Online Pathways

Executive Summary

July 2020

Final

I.   Overview

The Online Pathways Redesign team was charged with assessing the need, readiness, and potential return on investment for an online system-wide strategy including recruitment, student-support services, and single and multi-university online pathways, that will advance online degree completion and workforce development especially for post-traditional students who have attained some college credits but not a desired degree. Stakeholders looked to this group to make recommendations for developing, implementing, and assessing Online Pathways, including goals and strategies, investment needs (fiscal, human, data, and technology), quality assurance, labor relations and policy solutions, special program and regional accreditation challenges and solutions, student services, budget models, strategic partnerships, assessments, and implementation plan and timeline.

The team conducted a current state assessment focused on gathering, and analyzing data directly related to the policies, processes, procedures, and inventory of online courses and programs currently available throughout the State System. The team, further, researched existing operational models for a *system*-based approach to scaled online education. It quickly became apparent that operational models were linked to different types of system corporate structures and/or reliance on Online Program Managers (OPMs), so that recommending an operational model for PASSHE Online Pathways impinged on PASSHE's statutory corporate structure and/or partnerships with OPMs.
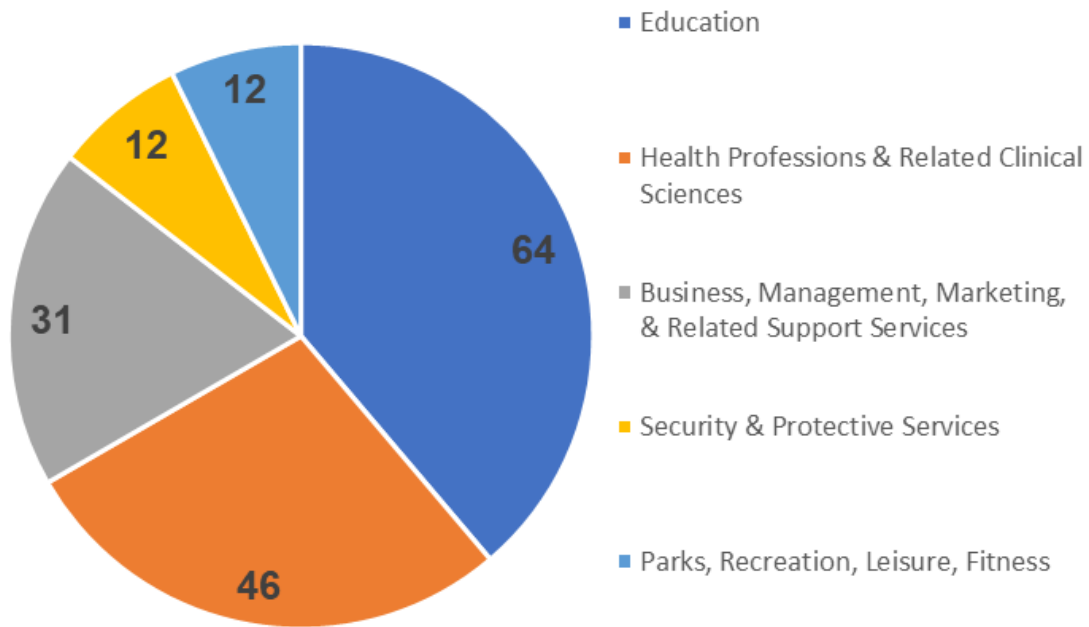
As the significant implications of this work became more evident, the team paused their work and elevated the next steps to system CAOS and the Office of the Chancellor. The Office of the Chancellor had engaged Ernst & Young (EY) to support System Redesign research; PASSHE Online Pathways was assigned to EY as one of their workstreams.   The important work of the Online Pathways Academic Success team was instrumental in informing the work of EY and the strategies discussed by the CAOs.

The following document is organized with the current landscape assessment completed by the Redesign Team, followed by a national landscape and recommendations completed by EY.
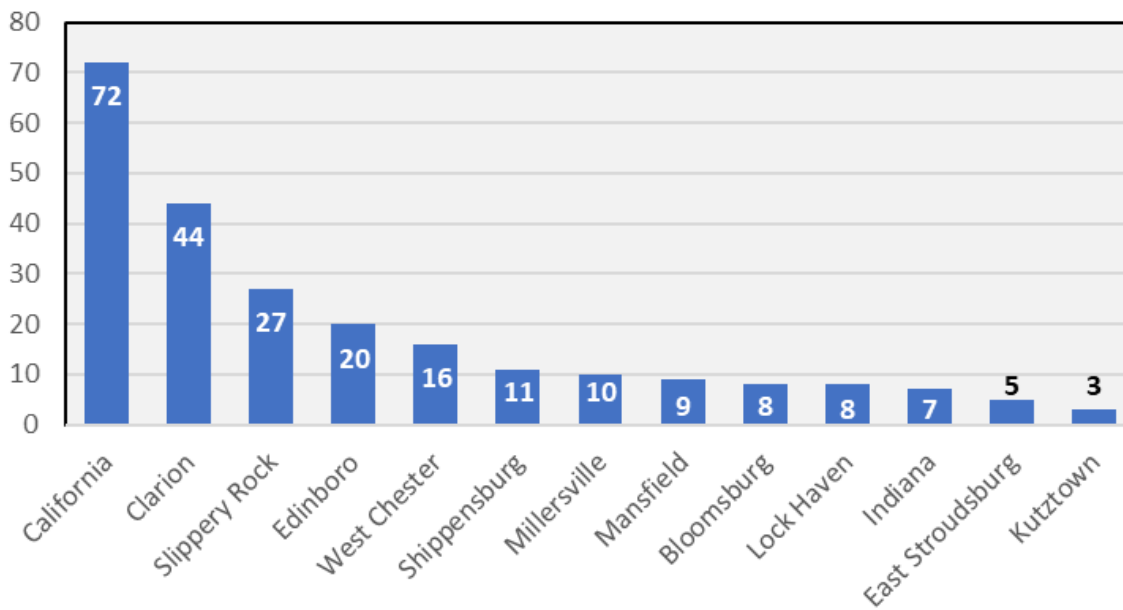

II.   Current Online Landscape within PASSHE

Over the last three academic years, an average of 14,553 students enrolled in online courses and programs, each year. Approximately 65% of those students are 100% online students and have never taken an on-ground course. Existing online programs at the State System are most concentrated in Education, and California offers the most overall online programs compared to other State System universities.

of Online Programs by Fields of Study
Unique Programs from 2016 to 2019

- ■ Education
- ■ Health Professions & Related Clinical Sciences
- ■ Business, Management, Marketing, & Related Support Services
- ■ Security & Protective Services
- ■ Parks, Recreation, Leisure, Fitness

of Online Programs by University
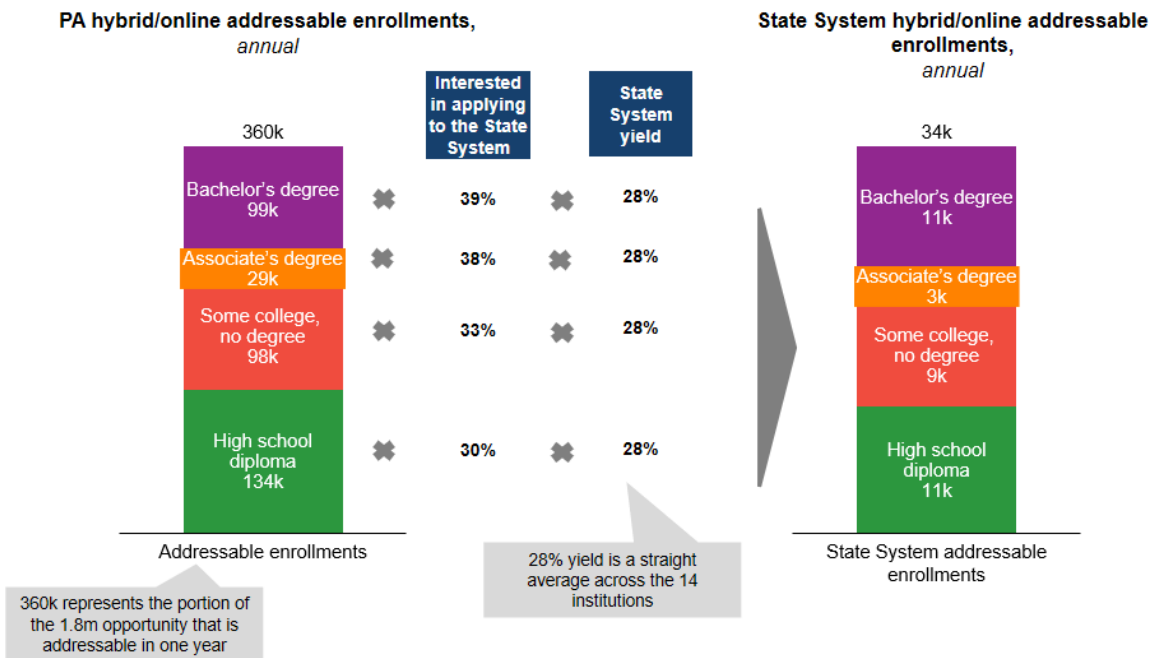## *Unique Online Programs from 2016 - 2019*

The Redesign team identified various challenges our universities experience when delivering an online offering, and our student's experience when participating in an online offering. First, a central and consistent listing of available online programs and courses does not currently exist. Second, online courses are not delivered in a standardized manner that ensures consistency, quality, and support for students as well as training and development for faculty.

III.   National Online Landscape & Best Practices

The Redesign team and Office of the Chancellor turned to EY to conduct a comprehensive analysis of the national landscape and addressable market. There are various models utilized throughout the nation for delivering online programs across a diverse system of institutions. In the process, EY, in consultation with staff in the Office of the Chancellor, presented reports to the PASSHE Online Pathways academic success team, the CAOs, and the Board of Governors.

EY presented evidence that 1/3 of total national enrollments are hybrid / online enrollments. In response, both National and PA institutions are increasing the availability of online modalities. Graduate and Certificate programs are experiencing the most growth in this area. The State System has approximately 14% of both total enrollments as well as Hybrid/Online enrollments in Pennsylvania. Furthermore, EY's analysis suggested that approximately 34,000 hybrid/online enrollments are addressable to the State System annually at current yield rates. This means 34,000, or approximately 10% of PA addressable enrollments, are addressable to the State System today, based on current awareness and interest in the System's online programs. Through marketing and brand building efforts, a potentially larger portion of the 360,000 annual opportunity in PA could become addressable for the State System.
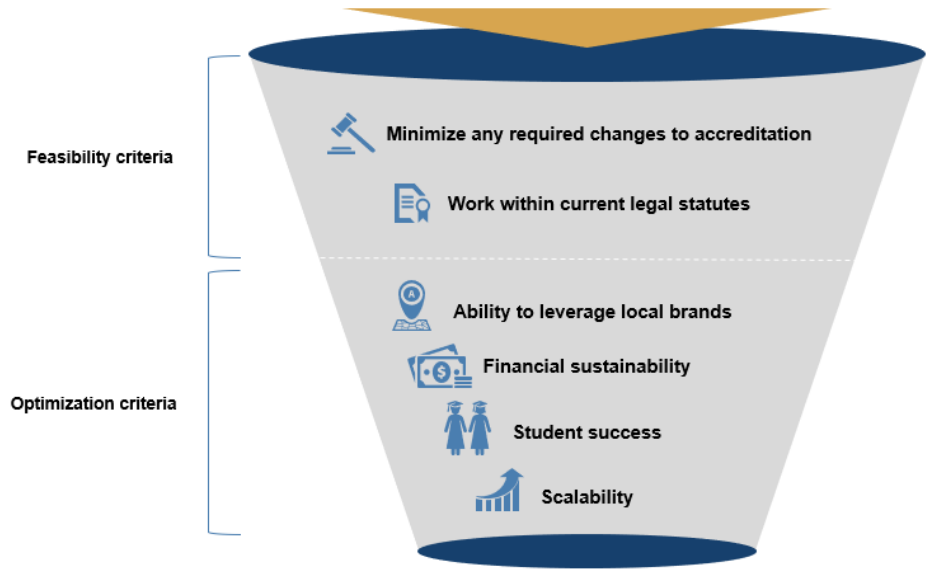
PA hybrid/online addressable enrollments, *annual*

		Interested in applying to the State System		State System yield
360k				
Bachelor's degree 99k	✖	39%	✖	28%
Associate's degree 29k	✖	38%	✖	28%
Some college, no degree 98k	✖	33%	✖	28%
High school diploma 134k	✖	30%	✖	28%
Addressable enrollments				

State System hybrid/online addressable enrollments, *annual*

34k	
Bachelor's degree 11k	
Associate's degree 3k	
Some college, no degree 9k	
High school diploma 11k	
State System addressable enrollments	

360k represents the portion of the 1.8m opportunity that is addressable in one year

28% yield is a straight average across the 14 institutions

Source: Pennsylvania Online Education Market Survey (n=621): IPEDS

IV.   Major Findings & Consultant Recommendations

EY was engaged to further investigate the distinct operating models and determine an evaluation criteria and cost / benefit analysis on each model in order to help identify which model might fit best within the PASSHE system.

The initial step with EY was to agree, in consultation with CAOs, on a set of criteria. All decisions around online program strategy across the system should be guided first by a set of feasibility criteria and then a set of optimization criteria, both described below. Note, the first two gating factors, the feasibility criteria, ensure considered models will minimize required changes to our existing accreditation and will work within our current legal statutes.

Potential online operating models

Feasibility criteria

- Minimize any required changes to accreditation
- Work within current legal statutes

Optimization criteria

- Ability to leverage local brands
- Financial sustainability
- Student success
- Scalability

At a more detailed level, each model was evaluated on its ability to drive cost efficiency and ability to capture the addressable market. At CAO and OOC request to review data on addressable market, EY reduced to about 17K FTEs as more realistic.

There are 5 primary models for consideration for managing online programs

Model	Institutional delivery	Student recruitment/ marketing	Governance	Accreditation and online degree conferral	Benefits and challenges	Ability to drive cost efficiency	Ability to capture addressable market
"Single portal"	▸ Each institution has autonomy to choose, create, and teach their own online programs	▸ Member institutions compete for students ▸ Minimal central marketing	▸ No central governing structure making programmatic decisions, though there may be a central advisory committee	▸ Degrees conferred by member campuses	✓ Leverages local brands ✗ Program duplication and cannibalization across institutions		
"Divide and conquer"	▸ Program creation and instruction done by institution in each specialization area, as agreed upon by all institutions or a central office	▸ Branding is by institution; marketing and enrollment could be managed individually or centrally	▸ Governance body brokers coordination between institutions to avoid duplication and optimize program allocation	▸ Degrees conferred by member institution offering program, which may not be a student's home institution	✓ Reduces duplication and costs ✗ Limited ability to leverage local brands		
"Branch campus model"	▸ Programs are delivered and taught by on-campus faculty, but programs are branded through an online entity (e.g. "World Campus")	▸ Online entity is responsible for marketing and recruitment	▸ Governance is centralized at the online entity which manages all functions except admissions	▸ All online degrees are conferred by main institution (e.g. Penn State) regardless of faculty's home campus	✓ Reduces duplication and costs ✗ Does not leverage local brands		
"Consortium model"	▸ Member institutions collaborate together to create content and teach specific programs	▸ Students recruited to the collaborative system-level program by member institutions	▸ Consortium is an independent entity typically governed by a Board of Directors that consists of leaders of each university, with subcommittees comprised of faculty and staff	▸ Degrees conferred by local institutions	✓ Leverages local brands ✓ Reduces duplication and costs ✗ May require high level of collaboration across institutions		
"Build or acquire separate online campus"	▸ All programmatic choices, creation and instruction done by online institution; no other institutions offer online	▸ Only the independent online institution recruits students	▸ Programmatic decisions are governed by the separate campus potentially with input from other institutions	▸ Degrees could be conferred by independent online institution or at the system level	✓ Reduces duplication and costs ✗ Does not leverage local brands		

Least change required → Most change required (vertical axis)

Note: Assessment of ability to drive cost efficiency is based on an assessment of total administrative and instructional costs; assessment of ability to capture addressable market is based on survey data and secondary research

Based on these criteria, "Divide and Conquer" and "Consortium Model" arose as the top two models potentially most advantageous for PASSHE. Next, the two models were evaluated against the feasibility and optimization criteria.

	Divide and conquer	Consortium
Work within current legal statutes and collective bargaining agreements	✓ No known legal statute or CBA changes required	✓ No known legal statute or CBA changes required
Minimize changes to accreditation	Students must matriculate into the institution from which a specific program is offered and a certain percentage (the majority) of their courses must be taken at that institution	Students can matriculate into any institution in the State System and take classes offered anywhere else in the System, but any institution granting a particular degree has to maintain sufficient faculty expertise in discipline of that degree in order to be able to certify quality
Ability to leverage local brands	For any given program, only 1-2 member institutions can brand and market; leads to some institutions benefitting disproportionately from online and others not benefitting	All participating institutions can market the program under their own brands. A single portal would likely have an "online" brand tied to courses offered online (e.g. Georgia Ecore); benefit from online is more distributed in this model
Financial sustainability	Lower ROI due to smaller addressable population of students, less ability to leverage stranded capacity, etc.	Higher ROI due to larger addressable population, greater ability to leverage stranded capacity, etc.
Student access and success	Students have access to a potentially more limited selection of courses offered by a smaller set of faculty	Could provide a wider array of course content from a larger pool of faculty
Scalability	Likely attractive to a more limited addressable market of students within the local catchment area of schools offering a particular program	Likely attractive to the full addressable market of PA online students

Does not meet criteria ———— Meets criteria

Source: Per conversation with the Chancellor, these two models are unlikely to require legal statute or CBA changes. Harvey balls based on potential enrollment analysis as per PA market survey

Further detail specific to Revenue Drivers and Cost Drivers is shown below:

Revenue drivers

| | | Operating models | |
Element	Data Sources	Divide and Conquer	Consortium
Enrollment uplift from online			
Incremental online student population	► BLS, Census, Survey, Current Total Addressable Market	► Assumes that only a portion of the ~34k (normalized on an FTE basis) addressable market is achievable in the model, as each school will be restricted to students in their local catchment area	► Assumes that the entirety of the ~34k (normalized on an FTE basis) addressable population is achievable for PASSHE as they create a consortium brand
Enrollment ramp	► IPEDS; Competitive benchmarking	► Assumes a faster ramp than Consortium model, as this model will leverage local brands and thus requires limited additional brand building	► Assumes a moderate ramp, as some level of brand building would be required for the consortium, but programs would likely still be able to also leverage local brands
Retention rate	► Internal data	► Uses historical PASSHE retention data to project the number of students persisting to subsequent years	
Pricing			
Tuition pricing	► Survey, Current PASSHE online prices	► Assumes System average of tuition pricing across 14 institutions ► Assumes composition of degree levels (certificate, BA, MA, etc.) stays consistent with current mix ► Assumes FTE standard course load by degree level	
Technology fee	► Competitive benchmarking, PASSHE pricing	► Uses current fees across System and competitive benchmarking to estimate revenue from technology fee	

Cost drivers

| | | Operating models | |
Element	Data Sources	Divide and Conquer	Consortium
Technology, marketing and other administrative costs			
Technology	Competitive benchmarking	► Includes cost of LMS, course development etc.	
Enrollment/ marketing	Competitive benchmarking	► Assumes a cost per enrollment based on peer online schools	
Brand building cost	Competitive benchmarking	► Assumes a lower level of upfront costs, as less brand building is required and schools can rely on local brands ► Based on peer online schools	► Assumes a higher level of upfront brand building costs associated with building the consortial brand ► Based on peer online schools
Other support staff	Competitive benchmarking; Internal data	► Includes other administrative staff necessary, including success coaches, finance, HR, etc. ► Assumes a staff to student ratio based on peer online institutions and current PASSHE ratios ► Assumes fully loaded salary and benefits based on current PASSHE average in each function	
Faculty costs			
Stranded capacity	► Internal data	► Assumes a limited ability to leverage stranded capacity given that programs are delivered by member campuses and resources are not shared	► Assumes an ability to leverage a substantial portion of stranded capacity
Cost per additional faculty member	► Internal data	► Assumes the average spend per faculty member across institutions ► Assumes a higher student to faculty ratio than on-campus programs	
Potential savings from eliminating online fee	► Internal data	► Calculates potential savings from eliminating the $25/student fee for online students	
Potential savings from adjunct model	► Competitive benchmarking	► Calculates potential savings from adopting an master teacher model, in which current tenured faculty would oversee adjunct faculty; adjunct faculty teach online courses and are paid on a per course basis ► Based on peer institution adjunct costs	

V.   Next Steps:

EY turned over their final report to the Office of the Chancellor, and the new Vice Chancellor and Chief Academic Officer, Donna Wilson, took up the discussion with system CAOs, the Executive Leadership Group, and the System Redesign Advisory Council. State-Wide Meet and Discuss was also updated on the work of the Academic Success teams and EY's work. The ensuing discussion turned on two primary questions. First, which operating model or combination of operating models would best position PASSHE to scale quickly and capture a

new market of online enrollments through a collaborative effort. Secondly, would PASSHE engage an OPM to stand-up a scalable set of programs and launch marketing and recruitment, and, if not, where would we acquire the $50 to $80 million needed to stand up and run a scaled operation in the first couple of years.

During this same time, the universities and the Office of the Chancellor were gaining greater visibility into the true economic situation the system was in, and universities were assigned sustainability levels, and nine began working on sustainability plans. This work was so consuming and so patently critical to the immediate future of the State System as a whole and the universities individually, that work was paused on the Online Pathways discussion to allow efforts to be concentrated on righting the fiscal ship. Expectation is that when the system is in more sound fiscal position and can free up investment monies to pour into scaling up a collaborative online operation, the work of EY and the PASSHE Online Pathways Academic Success Team will be relevant and useful for advancing that effort.