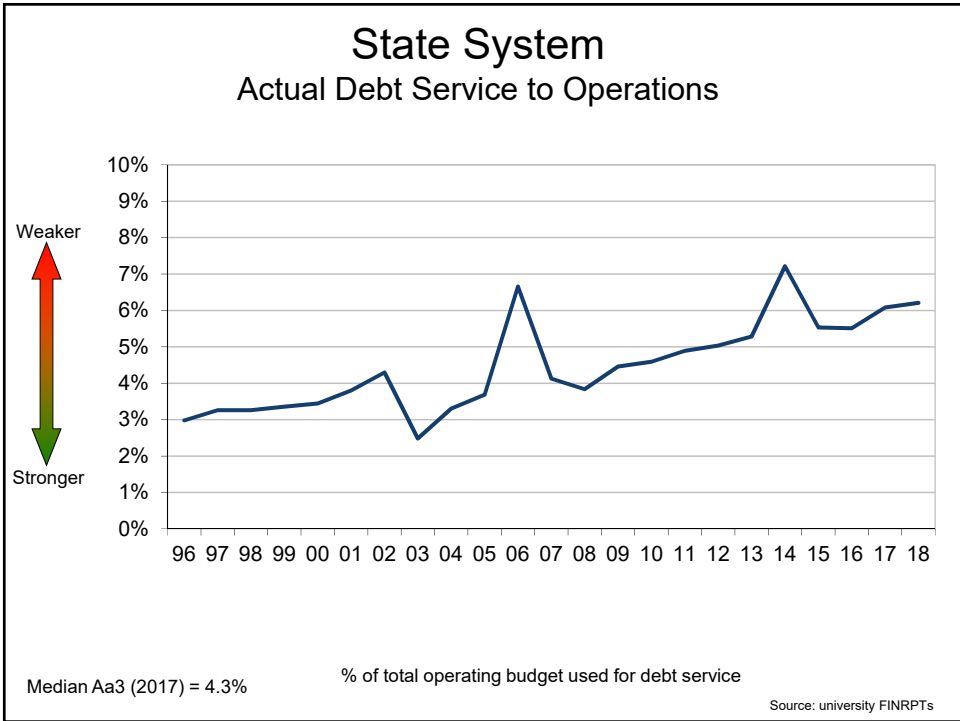
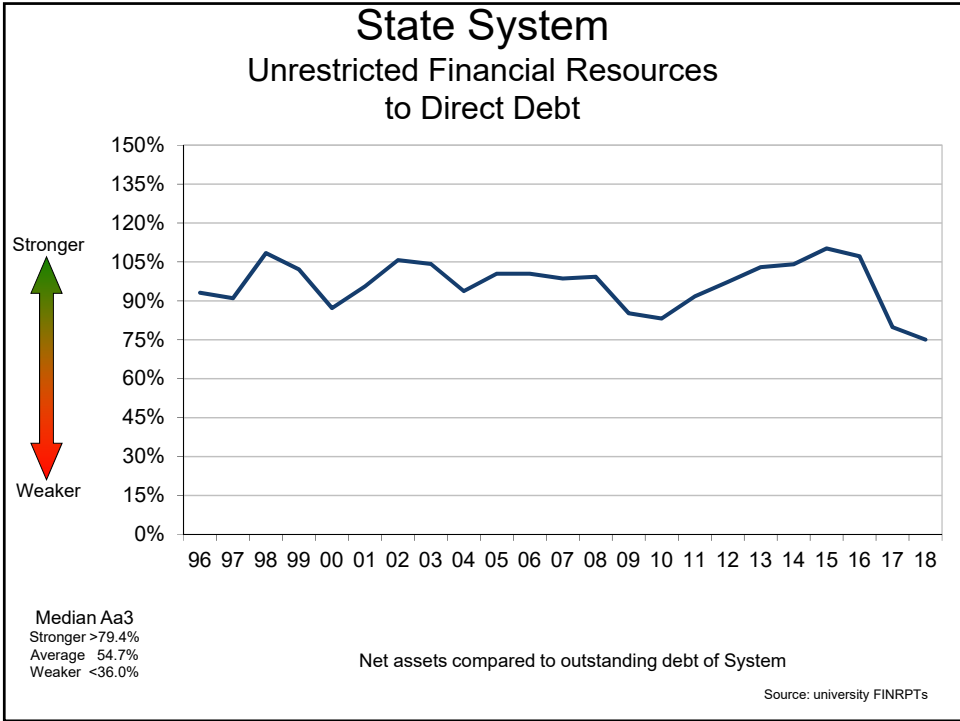


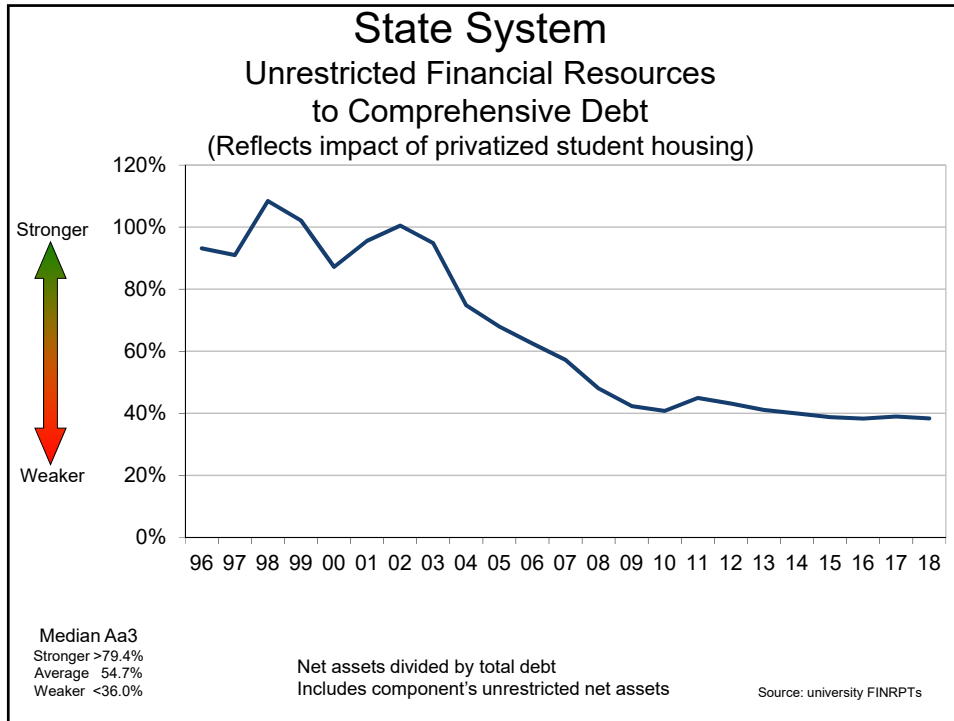
*Funds held in the System Investment Fund

Source: M&T Trust Webfolio









The State System is beginning to monitor the Composite Financial Index (CFI), which is a new annual reporting requirement of Middle States. The CFI uses 4 measures that have been integral to the financial risk assessment.

State System

FY 2017/18

Primary Reserve

Graph reflects "Strength Factor" of the CFI ratios.

Scale
◇ = 0
Each square = 2 points
Minimum -4 points
Maximum 10 points

Ratio	Strength Factor	Ratio Value	Weight	Score
Primary Reserve	3.44	0.46	35%	1.20
Net Operating Revenues	1.56	1.09%	10%	0.16
Return on Net Assets	0.93	1.86%	20%	0.19
Viability	1.09	0.45	35%	0.38
Total				1.93

Primary Reserve Ratio	
Numerator - Expendable Net Assets	1,070,894
Denominator - Total Expenses	2,341,263

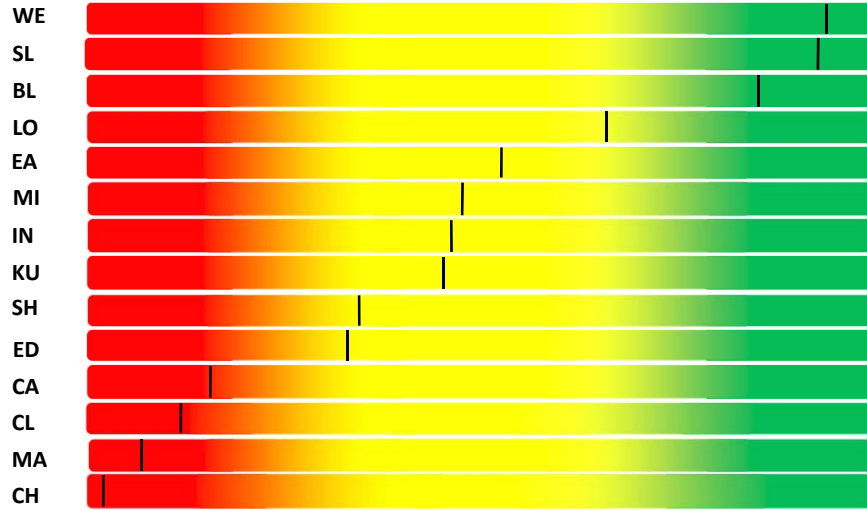
Net Operating Revenues Ratio	
Numerator - Net Operating Income	25,641
Denominator - Total Operating Revenues	2,353,113

Return on Net Assets	
Numerator - Change in Net Assets	-18,035
Denominator - total net assets beginning of year	-967,360

Viability Ratio	
Numerator - Expendable Net Assets	1,070,894
Denominator - Total long-term debt	2,361,664

Source: KPMG/Prager. Notes: There are various ways to calculate a CFI; the above replicates the exact source calculations. Although Middle States uses a similar calculation that is based on this source, it has different results. The KPMG/Prager methodology includes graphing of the strength factors.

Overall January 2018 Financial Risk Assessment



Pennsylvania's
STATE SYSTEM
 of Higher Education

14 universities.
Infinite opportunities.