



**University of Pittsburgh at Titusville
Campus Update and Options Analysis**

June 2017 Board of Trustees Meeting

Contents

1. Overview

Overview of the document.

2. Situation Analysis

Brief overview of recent history of the Titusville campus, changes occurring in higher education in northwestern Pennsylvania, their impact on Pitt-Titusville, and financial analysis of the current situation at the campus.

3. Review of Options

- Option 1: Continue with the status quo.
- Option 2: Close the campus.
- Option 3-5: Revise the programs and operations to focus on better addressing regional education, training needs, and fiscal sustainability.
 - Option 3: Pitt owns, operates, and offers all programs.
 - Option 3A: Option 3 without residence halls.
 - Option 4: Pitt owns/operates campus; partners also offer programs.
 - Option 5: Third party owns/operates facility, Pitt and partners offer programs.

4. Summary and Conclusions

Summary of the project scope and the outcomes of the process.

5. Appendix

Overview

This document assesses the status of the University of Pittsburgh at Titusville (Pitt–Titusville) and considers options moving forward. This assessment is motivated by a number of years of declining enrollment on the campus and follows from a discussion of the University of Pittsburgh’s regional campuses at the October, 2016 meeting of the Academic Affairs and Libraries Committee of the University of Pittsburgh Board of Trustees.

After a review of the recent history of the campus and fundamental structural changes affecting higher education in northwestern Pennsylvania, options for Pitt–Titusville are considered. Option 1 is the status quo and assumes that we take no programmatic or operational action. Option 2 examines the consequences of closing the campus. The remaining options (Options 3-5), envision radical changes to the academic programs and operations. In Option 3, Pitt continues to own and operate the campus and substantially revises its programs. In a version of this option (3A), we examine running the campus as commuter-only (that is, in Option 3A we no longer use the residence halls). In Option 4, Pitt continues to own and operate the campus but brings on other education provider partners to offer some academic programs. Option 5 is the same as Option 4, except that a separate third party entity owns and operates the campus with Pitt as one of three tenants. Each options is assessed using three criteria: how well it meets the region’s education and training needs, whether it is financially sustainable, and whether it is consistent with the University of Pittsburgh mission.

Each of the options we examined relies on various assumptions and estimation to assess changes in Pitt’s financial position. As such, the results of our analysis are best viewed as indicators of the direction and potential magnitude of change. In addition, we have developed only a few of many possible options. As the University moves to narrow the type of options under consideration, the models here could be revised with different assumptions and/or built out in more detail.

Situation Analysis

Overview of Higher Education in the region

In Pennsylvania, and especially western PA, a combination of factors has led to enrollment challenges for most post-secondary institutions.

Most of the recent media attention has been on the Pennsylvania State System of Higher Education (PASSHE)¹. Between the fall of 2010 and the fall of 2016, enrollments across the system have declined overall by more than 12 percent. Hit particularly hard have been the PASSHE schools in western Pennsylvania, which have declined by 20 percent overall, including particularly large declines in northwestern Pennsylvania. For example, declines have been very large at Clarion (-31.5 percent) and Edinboro (-23.1 percent).

But the changes have not been in just the PASSHE schools; in the same period, the University of Pittsburgh’s regional campuses have seen an enrollment decline approaching 11 percent and enrollments on the Penn State campuses in western Pennsylvania declined by almost 13 percent.

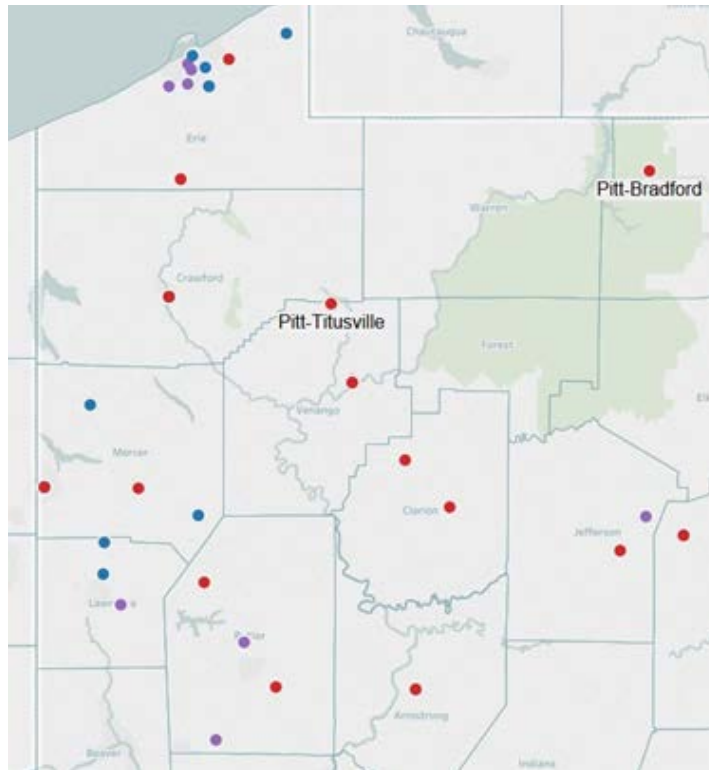
Undergraduate FTEs in Western PA					
School	Fall 2010 FTE	Fall 2015 FTE	Fall 2016 FTE	Fall 2010-16 Percent Change	Fall 2015-16 Percent Change
California University	6,959	5,311	4,972	-28.6%	-6.4%
Clarion University	5,651	4,044	3,872	-31.5%	-4.2%
Edinboro University*	6,290	4,938	4,840	-23.1%	-2.0%
Indiana University	12,290	11,182	10,139	-17.5%	-9.3%
Slippery Rock University	7,673	7,261	7,362	-4.0%	1.4%
WESTERN PASSHE TOTAL:	38,863	32,735	31,185	-19.8%	-4.7%
Penn State-Altoona	3,984	3,746	3,408	-14.5%	-9.0%
Penn State-Beaver	776	653	671	-13.6%	2.7%
Penn State-Dubois	800	539	533	-33.4%	-1.1%
Penn State-Erie-Behrend College	4,058	4,043	4,282	5.5%	5.9%
Penn State-Fayette-Eberly	896	637	591	-34.0%	-7.1%
Penn State-Greater Allegheny	701	533	516	-26.5%	-3.3%
Penn State-New Kensington	742	570	595	-19.9%	4.4%
Penn State-Shenango	556	371	328	-40.9%	-11.6%
WESTERN PENN STATE REGIONAL TOTAL:	12,514	11,092	10,924	-12.7%	-1.5%
University of Pittsburgh-Bradford	1,514	1,382	1,395	-7.9%	1.0%
University of Pittsburgh-Greensburg	1,725	1,507	1,471	-14.7%	-2.4%
University of Pittsburgh-Johnstown	2,902	2,773	2,732	-5.8%	-1.5%
University of Pittsburgh-Titusville	471	315	297	-37.0%	-5.8%
PITT REGIONAL TOTAL:	6,612	5,977	5,895	-10.8%	-1.4%

*Please note: FTE for Edinboro University of Pennsylvania was unavailable for Fall 2016. Headcount was substituted.

¹ See, for example, “State System universities grapple with declining enrollment,” *Pittsburgh Post-Gazette*, October 6, 2016.

While these smaller institutions have been experiencing enrollment declines, the trend has been for enrollment to increase at the public flagship institutions. It is also worth noting that enrollment declines have been steepest at the smallest campuses of the state system and the regional campuses of Pitt and Penn State, suggesting a need for minimum scale for a campus to be viable in the current environment.

Given the declining demand for higher education in the region, there now appears to be an oversupply of higher education providers. Northwestern Pennsylvania has 33 post-secondary education institutions (see map); 13 (in red) are public and 20 (in blue and violet) are private. Of these institutions, 13 (including Pitt–Titusville) offer two-year programs and eight offer programs that take less than two years to complete. Two institutions offer both four-year and two-year programs.



The enrollment decline seen in the public institutions in western Pennsylvania is structural; it is driven primarily by the declining number of high school graduates in Pennsylvania and nearby states. Pennsylvania and contiguous states’ decline in high school graduates is more acute in the five county northwestern Pennsylvania region. Using 2005 as the base year, K-12 enrollments in the region declined more than 11 percent by 2015. By 2022, enrollments are projected to decline another 7.5 percent. In western and northwestern Pennsylvania, population loss has magnified the overall trend.

Compounding the situation for the University of Pittsburgh at Titusville is the national trend toward lower enrollments of full-time students at public two-year colleges. Since 2010, these institutions have declined from 29 percent of all full-time undergraduates to 25 percent.²

University of Pittsburgh at Titusville

The University of Pittsburgh at Titusville was established in 1963 as a two-year campus of the University in the city of Titusville, PA (current population: 5,600). Initially, Pitt–Titusville was established as a feeder campus for regional residents who, after two years, then transferred to complete their four-year degree at the Pittsburgh campus. Pitt–Titusville has always had the lowest enrollment among the five Pitt campuses and currently is the only two-year campus among Pitt’s five campuses.

² See “Trends in Community Colleges: Enrollment, Prices, Student Debt, and Completion,” *College Board Research*, April 2016.

In fall 2016, enrollment at the campus was 297 full-time equivalent (FTE) students³. In recent years, an average of 54 percent of students come from the five county region around Titusville. About half of the students are commuters, and roughly 80 percent of the students from the five county region commute, while, as might be expected, more than 85 percent of those from outside the five county region live in residence halls.

Currently, students at Pitt–Titusville are of two types: those enrolled in terminal associate degree programs and those who seek to complete two years at Titusville then transfer to another campus (Pitt or other) to complete a bachelor’s program. Individuals in this latter group might or might not earn an associate degree. Titusville offers 14 associate degree programs and in the 2015-16 academic year, 61 students earned associate degrees at Pitt–Titusville. The most popular terminal associate programs on the campus are the physical therapy assistant (16 percent of students) and nursing (13 percent of students) programs, both of which attract students who primarily are local (about 70 percent and 80 percent respectively). The most popular majors that are intended for transfer are natural science, liberal arts, psychology, and business. In FY17, these majors accounted for 25 percent, 15 percent, 8 percent, and 6 percent of the students, respectively, and are close to evenly split between students who are local and those from outside the five-county region.

In fall 2016, Pitt employed 45 faculty (24 full-time and 21 part-time) and 38 full-time staff at Pitt–Titusville. Full-time faculty include five tenured and 19 non-tenure stream. To put the 83 full and part-time employees in context, there were 27,502 paid employees in Crawford County (2014), and total population in the county is 86,484. Estimates assess 2015 Pitt–Titusville’s annual economic impact as approximately \$13.4 million (FY13), or 0.39 percent of Crawford County’s GDP of \$3.4 billion (FY14)⁴. Of course, in the city of Titusville itself, Pitt–Titusville is a bigger percentage of the employed and has a larger economic impact.

The Pitt–Titusville campus includes 10 buildings on about 10 acres. On the campus two buildings are more than 100 years old and the remainder were built in the 1960s through the 1990s. A master plan commissioned in 2012 calls for a \$44.5 million investment in facilities, \$13.8 million of which was deemed as essential for addressing basic maintenance and programmatic needs, including major renovations to Haskell Library, which accounted for \$9.9 million of the \$13.8 million. If we were to assume that the costs were incurred in year one and that the improvements have a 20-year lifespan, the annual cost of the improvements would be \$1.1 million for projects deemed essential and \$3.5 million for all projects.

Pitt–Titusville has felt the impact of the structural changes in higher education in western Pennsylvania to a greater extent than most institutions, as seen in the figure on the next page. Pitt–Titusville enrollments peaked at about 500 FTE in fall 2007, and remained at about that level for two years. Since then, enrollment at Pitt–Titusville has declined 40 percent from 497 FTE in fall 2009 to 297 FTE in fall 2016. In the figure on the next page, it is useful to note that

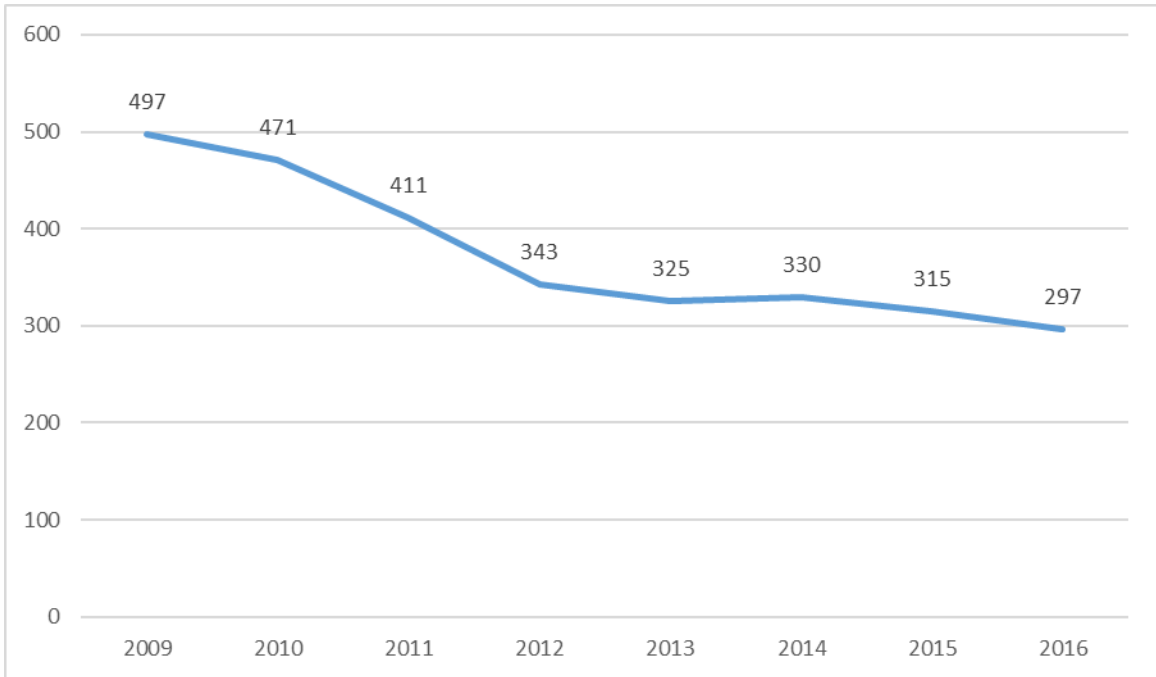
³ Full time equivalent (FTE) = full time student headcount plus .4 x part-time student headcount.

⁴ *An Engine for Moving Pennsylvania Forward: The 2014 Economic and Community Impact Report of the University of Pittsburgh*. Summer/Fall 2014. p. 37; and National Association of Counties. County Economic Tracker 2014, Crawford County PA

this decline occurred in two stages: fall 2009 to fall 2012 when the three-year decline was over 30 percent, and fall 2012 to the fall of 2016 when the four-year enrollment decline was 13 percent.

In addition to enrollment, other indicators of a struggling campus accompanied the early decline (between 2009 and 2012). The first-to-second year retention rate fell from a high of 63 percent for the cohort starting in fall 2009 to a low of 48 percent for the 2011 cohort. The percent of students completing an associate degree hovered around 10-13 percent, levels that drew the attention of our accreditor, Middle States.

FTE enrollment on Titusville campus, fall 2009-2016



Following a nearly 20 percent decline in enrollment over the two-year period, fall 2009 to fall 2011, and with admissions and retention suggesting the prospect of another decline for fall 2012, in spring 2012 we administratively realigned Pitt–Titusville to be supported by Pitt–Bradford. The realignment involved a significant reduction in staffing at Pitt–Titusville, yielding a 13 percent year-on-year cost reduction, and was accompanied by aggressive recruiting. New enrollment for fall 2012 fell as projected, declining another 16 percent. Though projected, the extent of the decline likely was influenced by the news of the realignment.

With administrative oversight turned over to the Pitt–Bradford campus president, the immediate charge was to stabilize enrollments, improve student retention and graduation, assess the

viability of the Pitt–Titusville campus and determine what would be required to make the campus viable from a fiscal standpoint.

Following the realignment, there were notable improvements on a number of key student outcome measures. For example, since the alignment with Pitt–Bradford, freshman retention is up from 51 percent to 69 percent, degrees awarded per 100 FTE is up from 13.4 to 19.4, and the three-year graduation rate improved to the 20-25 percent range⁵. And while enrollments have not fully stabilized, the rate of decline has slowed considerably since the realignment.

The Pitt–Titusville administration delivered a report in 2013 on possible programmatic changes to improve viability. A program in petroleum technology was implemented from that report. That program, and a set of new programs in computer technology, criminal justice, psychology, biological sciences, and history represent programmatic innovation in the last seven years. New program enrollments have been low, however, and some programs such as petroleum technology have been discontinued.

Despite the cost reduction measures, the declining enrollment has led to disappointing financial results. As reported in the FY16 income statement below, the year closed with approximately \$4m in revenue, \$5.5m in expenses and a \$1.5m deficit at the level of operating income. The University routinely performs a study allocating general and administrative fixed costs to the units. Including general overhead from the FY15 attribution study to Pitt–Titusville adds \$1 million in costs. It is reasonable to consider a portion of the Commonwealth of Pennsylvania appropriation as an imputed revenue stream. In FY16, the Commonwealth appropriation for the University of Pittsburgh was \$143 million and the total tuition for the University was \$681 million. The ratio of the two is .21. If we apply that ratio to the Pitt-Titusville tuition we obtain \$826,000 of imputed revenue. Thus, the overall deficit for FY16 was \$1.7 million.

Though the current fiscal year has not closed, based on current enrollments and expenditures, we will see increasing overall costs due to salary increases and declining revenue because slightly higher per student tuition is offset by enrollment losses. Thus, the financial picture is likely to worsen in FY17.

⁵ Many students enroll at Pitt–Titusville intending to transfer to another campus rather than earn an associate degree. For those intending to earn an associate degree, the 3-year graduation rate has improved from 18 to 35 percent.

FY16 Financial analysis (not including auxiliaries such as housing and food service)

Total revenue		\$4,057,000
Gross tuition revenue (315 FTE)	\$3,933,000	
Other revenue	\$124,000	
Direct expenses		(\$5,532,000)
Financial aid	(\$325,000)	
Salaries + FB	(\$4,089,000)	
Other	(\$918,000)	
CSSD and library	(\$200,000)	
Net operating income/revenue		(\$1,475,000)
Attributed Commonwealth appropriation⁶		\$826,000
Attributed costs⁷		(\$1,000,000)
Net Income		(\$1,649,000)

In summary, Pitt–Titusville faces challenges tied to fundamental demographic changes in the state and region as well as a national decline in interest in two-year institutions. For the last several years the campus leadership, faculty, and staff have worked to control costs at the same time that they have constructed academic programs and student services. They have attracted a mix of commuter and residential students who study a set of programs that will prepare them for either transfer to complete a four-year degree elsewhere or immediately enter the workforce. These measures have been effective in improving the outcomes of students at the campus and slowing the rate of enrollment decline, but have not been able to maintain enrollment at a level that is financially sustainable. In the next sections we review several options for the campus.

⁶ The Commonwealth appropriation is attributed using the ratio of appropriation to tuition at the University level.

⁷ Based on the most recent (FY15) attribution study

Review of Options

In this section, we review five options for Pitt–Titusville. We attempt to be thorough by considering a wide range of options, from continuing with the status quo to closing the campus, as well as a set of options that involve programmatic and operational changes to the campus. Option 1 is the status quo. It assumes that we take no major programmatic or operational actions and simply project the most recent enrollment trends to estimate future tuition revenue. Option 2 examines the consequences of closing the campus. The remaining options (Options 3-5) envision radical changes to the academic programs and operations to focus on addressing education and training needs of the region and fiscal sustainability. In Option 3, Pitt continues to own and operate the campus and substantially revises its programs. In a version of this option (3A), we examine running the campus as commuter-only (that is, in Option 3A we no longer use the residence halls). In Option 4, Pitt continues to own and operate the campus but brings on other education provider partners to offer some academic programs meeting regional needs. Option 5 is the same as Option 4, except that a separate third party entity owns and operates the campus with Pitt as one of three tenants.

For each option we develop a financial analysis and assess the option on three criteria: how well the option meets the education and training needs of the community and region; if the option is financially sustainable; and, how consistent is the option with Pitt’s mission.

Each of the options we examine below relies on various assumptions and estimation to assess changes in Pitt’s financial position. As such, the results of our analysis are best viewed as indicators of the direction and potential magnitude of change. In addition, we have developed only a few of many possible options. As the University moves to narrow the type of options under consideration, the models here could be revised with different assumptions and/or built out in more detail.

Option 1: Maintain the Status Quo

Option 1 examines expected outcomes if we continue to operate the campus as is done currently in terms of programs offered, program staffing, and campus operations. To understand the financial consequences of the status quo we project out two years, to academic year 2018-19 (FY19). Enrollment declines follow the trend of the most recent years resulting in a projected enrollment of 265 FTE for fall 2018 (FY19).

Further, we assume that even with the status quo we would make certain facilities upgrades to maintain health and safety standards and keep the campus up-to-date for instruction. Using the 2012 Facilities Study, we include a minimum investment of \$13.8 million in facilities to meet essential deferred maintenance, including major renovation to Haskell Library; this is included as an annualized value of \$1.1 million based on a 20-year lifetime. We assume these facilities improvements reduce maintenance costs to the university average of \$6 per square foot.

We also assume modest savings in instructional costs proportional to the reduction in enrollments. To realize significant savings in instructional costs would require the sort of major changes in the curriculum and ways in which instruction is delivered envisioned in options 3-5.

As discussed earlier, the 2012 realignment was accompanied by a major restructuring of staffing and so it is unlikely that we would be able to realize any significant savings on the staff side without major changes to operations.

In summary, in FY19, we assume that further enrollment declines reduce total revenue to \$3.0 million. Total operating expenses are \$4.9 million and the operating income deficit increases to \$1.9 million. Adding in attributed fixed costs and attributed Commonwealth appropriation plus (the annualized value) \$1.1 million of essential facilities upgrades yields a forecasted FY19 annual total loss of \$3.1 million.

Assessment of Option 1

Our projections for Option 1 assume that the structural changes in higher education in Pennsylvania will yield continuing enrollment declines and increasing losses at Pitt–Titusville.

Meeting regional needs. Option 1 meets regional educational needs to the extent that Pitt–Titusville does currently. The nursing and physical therapy programs draw students primarily from the region but other programs are tied to Pitt offerings more generally. The programs currently are not designed with a particular focus on meeting regional needs.

Financial Sustainability. Under Option 1, losses are projected to continue. Further, because Option 1 includes the cost side efficiencies and programmatic initiatives enacted in the recent past, there is little reason to believe that over time the revenues would increase or that additional cost savings could be found. One opportunity cost of continuing with the status quo involves referrals. Referrals are students who apply for admission to the Pittsburgh campus but do not meet all of the admission requirements even though they have the potential to be successful at the University. Such students are referred to a Pitt regional campus, including Pitt–Titusville. One-third of Pitt–Titusville’s new students in fall 2016 were referrals and most would have been admissible at Pitt–Bradford where, because of the size of the student body, more extensive support services are available.

Consistency with Pitt’s mission. The University of Pittsburgh mission statement includes special emphasis on programs and activities that benefit the citizens of the Commonwealth. Thus, the campus in Titusville supports that mission by extending the University’s impact in the state, in particular in northwestern Pennsylvania.

Option 2: Close the campus

Option 2 is closing the Pitt–Titusville campus. Closing the Pitt–Titusville campus and ending the University of Pittsburgh operations in the community are steps the University would not take lightly. The University of Pittsburgh has a 54-year history of community impact and engagement in Titusville. Closing the campus would need to be managed in a way to help students in the system reach the goals they set when they came to Pitt–Titusville and ease the transition for faculty and staff.

The University process for closing a campus starts with internal review and approval of an Academic Planning Proposal that includes consultation with the campus-level and University-level planning and budget committees, curriculum committees, faculty groups and administrators. Following the internal review, a recommendation moves forward for approval by the Chancellor, the Board of Trustees, and the Pennsylvania Secretary of Education.

If the decision were to close, to ensure a smooth transition we would likely stop admitting new students beginning in fall 2018 but continue to operate in the 2017-18 and 2018-19 academic years to allow currently enrolled students the opportunity to complete their programs at the Titusville campus. Closing the campus has implications for students, faculty, staff, facilities, and the community. Each is discussed below.

Students: Transitioning the campus over a two-year period would allow students admitted in fall 2017 the opportunity to complete their two-year degree programs. Arrangements would be made for students who have not completed their degree by the end of spring 2019 to complete their programs on another Pitt campus.

Tenured Faculty: As noted previously, there are currently five tenured faculty at Pitt–Titusville. University Policy 02-02-09 and Procedure 02-02-09 describe the rights of tenured faculty when a campus or school is closed. The most likely case is that the five tenured faculty would be offered reassignment to Pitt–Bradford or another Pitt campus. By policy, it is their option to accept this assignment or accept severance computed by a formula that incorporates years of service and current salary (or average of the last three years if higher). If they accept the assignment, they would have two years to decide whether to stay at that new assignment. If prior to or at two years they reject the assignment, they would still be entitled to the severance. If all five tenured faculty opted for severance, the cost would be \$675,000 at current FY17 salaries.

Non-tenured Faculty: Currently there are 19 full-time non-tenured faculty at the Titusville campus. All are on one-year contracts (starting with the realignment in 2012, contract have been transitioned to one-year). University policies and procedures do not require severance for non-tenure stream faculty, but do require advance notice of non-renewal. Under University policy 02-02-06, the University is required to provide 3.5 months of notice for faculty with less than five years of continuous service and 5.5 months of notice if service is at least five years.

With an announced closure two years hence, the non-tenure stream faculty would be offered one-to-two year contracts depending on the projected need for the courses they teach. Depending on length of service and the needs of the campus, non-tenure stream faculty may also be offered severance pay to retain their services through the closure of the campus. If all non-tenure stream faculty are offered the severance using the same formula as is used for staff, the cost would be \$267,000 at current FY17 salaries. Because early departures would be disruptive to the education of our students, the transition would need to very carefully managed to assure quality instruction in the transition to closing.

Staff: Currently there are 35 full-time staff members. University policy is to offer 12 weeks of base severance plus one week for each year of service up to a maximum of 26 weeks when positions are eliminated. If all staff are offered severance using the standard formula, the cost would be \$404,000.

Facilities: There are currently 10 buildings on the Titusville campus. The book value of land, facilities, and capital equipment totals \$11.1 million (FY16). Depending on the options identified for repurposing these assets, we would expect to have both one-time and ongoing costs associated with the property. Facilities has estimated the one-time costs as \$250,000 for preparations for non-use and \$300,000 to fence off the campus. Even though the campus would not be used, maintenance and security would need to be continued until ownership is transferred or the buildings razed. Facilities estimates for the ongoing costs are \$600,000 per year.

Community: We have held initial discussions with the local economic development authority about possible alternative uses for the facilities. The market value of the facilities is likely to be low given the weak economy in the region and the deferred maintenance. Complicating matters is the ownership of the real estate. The campus is comprised of 15 parcels. The University owns 12 of these parcels outright and there are no known limitations on their transfer to a third party. The Commonwealth owns or has retained an interest in two parcels: the Student Union/Spruce Residence Hall and the Haskell Memorial Library. It would be necessary to obtain legislative approval in order to transfer these two parcels. Additionally, the city of Titusville has retained an interest in the Murdoch Townhouses parcel and its approval would be needed prior to transfer.

Financial Analysis of Closing the Campus

Instructional costs & employee termination: The maximum termination costs for faculty and staff would be \$1.35 million based on FY17 salaries. This maximum cost would be incurred if all tenured faculty opted for severance, and severance was offered to all non-tenured faculty as well as the staff as described above. Closure over a two-year horizon as described above would reduce some of these costs if some faculty depart before closing.

Facilities costs: Assuming that we would not fence off the campus, total cost of closing the facilities is \$250,000 in one-time costs and \$600,000 in ongoing costs until the property is transferred.

Other one-time cost considerations: Endowment and restricted funds total \$2.14 million, with the market value (as of June 30, 2016) of endowments accounting for \$1.1 million of the total. At least 75 percent of the endowment funds are scholarships. Through court action, these funds presumably could be transferred to support students from the city and region studying at the University. A portion of the restricted funds also are scholarships and the same could be done with these funds.

Option 2 Financial Summary: One-time costs at the point of closure and immediately thereafter: \$1,596,000; ongoing costs after closure and until real estate ownership is transferred: \$600,000.

Assessment of Option 2

Meeting Regional Needs. No one in the local community wants to see the campus close. In our interviews and discussions, individuals point to the history of the connection with the University

of Pittsburgh and the importance of the Pitt presence to the economic vitality of the city as well as the importance of the campus to attracting companies and individuals to the city and region. These points are emphasized also by local state legislators who are reflecting the importance ascribed to the campus by their constituents. Even though there are relatively few jobs on the campus, the campus provides a varied set of positive externalities: it serves as a cultural center for the community where citizens attend events; similarly, the café on campus is used both by faculty, staff, and students as well as members of the Titusville community.

Financial Sustainability. Closing the campus would reduce financial losses in the short term and end them in the longer term when ownership of the property is transferred. It also would end the uncertainty about the campus that has existed from time to time throughout its history and that has been acute in the last several years.

Consistency with Pitt's mission. Closing would create greater consistency among the University's remaining campuses' educational missions, all of which are tied to bachelor's degree and in Pittsburgh to graduate degree programs, and would allow the University to focus referral applications and other attention on the remaining three regional campuses. But closing the campus would reduce the University's footprint in northwestern PA and in that way could reduce our ability to put special emphasis on programs and activities that benefit the citizens of the Commonwealth. Further, closing might negatively affect the University's brand reputation, even in an environment in which such changes also are being considered at other universities.

Options 3-5: Meeting Regional Demand for Higher Education

The remaining set of options consider radical changes to both the programmatic offerings and operations at Pitt–Titusville. Conversations about the campus have generated widespread agreement about the need for change. These conversations have included a general meeting of the entire faculty and staff of the campus, a faculty/staff task force that evaluated alternatives for the campus, meetings with the Pitt–Titusville Advisory Board and a volunteer subset of the board, as well as meetings with other community leaders. The campus and local community have strong loyalty to the University and the Pitt–Titusville campus and students, and in their comments they emphasize the importance of the campus for the community. These groups all recognize that change is critical to increase the viability of this important community asset.

Options 3-5 include a common set of Pitt–Titusville programmatic changes but with various assumptions about who offers the academic programs (Pitt and/or partners), the student experience (residential or commuter), and ownership of the facility (Pitt or third party).

Programmatic Focus

Options 3-5 include a common assumption: we are focused on finding ways to best meet the educational and training needs of northwestern PA. The programmatic changes discussed here focus academic offerings in three areas: 1) a cluster of associate degree and certificate programs in the health sciences; 2) another cluster of technology-enhanced offerings aimed at non-traditional students built on a technology platform that would allow the campus to rapidly adapt to changing market needs; and 3) a limited arts and sciences program that would provide smooth

articulation to the other Pitt campuses and support the other offerings. These options, which will be discussed in more detail, were identified through a market analysis that considered projected labor force needs in the region developed by the Pennsylvania Department of Labor & Industry and the Center for Workforce Information & Analysis, current offerings at nearby institutions, and builds on earlier assessments by President Alexander and recommendations by a 2017 task force of faculty and staff. The assessment also was informed by meetings and conversations with local employers, the City of Titusville Director of Economic Development, Presidents of the Titusville and UPMC Northwest Hospitals, colleagues at UPMC in Pittsburgh, and leadership of some of the professional schools at the Pittsburgh campus.

Health Sciences degree and certificate programs: Though there is considerable competition for programs in the health professions offered at colleges in the region, including at nearby Clarion Venango, market analysis indicated a few promising new programs where Pitt's brand recognition and reputation and that of our partner, UPMC, would position us well.

- ***Expand enrollments in existing Nursing and Physical Therapy Assistant programs.***
There is currently excess capacity in both the Nursing and Physical Therapy associate degree programs; both are already accredited with a regionally-focused student body and are among the most successful programs on the Titusville campus. Pennsylvania labor force projections indicate, and the health care professionals with whom we spoke confirm, strong demand for nursing in particular: nursing is a major occupation at hospitals and significant near term retirements are expected. Because of the excess capacity, increasing enrollment in these programs is a low cost, high return option. More aggressive and targeted recruitment for these programs along with stronger partnerships with the regional hospitals and UPMC for financial support and placements could lead to even stronger enrollment.
- ***Create new associate degree programs.***
Our analysis suggests the following set of health sciences associate degree programs with potential market demand in the region. Further analysis would be required before any of these programs is pursued, however.
 - ***Health Information Management/ Medical Records associate degree programs.***
This program could tap into expertise at the Pittsburgh campus where graduate programs in Health Information Management are offered. Demand for these programs was confirmed in discussions with local hospital presidents, UPMC officials, and Pitt health science deans. The only accredited competitor in western Pennsylvania is the Community College of Allegheny County.
 - ***Occupational Therapy Assistant associate degree program.*** This program could build on the strength and reputation of the Occupational Therapy program on the Pittsburgh campus, and was discussed with same individuals as Health Informatics. Competing programs at Mercyhurst, Penn State Dubois, Clarion Venango, and CCAC are graduating 15 to 25 students per year. Accreditation is likely to require hiring of full-time faculty.

- *Medical Technology associate degree program.* Recommended by local hospital presidents, the faculty task force, and a 2013 report developed by President Alexander. This should be seen as one of three levels of medical technology in which demand exists for bachelor's degree/certificate, associate degree, and technician levels of training. Clarion Venango currently has such a program.
- ***Develop degree completion/post-baccalaureate programs in the Health Sciences for working professionals.***
Based on our analysis there is also strong demand for degree completion and certificate programs for working professionals. Such programs would be targeted to non-traditional students, and offered in executive format (intensive weekends or online/blended online—see below). Discussion with health professionals about possible programs included:
 - *Healthcare management.* This program would target individuals with an existing degree (e.g., nursing) who seek to add management and health institutional knowledge to their portfolio in one year. The Graduate School of Public Health on the Pittsburgh campus offers masters-level programs in healthcare management and would be an important resource in developing the program.
 - *Medical technology.* This would be a one-year program, blended online with face-to-face, that would allow science graduates with bachelor's degrees to add a health focus to their portfolio in one year.
 - *Online RN to BSN.* The Pittsburgh Campus is developing an online RN to BSN degree completion program. Although offered online, Pitt–Titusville could provide high-speed internet connections for students and serve as a regional hub for placements. This program also would align the Pitt-Titusville offerings with the movement in the profession toward BSN as the preferred degree.
 - *Physical Therapy.* The Pittsburgh Campus Physical Therapy program is working toward the development of an online or hybrid version of its advanced professional-level Physical Therapy program. Using the Titusville campus as a regional hub for such an offering could take advantage of regional connections for training and placement in a high demand occupation.
- ***Create opportunities for regional students to earn entry level credentials in health care.***
There is also widespread regional interest in training programs that would provide short (e.g., nine-month) certificate programs designed to provide entry level health care training to high school graduates. Based on our interviews and the labor force projections, such programs could include Patient Care Tech, Pharmacy Tech, Medical Records Coding, Home Health Aides, and Nurse Assistants. Such programs are outside the scope of Pitt's educational experience and would not be programs we would offer, but below we discuss the possibility of a partnership with a training center as a means of meeting this regional market need.

Healthcare Programs Summary: There is a wide range of possible programs and delivery approaches for Pitt and potential partners in meeting the regional need for healthcare professionals. In the following sections, we assume that we start a few programs that have a high likelihood of success and then roll out additional programs over time, building on the success of those started first.

Technology-enhanced programs for non-traditional students: Much of the industrial employment in the Titusville region requires skills in operating and managing the technology-heavy machinery used in modern manufacturing. Our interviews with local industry leaders pointed to the fact that many individuals in the region do not want to leave the region but have rapidly aging skills. The interviews with these leaders revealed both a need for training and retraining their workforce and a frustration with local options. Part of that training is job-site specific, but part is more academic, for example, developing software applications skills.

In addition, as the University develops increasing numbers of online programs for nontraditional students, online education can serve as a valuable option for individuals in rural areas or small towns. But in many sections of northwestern Pennsylvania, internet connections are slow or nonexistent. The Pitt–Titusville campus has high speed connections that allow it to serve as a site for taking such classes in either an online or blended (online with some face-to-face) format.

Thus, building on the investments already made by the University, Pitt–Titusville has the opportunity to be a technology rich educational resource for the region. This approach would allow us to offer existing Pitt online courses at the campus. These could include the health care programs noted above, plus certificate and degree completion programs such as the RN to BSN online program under development at the University. In addition, a technology-rich environment would lend itself to supporting the classroom portion of manufacturing skills training noted previously. Such courses could be a combination of in-person classes on the campus, on the job training at the local manufacturing site, and online courses. Further, the University’s existing Pittsburgh-based Manufacturing Assistance Center programs and courses in topics such as machining and process optimization could be the basis for developing similar programs at the campus in Titusville.

Liberal Arts and Natural Sciences programs: As noted in the Situation Analysis, nearly 85 percent of the Pitt–Titusville students are enrolled in six programs, and 70 percent in the top four: 30 percent of the students are in the Nursing and PTA and another 40 percent in the general Liberal Arts or Natural Science programs. Only a few students are in each of the rest of the programs. Supporting these low enrollment programs requires offering an array of under enrolled courses each year to serve students pursuing these pathways and majors, and a cadre of full-time faculty to teach the courses.

In order to realign resources with a future use of the campus tied to meeting regional needs we would reduce the Arts & Sciences programs to just two: Liberal Arts and Natural Sciences. The programs would be designed to prepare students for transfer to a four-year institution with coursework synergistic with the basic Arts & Science support courses needed in the health and technology-focused associate degree programs being offered.

Implementing Realignment of Academic Programs

Realigning the education and training programs offered on the Titusville campus to better serve the community needs as described would require changes in the composition of the faculty and the way in which courses are offered. It also would require investments in technology to support the programs, as well as investments in key facilities to support these programs and address deferred maintenance.

To provide focus to the analysis that follows, we build out the implications of a subset of the programs discussed above that, if successful, could provide the foundation for further expansion. These programmatic changes include expanding enrollments in the Nursing and PTA programs, adding two new health sciences associate degree programs, the creation of a technology hub in support of programming in a number of areas including manufacturing, and a narrowing of liberal arts options. Once this core set of changes is implemented, other programs offered by Pitt or by partner institutions could build on this foundation.

Instruction: Changes in the composition of the faculty to implement these programmatic changes are driven by the need to hire in the health sciences to support new programs and the need to reduce instructional costs overall, if Pitt–Titusville is to be competitive with other institutions in the region. The staffing plan for the health sciences programs is driven largely by the need to accommodate accreditation requirements. Beyond this, the cost of offering these programs can be reduced by offering fewer electives, increasing section sizes, and increasing the use of part-time faculty. The decision to focus arts and sciences instruction on just two feeder programs (liberal arts and natural sciences) would also lead to a reduction in the demand for elective courses. A combination of reduced selection of electives and increased average class size will decrease the overall need for faculty, decreasing costs. Instructional costs would be cut further by shifting to a structure for staffing classes that is more heavily reliant on part-time instruction. This combination of changes, which reduces overall instructional costs by about one-third on a per-student basis, would bring instructional cost closer in line with those of community colleges and other providers of higher education in the region.

Technology: Implementing technology-enhanced programs requires developing a technology-rich platform on campus. This platform would include including technology-enabled classrooms designed to support modern learning spaces but be adaptable as the regional needs for education and training evolve. One possible space for development of this technology platform is the Haskell Library, already targeted for major renovation under any plan for moving forward.

We use as a benchmark the design of technology rich classrooms on the Pittsburgh campus and assume that we would create four such classrooms to start: two with seating for 25 and two with seating for 50. The approach is the huddle group, typically with four students and two computers per station. Each learning space is a mixed use space—supporting group learning, traditional learning, and collaborative small group work. The estimate for creation of these four classrooms is \$500,000 based on the most recent experience in Pittsburgh. This cost is in addition to the major renovations that we have continued to assume are necessary for academic programming on the campus. Assuming a ten year life, the increased annualized cost is \$65,000. To summarize,

Options 3-5 all include the \$13.8 million major renovations of facilities described under Option 1 and also the \$500,000 investment in classroom technology described here.

Options for Operating the Proposed Programmatic Vision for the Titusville Campus

Options for offering the proposed programs and operating the campus are considered in this section. The financial implications of each are reported in the Appendix. As noted previously, the financial analysis is based on a set of assumptions and changes in the assumptions will lead to changes in the outcomes.

Option 3: All academic programs are offered by the University of Pittsburgh; Pitt owns and operates the facility

Option 3 is for the University of Pittsburgh to develop the new academic programs, aggressively recruit to build enrollment in the Nursing and Physical Therapy Assistant programs, and limit arts and sciences offerings as discussed previously.

Revenue: We assume that revitalized programs in nursing and physical therapy as well as two new health-focused programs are successful at meeting modest enrollment targets of 25 each per year, yielding 200 students including first- and second-year students. We assume that we retain the FTE of the current set of non-health students, about 165 across two years. Thus, we assume total enrollment on the campus would increase to 365 students and generate gross tuition revenue of \$4.6 million; 100 more students and \$1.2 million greater net tuition than we project under Option 1.

Costs: Under this scenario the higher instructional costs associated with the greater enrollments are largely offset by the instructional cost savings associated with the increased reliance on part-time instructors, with an estimated instructional cost reduction of about \$100,000. We assume no changes in staffing in support of our programs.

Assessment of Option 3

Meeting regional needs. Option 3 was designed to explicitly consider regional education and training needs in the construction of program offerings. An advantage of this approach is that it maintains a significant Pitt presence in Titusville, with the campus clearly identified with the University. This identity has been noted by members of the community as important for attracting residents and businesses to the community.

Financial Sustainability. The financial analysis of Option 3 in the Appendix illustrates the impact of this major realignment. Net operating income under Option 3 improves dramatically but still results in an operating income loss of about \$545,000, based on an assumption of 365 students. Reaching this enrollment level would depend on the reputation of the health programs, our success in finding clinical placements for the students, and aggressive promotion.

Our assumptions about enrollment are focused on full time equivalent students, though the composition of students is likely to differ from that at present (e.g., more part-time and

nontraditional students, fewer traditional students). Further, the new programs would attract new students to Pitt–Titusville, but the reduction in elective classes may make Pitt–Titusville less attractive to some students.

Thus, Option 3 significantly reduces (though it does not eliminate) the current operating deficit. Reaching breakeven would require more than 400 FTE students. The deficit potentially could be eliminated over time if a reputation can be built that increases enrollment by attracting students to the health sciences programs and through enrollment in programs enabled by the technology platform, such as online or hybrid online courses and degree completion programs offered by Pitt.

Consistency with Pitt’s mission. Option 3 maintains a strong Pitt presence in Titusville, continuing a 50 year relationship with this community. However, this option moves away from Pitt’s traditional model of a significant reliance on full-time faculty and support staff in order to create a “Pitt experience.” Relying heavily on part-time instructors as discussed here could negatively affect the brand. Further, Pitt has limited experience and ability to offer many of the programs needed to meet regional needs for vocational and industry-based education and training.

Option 3A: Option 3 as a non-residential campus

Options 3 assumes that the revised mission of the Titusville campus is to meet local and regional needs. If the campus has a regional focus including both traditional and non-traditional students, it is reasonable to ask if it needs residence halls. About half of the traditional students currently attending the campus commute. Non-traditional students could come from work to attend classes and would therefore be commuters.

The residence halls currently are run as a self-funding auxiliary enterprise and, therefore, eliminating them eliminates both their direct costs and revenues. However, indirect costs exist for campuses with residence life programs that might be eliminated or reduced with a non-residential campus. Two areas in particular are affected: facilities costs and personnel costs. The campus includes four residence halls: Spruce Hall located in the campus core plus Ball Hall and the two Townhouses, located a few blocks from the campus core. Spruce Hall is in the best condition of the four, but is outdated and needs remodeling to be a facility that students would expect to see from visits to competing campuses. Ball Hall is closed and not used; it needs substantial upgrades to be usable again. The Townhouses currently are used but are very outdated and in need of repair. Closing the residence halls would take these facilities upgrades out of the capital budget and impact the maintenance and operations budgets. To simplify the analysis, we assume ongoing maintenance costs (until the properties are repurposed or razed) and no revenue from sale or reuse of the facilities.

A commuter campus without residence halls changes from a 24-hour operation to one open during business hours only. Even if nontraditional students take classes on evenings and weekends, the campus is shut overnight. Personnel needs that are affected by the residential/non-residential decision include those working in student life, security, athletics, and so on. Based on an assessment of the positions and current salaries, we assume a reduction in staff that

corresponds to salary savings of about \$798,000 in total compensation. This assumes an elimination of most positions in student life and police.

There are many secondary and tertiary effects of moving to a commuter campus that are not captured: space that is freed up and can be repurposed to support commuters or instruction, for example. We do not estimate the value of these effects in this analysis, but note that such a move would yield space for academic programs and offices. Further, we assume food service that currently is operated by contract and would continue to do so, serving the commuter student population, faculty and staff, and the local community. Finally, there may be potential revenue streams for a repurposed residence hall (such as for apartments) that are not incorporated into this analysis.

In the last three years, about half the students at Pitt–Titusville originate from Crawford or the four contiguous counties (Erie, Mercer, Venango, Warren). And, highly correlated, about half of the students are commuters. We assume in our analysis below that we retain the interest from current commuter students (150 FTE) and assume another 130 FTE commuter students (for a total of 280) are attracted by the new programs offered on the campus.

Assessment of Option 3A

Meeting regional needs. Option 3A includes the programmatic offerings of Option 3 but focuses on a local, commuter student body. As with Option 3, Option 3A maintains a significant Pitt presence in Titusville, with the campus clearly identified with the University.

Financial Sustainability. In Option 3A, the 85-student reduction in enrollment results in an estimated \$1.1 million reduction in net tuition and about \$1.2 million reduction in costs, reducing the operating deficit by about \$150,000 compared to Option 3. This option gets our operating loss down to about \$400,000, still more than 30 FTE students from breakeven. However, it assumes that a campus that currently is attracting about 150 FTE commuter students can nearly double that number by drawing primarily from the region.

Although closing the residence halls reduces costs, it also will reduce the attractiveness of the campus to students interested in a residential experience; thus, it could also reduce net income for auxiliary operations that are not considered in this analysis. Option 3A's success depends crucially on both market share and market size. A non-residential campus is likely to substantially reduce the enrollment of potential students who would like to attend but live too far away to commute and presumably make the campus less attractive to a set of local students who are interested in traditional campus life, including athletics. With the population in decline in northwestern Pennsylvania, this approach has enrollment risks. With the declining regional market, success means that the market share of regional students must increase. Thus, the attractiveness of the programs to the students in the region will be the determining factor.

Private operation of the Pitt housing is an alternative to consider, but not pursued in this report. Further, adopting Option 3A could be pursued in conjunction with finding alternative uses for one or more of the residence halls, generating additional revenue for the campus. Pursuing this

opportunity has potential benefits, but will require additional analysis of the market for the residence halls.

Consistency with Pitt's mission. As with Option 3, Option 3A maintains a strong Pitt presence in Titusville, but moves away from Pitt's traditional model of significant reliance on full-time faculty and support staff. Further, it moves away from Pitt's focus in all of its campuses on a residential experience and campus life. There are likely hybrid options; for example, options that use residence halls but for non-traditional students to take classes on campus infrequently (e.g., once a month) but for intensive periods. Such alternatives are not considered here.

Option 4: Recruit partner institutions to offer appropriate education and training programs on campus, with Pitt retaining ownership

Options 3 and 3A start with the assumption that the revised mission of the campus is to meet local and regional needs. As a comprehensive university focused on baccalaureate, masters, and doctoral degree programs, the University of Pittsburgh can play an important role in meeting the educational and training needs of the region, but a role that is limited by the type of institution that it is. Other needs in the region, for example for non-degree training programs and certain associate degree programs, are better met by institutions that specialize in those types of programs.

On a campus that less than 10 years ago had about 500 FTE students, the current enrollment of less than 300 FTE leaves the extant facilities under-utilized. Under Option 3A, we assume fewer Pitt–Titusville students, fewer sections, and increased class sizes; therefore increasing excess capacity.

Our vision of Option 4 is to create a comprehensive education and training hub, intended to meet the broader training needs of the region in partnership with a community college and training center, as well as others wanting to make use of the facility for industry training and other complementary uses. Our vision is not for independent operations, but rather for Pitt and complementary organizations to cooperate to increase value for students, for example by facilitating easy articulation for students among the programs. Thus, Option 4 has the advantage of meeting more of the regional education and training needs and opening up new revenue streams to support the operation of the facilities.

We have held preliminary discussions with Manchester-Bidwell (about training programs), with local community leaders (about industry training needs), and with the Rural Regional College and Butler County Community College (about community college operations) focusing on their interest in partnering with Pitt in this endeavor. All have expressed interest in working with us. In fact, in the press release about the location of their administrative site, the Rural Regional College expressed their interest in working with Pitt–Titusville to locate programs. In this option (as with Option 3) Pitt's own Manufacturing Assistance Center would feature prominently as a partner with Pitt-Titusville and with local industry. Further, we could partner with vocational-technical schools, businesses, and even other four year institutions. These options would need to be examined more fully if we pursue Option 4.

The idea of complementary institutions sharing space is not unique: for example, Manchester-Bidwell and Butler County Community College utilize contiguous space in the Parkside Complex in Brockway, PA. Both organizations lease space in the Complex, sharing common areas such as the café, parking lot, and so on. What is unique with the approach discussed here is the strong degree of integration across the programs envisioned. For example, a community college might offer the arts and sciences core courses for the health sciences programs offered by Pitt, and students might seamlessly articulate between programs on the campus and also to other campuses of the University.

In the analysis we assume that we rent space to two complementary lessors: a community college and a training center. We use space estimates based on actual data. The Rural Regional College is still too new to use as a benchmark, but in their three large satellite centers, Butler County Community College leases between 15,000 and 25,000 square feet (SF). We assume 20,000 SF for a community college partner. Manchester-Bidwell leases about 25,000 SF in Brockway. We assume 20,000 SF for a training center partner and thus a conservative total of 40,000 SF in leased space. To determine lease rates, we used a combination of interviews with community colleges and facilities managers plus a survey of commercial real estate offerings in the Titusville region. Rates vary from roughly \$10/SF to \$14/SF and part of the variance is accounted for by how much overhead is included in the base rate. For estimation purposes we use the midpoint of \$12/SF.

We acknowledge that we will have renovation costs connected to the leases. However, our assumption is that the renovation costs already included in Option 3 would be deployed in a way to cover the renovations needed for all three users of the campus. Additional operating and fixed costs for ongoing management of the lease are assumed to be absorbed.

In Option 4, we assume the same Pitt program offerings as in Option 3. However, in Option 4 we also assume that the health sciences options rely on the community college partner for the Arts and Sciences core. So for example, the nursing students would take Pitt nursing courses, but take the non-nursing courses from the partner, resulting a blended program. A number of questions about this program remain to be answered. For example, is this a Pitt degree or a dual or joint degree? Further, this idea would need to be examined with accreditors and with the federal Department of Education.

This blended option has an advantage for students. We assume that the presence of the community college with seamless transfer of credits to and from Pitt would lead to a blended tuition rate that would be an attractive option for regional students. To be conservative, assume that all 200 health related majors take their general education courses through the community college in completing the associate degree in two years. Under this assumption, Pitt enrollment drops to 100 FTE since Pitt teaches just half the curriculum (25 students x 4 programs x 1 year of coursework). We assume that we charge the health sciences tuition for these students of \$15,000 (overall, students' tuition expenditures are reduced by paying community college tuition for half of their program and Pitt tuition for the other half). Pitt's overall revenue from tuition declines with the reduced enrollment. However, we have additional lease revenue from the community college and training center and our instructional costs for faculty and staff supporting instruction both decline.

For simplicity, we maintain the Option 3A assumption of the absence of residence halls. Keeping the residence halls would add costs; however these costs might be shared with partners. In addition, maintaining residence halls would extend the geographic reach of the campus, potentially increasing enrollment and tuition revenues for Pitt and/or the partner institutions.

Assessment of Option 4

Meeting Regional Needs. The attractiveness of Option 4 is its ability to bring a full range of academic offerings to the region in a coordinated and synergistic way. Bringing in agile partners accustomed to quickly adding and dropping programs in response to demand also has advantages in a region like Titusville where the needs change from year to year. In this way, the solution is one that seems to be best at meeting a broad range of the region's education and training needs. Programs that meet needs that Pitt is unable to offer would be delivered by partner institutions best able to mount the programs.

Financial Sustainability. Additional revenue streams from leases and the strong partnership with a community college in delivering coursework make Option 4 more attractive financially. Option 4 is close to breakeven at the level of operating income; our analysis shows a slightly positive (\$46,000) net operating income. However, in constructing Option 4, we reduced financial aid to zero, assuming that the tuition of \$15,000 was low enough to be attractive since the total costs of the degree would fall with the blend of Pitt and community college tuition.

Consistency with Pitt's mission. Option 4 has the advantage of allowing the University to focus on offering programs that build on its own strengths and advance the Pitt brand. In this way, Option 4 allows Pitt to focus on its mission, but support a campus mission that is much broader. Success in implementing Option 4, however, requires coordination among independent institutions. For example, likely implementation would be for the three institutions to have a combination of shared and dedicated space, including classrooms. Coordinating competing demands for shared resources would be critical for success and a lack of effective coordination would reflect poorly on all of the partners, including Pitt.

Option 4 can be successful only if there are viable partners to become tenants on the Pitt–Titusville campus. Discussion with potential tenants has been positive. In particular, the discussion with Manchester-Bidwell suggests that this alliance is possible. In addition, though, the success of Option 4 depends strongly on the presence of a community college as one of the partners. Although discussions with potential community college partners have been positive, there are a number of issues that would need to be worked out. Further, all of these potential tenants would need to obtain state funding support to make the option viable for them.

Finally, Option 4 places the University in the position of being a landlord, potentially an undesirable role.

Option 5: Separate ownership of the campus

Option 5 separates the ownership and operation of the campus facilities from the operation of academic programs on the campus. We assume that Pitt–Titusville offers its own programs as described under Option 3-4, and shares the campus facilities with other education providers as in Option 4, but that the campus is owned and operated by a third party. This third party entity would be structured to have close ties to the community with a mission focused on advancing the education and training needs of region. Pitt and the other tenants would rent facilities from the entity and pay the entity for operations (such as maintenance and security) that are not retained by Pitt. Under Option 5, Pitt’s support of operations is only for academics as it retains the academic control of its own programs and has its own staff provide instruction and advising. We have discussed this model with the Executive Director of the Titusville Community Development Agencies in Titusville as well as with the President of the Brockway Parkside Complex and have been encouraged to develop the idea further. The Office of Legal Counsel at Pitt has worked on an analysis of the options for the creation of an entity to which we would transfer ownership.

The details of the financial model are based on a set of assumptions. First, as is also the case in Option 4, we assume that the blended tuition approach reduces costs for students and therefore does not require financial aid. As with Option 4, we assume that we need more space than a community college or training center for a similarly scaled operation because of our health-focus and laboratory space needs. Second, we assume that we retain the same instructional staff as under Options 4 but compared to Option 4 our own support staff is smaller. All facilities operations and maintenance staff are employees of the ownership entity, and facilities operations costs are removed. However, Pitt pays the entity for space used and the incremental lease revenue (under Option 4) from the two partners now goes to the entity. And, we maintain the assumption of Option 3A and 4 of a non-residential campus.

Assessment of Option 5

Meeting regional needs. A key potential advantage of this option over the previous options is that an entity closely tied to the community with a mission focused solely on meeting the education and training needs of the region might be better positioned to serve the community. Establishing a separate entity also isolates, to some extent, risks associated with the operation. On the other hand, the challenge would be to find an entity willing to assume ownership and operation of the campus. As noted earlier, significant renovations and investments need to be made if the facility is to operate in the fashion envisioned and, to undertake these investments there would need to be some reasonable assurance of a positive return. To reduce this risk, the University could partner with other local agencies and individuals to support the needed investments, either directly or in partnership in seeking, for example, funding from Pennsylvania’s Redevelopment Assistance Capital Program (RACP).

Financial sustainability. Under Option 5, net operating revenue slightly exceeds operating costs yielding a small surplus (\$91,500). Like Option 4, Option 5 is attractive, however, as noted above, both options depend on assumptions about net tuition.

Consistency with Pitt's mission. Option 5 has all of the positive aspects of mission-consistency of Option 4, though using leased space for Pitt programming provides a different twist. Pitt has offered a variety of programs over the years in rented facilities, for example, the Executive MBA programs in Brazil and Prague and non-degree programs in various locations in Pennsylvania. However, the offering of undergraduate programs in a shared, rented facility would be a first. Although we have outlined a scenario in which Pitt can operate in a financially sustainable manner at current tuition rates, there is a question about the extent to which Pitt–Titusville can retain a tuition premium in a setting in which it is simply a tenant in rented facilities. Pitt also loses substantial control over the campus, potentially limiting the options for the University. However, the option merits further consideration and we are in the process of having the Office of General Counsel examine the legal and tax implications of this option.

Summary and Conclusions

We assessed several different options for Pitt–Titusville and the Titusville campus more generally that range from maintaining the status quo with no major programmatic or operational changes (Option 1) to closing the campus (Option 2). The remaining options consider scenarios that assume Pitt continues to offer educational programs in Titusville, albeit in a potentially very different environment. These options focus on the campus as the location of education and training for the region under various assumptions about the structure of the curriculum and staffing of courses, entities offering programs, and ownership. We consider how well each option meets the region's education and training needs, whether it is financially sustainable, and its consistency with the University of Pittsburgh mission.

Each of the options we examined relies on various assumptions and estimation to assess changes in Pitt's financial position. As such, the results of our analysis are best viewed as indicators of the direction and potential magnitude of change. In addition, we have developed only a few of many possible options. As the University moves to narrow the type of options under consideration, the models here could be revised with different assumptions and/or built out in more detail.

In Options 3-5 we considered a limited set of programs that would be offered by Pitt. But with the technology investment discussed under these options, a number of technology-enabled programs (e.g, certificate and degree completion programs) could be made available on the campus as they are developed. Further, if the conditions established on the campus are right (facilities, technology, leadership, partners, etc.) additional complementary programs and activities could be attracted to the campus. With appropriate partners as envisioned in Options 4 and 5, these might include short-term training programs meeting changing regional needs. Under Option 5, a wider array of activities and uses on the campus are possible such as an over-60 living community, or activities that make alternative uses of the dining, residential, and meeting facilities. Any of these could expand the impact of the campus on the community and its financial viability.

With these caveats, we note that the analysis suggests options under which the University could potentially cover operating costs with operating revenues. The analysis also indicates that, under

our assumptions, the largest improvement in financial sustainability compared to the status quo (an improvement of over \$1.0 million in net operating income) is obtained by implementing radical changes in programming and instructional staffing. The next largest improvement in financial sustainability (roughly \$.5 million) comes from bringing in partner providers to share programming and the campus facilities.

However, beyond the financial impact on the University there is the potentially more significant impact on students and on the community. Pitt – Titusville has worked hard to establish a caring, student-focused campus. By adding education and training partners, the campus has the potential to maintain this culture but broaden the set of programs to ones that are not typically offered by a university but meet regional needs. Having partner institutions collaborate with us by providing a portion of the curriculum for our programs could also significantly reduce the cost to students while maintaining the quality and brand associated with Pitt in the targeted health sciences programs.

In our analysis, the question of ownership and operation of the campus had little impact on the finances of the University, but could ultimately impact the overall success of the campus. A separate ownership entity could, for example, sharpen the focus on local needs and be more aggressive and nimble in pursuing opportunities. The question for both Pitt and any third-party owner, however, would be covering the upfront costs associated with needed facilities upgrades, and the ability of potential partners to secure the support needed for their programs. A separate plan for funding the needed upgrades for the campus should be developed including government and philanthropic sources.

Appendix

	Status Quo		Retain Ownership/Optimize			Separate ownership of campus
	Option 1: projected to FY19	Option 2: Close campus	Option 3: Pitt-only programs, housing	Option 3a : Pitt-only programs, no housing	Option 4: W/partners, no housing	Option 5: With academic partners
Revenues						
Total tuition revenue	\$3,312,500	\$0	\$4,562,500	\$3,500,000	\$1,500,000	\$1,500,000
FTE enrollment	265	0	365	280	100	100
Average tuition	\$12,500	\$0	\$12,500	\$12,500	\$15,000	\$15,000
Financial aid	\$325,000		\$325,000	\$325,000		
<i>Net tuition revenue</i>	\$2,987,500	\$0	\$4,237,500	\$3,175,000	\$1,500,000	\$1,500,000
<i>Lease revenue (40,000 @ \$12)</i>					\$480,000	
Total revenue	\$2,987,500	\$0	\$4,237,500	\$3,175,000	\$1,980,000	\$1,500,000
Operating Expenses						
Instructional Costs	\$2,324,000		\$2,241,000	\$1,719,000	\$540,000	\$540,000
Academic Support	\$247,000		\$247,000	\$247,000	\$123,500	\$123,500
Admissions and Registrar	\$350,000		\$350,000	\$350,000	\$125,000	\$125,000
Student Affairs	\$458,000		\$458,000	\$0	\$0	\$0
Administration	\$390,000		\$390,000	\$390,000	\$280,000	\$140,000
Facilities and Security	\$1,096,000	\$600,000	\$1,096,000	\$866,000	\$866,000	\$0
<i>Lease expenses (40,000@\$12)</i>						\$480,000
Total operating expenses	\$4,865,000	\$600,000	\$4,782,000	\$3,572,000	\$1,934,500	\$1,408,500
Net Operating revenue	-\$1,877,500	-\$600,000	-\$544,500	-\$397,000	\$45,500	\$91,500

Depreciation (annualized capital expenditures)	-\$1,100,000		-\$1,165,000	-\$1,165,000	-\$1,165,000	
Attributed Income and Costs						
<i>Attributed fixed costs</i>	-\$840,000		-\$1,160,000	-\$890,000	-\$320,000	-\$320,000
<i>Attributed Commonwealth Appropriation (.21x tuition)</i>	\$696,000		\$958,000	\$735,000	\$315,000	\$315,000
Totals	-\$3,121,500		-\$1,911,500	-\$1,717,000	-\$1,124,500	\$96,500