This report is being submitted to fulfill the requirements of RFP #2012-65

Summary: Post-Secondary Online Expansion in Florida

November 16, 2012

THE PARTHENON GROUP

Introduction

- There are differing views as to the primary objectives for online post-secondary education in Florida. The strategies presented here attempt to encompass this spectrum of objectives
- This is a long-term post-secondary online strategy; it is not meant to focus on any specific degree level or industry
- Any strategy adopted should exhibit outstanding offerings and best practices for post-secondary online learning, such as best-in-class course and program design, top faculty, highly efficient course scheduling, analytically advanced marketing efforts, and data-driven student supports
- Any adopted strategy must include comprehensive tracking of online outcomes. Online learning is an evolving method of delivery – constant evaluation is critical to drive further innovations and improvements; daily, weekly, and monthly monitoring of online students is critical
- The National Center for Educational Statistics (NCES) is the source of the expenditure data in this report. This data is submitted to IPEDS by all Title IV eligible institutions
- Online learning is not a “silver bullet”: Different learners are suited to different ways of learning. Online learning allows Florida to expand its portfolio of offerings to meet the needs of its diverse constituent base
- The strategies presented here have been described, modeled, and evaluated one at a time. A combination of the strategies could also be adopted
- The accompanying detailed fact-base provides both background and further detail behind the materials presented in this summary

Agenda

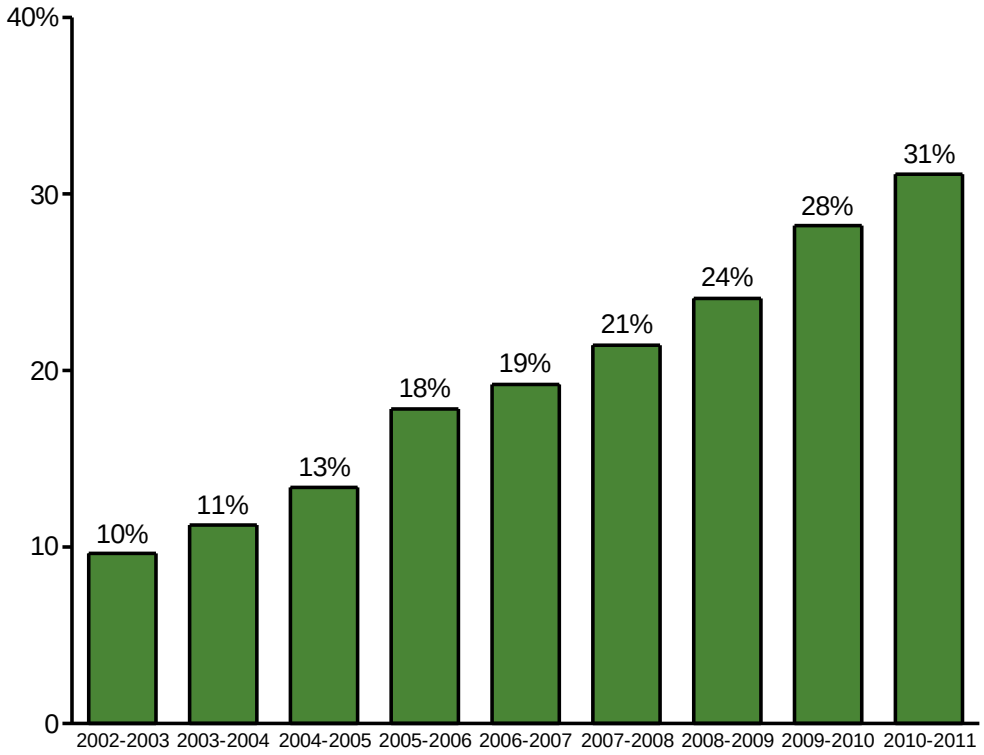
Objectives for Online Learning

Strategies for Consideration

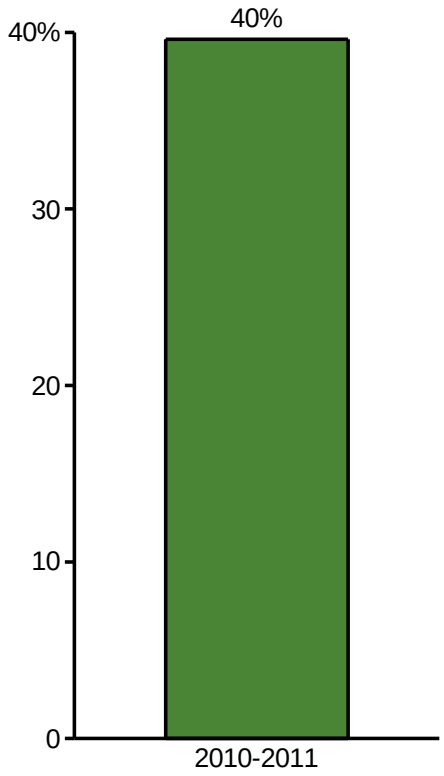
Objectives for Online Learning

In Florida and across the nation, students are taking advantage of online learning opportunities

Percent of Nationwide Students Taking at Least One Course Online, 2002-2003 to 2010-2011



Percent of Florida SUS and FCS Students Taking at Least One Course Online, 2010-2011



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Note: Students taking at least one online class is defined as students taking at least one course where 80% or more of the content is delivered online
Source: Babson Survey Research Group; SUS Board of Governors; FL DOE

Objectives for Online Learning

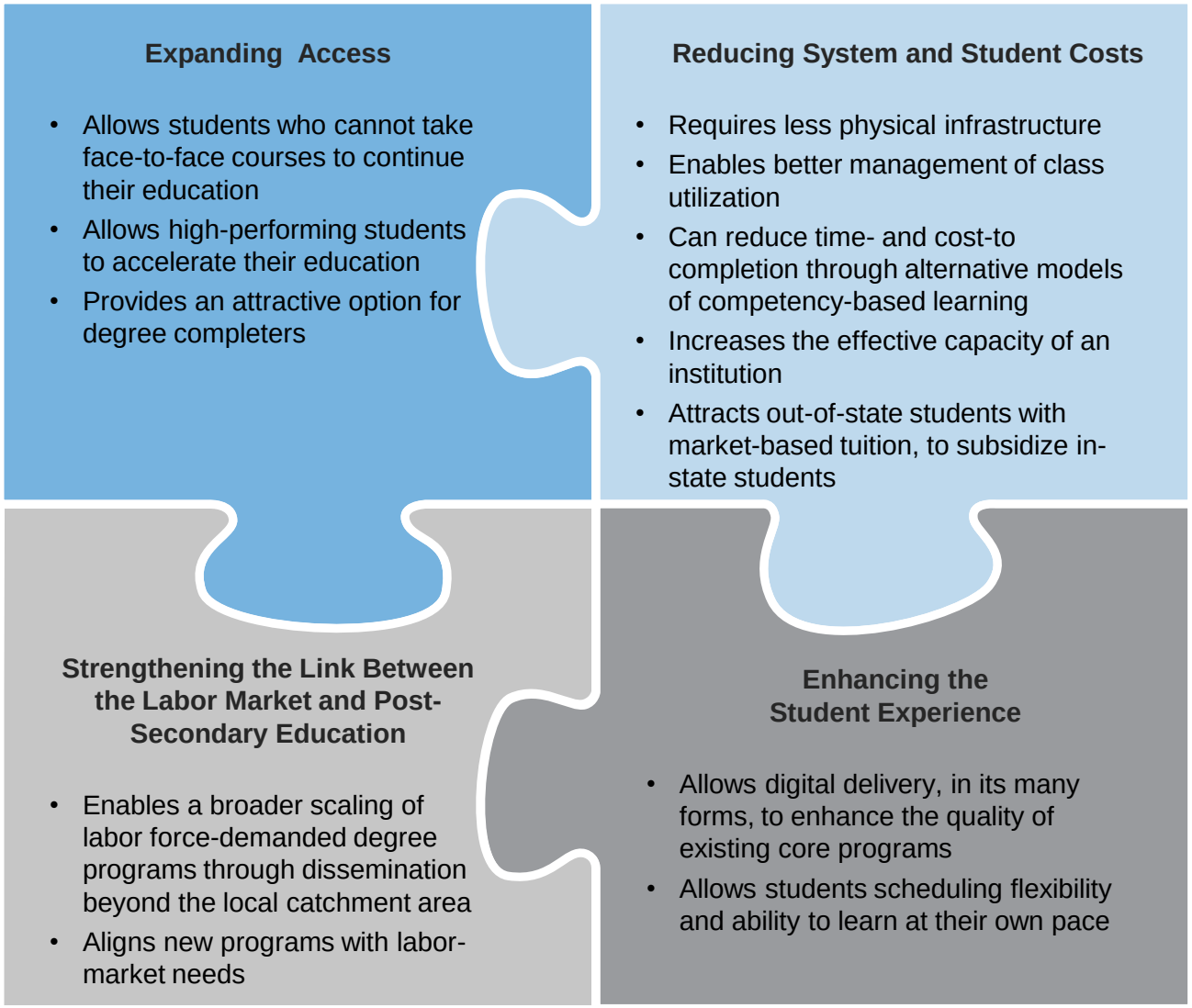
The online offerings that students seek come in a number of forms, targeting different students with different requirements for success

		Target Students	Requirements for Success
Online/Hybrid Courses for Campus-Based Students *~1/3 of students are already taking an online course*		• Residential and commuter students • Can be campus-based or remote	• Coordination on degree program design and supplemental services to achieve best-in-class offerings, scale efficiencies and lower costs across the system
Fully Online Degree Programs *~50% of institutions are offering online degree programs*	**Undergraduate Certificate / Associate Degree Completion**	• Adults looking to enhance their employment prospects or transition professions	• Incoming students have 20+ credits • Continuous starts, competency options • Highly aligned with labor market needs
	Bachelor Degree Completion	• Working adults looking to complete bachelor's degrees • Typically employed and/or with families	• Incoming students have 40+ credits • Continuous starts, competency options • Highly aligned with labor market needs
	Graduate Degree	• Employed working adults typically intending to remain in their current career field	• Self-directed study often possible and preferred • Highly aligned with labor market needs
Self-Directed Courses (MOOC-Inspired) *Nascent offering*		• Wide age range of students (e.g., high school through adult) seeking to accelerate credit accumulation at a very low cost • Self-directed students, who require no instructor contact	• Quality evaluation frameworks and testing policies to allow for awarding of credits

Source: Babson Survey Research Group; Parthenon Online Survey; Peterson's Database

Objectives for Online Learning

Stakeholders across Florida have conveyed four primary objectives for post-secondary online learning

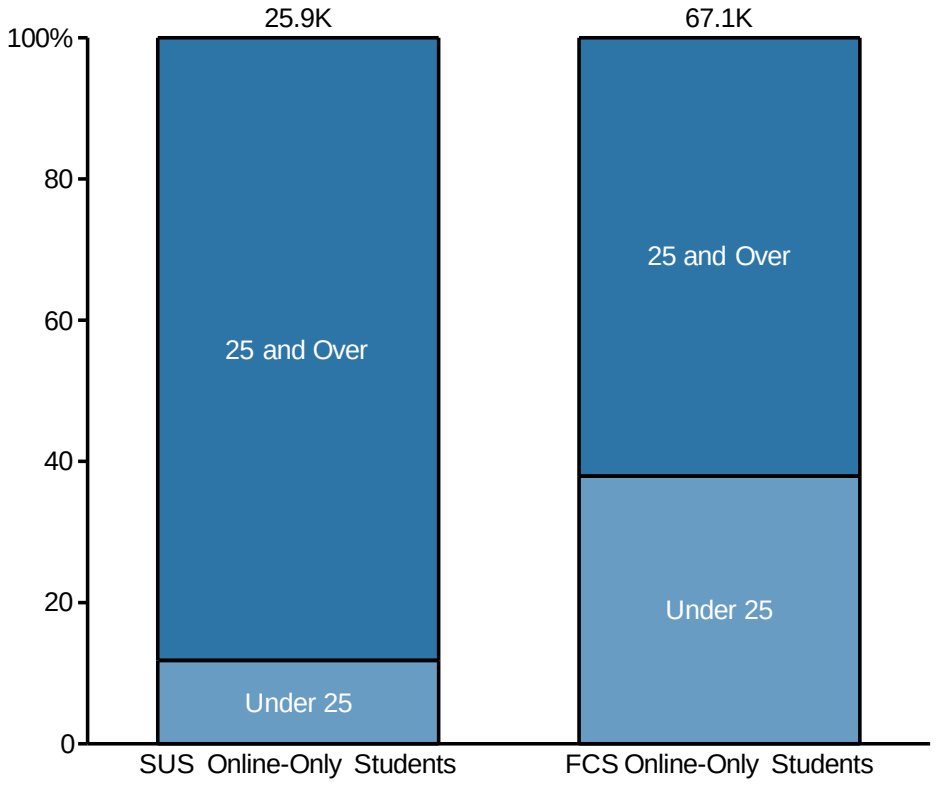


Objectives for Online Learning

Online degree programs are expanding access to adult and non-traditional learners

Expanding Access

SUS and FCS Online-Only Students Enrollment by Age, 2010-2011



Florida Today

- Students are enrolling in online programs at all degree levels; the demographics of these students are similar across degree levels
- The SUS and FCS currently offer ~700 online programs; ICUF (~220) and for-profit institutions (~850) also offer many online programs
- Online courses within the SUS and FCS are primarily focused on providing multiple modality options for the same target student
- The Florida Virtual Campus (FLVC) allows students to more easily access courses from other institutions
- Florida's common course numbering and articulation agreements promote easy transfer of course credit between Florida's institutions
- UF has recently announced it will post non-credit MOOCs on Coursera

Opportunities for Further Innovation Within the SUS/FCS

- Develop robust onboarding/ support services and data tracking capabilities across the SUS and FCS
- Develop MOOCs and proctored exams for high demand courses

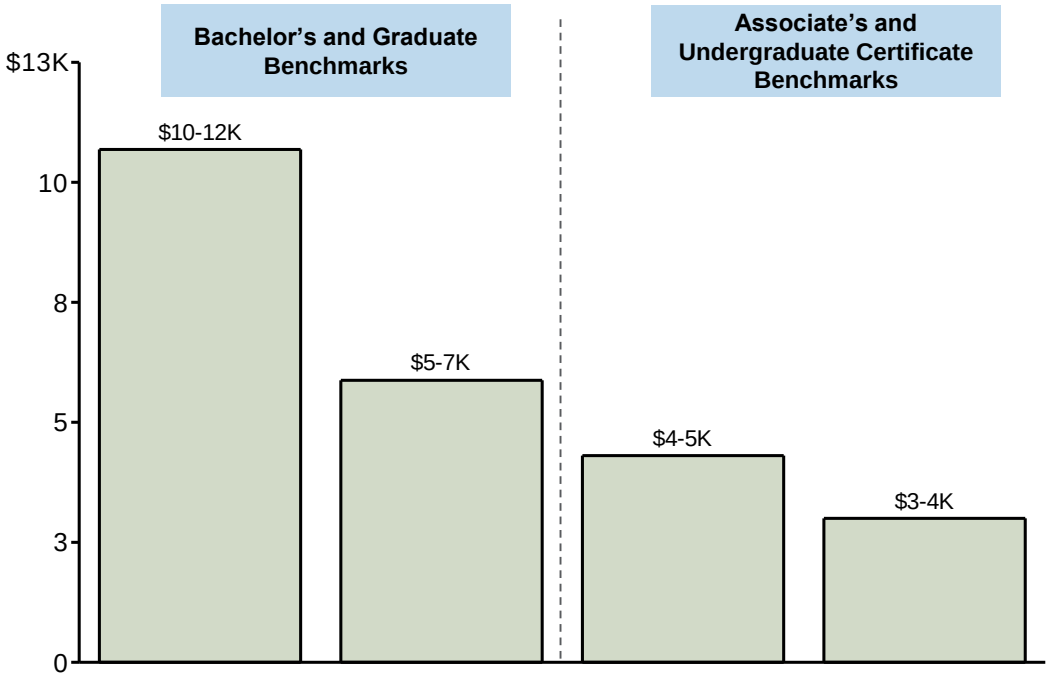
Note: Additional breakdown by degree level can be found in the detailed fact base; SUS and FCS online-only defined as students who only took online courses in 2010-2011
Source: SUS Board of Governors; FL DOE, Interviews with SUS and FCS institutions

Objectives for Online Learning

Online-focused institutions are developing fundamentally different expenditure models

Reducing System and Student Costs

Benchmarked Online Institutional Expenditures per FTE, 2010-2011



Degree Program Model	Credit-Based	Competency-Based	Credit-Based	Competency-Based
Instructional touch	High	Low	Low	Very Low
Student-faculty ratio	18:1	30:1	39:1	N/A

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- Online courses within the SUS and FCS are offered at the same tuition levels as comparable face-to-face courses
- The addition of the distance learning fee increases the total cost per credit hour for most distance learning students in SUS and FCS institutions
- Most SUS and FCS institutions believe online and onsite costs are comparable
- The costs of their online-only courses and degree programs cannot easily be separated from other institutional costs
- ICUF and for-profit online offerings are typically offered at lower tuition levels than onsite

Opportunities for Further Innovation Within the SUS/FCS

- Develop lower-expenditure and lower-tuition models to expand the portfolio of offerings available to students, while maintaining commitment to performance
- Closely identify and track online course costs

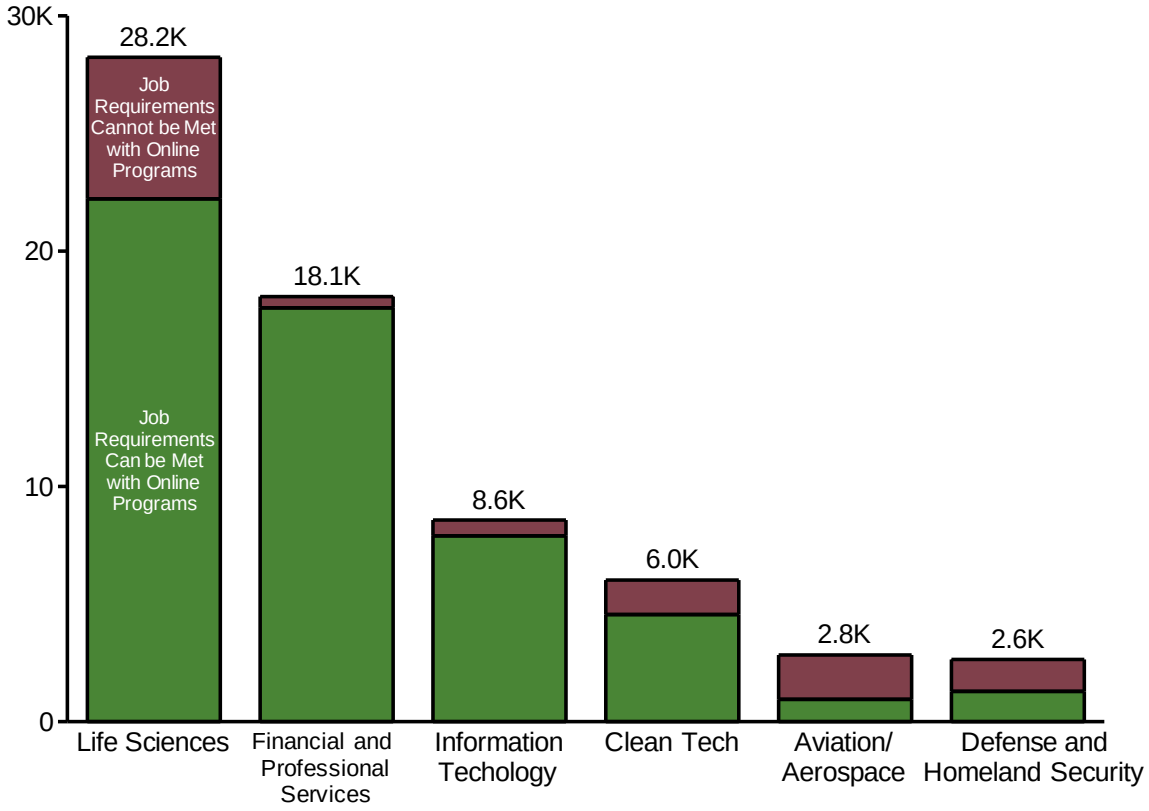
Note: Competency programs award credit based on mastery of material rather than on seat time. These programs minimize instructional costs by utilizing student mentors and allowing students to complete courses at their own pace; Expenditures include academic support expenditures, student service expenditures, institutional support expenditures, and instruction expenditures
Source: IPEDS; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012

Objectives for Online Learning

Nationally, online degree programs can meet post-secondary requirements for ~80% of job openings in target clusters

Strengthening the Link Between the Labor Market and Post-Secondary Education

EFI Target Industry Job Openings (2020 Projected) that Can Be Satisfied with Current National Online Degree Program Offerings



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- Institutions are offering online courses and degree programs with career-focused options at every degree level
- Of the EFI Target Industry Job Openings (2020 Projected), ~30% can be satisfied with SUS or FCS online programs

Opportunities for Further Innovation Within the SUS/FCS

- Increase the focus on online-only students through a broader portfolio of more flexible offerings, while maintaining high standards of academic quality
- Better alignment between industry and post-secondary education through state-level "Industry Councils" and Florida Department of Economic Opportunity, who would provide input on new degree programs and curriculum

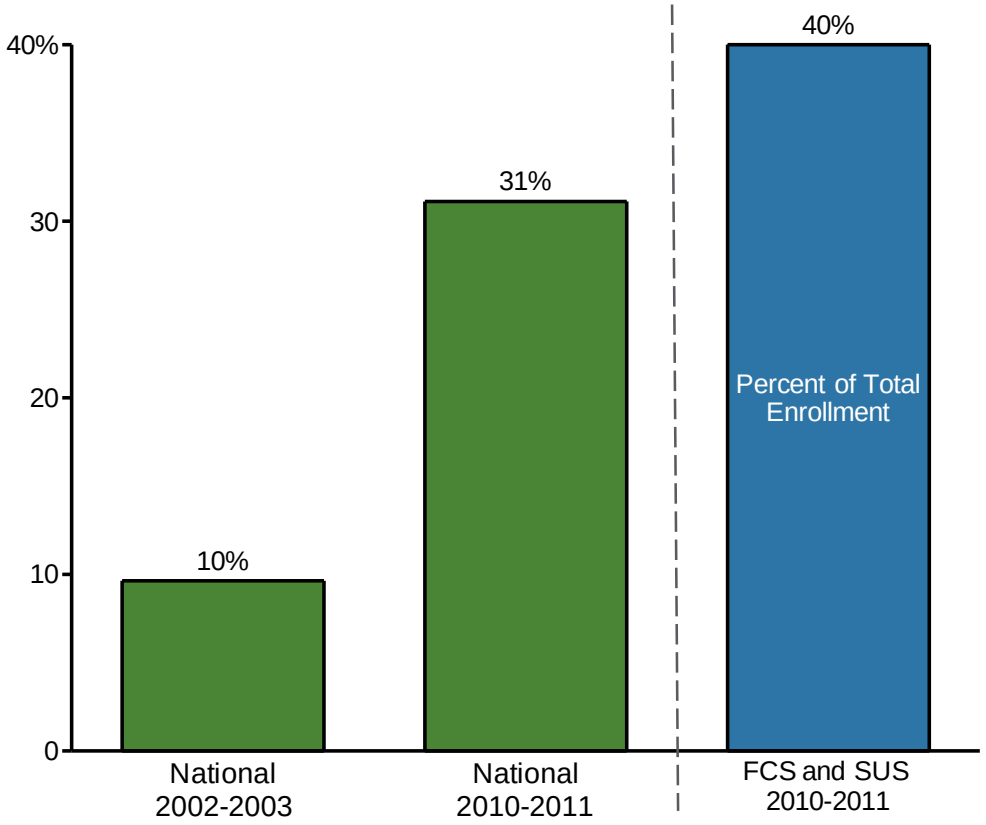
Note: SOC codes are manually mapped to Florida's 6 target clusters, identified by Enterprise Florida Inc; Job openings in positions with SOC codes are mapped to a program CIP code; it is then determined which program CIP codes map to DL courses offered nationally (green); Some occupations fell into more than one job cluster and are therefore duplicated within appropriate industry clusters
Source: BLS; Florida Department of Economic Opportunity's 2012-2020 Projections Statewide (FL DEO); 2010-2015 Strategic Plan for Economic Development, from Enterprise Florida Inc. (EFI); Peterson's Distance Learning Database; IPEDS; SUS Board of Governors; FL DOE

Objectives for Online Learning

Students are increasingly seeking online options

Enhancing the Student Experience

Percent of Students Taking at Least One Course Online, National 2002-2003 and 2010-2011, SUS and FCS 2010-11



Percent of Students Taking Fully Online Degree Programs	N/A	12%-14%	<10%*

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- Online courses often fill first
- A small subset of students within the SUS and FCS take fully online degree programs*
- ICUF institutions have ~30K students enrolled in online-only programs
- Professors are adding online components to core onsite courses to enhance the student experience
- Program design, marketing, and support service capabilities differ across the 38 FCS and SUS institutions that offer online courses

Opportunities for Further Innovation Within the SUS/FCS

- Ensure all students have access to best-in-class online offerings and supports
- Robust ongoing analysis on a daily and weekly basis will be critical to improving online outcomes

Note: Students taking at least one course online refers to any student taking at least one course where 80% or more of the content is delivered online;
*There is no designation within SUS/FCS for online-only students; The number of students taking online-only courses in 2010-2011 is 93K; It appears that the actual number of online-only students is lower as only 19K of those same students were enrolled in online-only courses in 2011-12
Source: Babson Survey Research Group; Deutsche Bank Report; Eduventures Online Higher Education Update 2011; School websites; IPEDS; SUS Board of Governors; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012

Objectives for Online Learning

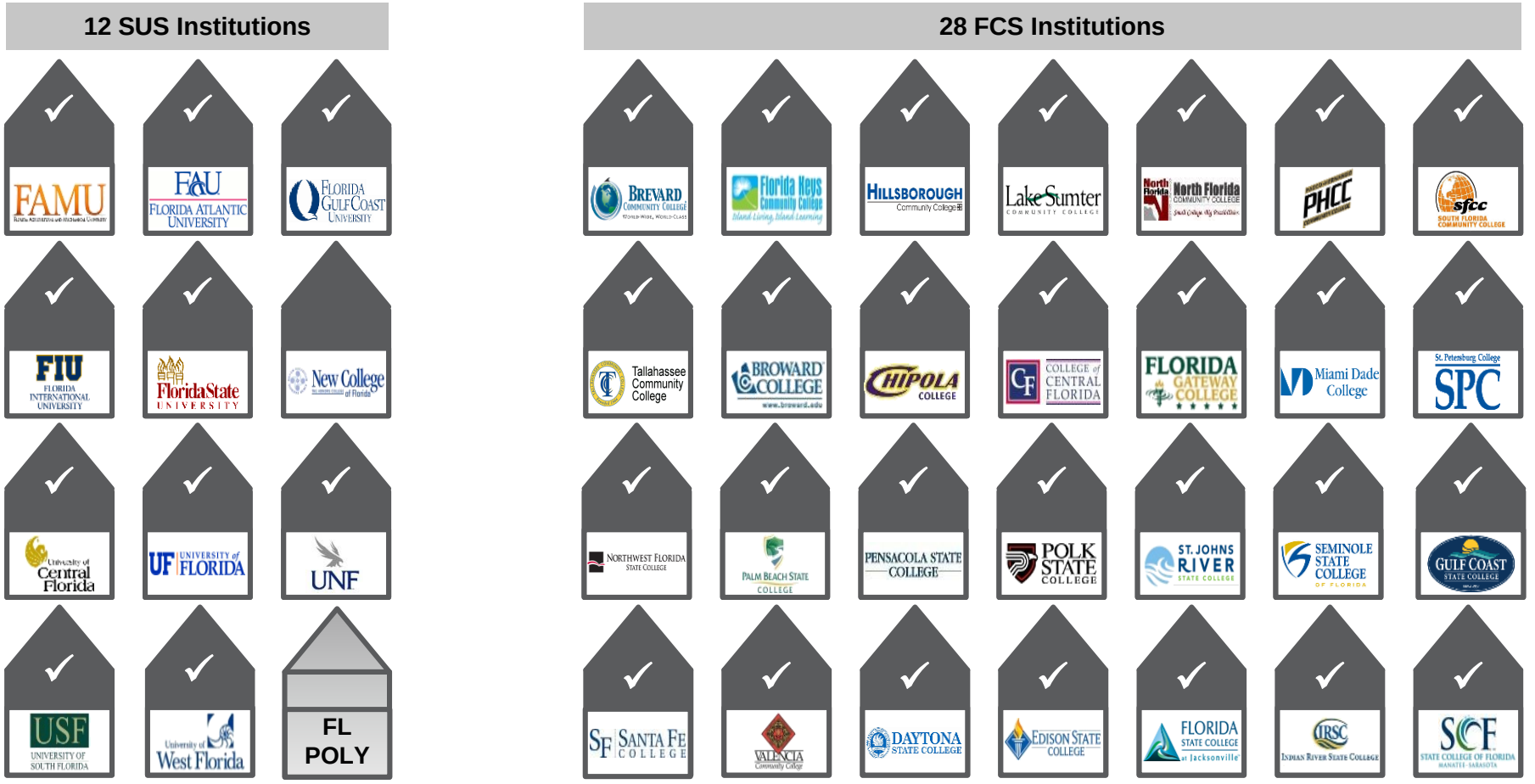
Institutions are developing best practices in online post-secondary education, with a focus on high quality program development, delivery and support

	Program Design	Marketing and Inquiry	Onboarding/ Student Support	Course Scheduling	Instruction	IT and Data Analytics
	How do best practices in online learning help satisfy online objectives across the value chain?					
Expanding Access	Students can access a portfolio of offerings	State, regional, and national marketing efforts to ensure coverage of all target students	Multi-modal support services (in-person, online, phone), responsive 24/7	Increased frequency of start dates offer greater flexibility to nontraditional students	Asynchronous and synchronous modalities	-
Reducing System and Student Costs	Studio space, technology, and faculty serve multiple institutions	Large-scale data-driven marketing that drives economies of scale	-	Coordinated scheduling that allows for optimization of student-teacher ratios	Greater instructor utilization possible	Early-warning systems tied to intervention to reduce attrition
Strengthening the Link Between the Labor Market and Post-Secondary Education	Industry collaboration on program offerings	Private partners utilized to target offerings to student segments with in-demand program offerings	Career service and job placement teams	-	-	Job placement tracking linked to other performance metrics
Enhancing the Student Experience	State of the art technology and best-in-class design teams serve multiple institutions	Private partners utilized to target offerings to student segments best matching student need	Data-driven at-risk identification and proactive intervention strategies Assigned success mentors and guidance counselors	Virtual campuses allowing students to leverage course offerings across a system Common course numbering	Embedded value-added digital learning solutions Leverage star faculty	Dedicated analytics teams tracking real-time student performance Common LMS and student information system

Source: ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012

Objectives for Online Learning

These activities are currently being developed independently across the 38 institutions that offer online courses



Each institution within the SUS and FCS with an online program (✓) has an independent online strategy, with its own marketing, course design, instruction, support services, and IT capabilities

Source: FLVC

Agenda

Objectives for Online Learning

Strategies for Consideration

Strategies for Consideration

Florida could consider four strategies to drive the development and expansion of high quality new program offerings

1 Institution by Institution	2 Institutional Collaboration	3 Lead Institution(s)	4 New Online Institution
Description:			
• Institutions develop online offerings on their own, driving innovation in a way that best fits each school's mission	• System-wide online degree program offerings are developed under the direction of a coordinating body (e.g., FLVC, BoG, FL DOE)	• One (or a few) institution(s) is selected by RFP process to drive the development of new online offerings in target degree levels and disciplines	• An online institution is launched to drive portfolio expansion of lower cost models
How it Works:			
• Institutions continue to independently drive online innovation through new course and program development and/or adjustments to existing offerings • State defines broad parameters for innovation and achievement	• Centralized marketing, onboarding/ support services, and data analytics are each either managed by the central body or one of the participating institutions • Program-level RFPs are issued to institutions for program development • Program instruction and scheduling is coordinated by the institution that develops the program • All institutions continue with existing strategies	• Lead institution(s): – Designs the programs – Drives marketing, onboarding/student support, course scheduling, and data analytics – Delivers instruction • Lead institution(s), on its own or with partners, must be able to serve both the university-level and college-level target students • All institutions continue with existing strategies	• New online institution: – Designs the programs – Drives marketing, onboarding/ student support, course scheduling, and data analytics – Delivers instruction • New institution, on its own or with partners, must be able to serve both the university-level and college-level target students • All institutions continue existing online programs

Across all 4 strategies, programs will:

1. Increase student access to a **portfolio of offerings**
2. Be delivered at a **lower cost to the student** and/or the state
3. Align to **statewide labor force needs**
4. Ensure a **high quality student experience** for all students

Strategies for Consideration

Considered strategies could be evaluated for <u>each</u> type of online offering - the new, fully online degree programs are developed in detail in this section

		Target Students	Requirements for Success
Online/Hybrid Courses for Campus-Based Students		• Residential and commuter students • Can be campus-based or remote	• Coordination on degree program design and supplemental services to achieve best-in-class offerings, scale efficiencies and lower costs across the system
Fully Online Degree Programs	**Undergraduate Certificate/ Associate Degree Completion**	• Adults looking to enhance their employment prospects or transition professions	• Incoming students have 20+ credits • Continuous starts, competency options • Highly aligned with labor market needs
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Self-Directed Courses (MOOC-Inspired)		• Wide age range of students (e.g., high school, college, adult) seeking to accelerate credit accumulation at a very low cost • Self-directed students, needing no instructor contact	• Quality evaluation frameworks and testing policies to allow for awarding of credits

Source: Babson Survey Research Group; Parthenon Online Survey; Peterson's Database

Strategies for Consideration

Strategy 1: Institutions develop online programs of their own accord, driving innovation in a way that best fits each school's mission

1

Benefits:
- Allows institutions to drive their own online strategy in accordance with their missions
- Fosters local innovation

Potential Drawbacks:
- Economies of scale and best-in-class processes are harder to achieve consistently if they are developed by each institution
- Lack of centralized or coordinated program aligned to changing needs of state labor markets

Role of FLVC	Legislative Considerations	Accreditation Considerations	Admission Approach
• Institutions would list all online course offerings through the FLVC • FLVC would continue to provide analytical support for students to track progress toward requirements/degree	• Changes to statute would be required if regulations regarding FLVC course listing were to be adjusted • Changes to statute would be required if tuition requirements for out-of-state students were to be relaxed	• Individual institutions demonstrate program equivalency according to SACS guidelines	• Individual institutions maintain existing admissions selectivity and focus

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Source: Interviews with FLVC, SUS Board of Governors, SACS staff

Strategies for Consideration

Strategy 2: Coordinating body (e.g., FLVC/BoG/FL DoE) coordinates development of complementary course and degree program offerings across the system

2

Benefits:
- Reduced duplication of efforts across institutions
- Ability for all students to benefit from the same high quality processes and offerings
- Inclusive but coordinated: many institutions can be selected to participate

Potential Drawbacks:
- No clear "owner" of the results
- Greater political will needed to sustain innovation
- Difficult to make adjustments to processes quickly with multiple stakeholders involved

Role of FLVC

- If used as the coordinating body, the FLVC would be given the authority and budget to manage new online model development across the system(s)

Legislative Considerations

- Detailed statutory language creating the FLVC already exists, which would be updated to reflect additional budget and authority
- FLVC already receives state appropriations, which would potentially need to be increased
- Changes to statute would be required if tuition requirements for out-of-state students were to be relaxed

Accreditation Considerations

- Individual institutions demonstrate program equivalency according to SACS requirements
- Central delivery of student supports may require SACS approval

Admission Approach

- Individual institutions maintain existing admissions selectivity and focus
- Coordinating body ensures that expanded access is provided across new programs
- To ensure program access for a diverse student base, partnerships would need to be developed with other institutions where needed

Source: Interviews with FLVC, SUS Board of Governors, SACS staff

Strategies for Consideration

Strategy 3: Lead institution(s) develops and offers new models across the system

3

Benefits:
- Scale efficiencies can be developed
- There is a designated “owner” of the strategy in the lead institution
- Existing brand strengths can be leveraged

Potential Drawbacks:
- Participation of non-selected institutions could be limited
- Innovation is potentially stifled through focus on one institution instead of many
- Initially contentious option politically

Role of FLVC	Legislative Considerations	Accreditation Considerations	Admission Approach
• Courses offered by the lead institution can be shared with other students and institutions through the FLVC	• Legislation would be required to create and fund a performance grant • New state appropriation would be required • Changes to statute would be required if tuition requirements for out-of-state students were to be relaxed	• Few accreditation limitations, as lead institution would operate within the boundaries of existing accreditation • Lead institution demonstrates program equivalency according to SACS guidelines	• To ensure program access for a diverse student base, partnerships could be developed with other institutions, if needed

Source: Interviews with FLVC, SUS Board of Governors, SACS staff

Strategies for Consideration

Strategy 4: New online institution is created to focus exclusively on the development of new models

Benefits:
- Fewer institutional barriers to developing new models and processes
- Ability to design and implement best practices from the start
- Systems and infrastructure designed specifically for the online student

Potential Drawbacks:
- Lacks the brand equity of an existing institution
- Complexity and cost of creating new institution
- Initially contentious option politically

Role of FLVC

- Courses offered by the new institution can be shared with other students and institutions through the FLVC

Legislative Considerations

- Extensive legislation will be required to create and delineate the mission and responsibilities of a new institution
- New state appropriation would be required
- Changes to statute would be required if tuition requirements for out-of-state students were to be relaxed

Accreditation Considerations

- New institutions will require a lengthy accreditation process
- SACS timeline anticipates 3-4 years from naming of a president to full accreditation

Admission Approach

- To ensure program access for a diverse student base, partnerships would need to be developed with other institutions where needed

Source: Interviews with FLVC, SUS Board of Governors, SACS staff

Strategies for Consideration

Partners could be considered across all four strategic options

Private Providers	Description of Services
Online Enablers	• Provide expertise in areas where an institution or system may lack a core competency (e.g., marketing, support services, data tracking) • Can help defray start-up costs and ongoing capital required; flat fee or revenue share is the typical business model
Competency Program Providers	• Provide a lower-tuition postsecondary alternative, typically to degree completers and working adults • Partnership could speed learning curve of the internal development and execution of competency programs
Other Program Providers	• Provide labor-focused, flexible (e.g., more start dates, modularized) course offerings • Can defray development costs; revenue share model would likely need to be developed
Marketing Services Providers	• Provide expertise in outsourced marketing services (e.g., SEO, web marketing, TV, etc.), which is typically not a core competency of public institutions • Flat fee or revenue share is the typical business model
Testing Providers	• Provide proctored examination facilities; can also partner to develop tests • Can defray the cost of developing a more comprehensive exam proctoring operation; given testing providers' scale, they could likely offer the exam at a lower cost to the student

System expenditures are driven by three factors: start-up investment, recurring cost of educating students and number of students reached

Start-Up Expenditure + (Recurring Expenditure x System Volume) = System Expenditure On Educational Attainment

Start-Up Expenditures	Recurring Expenditures per FTE	System Volume *(Enrollments, Persistence, Completions)*
• Initial investment is needed to develop new educational offerings • Areas of investment include: – Physical Infrastructure – Technological Infrastructure – Brand Recognition – Program Design	• Recurring expenditures vary across different educational models and degree types • These expenditures can be broken into four primary categories: – Instructional Costs – Academic Support Services – Student Support Services – Institutional Support Services	• Educational expenditure is highly variable on FTE enrollment • FTE enrollment is dependent on: – Newly Admitted Student Rates – Persistence – Time to Completion – Degree Mix *New Admits x Persistence ^ Time to Complete = Completions*

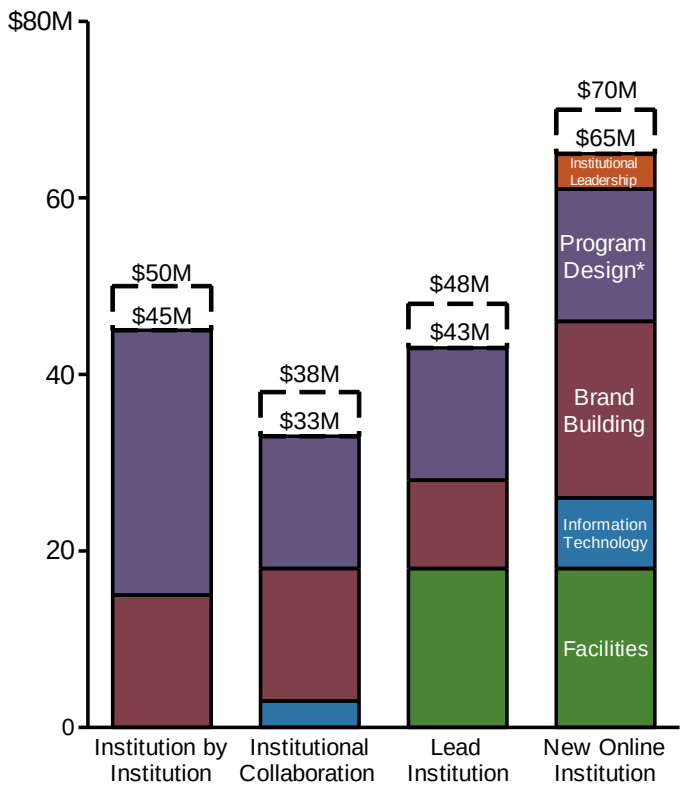
System Expenditure on Educational Attainment

Strategies for Consideration

Strategies will necessitate levels of initial investment ranging from ~$30-70M

Start-Up Expenditure
Recurring Expenditure
System Volume
System Expenditure

Start-Up Expenditures Associated with Each Approach to Online Expansion



	1 Institution by Institution	2 Institutional Collaboration	3 Lead Institution(s)	4 New Online Institution
Facilities	None	None	New building ($18M)	New building ($18M)
IT	None	Expand SIS ($3M)	None	New LMS/ERP/SIS ($8M)
Brand Building	Existing brand, reduced marketing effectiveness ($15M)	Existing brand, reduced marketing effectiveness ($15M)	Existing brand ($10M)	New brand ($20M)
Program Design*	100 degree programs created across multiple institutions ($30M)	50 degree programs created ($15M)	50 degree programs created ($15M)	50 degree programs created ($15M)
New Institutional Leadership	None	None	None	Institution President and 10-15 staff ($4M)

* Program design will take place over the 10 year time period

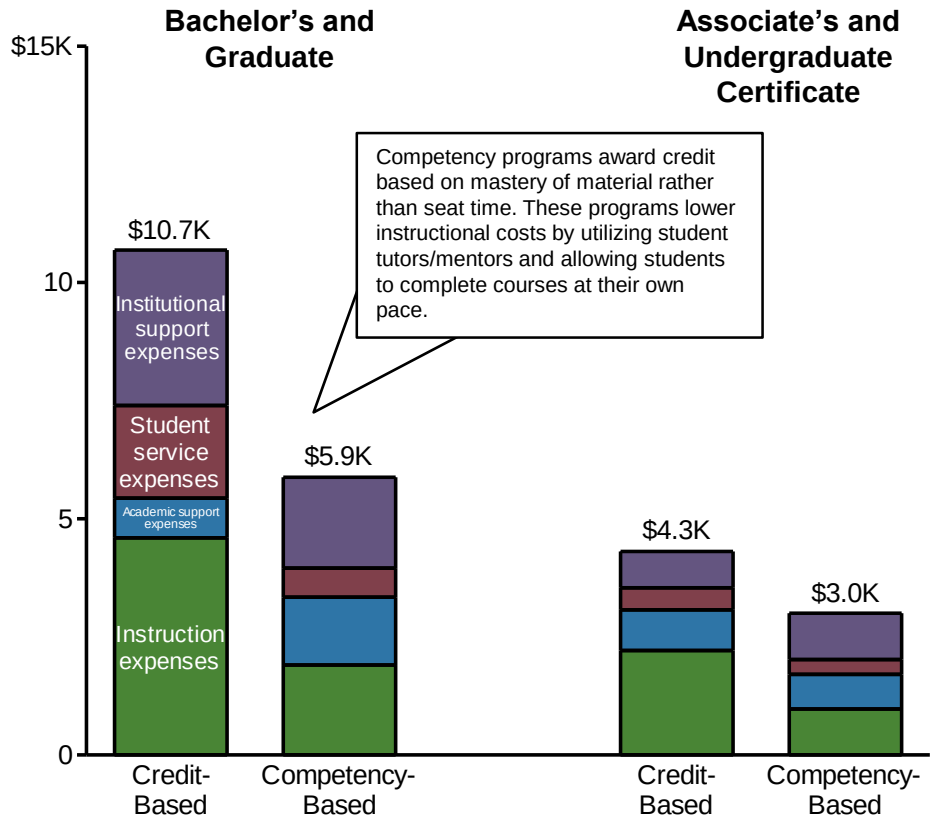
Note: Dotted lines represent range of total start-up expenditure; Facility needs benchmarked off of WGU infrastructure needs; Technology assumes: $5M for LMS (learning management system), $2M for ERP (enterprise resource planning), $1M for SIS (student information system), benchmarked off of multiple institution interviews; Brand building benchmarked off of SNHU's $15M brand building initiative and WGU's brand building spend when entering Texas, Indiana and Washington; Program design assumes $10K per course and an average of 30 unique courses per program; Institutional leadership becomes a recurring cost as FTEs begin to enroll

Source: ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July-November 2012

Strategies for Consideration

Recurring expenditures are benchmarked by degree level and program type against national best practices

Benchmarks for Recurring Expenditures per FTE for Online Instruction, by Degree and Program Type



	Credit-Based	Competency-Based	Credit-Based	Competency-Based
Student to Faculty Ratio	18:1	30:1	39:1	N/A

Expense Drivers

Instruction Expenses

- Primarily driven by class size and teacher utilization
- Professors are primarily non-research; Vast majority of their hours are spent teaching

Academic Support Expenses

- Driven by program and curriculum design as well as technology costs such as studio space, program design technology, scheduling technology, training and support for faculty and instructional design staff
- Tend to increase as instructional contact decreases to balance the supports provided to students

Student Service Expenses

- Includes expenses related to admissions, registration and general help, such as onboarding counselors for students, long term counselors through to completion, student mentors, career services, job placement counselors and 24/7 technology help desks for students
- Low cost models utilize centralized business processes at scale to reduce cost associated with these services

Institutional Support Expenses

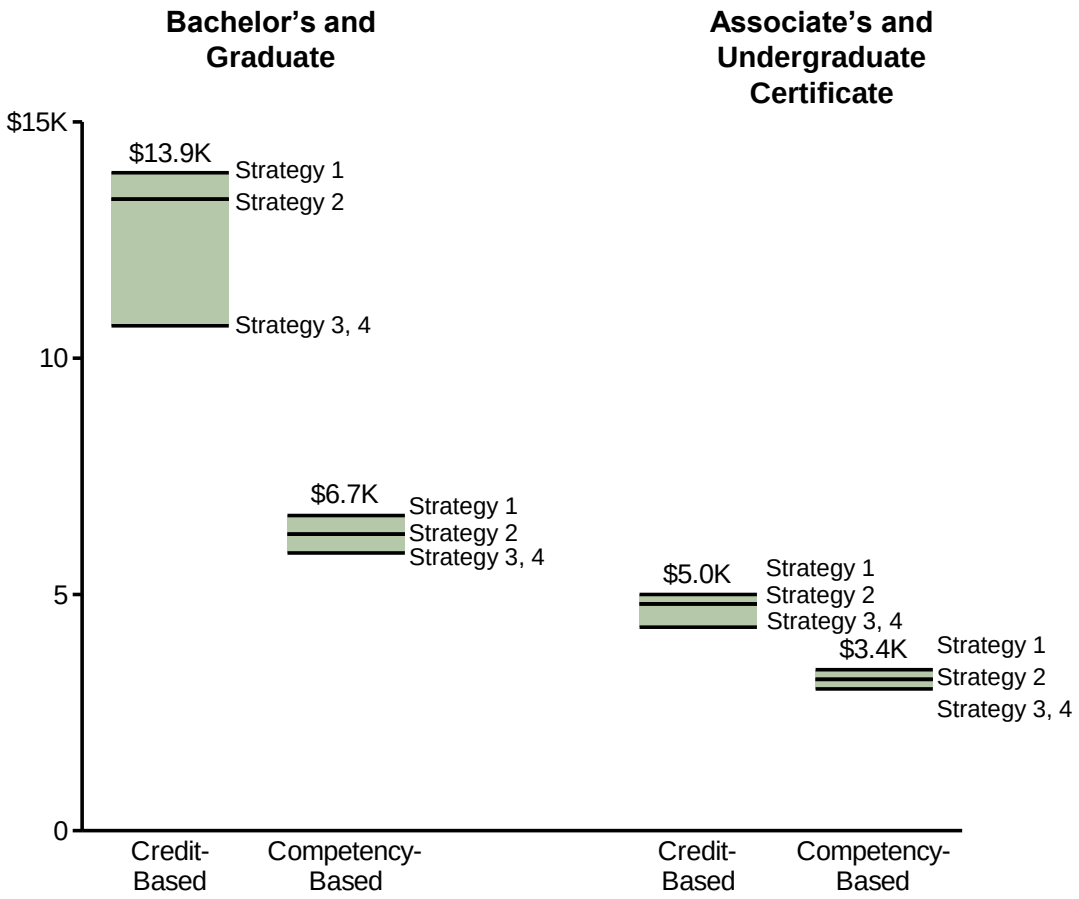
- Primarily driven by marketing and admissions costs
- Include general administrative expenses, such as partnerships with industry groups to better understand and adapt to labor market needs
- Robust data systems and dedicated staff to track student performance metrics, feeding information in real-time to counselors and other support staff
- Low-cost models utilize centralized business processes at scale to reduce cost associated with these services

Source: IPEDS; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012

Strategies for Consideration

Recurring expenditures per FTE vary across models due to structural efficiencies

Recurring Expenditures per FTE for Online Instruction, by Strategy, Program and Degree Type



Recurring Expenditure Drivers

1 Institution by Institution

- Duplicative processes result in inefficiencies across support services provided to new fully-online students

2 Institutional Collaboration

- Instructional models move towards best practices, but coordination difficulties across participating institutions prevent institutions from matching best practice cost structures

3 Lead Institution

- Centralized processes allow the system to eliminate inefficiencies, achieve scale and match best-in-class support service cost structures

4 New Online Institution

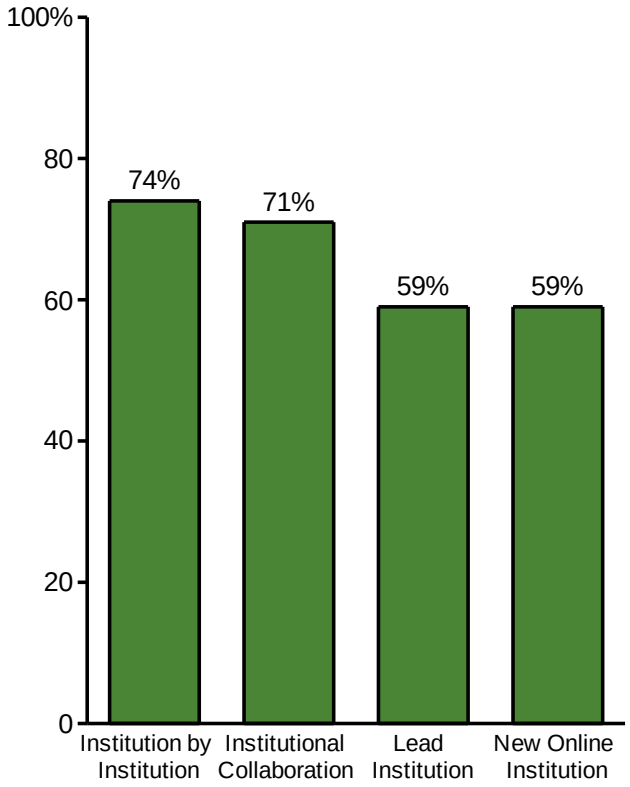
- Centralized processes allow the system to eliminate inefficiencies, achieve scale and match best-in-class support service cost structures

Source: IPEDS; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012

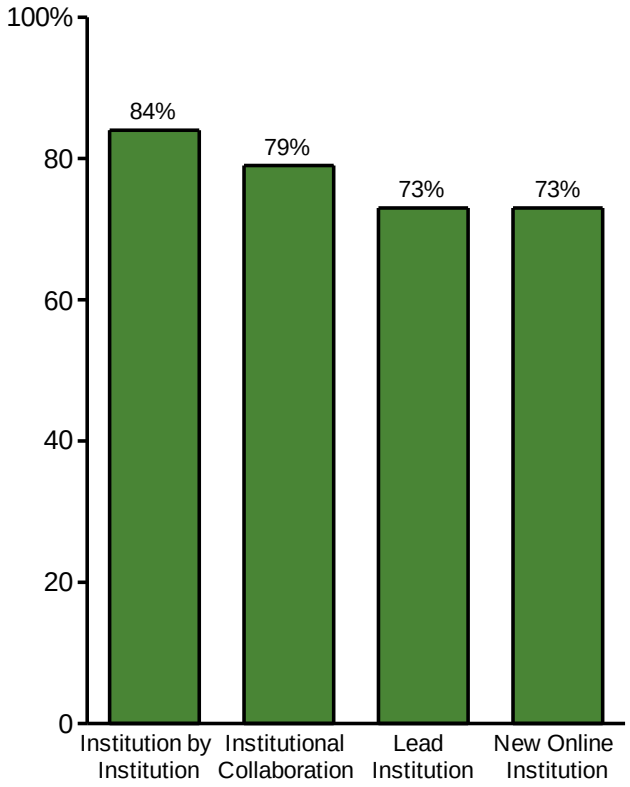
Strategies for Consideration

Recurring online expenditures per FTE will be lower and will vary across degree levels

Recurring Online Expenditures per FTE as a Percent of Current SUS Expenditures per FTE: Bachelor's and Graduate



Recurring Online Expenditures per FTE as a Percent of Current FCS Expenditures per FTE: Associate's and Undergraduate Certificate

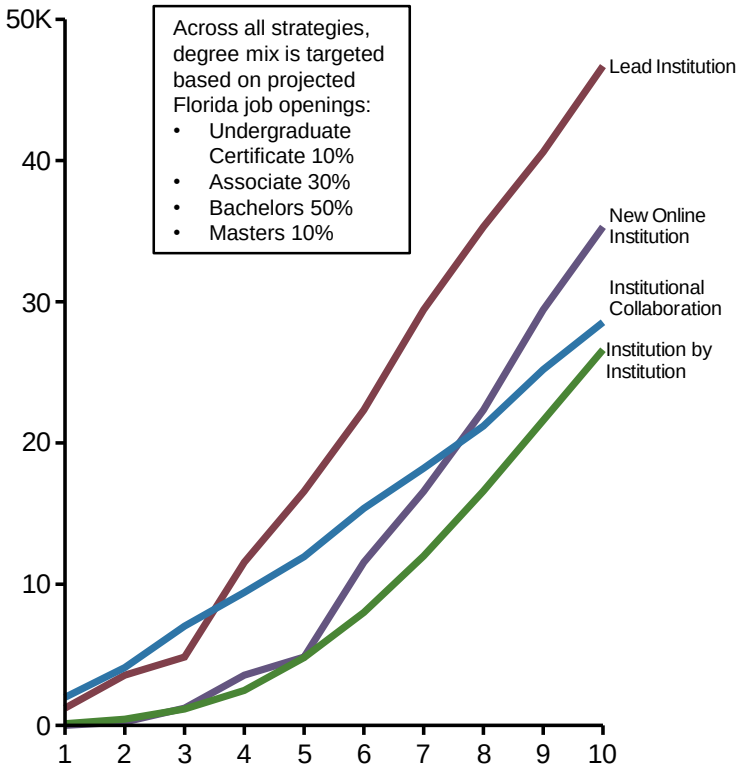


Note: Recurring online expenditures per FTE is based on the average of the recurring costs per FTE for credit-based and competency-based programs; Current expenditure per FTE is equal to $13.9K for SUS and $5.0K for FCS
Source: 10 Year Financial Model; IPEDS; FL DOE

Strategies for Consideration

Newly admitted student growth varies with brand strength, marketing effectiveness and the speed of program design

Newly Admitted Online Students, by Potential Model



Newly Admitted Student Drivers

1 Institution by Institution

- Newly admitted student growth is dependent on institutional adoption of programs
  - Assume 200 programs added gradually over 10 years
  - Assume 250 students enrolled in a mature program
  - Assume degree programs take 5 years to reach maturity

2 Institutional Collaboration

- Program growth is slowed as institutions attempt to coordinate ownership

3 Lead Institution

- Leverages existing brand to recruit new students
- Efficient centralized processes drive newly admitted student growth in line with benchmarked fully online institutions

4 New Online Institution

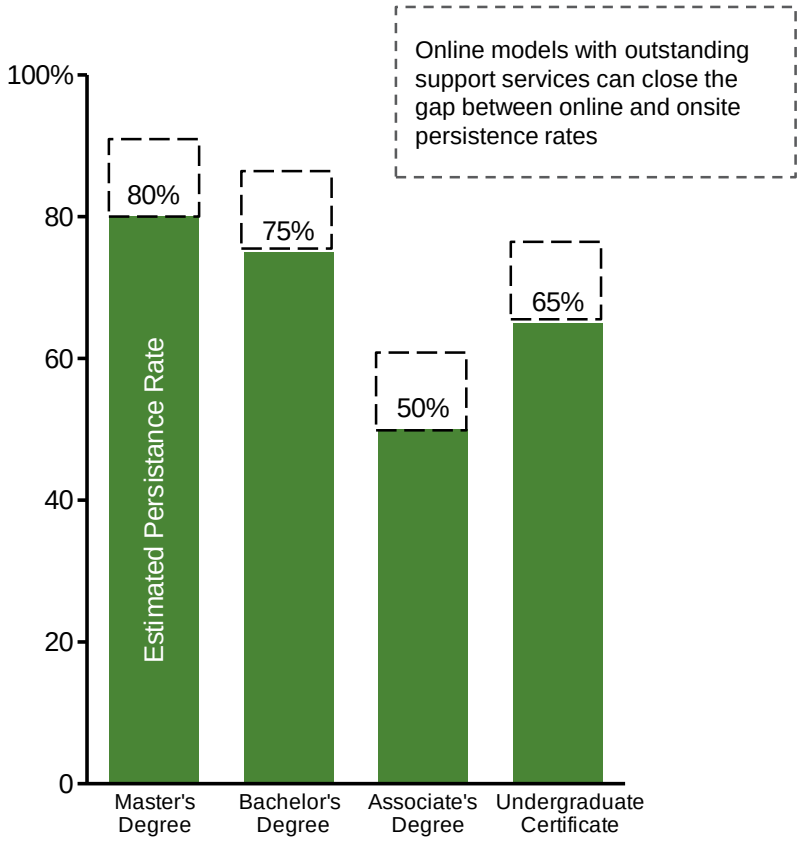
- New student growth is initially slowed as infrastructure is built and accreditation is gained
- New brand needs to be built and heavily marketed, but eventually this marketing will be consolidated efficiently in a single entity

Source: IPEDS; Parthenon Persistence Study; BLS

Strategies for Consideration

Differences in persistence rates alter system volume and the cost of producing successful educational outcomes

Estimated One Year Persistence Rate for Fully Online Programs by Degree Level



	Master's Degree	Bachelor's Degree	Associate's Degree	Undergraduate Certificate
Estimated Online Graduation Rate	65%	42%	25%	65%

Persistence Benchmarks

Nationally, persistence rates vary by degree and modality, trending ~10% lower online than onsite

Master's Degree

- Persistence rates are highest in graduate programs due to the advanced nature of graduate students

Bachelor's Degree

- Across the SUS fully online undergraduate students persist at 75%

Associate's Degree

- On average FCS students persist at 60%. Fully online student persistence rates are assumed to be ~10% lower based on national trends

Undergraduate Certificate

- Persistence rates in undergraduate certificate programs are substantially higher than Associate persistence rates due to the short duration of the program

Note: SUS data used to estimate persistence rates for fully online Bachelor's degree programs; IPEDS retention rates and FCS graduation rate data used to estimate persistence rates for fully online Associate's degree programs; Parthenon's national persistence study used to estimate persistence rates for fully online master's degree and undergraduate certificate programs; Estimated Online Graduation Rate is for Year1
Source: IPEDS; Parthenon Persistence Study; SUS Board of Governors; FL DOE

Strategies for Consideration

Models with outstanding support services can close the modality gap in persistence rates

Start-Up Expenditure
Recurring Expenditure
System Volume
System Expenditure

- Differing support services structures across strategies drive different levels of persistence rate improvements
- Time to completion is held constant across models and takes into account transfer credits and percent of competency-based classes taken

Persistence Drivers

1. **Institution by Institution**
   - Maintaining the current structure results in persistence outcomes in line with the current state
2. **Institutional Collaboration**
   - Sharing of best practices across institutions improves online persistence rates gradually
3. **Lead Institution**
   - Efficient centralized best-in-class processes drive online persistence rates in-line with onsite persistence rates
4. **New Online Institution**
   - Sole focus on online programs and efficient processes drive online persistence rates in-line with onsite persistence rates

Time to Completion Drivers

Transfer Credits

- Fully online programs target degree completers. It is assumed average students begin with transfer credits:
  - Associate's: 20 credits
  - Bachelor's: 40 credits

Program Mix

- Competency-based programs allow students to complete credits at their own pace, potentially lowering the time needed to acquire a degree
  - 50% Competency-Based
  - 50% Credit-Based

Time to Completion

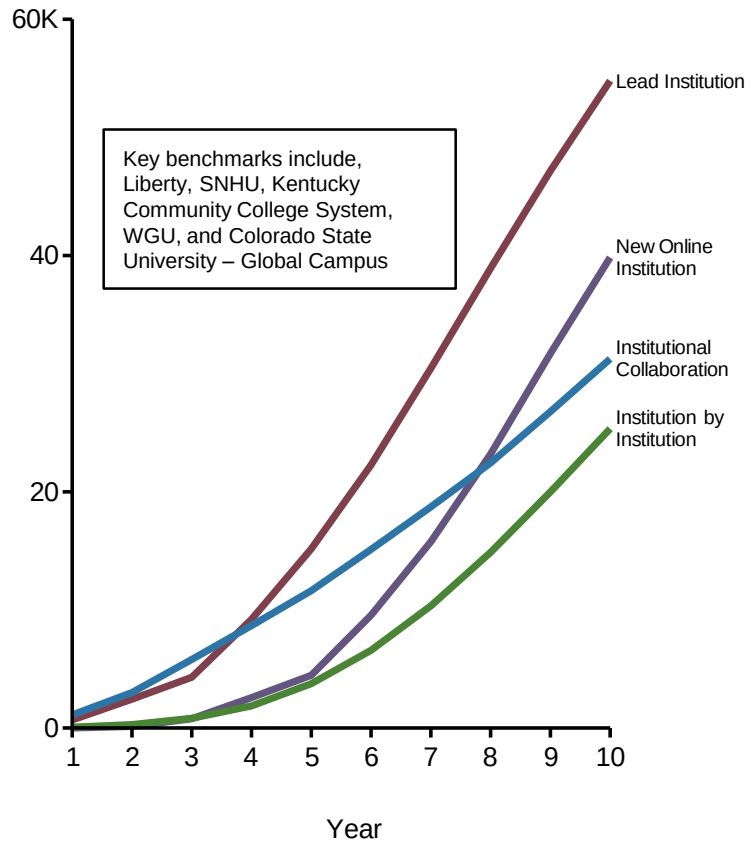
- High levels of transfer credits and adoption of self-paced competency programs result in reduced time to completion:
  - Undergraduate Certificate: 1 Year
  - Associate's: 2 Years
  - Bachelor's: 3 Years
  - Master's: 2 Years

Source: IPEDS; Parthenon Persistence Study; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012; College Board Completion Arch

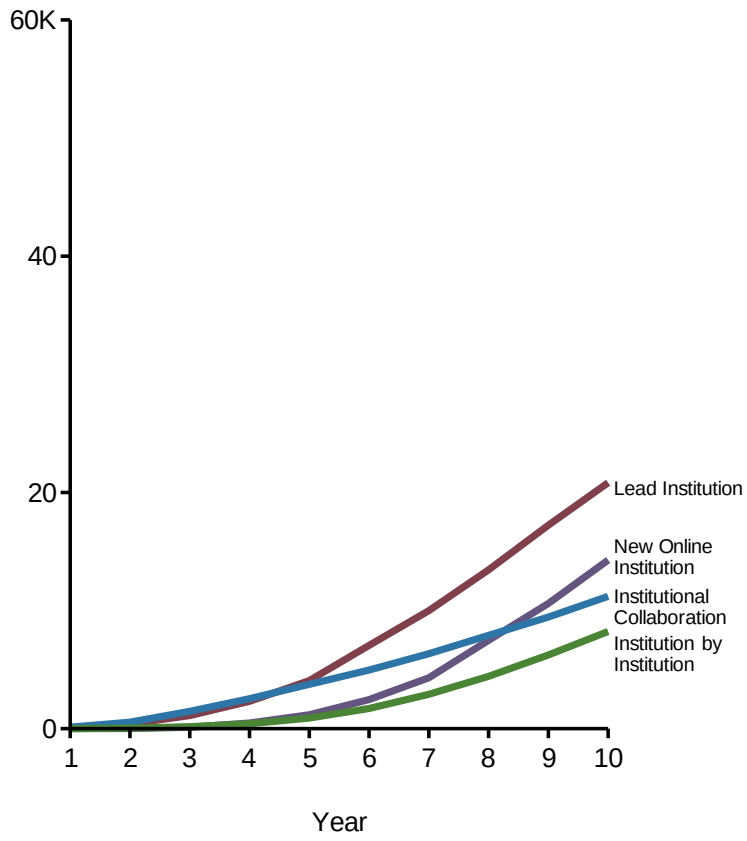
Strategies for Consideration

Differing newly admitted student and persistence rates result in varied enrollment and completion volumes

FTE Enrollments by Potential Model



Completions by Potential Model



Source: IPEDS; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012; 10 Year Financial Model

Strategies for Consideration

Effectiveness of educational investment is measured by students served and cost of successful outcomes

Start-Up Expenditure
Recurring Expenditure
System Volume
System Expenditure

	1 Institution by Institution	2 Institutional Collaboration	3 Lead Institution(s)	4 New Online Institution
Total Completions (Over 10 Years)	25K	48K	77K	41K
Total Expenditure (Over 10 Years)	$0.9B	$1.4B	$1.9B	$1.1B
Expenditure Per Completion = Expenditure per Credit x (Credits Needed / Graduation Rate)				
Example				
Expenditure per BA Credit (in Year 10)	$416	$395	$332	$335
Graduation Rate (in Year 10)	42%	49%	57%	57%
Expenditure per BA Completion (in Year 10)	$79K	$64K	$47K	$47K

Note: Expenditure per credit is calculated by dividing expenditure per FTE by 30 credits; Expenditure per completion assumes students are enrolling with 40 credits and need 120 to completes; Expenditures include instruction, academic support, student support, and institutional support expenditures
Source: 10 Year Financial Model

Strategies for Consideration

Across strategies under consideration, self-directed courses provide a unique opportunity for innovation for Florida

		Target Students	Requirements for Success
Online/Hybrid Courses for Campus-Based Students		• Residential and commuter students • Can be campus-based or remote	• Coordination on degree program design and supplemental services to achieve best-in-class offerings, scale efficiencies and lower costs across the system
Fully Online Degree Programs	Undergraduate Certificate / Associate Degree Completion	• Adults looking to enhance their employment prospects or transition professions	• Incoming students have 20+ credits • Continuous starts, competency options • Highly aligned with labor market needs
	Bachelor Degree Completion	• Working adults looking to complete bachelors degrees • Typically employed and/or with families	• Incoming students have 40+ credits • Continuous starts, competency options • Highly aligned with labor market needs
	Graduate Degree	• Employed working adults typically intending to remain in their current career field	• Self-directed study often possible and preferred • Highly aligned with labor market needs
Self-Directed Courses (MOOC-Inspired)		• Wide age range of students (e.g., high school through adult) seeking to accelerate credit accumulation at a very low cost • Self-directed students, who require no instructor contact	• Quality evaluation frameworks and testing policies to allow for awarding of credits

Source: Babson Survey Research Group; Parthenon Online Survey; Peterson's Database

Strategies for Consideration

MOOCs are the most common example of this kind of innovation in self-directed courses…

What is a MOOC (Massively Open Online Course)?

- Free course with open online access typically not offered for credit
- Institutions throughout the US are posting MOOCs through organizations such as Udacity, Coursera, and edX

How are MOOCs evolving?

- Colorado State University's Global Campus recently announced that it would grant transfer credits to students who passed a proctored Udacity computer science exam
- The UT system is seeking to develop MOOCs and offer proctored exams for credit to provide lower-tuition alternatives for students and to overcome the hurdle of students being "locked out" of oversubscribed courses

What is the Florida opportunity?

- Florida's statewide common course numbering system would allow MOOCs developed within the FCS/SUS to be used by students across the state
- Proctored exams would need to be established for these courses
- MOOCs could provide students with a lower-tuition offering; it may also attract students looking to accelerate their studies

How should expectations be tempered?

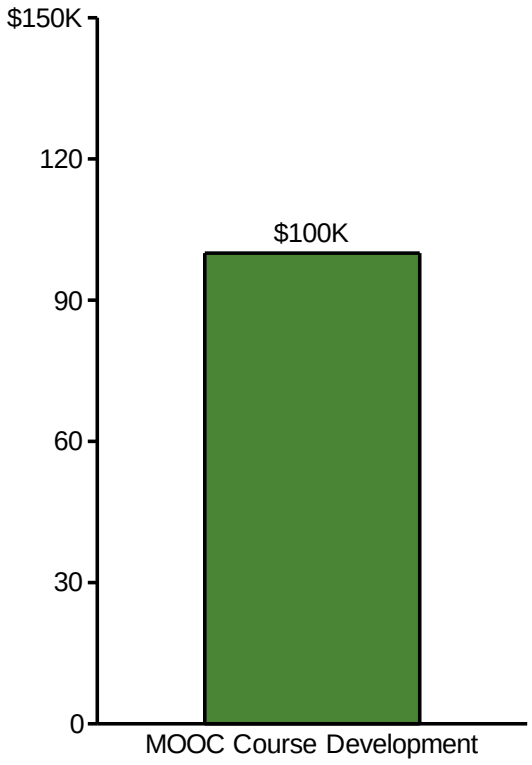
- Student demand for proctored MOOCs has not yet been established

Source: Inside Higher Ed; ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July-November 2012

Strategies for Consideration

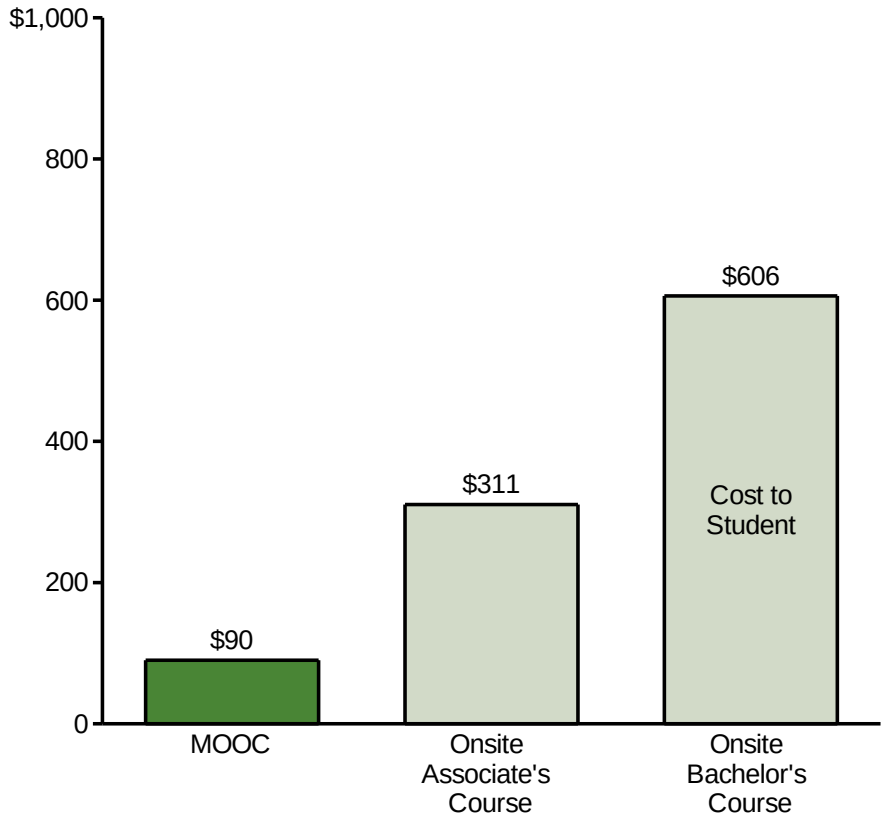
…with potential for significant cost savings to the student and to the state

Approximate Expenditure to Create One Proctored MOOC (For Course and Test Development)



15 Courses	$1.5M

Per Course Expenditure for Student: MOOC and Traditional



Student Savings per Course	$221	$516

Note: The cost of developing a MOOC depends on factors such as course topic, type of test administration (continuous vs. fixed administration), test format (number of open responses that must be evaluated) and security measures (number of versions of the test and type of surveillance of the test); Associate's course cost is estimated based on average tuition and fees across FCS institutions for in-state students pursuing an associate's degree; Bachelor's course cost is estimated based on average tuition and fees across SUS institutions for in-state undergraduate students

Source: ~85+ Institution and expert interviews were conducted by Parthenon for the Florida engagement as well as multiple proprietary projects, from July – November 2012; School websites; SUS Board of Governors

Strategies for Consideration

A portfolio of offerings will allow different students to make choices that best meet their needs

				
	Diane graduates high school with straight A's and enrolls in a state university. She receives all of her credits onsite	**Sally** graduates high school and enrolls in a local state college. After two years she decides to pursue a Bachelor's degree and transfers to a state university where she takes the majority her credits onsite, but elects to take two MOOCs to limit the debt she is taking on	**John** enters the workforce fulltime after receiving an A.S. degree from a state college. Two years into his professional life he realizes that he needs a B.S. degree to be eligible for promotion and enrolls part time in a fully online B.S. program. John takes a number of competency based courses allowing him to complete his degree faster and takes MOOCs to limit the cost	**Wendy** enrolls in a state college after high school, but drops out after a year due to family circumstances. Without a degree she struggles to find a job and decides to complete her degree. Concerned about the high cost of college she enrolls in two MOOCs to see if she can balance academic and familial responsibilities. After successfully passing her MOOC exams, Wendy rededicates herself to school, enrolls in a fully online B.A. degree program and graduates cum laude.
Credit Accumulation by Program Type				
Florida College System	-	60	60	30
State University System	120	54	-	-
Online A.S. Credit-Based	-	-	-	-
Online A.S. Competency-Based	-	-	-	30
Online B.A./B.S. Credit-Based	-	-	30	30
Online B.A./B.S. Competency-Based	-	-	24	24
MOOCs	-	6	6	6
Total System Expenditure	**$56K**	**$35K**	**$25K**	**$23K**

Note: MOOC recurring cost is assumed to be $0; One MOOC is assumed to be 3 credits; These stories are all fictional and do not represent real people
Source: iStockphoto.com;10 Year Financial Model

Strategies for Consideration

Strategies have been evaluated against online objectives as well as a range of other practical considerations

Most favorable strategies in each case will include the following:

Objectives For Online Learning

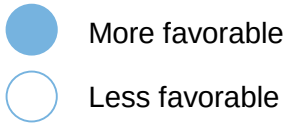
Expanding Access	• All population groups will be able to utilize online courses and degree programs to meet their education goals
Reducing System and Student Costs	• Start-up costs: initial investment will be recouped in shortest amount of time • Recurring costs: cost per FTE to the system will be greatly reduced over time
Strengthening the Link Between the Labor Market and Post-Secondary Education	• Online courses and degree programs will align to labor market needs and be informed by statewide labor councils and the Florida Department of Economic Opportunity
Enhancing the Student Experience	• Students across the state will be able to receive best-in-class online offerings and will achieve similar or better performance results to onsite students

Other Practical Considerations

Additional Accreditation Processes Required	• Impose the fewest accreditation hurdles
Degree of Implementation Difficulty	• Require the least amount of change from parties involved
Brand Strength	• Leverage strong brand names
Developing Best-in-Class Business Processes	• Facilitate the achievement of effective business processes at low cost
Start-Up Time Required	• Shortest time to enrollment of students in newly created programs

Strategies for Consideration

Prioritization of strategies may differ based on the prioritization of stakeholders and by type of online offering

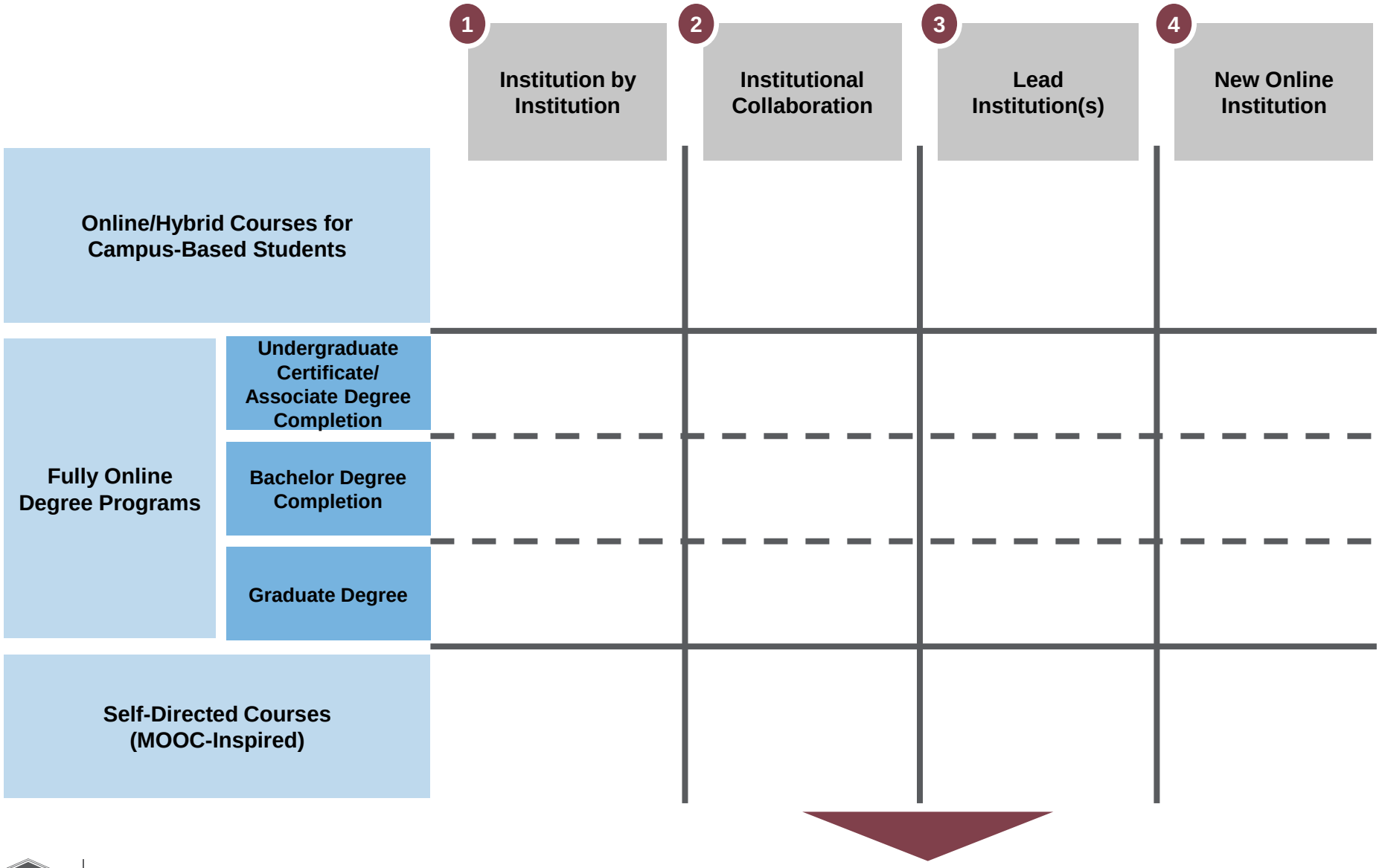


	Potential Considerations		1 Institution by Institution	2 Institutional Collaboration	3 Lead Institution	4 New Institution
Objectives For Online Learning	Expanding Access					
	Reducing System and Student Costs	Start-Up Costs				
		Recurring Costs				
	Strengthening the Link Between the Labor Market and Post-Secondary Education					
	Enhancing the Student Experience					
Other Practical Considerations	Additional Accreditation Processes Required					
	Degree of Implementation Difficulty					
	Brand Strength					
	Developing Best-in--Class Business Processes					
	Start-Up Time Required					

Stakeholder priorities should determine the relative weighting of these considerations

Strategies for Consideration

Worksheet: A matrix of approaches exist



A combination of strategies could be adopted to best meet student needs