

**THE PENNSYLVANIA STATE UNIVERSITY
BOARD OF TRUSTEES**

**COMMITTEE ON FINANCE, BUSINESS AND CAPITAL PLANNING
MINUTES OF MEETING
VOLUME FBCP 39**

September 16, 2021

A meeting of the Committee on Finance, Business & Capital Planning was held on Thursday, September 16, 2021 beginning at 1:30 p.m.

The following committee members, constituting a quorum, were present: Dambly, Dietrich, Doran, Fenza, Lubrano, Harpster and Schneider.

Ex-Officio member Schuyler, Faculty Representative Egolf, Student Representative Boas and the following administration members were also present: Barbour, Barron, Cantu, Cullen, Dale, Doncsecz, Eck, Goffe, Guadagnino, Holleran, Harvey, Irvin, Johnson, Jones, Kaluza, Kissinger, Matty, Moore, Ortiz, Papazoglou, Penkala, Sidwell, Sitzabee, Stevens, Thorndike, Watson and Ziegler-Byers.

The meeting was called to order by Chair Mary Lee Schneider. Chair Schneider advised the Committee that actions and recommendations by the Committee would be reported to the full Board of Trustees for their consideration at the September 17, 2021 meeting.

The Committee unanimously approved the *Minutes* of the July 15, 2021 meeting of the Committee.

The Committee unanimously approved the following resolution for the Proposed Appointment of Non-University Employees to the Penn State Investment Council:

RESOLVED, That Blake Gall, Edward R. Hintz, Jr. and Joseph B. Markovich, non-University employees, be appointed to the Penn State Investment Council for a terms\ending in 2024.

The Committee unanimously approved the following resolutions for Long-Term Investment Pool Spending Rate Change:

RESOLVED, That the University adopt a Long-Term Investment Pool annual spending rate of 5% calculated using a 5-year average market value beginning with fiscal 2022-2023 year.

The Committee unanimously approved the following resolutions for the Fiscal Year 2022-2023 Appropriations for Operations.

RESOLVED, That the Officers of the University are authorized to submit to the Legislature, appropriate departments, and offices of the Commonwealth of Pennsylvania, a State Appropriation Request for fiscal year 2022-2023 in the amount of \$358,200,000.

(Appendix I)

The Committee unanimously approved the following resolution for the Proposed Approval of Graduate Apartment Rates, University Park:

RESOLVED, That the monthly lease rates for graduate apartments at University Park for 2022-23 reflect a 0% increase but such rates shall exclude a parking permit.

(Appendix II)

The Committee unanimously approved the following resolution for the Proposed Real Estate Divestiture at 5042 Yale Drive, Penn State Behrend:

RESOLVED, That the Board of Trustees approves the sale of 0.458 acres with building located at 5042 Yale Drive, Harborcreek Township, Erie County, to Sergey G. Kovalevich in the amount of \$107,000.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective this resolution.

The Committee unanimously approved the following resolution for the Proposed Real Estate Divestiture at 5588 Jordan Road, Penn State Behrend:

RESOLVED, That the Board of Trustees approves the sale of 1.98 acres with building located at 5588 Jordan Road, Harborcreek Township, Erie County, to Valeriy and Svetlana Moshkivskiy in the amount of \$167,500.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective this resolution.

The Committee unanimously dissented the following resolution for the Proposed Real Estate Divestiture at 5516 Jordan Road, Penn State Behrend:

RESOLVED, That the Board of Trustees approves the sale of 0.4591 acres with building located at 5516 Jordan Road, Harborcreek Township, Erie County, to Fdk Rentals & Remodeling LLC in the amount of \$102,000.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized and directed to take such steps as are necessary to make effective this resolution.

The Committee unanimously approved the following resolution for the Proposed Naming of the Knowledge Center to be the "Samuel P. Black III and Sumi James-Black Knowledge Center":

RESOLVED, That the Knowledge Center at Penn State Behrend be named "Samuel P. Black III and Sumi James-Black Knowledge Center."

It was noted that the Review of Long-Term Investment Pool as of June 30, 2021 presentation was available in Diligent.

The informational report on Operational Risk – Athletics Financial Model was presented by Sandy Barbour.

The Committee on Finance, Business & Capital Planning meeting was adjourned at 2:25 p.m.

Respectfully submitted,

Angelita Johnson



**THE PENNSYLVANIA STATE UNIVERSITY
2022-23 BUDGET PRESENTATION AND
STATE APPROPRIATION REQUEST**

BOARD OF TRUSTEES

COMMITTEE ON FINANCE, BUSINESS, AND CAPITAL PLANNING

AGENDA ITEM #3.E

SEPTEMBER 2021

PENN STATE'S 2022-23 APPROPRIATION REQUEST

Thank you for the opportunity to provide support for our 2022-23 appropriation request. The funding from the Commonwealth is a critical factor that influences Penn State's resident tuition rates. It helps defray the cost of in-state tuition for Pennsylvania resident undergraduates across all our campuses, which serve some of the most economically challenged regions of Pennsylvania. It also provides crucial funding that helps support Agricultural Research and Extension; Medical Assistance, CURE, the Cancer Institute, ASERT, and other health-related activities of Penn State Health and the College of Medicine; and the Pennsylvania College of Technology. This year, we are also requesting support to advance economic development activities across Pennsylvania.

Penn State and the Commonwealth of Pennsylvania have been partners since our founding in 1855, and together we have contributed immeasurably to quality of life, economic development, agricultural productivity, medical care, and leadership in every sector of society. An investment in Penn State is an investment in the communities, families, and individuals who comprise our great state.

In February 2019, a newly released study found that Penn State is an economic powerhouse, contributing more than \$11.6 billion to the state's economy and supporting, directly and indirectly, more than 105,000 jobs across Pennsylvania in FY 2017. The study also found that for every \$1 in state appropriations received by Penn State, the University returns \$1.24 in tax payments to the Commonwealth, highlighting the widespread nature of Penn State's economic contributions. Our University, with 24 locations across the Commonwealth, an academic medical center, two law schools, and a growing health system, is an engine that drives the economy and improves lives in all 67 Pennsylvania counties.

We acknowledge the fiscal realities faced by the Commonwealth, particularly in this challenging time in which resources must be allocated to contain and respond to the COVID-19 pandemic. We are very grateful for the appropriation increases awarded in recent years up to 2019-20 and for level funding in the current year that were made possible through the efforts of Governor Wolf and the General Assembly. Continued investment in Penn State would enable the university to remain a critical partner in ensuring resilience and economic growth across the Commonwealth.

Modest increases in the appropriation over the last six years combined with Penn State's intensified efforts related to access and affordability have helped Penn State minimize tuition increases for Pennsylvania resident students. Our focus has been to reduce the total cost of a degree, decrease the rate of student borrowing, promote success of need-based students, and decrease attrition due to finances. Tuition increases across Penn State's campuses have been below national averages for over a decade. Calculated in FY21 dollars, in-state student are now paying less tuition for their Penn State education than they were in 2011-2012.

For the current academic year, we recognized that COVID-19 has placed additional financial stressors on many students and families and have minimized tuition increases for all Penn State students. At the same time, the pandemic has had an impact on Penn State's resources: Enrollments have declined as students have decided for personal or financial reasons to postpone college, yet the university's costs have increased to enable expanded remote delivery of instruction and enhanced cleaning and spacing protocols at our campuses across the Commonwealth.

Penn State's appropriation includes two line items under the Department of Education: General Support and the Pennsylvania College of Technology. In addition, the appropriation for the Agricultural College Land Scrip Fund that supports Agricultural Research and Extension is appropriated through the Department of Agriculture, while support for Penn State Health and the College of Medicine is provided through the Department of Health and the Department of Human Services. In addition, a special request for \$2.35 million is included to support economic development activities across Pennsylvania. The purpose, use, and benefits to the citizenry of the Commonwealth are summarized in the following sections of this statement.

The University is requesting a total appropriation of \$358.2 million, representing a 5.7 percent increase overall.

GENERAL SUPPORT

The General Support appropriation both offsets the cost of tuition for Pennsylvania residents and supplements the University's efforts to address access and affordability. Commonwealth support enables the university to provide in-state tuition savings for Pennsylvania resident students that is far greater than the per student appropriation.

Equally important, Penn State's partnership with the state has allowed our university to invest in excellence so we can attract the best and brightest students from across Pennsylvania.

In the 2021-22 Center for World University Rankings, Penn State was ranked 54th among the best universities in the world, and 33rd in the United States, for the quality of education of its students and the research prowess of its faculty. U.S. News and World Report's Best Colleges for 2022 ranks Penn State 23rd nationally among top public schools, 34th for most innovative schools, and 33rd in the best colleges for veterans.

U.S. News' and World Reports' Best Online Programs for 2021 ranked Penn State World Campus in the top 10 of 20 categories:

- No. 4, master's in engineering
- No. 3 (tie), master's in industrial engineering

- No. 3 (tie), master's in engineering management
- No. 10 (tie), bachelor's programs
- No. 1, bachelor's in psychology programs
- No. 7 (tie), MBA programs
- No. 9 (tie), business analytics MBA and general management MBA
- No. 8 (tie), MBA programs in marketing
- No. 10, master's in non-MBA business
- No. 7 (tie), master's in education
- No. 5, master's in educational administration
- No. 10 (tie), master's in curriculum and instruction
- No. 8, master's in instructional media
- No. 8 (tie), master's in computer information technology
- Best Online Programs for Veterans: bachelor's (No. 7, tie), master's in engineering (No. 1), master's in education (No. 3), MBA (No. 5, tie), master's in non-MBA business (No. 3), and master's in computer information technology (No. 5)

Furthermore, according to a recent report by Forbes, Penn State awarded the most undergraduate degrees in STEM fields in the U.S.; more than 50% more than UC Berkeley, Texas A&M, Arizona State, and Purdue. Penn State is also one of only four universities to appear in both the STEM and business top 20s.

These rankings demonstrate the strength of our world-class faculty, research enterprise, and alumni employment.

A state appropriation is critical to helping us attract and retain the type of students that will stay in the state to complete their studies and will then choose to remain here and help Pennsylvania prosper. With 54,500 Pennsylvania resident students across 24 campuses and a World Campus, Penn State has the capacity that no other university in the state can match. Penn State is a valuable asset to the Commonwealth that provides a great return on investment.

It is also noteworthy that nearly 20 percent of Penn State's out-of-state and international students choose to stay in Pennsylvania after completing their degrees. These students start companies, enrich established businesses, and contribute to their communities as taxpayers, volunteers, and citizens.

Pennsylvania ranks fifth in the nation for the percent of senior citizens. Attracting and retaining young professionals is vitally important for the economic security of the Commonwealth.

The 2022-23 appropriation request for General Support for Penn State proposes a 5 percent increase of \$12.1 million. Our efforts made possible by the General Support appropriation to address access and affordability and to promote job creation, economic development and student career success are summarized below.

Access and Affordability

For our education mission, our University receives approximately \$242 million. Divided evenly among the 44,593 Pennsylvania undergraduate students that we educate each year, each student would receive approximately \$5,429. Note the national average is \$7,642. Yet at Penn State the average Pennsylvania student pays approximately \$13,389 less than their out-of-state counterparts. We are more than doubling the state's investment to make Penn State more affordable and accessible for the working families of Pennsylvania. Notably, Penn State ranks 7th among the 36 public members of the Association of American Universities for the smallest overall increase in in-state tuition over the last 10 years according to the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS).

Over the past few years Penn State has intensified our efforts related to access and affordability. Our focus has been to reduce the total cost of a degree, decrease the rate of student borrowing, promote success of need-based students, and decrease attrition due to finances. Tuition increases across Penn State's campuses have been below national averages for over a decade.

Despite these efforts, tuition continues to be among our most pressing concerns, as does student debt. The average loan debt at graduation is rising-- \$36,044 for in-state students and \$40,770 for out-of-state students. We expect that many students and their families will struggle financially through the pandemic. With the partnership of the legislature and the support of Governor Wolf, we hope to continue to keep our tuition increases as low as practically possible and to enable our students to graduate with less debt and more opportunities.

We continue to pilot and expand targeted solutions to reduce the total cost of a degree, and the data suggests they are every effective. For example, Penn State offers Provost Awards to high achieving students with high need. The awards range from \$5,000 to \$7,000 per student/per year, which results in a cumulative total of \$20,000 to \$24,000 to each awardee. Since the Provost Awards began in 2013-14, more than \$110 million has been awarded to 14,618 students.

Over the past year, we focused on addressing food and housing insecurity at Penn State. Across all campuses, 35 percent of all student reported food insecurity. As a result, Penn State residential campuses hosted Swipe Out Hunger from April 19-23, which allowed students to donate dining dollars to students in need. Penn State is also working to enhance Lion Pantry management and offerings; participate in a

bulk purchasing program; develop a sustainable funding model; create a food notification app; and establish a permanent Student Emergency Fund through major gift and annual giving efforts.

Fall 2021 also marked the introduction of new LiveOn Student Success Grants, which seek to close the annual funding gap for students seeking a residential experience. The Grants provide need-based student aid toward balance of Room & Board not covered after all federal, state, local and University grants, scholarships, or awards are applied. Residential students will save approximately 25 percent on room and board over four years on campus.

Other targeted solutions are Open Doors programs that include: the Raise.me Scholarships; Pathway to Success – Summer Start (PaSSS); Smart Track designed for online learners; Student Transition Experiences Program (STEP) for juniors transitioning from a Commonwealth Campus to University Park; the Sokolov-Miller Financial Literacy and Life Skills Center (online and on campus); and Complete Penn State, which is designed to help students with high GPAs and credit counts overcome struggles so they can complete their degrees. The University has invested in these targeted solutions and made them a centerpiece of our philanthropic campaign, A Greater Penn State for 21st Century Excellence. To date, more than 4,000 students have received an award through Open Doors programs since their inception—for a total of nearly \$12 million. The average award is \$2,146. It is noteworthy that the students in these Open Doors programs have higher retention rates, higher grade point averages, and lower late drop rates than the comparable population.

Another important strategy for helping students reduce the cost of a degree is through Penn State's intensified efforts in student advising. In 2015, Starfish was introduced university-wide and has proven effective in facilitating connections. It allows all academic advisors to use the same platform to maintain advising notes and monitor student progress. It identifies at-risk students in real time and connects students to valuable services. It is having a significant impact. Over the last year, 126,788 one-on-one advising meetings were held, and 250,000+ advising notes were added to Starfish. By improving the advisers' ability to address student concerns, performance was improved: nine percent higher fall-to-spring retention rate University-wide, a five percent higher term GPA, and an eight percent higher pass rate.

We hope that our efforts will open the door for more students to earn a Penn State education, and we look forward to working with the Governor and the General Assembly to help all the families of Pennsylvania do so, regardless of socioeconomic status.

Student Career Success

Penn State is living the land-grant mission in the 21st century through our commitment to job creation, economic development, and student career success. Career Services is ranked 5th in nation; tied with Massachusetts Institute of Technology. In addition, Penn State is the No. 2 institution in the country for graduating CEOs (just behind Stanford) according to a LinkedIn study. Currently, Penn State alumni

lead Fortune 500 companies including Nike, Merck, PPL, and Hanesbrands, and we're continuing to ensure there is a pipeline to career success.

In 2018, Penn State launched a single, integrated career enterprise system for the 37 career units across our colleges and campuses. This new system provides access to all jobs and services for all students and alumni. It allows employers to post career opportunities on one central system, and it enables both university-wide reporting and college-specific/campus-specific reporting of career success activity.

Penn State is a national leader among large universities for holistically and collaboratively managing career services. Below are approximate average annual data over the past three years regarding career preparation and recruitment activity across the entire University:

- 70 Career Fairs; 4,500 employers; 33,000 students/alumni; Fall Career Fair alone: 550 employers and 9,000 students.
- 17,000 on-campus interviews.
- 44 interview rooms in Career Services Center.
- 40,000 individual career coaching sessions.
- 2,000 career workshops/events: 65,000 participants.
- 75 career courses taught to 2,500 students.
- This operation serves the students and employers. As one recruiter noted, "I have been in talent acquisition for many years and attended career fairs all over the country. I have never been more pleased with the preparedness of a student body at a fair than I was today."

In addition, in response to the recent Coronavirus Pandemic, Penn State Career Services ...

- Developed and implemented a comprehensive array of virtual career services, programs, and resources for students, alumni, and employers within one month's time.
- Delivered the highest student and alumni attendance (839 total) at the Big 10 Virtual Career fair (out of 17 universities).
- Reached out to over 150 students affected by rescinded offers/internship cancellations, offering support and services.
- Generated a library of nine recorded career-related workshops – Career Services' first offering of grab-and-go workshops.
- Transitioned in-person career fairs to virtual format during the Fall of 2020.

- Developed a virtual recruitment series, *Tuesday Talks with Recruiters*, for students, faculty, and staff.
- Delivered a successful virtual launch of the system-wide *2020 Career Development Professionals Conference*.

INVENT PENN STATE: ECONOMIC DEVELOPMENT EXTENSION

The Invent Penn State LaunchBox & Innovation Hub Network began modestly in 2015 and has grown to 21 locations embedded within Penn State campus communities, many in rural areas with traditionally underserved populations. Modeled after the Penn State agricultural cooperative extension, the network provides access to no-cost business startup support—coworking space, makerspace, accelerator programs, pitch competitions, speaker series, access to experts and mentors, and legal and IP advice through Penn State Law clinics. These services complement existing community resources and are offered in partnership with regional economic development authorities tailored to meet the unique needs of each community. Since 2015, the demand for innovation across the Commonwealth has surged and in turn, the network has grown to support 3,325 community entrepreneurs, launched 164 new Pennsylvania companies, graduated 345 startups from accelerator programs, created 247 new products, and created 194.5 jobs. Today, 96% of Pennsylvanians have a LaunchBox or innovation hub within 30 miles of where they live or work.

By leveraging Penn State’s size, technology, and broad research strengths (Penn State’s research expenditures exceeded the \$1 billion mark in fiscal year 2019-2020), Invent Penn State is accelerating the transfer of new ideas into useful products and processes that span industry sectors. LaunchBox accelerator programs have graduated tech startups with innovations that range from protecting the environment to improving access to healthcare—all while enhancing student career success and growing the Pennsylvania economy. Due to the COVID-19 pandemic, the network swiftly pivoted to deliver needed programming and services online, breaking down the geographic barrier to extend the capabilities and resources of each community across the state.

An example of the LaunchBox & Innovation Hub Network impact can be seen in New Kensington. Over three years, Invent Penn State awarded Penn State New Kensington \$150,000 in seed grant funding to promote economic development — and the impact has been dramatic. The Corner LaunchBox at Penn State New Kensington has assisted over 190 entrepreneurs, created 32 new jobs, and hosted 88 community events.

A similar transformation is underway in Hazleton. Invent Penn State provided Penn State Hazleton with a planning grant of \$10,000 and seed grant funding of \$150,000 to establish a LaunchBox that was subsequently endowed from the estate of Pasco L. Schiavo. Located in a predominantly Latinx community, Hazleton LaunchBox offers bilingual programs and has assisted more than 110 local entrepreneurs and hosted 35 community events.

Invent Penn State's LaunchBox & Innovation Hub Network is always growing, and a construction and a capital campaign are underway for the new Penn State Innovation Hub in downtown State College. Located on South Burrowes Street, the six-story, state-of-the-art, multi-use center will serve as the cornerstone of Penn State's entrepreneurial ecosystem. Key to fulfilling Invent Penn State's economic development vision, the hub will provide the community access to high-end physical and digital making resources as well as offering coworking and event space and serving as the new home for Happy Valley LaunchBox powered by PNC Bank.

Building on this strong foundation, Penn State is requesting \$2.35 million to strengthen and grow the LaunchBox & Innovation Hub Network across Pennsylvania, consistent with the University's commitment to extension services as a central element of our land-grant mission. In addition, we propose expanding established startup pitch competitions and entrepreneurship training programs to offer new statewide opportunities that are open to any university student in Pennsylvania:

- **Strengthen Innovation in Small to Medium Enterprises (\$500,000):** Expand access to Pennsylvania Technical Assistance Program (PennTAP) for Small to Medium Enterprises, including access to virtual services, and add three PennTAP Innovation Advisors to support regional businesses.
- **Strengthening the Innovation Hubs (\$1.775 million):** Grow entrepreneurship programs with additional staffing and support services; and explore new viability of innovation space in collaboration with PA SBDCs and/or PASSHE universities in underserved areas.

We anticipate an investment in the next generation of innovators in New Kensington, Hazleton, State College, and other Pennsylvania communities will not only positively impact new business creation and job growth for rural and underrepresented constituents, but also will help decrease the impact of brain drain across the state. This focus on fundamental economic development is what it means to be a public university in the 21st century—leveraging excellence in teaching, research, and service to improve the quality of life for humankind.

PENNSYLVANIA COLLEGE OF TECHNOLOGY

Pennsylvania College of Technology, located in Williamsport, is a national leader in applied technology education and a special mission affiliate of Penn State. Penn College offers hands-on learning opportunities in a wide range of essential, STEM-related career fields that are responsive to Pennsylvania's most pressing workforce needs, including plastics engineering, nursing and physician assistant, IT cybersecurity, heavy equipment, construction management, and robotic welding, among others. Penn College has a 96+ percent overall graduate placement rate that reaches 100 percent in many of its 100+ academic majors. The College enrolls nearly 5,000 students, 90.6 percent of whom reside in Pennsylvania, with 91.3 percent receiving some form of financial aid. The 2022-23 appropriations request for Penn College proposes a 5 percent increase of \$1,336,800, to be used predominantly in support of laboratory facilities and equipment for Physician Assistant Studies, a rigorous combined

Bachelor/Master of Science degree program featuring 100 percent graduate placement. Physician assistant graduates are in high demand throughout the Commonwealth in primary care, emergency medicine, family practice, orthopedics, and cardiovascular surgery settings.

AGRICULTURAL RESEARCH AND PENN STATE EXTENSION

The 2022-23 appropriations request proposes an increase of \$2,748,000 in the Commonwealth's investment in the Agricultural Research and Penn State Extension programs in support of agriculture and rural communities.

Pennsylvania agriculture is a major economic driver in Pennsylvania.

According to the publication "The Economic Impact of Agriculture in Pennsylvania: 2021 Update," produced by Econsult Solutions Inc. and commissioned by Team PA, Pennsylvania agriculture supports 301,900 direct jobs and a total of 593,600 jobs when including induced spending. It has \$81.5 billion direct output and total economic impact in the Commonwealth of \$132.5 billion in 2019. Perhaps more importantly, it supports Pennsylvania's and the nation's food supply chain, critical to the wellbeing of every citizen.

The challenges facing Pennsylvania agriculture are more complex than ever, as is the need for research and science-based solutions and innovations.

The breakdowns in our food and fiber production and distribution systems during COVID were a reminder of the importance, complexity, and vulnerabilities of our nation's food and fiber supply chains. The national system of land-grant system was founded more than 150 years ago on the cornerstone of advancing agriculture and mechanical engineering through research and innovation to develop and feed a growing nation. The college continues the legacy and moral challenge of feeding a world population, predicted to grow by 3 billion people by 2100, using less land with fewer inputs and impacts.

College of Agricultural Sciences agriculture research and extension programs are at risk.

College research and extension programs are funded through a land-grant partnership of federal, state, and county funding. Tuition dollars are not used to support these programs. Our state appropriation has not kept up with inflation, remains less than our 2008 funding level, and has been flat for the past three years. As a result, the college is currently operating with a \$2.6 million yearly deficit.

The college has implemented a soft freeze on hiring and is currently unable to fill 22 faculty vacancies that occurred over past 2 years. Leadership estimates a loss of an additional 15 faculty research positions over the next few years due to budget shortfalls. That will not only greatly reduce the college's capacity to research critical issues facing Pennsylvania, but it also reduces competitive, federal research dollars coming into Pennsylvania via these faculty.

Currently, the College state appropriation is used to directly leverage approximately \$100M, including:

- \$65 million in competitive grant funding (through USDA and other national sources)
- \$12 million in county support of cooperative extension
- \$23 million in federal land-grant formula funds for agricultural research stations in Pennsylvania, research faculty, and for cooperative extension

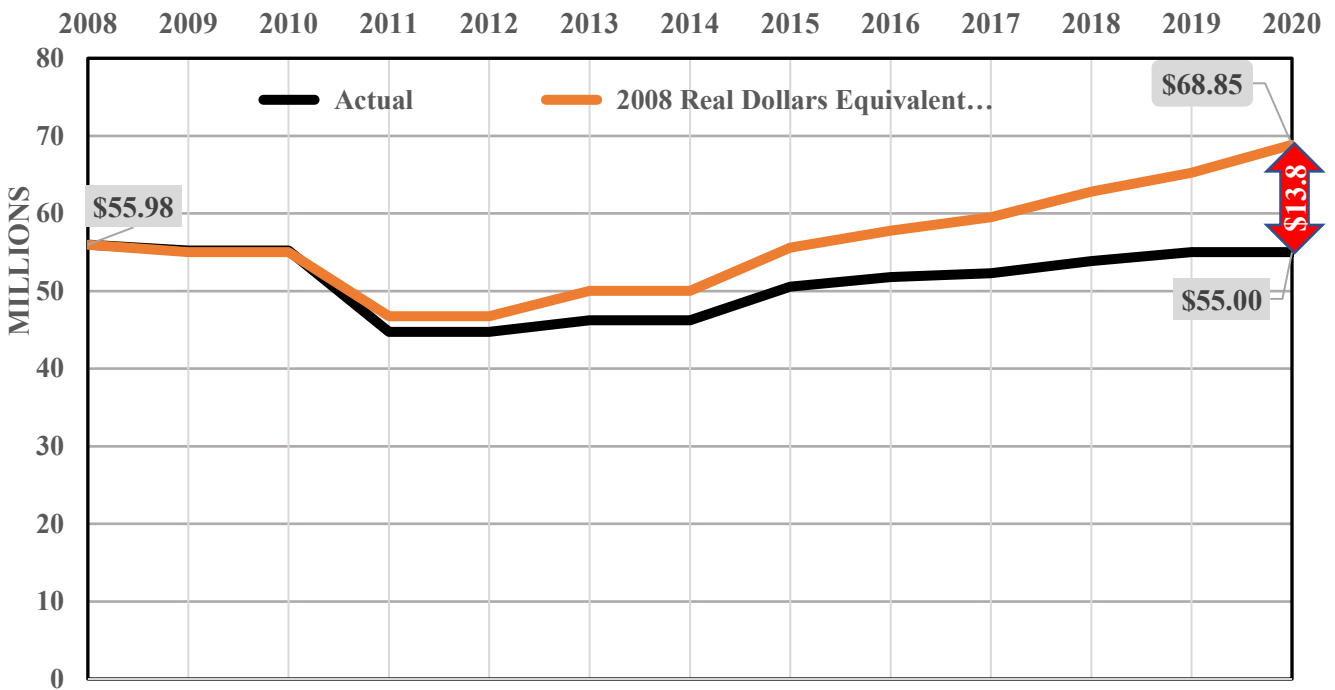
Penn State college agricultural research and extension programs have a long history of partnering with Pennsylvania agriculture sectors and rural communities to identified critical issues that the college is uniquely positioned to address.

College research and extension priorities currently include looming issues such as combating destructive and invasive species, safeguarding Pennsylvania animal agriculture, expanding dairy food processing support, implementing water quality solutions, and providing extensive workforce development programs. All these issues have been identified as priority challenges by Pennsylvania agriculture.

The college also provides research and education around large-scale issues such as climate-smart agricultural systems, landscape-level analysis, nutritional and food security, biodiversity, human and community dynamics, and one health. Penn State Extension also leverages more than 10,500 Pennsylvania volunteers in flagship programs such as 4-H and Master Gardeners, as well as in Master Watershed Stewards, Forest Stewards, and Master Well Owners programs. The reach of the college is extensive; in 2020, due to recent investments in digital education infrastructure, which was critical during the COVID lockdowns, Penn State Extension made more than 26 million educational connections with individuals across Pennsylvania and beyond.

Since 2010, Penn State's agricultural research and extension programs have lost almost \$14 million in spending power in support of Pennsylvania agriculture. This trajectory is not sustainable and has put these programs at risk.

**College of Ag Sciences State
Land Scrip Fund Appropriation History**



PENN STATE HEALTH AND THE COLLEGE OF MEDICINE

Medical Assistance funds appropriated to Penn State Health and the College of Medicine through the Pennsylvania Department of Human Services and the Pennsylvania Department of Health enable citizens of the Commonwealth without the ability to pay to receive medical care at one of the nation’s premier academic medical centers. Since 2013-14, part of this funding has been designated to support the ongoing development of the Regional Medical Campus at University Park. With a focus on the preparation of medical students for careers in primary care and rural medicine, this program addresses the health care needs of both the Centre County region and the entire northern tier of Pennsylvania. This funding is used to facilitate contributions by, and collaborations with, the College of Medicine’s Department of Public Health Sciences which supports the analysis of health care needs of the Commonwealth and the development of clinically-integrated networks to meet them. It also supports innovative programs that will enhance the overall health and wellness of Pennsylvanians, particularly those in rural areas who have historically had to drive long distances to access providers for some or all their health care needs.

COST CONTAINMENT EFFORTS

Two decades of stagnation in the state appropriation and increasing costs needed to fulfill our land-grant mission have led to a two-pronged approach to fill the gap: Budget Reductions and Reallocations (cost

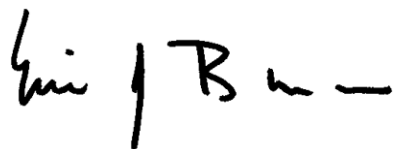
savings measures), and Budget Relief (securing external funding to cover activities that would otherwise require General Fund dollars).

Penn State has also embarked on a long-term strategic approach to address the budget challenges. We are working to lower the University's cost structure, while continuing to focus on academic excellence. We have found savings opportunities through a procurement transformation and an IT transformation. We have also implemented research initiatives that leverage industry partnerships through the Office of the Vice President for Research. Intercollegiate Athletics has agreed to fill some university needs by contributing funds received through the Intercollegiate Athletics Big Ten contract.

CONCLUDING REMARKS

Since 1855, Penn State and the Commonwealth have partnered to benefit families and communities across Pennsylvania. Penn State's educational programs, research, and outreach will continue to make measurable and meaningful differences in the economic development of our communities, from local to global levels. Strengthened by our partnership with the Commonwealth, Penn State can drive job creation, economic development, and student career success all while ensuring that a Penn State education is within reach financially for Pennsylvania students with the ability and desire to attend. Our partnership has been mutually beneficial, and Pennsylvania would not be the same without it. I appreciate the continued support of the Governor and the General Assembly, and we look forward to ongoing conversations about the enormous potential of increased investment in Penn State as a vehicle to advance the economic development agenda for Pennsylvania. Thank you for your support and consideration.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Eric J. Barron". The signature is written in a cursive, slightly stylized font.

Eric J. Barron, President
Penn State University

HIGHLIGHTS OF PENN STATE'S 2022-23 BUDGET PLAN AND APPROPRIATION REQUEST

APPROPRIATION REQUEST

- ◆ The University is requesting a total appropriation of \$358.2 million, representing a 5.7 percent increase overall.
 - A \$12.1 million increase in the Educational and General (E&G) or General Support line item.
 - An increase in the amount of \$2.7 million is requested for our programs in Agricultural Research and Cooperative Extension.
 - Increased support of \$1.3 million is included for the Pennsylvania College of Technology to build on recent increased investments from the Commonwealth to expand instructional capacity in the technical fields most in demand by students and Pennsylvania employers.
 - A special request for \$2.35 million to support economic development activities across Pennsylvania.
 - Additional Medical Assistance funding of \$756 thousand is also included for the Penn State Health and the College of Medicine.

BASIC OPERATING COSTS

- ◆ **Benefits** – Respond to the increasing employer contribution rate for the State Employees' Retirement System (SERS) and an estimated increase in health care.
- ◆ **Facilities** – Provide for facilities cost increases, including increasing fuel and utilities costs, the maintenance and operation of new facilities, the necessary additional funding to address asset preservation of an aging physical plant, and to support the capital needs related to major renewals and replacements of facilities across our multiple locations.

- ◆ **Faculty and Staff Compensation** – Provide a modest pool of funds for merit-based inflationary increases and to address targeted market and equity concerns as well as the funds necessary to fulfill contractual obligations.

DETAILS OF PENN STATE’S 2022-23 BUDGET PLAN AND APPROPRIATION REQUEST

The University’s proposed budget plan for 2022-23 reflects progress toward Governor Wolf’s stated goal to restore funding to Pennsylvania institutions of higher education to the level appropriated prior to the major cuts in 2011-12.

Table 1 summarizes the proposed budget changes for the Educational and General budget (General Support), Agricultural Research and Cooperative Extension, Penn State Health and the College of Medicine, and the Pennsylvania College of Technology as well as a special request for funding to help support economic development activities across Pennsylvania.

Penn State’s request for an appropriation increase of \$19.3 million for 2022-23 is summarized on **Table 2**. Details of the University’s proposed budget plan and appropriation request are discussed below.

EXPENSE CHANGES

Benefits and Insurances: The University’s budget plan includes projected increases of \$17.3 million for benefits cost increases. This includes increases for health care, retirement and grants-in-aid. A \$6.4 million increase is projected in property and liability insurances.

Facilities: A total of \$24.2 million is projected for facilities cost increases. Included are funds for the maintenance and operation of new or newly renovated facilities, fuel and utilities increases, deferred maintenance projects, and the continuation of the University’s capital improvement program.

Strategic Priorities: The 2022-23 budget plan includes funding for the most important strategic priorities of the university. Investments will be targeted in areas described in the President’s Statement that will focus on access and affordability and economic development, job creation, and student career success.

Student Aid: As just one among multiple strategies to address access and affordability, our plan proposes adding \$6.0 million for need-based student aid and grants-in-aid, bringing the total of permanently budgeted funds to nearly \$178 million. These funds will be used to leverage additional private donations for student support.

Faculty and Staff Salary Compensation: Penn State operates in an extremely competitive environment for faculty and staff. As keepers, creators, and transmitters of knowledge, the best way for us to continue to help Pennsylvania’s communities is to maintain excellence across those activities that

are core to our missions. We compete with other great institutions to bring in the best talent. Dozens of our faculty are recruited by other universities every year. We strive to recruit and retain the very best faculty and staff in a fiscally responsible manner. The budget plan for 2022-23 includes \$29.5 million for salary adjustments and related employee benefits. This projected amount includes a 2.5 percent salary pool to provide funding for inflationary adjustments that would be awarded primarily based on merit and address market and equity situations.

AGRICULTURAL RESEARCH AND COOPERATIVE EXTENSION

The College of Agricultural Sciences relies on the 150-year old land-grant partnership of federal, state, and county governments as the foundation for agricultural research and statewide Extension programs, which in Pennsylvania and across the United States have for decades increasingly included rural problems that parallel those in urban centers. The federal, state, and county funds that support Agricultural Research and Cooperative Extension are not supplemented with student tuition. The state appropriation provides the required matching funds that allow Penn State to access Federal Agricultural Research appropriations and support from Pennsylvania's counties for Cooperative Extension. Now more than ever, funding for agricultural research and support for the state's Cooperative Extension network is an investment that ensures that the agriculture industry will be able to continue to advance this important sector of the economy and to safeguard Pennsylvania's human and natural resources.

INCOME CHANGES

The University is requesting an appropriation increase of \$19.3 million (see Table 2). Of this amount, \$12.1 million is for Penn State's General Support line. Also, as part of the direct appropriation, an additional \$1.3 million is requested for the Pennsylvania College of Technology. An increase in the amount of \$2.7 million is included for our programs in Agricultural Research and Cooperative Extension funded through the Agricultural College Land Scrip Fund.

A special request of \$2.35 million for funding to help support our state-wide economic development initiatives is also included.

An additional \$756 thousand is requested in the Medical Assistance funding provided to Penn State Health and the College of Medicine through the Pennsylvania Department of Human Services and the Pennsylvania Department of Health.

The University is projecting an additional \$93.8 million in other income including \$63.6 million in tuition and \$30.2 million in support from Penn State Health to the College of Medicine.

Table 1
Summary of Proposed Changes
2022-23 Budget Plan and State Appropriation Request
(\$ in thousands)

	Educ. and General	Econ. Develop.	Ag. Research & Coop. Ext.	PSH/CoM	PA College of Technology	Total
Revenue Assumptions						
Appropriation Request*	\$12,105	\$2,350	\$2,748	\$0	\$1,337	\$18,540
Tuition	60,815	0	0	1,000	1,776	63,591
Other Income	0	0	0	30,200	0	30,200
Total Revenue	\$72,920	\$2,350	\$2,748	\$31,200	\$3,113	\$112,331
Basic Operating Costs						
Salary Adjustments	\$33,313	\$0	\$727	(\$5,646)	\$1,154	\$29,548
Benefits	17,322	0	1,198	(2,654)	1,545	17,411
Property & Liability Insurances	6,376	0	0	0	0	6,376
Facilities	23,797	0	0	0	414	24,211
Strategic Priorities	12,000	2,350	823	0	0	15,173
Student Aid	6,000	0	0	0	0	6,000
Student Activities	22	0	0	0	0	22
TOTAL EXPENSE CHANGES	\$98,830	\$2,350	\$2,748	(\$8,300)	\$3,113	\$98,741
Operating Surplus/(Deficit)	(\$25,910)	\$0	\$0	\$39,500	\$0	\$13,590
Incremental Revenues/Cost Savings Target	\$25,910	\$0	\$0	(\$39,500)	\$0	(\$13,590)

* The University is also requesting an additional increase of \$756,000 in the State and Federal Medical Assistance funding provided to Penn State Health and the College of Medicine through the Pennsylvania Department of Human Services. Penn State's overall request for additional Commonwealth support for 2022-23 totals \$358,200,000.

Table 2
Summary of State Appropriation
(\$ in thousands)

	<u>2021-22 Appropriation</u>	<u>Projected Increases</u>	<u>2022-23 Requested Appropriation</u>
General Support	\$242,096	\$12,105	\$254,201
Agricultural Research & Extension	54,960	2,748	57,708
Special Request: Economic Development	0	2,350	2,350
Total Penn State (excl PSH/CoM & Penn College)	<u>\$297,056</u>	<u>\$17,203</u>	<u>\$314,259</u>
Penn State Health and the College of Medicine	15,112	756	15,868
Pennsylvania College of Technology	26,736	1,337	28,073
TOTAL APPROPRIATION	<u><u>\$338,904</u></u>	<u><u>\$19,296</u></u>	<u><u>\$358,200</u></u>

Recommended Monthly Graduate Apartment 2022/23 Rates

	2021/22 Rate	2022/23 Proposed Rate	Amount of Increase	Increase Percentage
1 Bedroom	\$1,168	\$1,168	\$0	0.00%
2 Bedroom	\$1,321	\$1,321	\$0	0.00%
3 Bedroom	\$1,459	\$1,459	\$0	0.00%
3 Bedroom w 1.5 baths	\$1,474	\$1,474	\$0	0.00%
Quad Apartment <i>(per person)</i>	\$938	\$938	\$0	0.00%