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**Meetings of the Board of Trustees**

**July 11, 2014**

# **Minutes**

**MINUTES OF MEETINGS OF  
BOARD OF TRUSTEES  
VOLUME 279  
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MINUTES OF MEETING  
**BOARD OF TRUSTEES**  
VOLUME 279  
July 11, 2014

A meeting of the Board of Trustees was held in the 201 Conference Room of the Health and Wellness Building, Penn State Schuylkill, at 1:30 p.m. on July 11, 2014.

The following Trustees were present: Masser (chairman), Silvis (vice chairman), Barron, Benson, Brown, Casey, Cotner, Dambly, Dandrea, Doran, Dumaresq (by phone), Eckel (by phone), Ferretti (by phone), Frazier, Goldstein, Greig, Harpster, Hintz, Huber, Jubelirer, Lord, Lubrano, McCombie, Mead, Oldsey, Peetz, Pope, Rakowich (by phone), Rucci, Shaffer (by phone), and Taliaferro. Emeritus Trustee Jones was also present.

Present by invitation were faculty representatives Ansari, Kulikowich, and Strauss; student representatives Ganjam, Rhubart, and Shaffer; committee staff representatives Egolf, McDonald, and Salvino; staff members Andrews, Basso, DiRaimo, Dunham, Gray, Guadagnino, Hanes, Jones, Kirsch, Mulroy-Degenhart, Pangborn, Paz, Poole, Sims, and Weidemann.

Chairman Masser's opening remarks are included as follows:

"Good afternoon and welcome.

"After our tour and the time spent on this beautiful campus, I hope everyone here now understands why I feel such a close connection to this area and Penn State Schuylkill. I sincerely thank Penn State Schuylkill Chancellor, Dr. Kelly Austin, and his staff for going above and beyond to showcase this campus and host our meetings. The pride that faculty, staff, students and alumni have for Penn State, and for Penn State Schuylkill, has resonated throughout our visit. It's also clear that the impact the campus has on the community and region is noteworthy and a significant source of pride.

"President Barron, as today is your first Board meeting as President, I want to reinforce to you the enthusiasm and support this Board has for you. While your official appointment began May 12, in that short period of time you have truly embraced the Penn State community, and we hope you and Molly have felt a similar welcoming reception.

"Let me now welcome our new colleagues on the Board:

"Allie Goldstein received her bachelor's degree in Communications from the University of Buffalo and her master's in post-secondary educational leadership from San Diego State. Allie is currently a second year Ph.D candidate in Penn State's College of Education, and is also the Managing Editor for *Higher Education in Review*.

"Bob Jubelirer served in the Pennsylvania Senate from 1975-2006. He graduated from Penn State with a degree in history and earned his law degree from The Dickinson School of Law.

"Al Lord is a 1967 graduate of Penn State, with a career that included 14 years of accounting and banking, followed by over 30 years at Sallie Mae.

"Dan Mead is president and CEO of Verizon Wireless, and is one of the founding senior executives responsible for launching Verizon Wireless in 2000. He earned two degrees from Penn State – his bachelor's in quantitative business analysis, and a MBA.

"Alice Pope is a three-time Penn State alumna, with bachelor's, master's, and doctoral degrees in psychology. Her academic career includes faculty appointments in public and private institutions; Alice is currently an associate professor of psychology at St. John's University.

"Walt Rakowich began his career in auditing and tax consulting, and was then a principal and partner with real estate developer Trammel Crow. Walt is a former CEO of Prologis, the leading owner, operator, and developer of industrial real estate. Walt received his undergraduate degree in accounting from Penn State and earned his MBA from Harvard.

"In May, we welcomed our new Faculty Senate officers and the newly elected student leaders. Since our May meeting, our Staff Advisory Council held elections and Jeremy Warner was elected to a second term as chair. While Jeremy is not able to be with us today, we are pleased that we will continue to have Jeremy in that role as he has been a tremendous asset to our Board and the Committee on Outreach, Development and Community Relations. Since the immediate past chair has left the Staff Advisory Council, Jenny Blew, a co-chair elect, will join the Committee on Academic Affairs and Student Life. We look forward to seeing Jenny in September.

"Kay Salvino is entering her second year of a two-year term as president of the Alumni Association, and later today she will provide her annual report.

"The Board has been very supportive of the University's Administrative Fellows Program that provides professional development experiences for faculty and staff under the mentorship of a senior level administrator. I'm pleased that our 2013-14 Fellows are here today as they end their year-long experience: Doris Lee, under the mentorship of Rob Pangborn; Raffy Luquis under the mentorship of Hal Paz; and Jennifer Wilkes, under the mentorship of Madlyn Hanes. I hope you found your fellowship experience rewarding, and one of professional and personal growth.

"We soon will be hearing from Chancellor Austin, and we are pleased to have faculty, staff and students from Penn State Schuylkill with us at today's meeting. I do want to note that among those with us today are Allen Kiefer, Chair of Penn State Schuylkill's Advisory Board; Nicole Andel, Chair of Penn State Schuylkill's Faculty Senate; and, Gabriel Rohrberg, President of Penn State Schuylkill's Student Government Association. Thank you for joining us."

The roll was called by Janine Andrews, Associate Secretary of the Board. Following the roll call, the Board voted to approve the minutes of the meeting of the Board held on May 9, 2014.

Chairman Masser continued:

"At this time, I'll ask Tom Poole, Vice President for Administration and Secretary of the Board, to take the podium."

### **Election of Officers of the Board of Trustees**

Thomas G. Poole, Vice President for Administration, in his role as Secretary of the Board, conducted the election of officers. Dr. Poole recounted that in November 2013, the Board adopted a change to the *Bylaws* that moved the annual meeting date from January to July. On May 16, 2014, Keith Eckel, Chair of the Committee on Governance and Long-Range Planning, provided all Trustees with the process and timeline for electing candidates for the offices of Chairman and Vice Chairman of the Board.

Keith Masser presented himself as a candidate for Chairman of the Board; Trustees Kathy Casey and Bill Oldsey announced their candidacy for the position of Vice Chairman of the Board.

Dr. Poole called for nominations for the position of Chair. Trustee Ken Frazier nominated Keith Masser for Chairman; the nomination was seconded. There were no additional nominations from the floor. A motion to close the nominations was seconded and approved.

Dr. Poole then called for nominations for the position of Vice Chair. Trustee Paul Silvis nominated Kathy Casey for Vice Chair; the nomination was seconded. Trustee Ryan McCombie nominated Bill Oldsey for Vice Chair; the nomination was seconded. There were no additional nominations from the floor. A motion to close the nominations was seconded and approved.

Dr. Poole stated that the remaining officers of the Board also required election; all officers, with the exception of Carol Maddox, nominated to replace Wendy Peck, were incumbent officers. Dr. Poole provided the Trustees with voting instructions, including those participating telephonically. Paper ballots were distributed to, and collected from, the Trustees by members of the Board Office staff. Trustees participating telephonically were given specific dial-in instructions to cast their ballots. Nick Jones, Executive Vice-President and Provost, and Madlyn Hanes, Vice President for Commonwealth Campuses, served as tellers for the election.

During the count of ballots, Chair Masser called upon Dr. Harold L. Paz, Chief Executive Officer of the Penn State Milton S. Hershey Medical Center, Senior Vice President for Health Affairs, and Dean of the College of Medicine, to recognize his contributions to the University and wish him well as he departs for a new position as the Executive Vice President and Chief Medical Officer for Aetna. Dr. Paz provided remarks, thanking the University for the opportunities that it has provided to him during his eight-year tenure.

Dr. Poole announced the results of the election. Keith Masser was re-elected as Chair. Trustee Casey was elected as Vice Chair of the Penn State University Board of Trustees. Each of the individuals identified in Agenda item 3 was re-elected to the office to which such person was nominated. This concluded the election process.

Chairman Masser then stated that the election of Trustee Casey as Vice-chair created a vacancy in the at-large membership of the Executive Committee. To fill this vacancy, Chair Masser recommended that the Committee on Governance and Long-Range Planning nominate Trustee Ryan McCombie to fill the seat. Chair Masser called on Trustee Rick Dandrea, Vice Chair of the Committee, to call the Committee into session to consider and act on the recommendation. Vice Chair Dandrea called the Committee into session; a motion to approve the appointment as recommended by the Chair was made and seconded and approved by the Committee. The Committee meeting was adjourned. Chair Masser called the Board back into session; a motion to approve the appointment of Trustee McCombie to fill the vacated at-large seat of the Executive Committee was made, seconded and approved by the Board.

### **President's Report**

Since Dr. Barron began his tenure as President of Penn State in May 2014, he has identified six imperatives for Penn State: excellence; student engagement; economic development and student career success; diversity and demographics; access and affordability; and technology and curriculum delivery. During his report to the Board of Trustees, he took an in-depth look at Access and Affordability, with the goal providing the highest quality education at a cost that ensures access for our citizens. The report provided details on funding a Penn State education, default rates, timely completion, attrition due to finances, and growth in student debt. He has concluded that average student debt could be reduced significantly with timely graduation, and he emphasized that it is imperative that Penn State work toward achieving that end. He also proposed continuing the discussion at future meetings.

Dr. Barron responded to questions and comments about the following items:

- Peer group institutions who model proposed financial programs;
- The availability of counseling in financial literacy for students and their families;
- The inclusion of student achievement in future reports.

For the full text of Dr. Barron's report and companion slides, refer to Appendix I.

[Appendix I]

### **Public Comment**

Seven speakers were present to share their views and visions for the enhancement of Penn State:

Bryan Underkoffler, a student at Penn State Schuylkill, spoke about his experience as a student at Penn State Schuylkill.

William Levinson, an alumnus of the University, spoke about public communication by the members of the Board and its impact on the credibility of the Board and the University.

Cecilia Masella, an alumna of the University, spoke about the importance of alumni elections and questioned leadership appointments on the Board.

Jeff Goldsmith, an alumnus of the University, spoke about the committee deliberation process and the need for greater transparency in Board operations.

Gary Levitt, an alumnus of the University, welcomed the new Trustees to the Board, and spoke about the need for unity of purpose moving forward.

Kathy Cox, an employee in food services at University Park, spoke on behalf of Teamsters Local 8 about its relationship with the University, and the need for continued communication to ensure fairness and equality for all employees.

Jerry Bowman, a retired University staff member, spoke about the positive impact that Penn State Schuylkill has on the larger Schuylkill County community.

### **Informational Report on Penn State Schuylkill**

Dr. Kelly A. Austin, Chancellor, presented his report which highlighted both physical and academic enhancements for the campus. This included information about upgraded residence facilities; the recent award from the Penn State University Sustainability Institute which will support the EPICS project, which promotes campus efforts to become a living laboratory for sustainability; increases in admissions and campus diversity; financial aid; and the support of the Campus Advisory Board. Dr. Austin continued his report, providing highlights of faculty and student accomplishments, philanthropy, community outreach, alumni achievement, and upcoming programs and events.

### **Operating Budget for University for the Fiscal Year Beginning July 1, 2014**

Dr. Eric J. Barron, President of the University, provided a report on the 2014-2015 Operating Budget.

### **Reports from Standing Committees**

Chairman Masser advised that standing Committees met in public session on Thursday, July 10, 2014, to consider any information or action items to come before the board today. Any action item considered and voted on in the Committee was included in reports by the respective Committee chairs. The full Board was asked to consider committee recommendations at the conclusion of each report.

#### **A. Committee on Legal and Compliance**

Chair Kenneth Frazier reported that the Committee on Legal and Compliance met on July 10 with a quorum of the Committee present. The meeting included reports from Regis Becker, University Director of Ethics and Compliance, who reviewed the Committee *Charter* and proposed an amendment requiring his office to provide the committee with annual reports on the results of the

Ethics and Compliance Hotline and other significant misconduct matters. Mr. Becker also provided an explanation of the internal Ethics and Compliance Committee structure, and a broad review of University compliance training efforts. Finally, he provided a year-to-date review of the Ethics Hotline misconduct reporting results. Julie DelGiorno, University Athletics Integrity Officer provided an update on the Athletics Integrity Agreement and reviewed the University's annual reporting requirements.

University General Counsel, Steve Dunham, provided a privileged update in Executive Session.

There were no actionable items presented to the Board.

**B. Committee on Academic Affairs and Student Life**

Chair M. Abraham Harpster reported that the Committee on Academic Affairs and Student Life met on July 10 with a quorum of the Committee present.

The Committee received the following items for information:

1. Information on Undergraduate Programs
  - a) Forest Science Minor to Forest Ecosystems Minor in the College of Agriculture: Name change
  - b) Business Logistics Minor to Supply Chain and Information Systems Minor in the Smeal College of Business: Name change
  - c) Entrepreneurship Concentration; Organizational Leadership Concentration; Human Resources Management Concentration to Human Capital Management Concentration in the Bachelor of Science in Management in the Smeal College of Business: Drop Program; Add Program; Name Change
  - d) Science, Society and Environment of Africa in the College of Earth and Mineral Sciences: Phase Out Minor
  - e) Medieval Studies in the College of the Liberal Arts: New Minor
  - f) Bachelor of Sciences in Environmental Science at Penn State Erie, The Behrend College: New Program
2. Information on Graduate Programs
  - a) Master of Professional Accounting (M.P.Acc.) degree (online intercollege graduate degree program housed academically at Penn State Harrisburg): New Program
  - b) Master of Professional Studies degree in Psychology of Leadership at Work, College of the Liberal Arts, delivered via World Campus: New Program
  - c) Electrochemical Science and Engineering in the College of Earth and Mineral Sciences: New Minor
  - d) Integrative Biosciences (IBIOS) to Molecular, Cellular, and Integrative Biosciences (MCIBS); Discontinuation of the option in Chemical Biology: Program Change; Option Drop
  - e) Cell and Developmental Biology (intercollege graduate degree program academically housed in the Eberly College of Science in conjunction with the College of Agricultural Sciences): Program Drop
  - f) Genetics (intercollege graduate degree program academically housed in the Graduate School): Program Drop
  - g) Immunology and Infectious Disease (intercollege graduate degree program academically housed in the College of Agricultural Sciences in conjunction with the Eberly College of Science and the College of Medicine): Program Drop
  - h) Molecular Medicine (intercollege graduate degree program academically housed in the College of Medicine in conjunction with the College of Agricultural Sciences): Program Drop

- i) Molecular Toxicology (intercollege graduate degree program academically housed in the College of Agricultural Sciences in conjunction with the College of Medicine): Program Drop
- j) Crime, Law, and Justice to Criminology in the College of the Liberal Arts: Name Change
- k) Teacher Leadership option in Master of Education degree in the College of Education: Drop Option

Administrative liaisons, Robert Pangborn, Vice President and Dean for Undergraduate Education, and Damon Sims, Vice President for Student Affairs, provided updates to the Committee. Provost and Executive Vice President, Nick Jones, provided information to the Committee on the recommendation of two administrative appointments; Marie Hardin as the Dean of the College of Communications, and Richard Roush, as Dean of the College of Agricultural Sciences. The Committee unanimously supported these recommendations. Chair Harpster then called on Dr. Jones to share his remarks about the candidates with the full Board.

Chair Harpster then reported on the presentations which were provided to the Committee from members of the Penn State Schuylkill staff and administration. Finally, Chair Harpster noted that the Committee received reports from the 2013-2014 Administrative Fellows on their year-long experiences.

The Committee on Academic Affairs and Student Life recommended that the Board of Trustees approve the following resolutions:

- 1. RESOLVED, That the Board of Trustees hereby approves President Eric J. Barron's appointment of Dr. Marie Hardin to the position of Dean of the College of Communications effective July 1, 2014.
- 2. RESOLVED, That the Board of Trustees hereby approves President Eric J. Barron's appointment of Dr. Richard T. Roush to the position of Dean of the College of Agricultural Sciences effective October 1, 2014.

A motion to approve the foregoing administrative appointments as recommended by the Committee on Academic Affairs and Student Life was made and seconded and approved by the Board.

**C. Committee on Compensation**

Vice Chair Kathleen Casey reported that the Committee on Compensation met on July 10 with a quorum of the Committee present. As part of the Committee's planning process, they reviewed preliminary agendas for the next two committee meetings. The Committee also reviewed a severance provision analysis prepared by the consultants. As a result of the analysis and findings, the Committee approved providing consistent severance packages for all Tier II Executive/Senior Vice Presidents of twelve months and to provide consistent severance packages for all Tier III Vice Presidents of six months. These changes are in accordance with market practice and will provide a consistent framework for all executives.

There were no actionable items presented to the Board.

**D. Committee on Finance, Business and Capital Planning**

Chair Mark Dambly reported that the Committee on Finance, Business and Capital Planning met on July 10 with a quorum of the Committee present.

The Committee received the following items for information and review; Action Items j) and k) were approved by the Committee:



1. Information items
  - a) Lighting Rehabilitation, University Park Airport
  - b) General Aviation Apron and Site Improvements, University Park Airport
  - c) Pattee/Paterno Library Mechanical Improvements, University Park
  - d) Lasch Football Building and Pollock Dining Commons Nittany Lion Training Table Renovations, University Park
  - e) Computer Building Renovations for Hershey Medical Center and Applied Research Laboratory Data Center Co-location, University Park
  - f) Parking and Roadway Repaving, Penn State Erie, The Behrend College
  - g) Naming of Rooms, Portions of Buildings, and Plazas
  - h) Purchase of Property at 315 Rosedale Avenue, Penn State Harrisburg
  - i) Status of Major Construction Programs and Borrowing
2. Action Items
  - j) Summary of Revisions to Existing Scholarships, Fellowships, Etc.
  - k) Acknowledgments of Endowments and Other Major Commitments

Chair Dambly continued with his introductions of Agenda Items for consideration and approval. Agenda Item 2, approval of one contract with SilcoTek at University Park, was deferred until the end of the report. Agenda Item 3 provided a proposal to adopt an Operating Budget for the fiscal year beginning July 1, 2014. Agenda Item 4 provided a proposal for tuition and fees, effective for fall semester 2014. Chair Dambly reported that the Committee approved the resolutions for Agenda Items 3 and 4 by unanimous vote. Rob Pangborn addressed questions related to tuition and fees.

Agenda Items 5 and 6 provided proposals for the appointment of design build teams for residence halls at Penn State Abington, and Penn State Brandywine, respectively. Agenda Item 7 provided a proposal for the appointment of an architect for the student union building at Penn State Brandywine. Senior Vice President for Finance and Business/Treasurer, David Gray, provided detailed information about these proposals, and addressed questions from the Board. Agenda Item 8 provided a proposal for the authorization to expend funds for 300 North Science Park Road renovations, Phase II, at University Park. Agenda Item 9 provided a proposal for the final plans and authorization to expend funds for the Luerssen Building renovations at University Park. Again, David Gray provided detailed information about these proposals. Agenda Item 10 provided for a proposed sale of property, located at 2927-31, West Chestnut Avenue, Penn State Altoona; David Gray provided detailed information about the proposal.

Chair Dambly continued with Agenda Item 2, a conflict of interest item related to Trustee Paul Silvis. Trustee Silvis was not present during the Committee deliberations on July 10, and recused himself during the meeting of the full Board during discussion of, and voting on this matter. Consistent with the Bylaws of the University, Agenda Item 2C seeks Board of Trustee approval of one contract with SilcoTek. The resolution regarding SilcoTek was approved by the committee by unanimous vote.

The Committee on Finance, Business and Capital Planning recommended that the Board of Trustees approve the following resolutions:

1. RESOLVED, That the conditions governing certain existing scholarships, fellowships, awards, and similar funds previously established at the University be revoked and that the Officers of the University are authorized to put into effect the revised regulations as requested by the donors.
2. RESOLVED, That the Board of Trustees gratefully acknowledge the generous contributions of the many friends of the University in support of endowments, funds, and other major

commitments as reported to the Committee on Finance, Business and Capital Planning at its meeting of July 10, 2014.

FURTHER BE IT RESOLVED, That the Officers of the University are authorized to convey the Board's appreciation to these generous benefactors who provide opportunities for many students to receive a quality education.

3. RESOLVED, That receipt of payment by SilcoTek of \$30,000 to the User Research Facilities (132 Land & Water Building, University Park) for two research scientists at SilcoTek (Min Yuan and James Mattzela) to perform surface analysis and materials characterization tests, followed by a data analysis discussion, is hereby approved.

4. RESOLVED, That the proposed Operating Budget for the University for the fiscal year beginning July 1, 2014, as shown in Attachment II and Schedules I - V which are attached hereto and made a part hereof, is approved.

[Appendix II]

5. RESOLVED, That tuition and fees at all locations are, effective 2014-2015 school year, as shown on the statements attached hereto and which are a part of this resolution.

[Appendix III]

6. WHEREAS, The interview process has been conducted by the University's Office of Physical Plant.

RESOLVED, That the Officers of the University are authorized to employ Turner Construction of Philadelphia, Pennsylvania, to design and build the Residence Hall at Penn State Abington.

FURTHER BE IT RESOLVED, Final plans for the project will be brought to the Board of Trustees for approval when designed and costs have been established.

7. WHEREAS, The interview process has been conducted by the University's Office of Physical Plant.

RESOLVED, That the Officers of the University are authorized to employ Barton Malow of Baltimore, Maryland, and EDIS of Malvern, Pennsylvania, Joint Venture, to design and build the Residence Hall at Penn State Brandywine.

FURTHER BE IT RESOLVED, Final plans for the project will be brought to the Board of Trustees for approval when designed and costs have been established.

8. RESOLVED, That the Officers of the University are authorized to employ Stantec, Inc. of Philadelphia, Pennsylvania, as architect for the Student Union at Penn State Brandywine.

9. RESOLVED, That the final plans for the 300 Science Park Road Renovations – Phase II, as designed by Office of Physical Plant Design Services, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project are approved in the amount of \$14,250,000.

10. RESOLVED, That the final plans for the Luerssen Building Renovations at Penn State Berks, as designed by the firm of Bohlin Cywinski Jackson of Pittsburgh, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to construct the project be approved at a cost of \$15,300,000.

11. RESOLVED, That the Board of Trustees approves the sale of .262 acres located at 2927-31 W. Chestnut Avenue, Altoona, Blair County, Pennsylvania, to Emanuel P. Nichols in the amount of \$34,000.

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

A motion to approve the foregoing resolutions as recommended by the Committee on Finance, Business and Capital Planning was made and seconded and approved by the Board. Trustee Silvis recused himself and did not vote on Resolution number 3.

**E. Committee on Governance and Long-Range Planning**

Vice Chair Rick Dandrea reported that the Committee on Governance and Long-Range Planning met on July 10 with a quorum of the Committee present. The Vice Chair reported that Chairman Masser shared information with the Committee about the formation of a task force to evaluate the Presidential search process; the Vice Chair of the Board will lead this effort. Additionally, governance consultant Holly Gregory provided an update, with key stakeholders presenting on behalf of students, faculty and the Alumni Association. The consideration of governance changes will resume at a special meeting of the Committee in August.

Vice Chair Dandrea reported on the following Committee recommendations:

“Standing order six addresses the granting of trustee emeritus status to former members of the board. Each former chair of the board as well as any other trustee having served 20 years is automatically entitled to trustee emeritus status. This automatic provision applies to Trustees Jesse Arnelle, James Broadhurst, and Joel Myers. Former members of the board who have served 12 or more, but less than 20 years, for those individuals, a review of service is conducted to consider offices held attendance records, participation in activities of the Board and other significant contributions. The Committee reviewed the service records for two individuals in this category, former Trustees Sam Hayes and Paul Suhey, by a vote five in favor, none opposed, and two abstentions. The Committee voted to recommend to the full board approval of emeritus status for Sam Hayes and Paul Suhey.

“The March 2015 meeting of the board of trustees is currently scheduled for March 12 and 13. The Committee on Governance and Long-Range Planning by unanimous vote recommends that the dates for that March 2015 meeting be changed to March 19 and 20.”

Trustee Lubrano offered the following statement:

"I would like for the record to note that at our governance Committee meeting yesterday that I was one of the two abstentions. I asked my colleagues on the Committee to consider delay on this matter until we'd concluded our work on reform because it seems to me that they go part and parcel. I will make again that call to the full Board to stay this decision on the table until we've concluded our work because this is, as we all know, one of the items addressed by among others, former Auditor General Jack Wagner. I would hope that we're sincere on our effort for governance that we would in fact, look at this as an opportunity to address this issue too, since we really have not addressed this issue, but at a brief session at the Hintz Center two years ago. And as all of us who were in attendance recall, we were a bit rushed to even address this item. So, I would like the record to note again that I think that for us as an organization, as a Board, we really ought to defer this decision. And this does not in any way, shape or form a personal matter for me. In fact, I would ask as I did yesterday how it is that other members with 12 years of service have not been considered. The answer that I was given yesterday was that some policies has been put in place that I certainly wasn't aware of and I'm not sure anyone else was. You had to wait a year before you could be considered. So you know, it's for just this reason and the fact that we're supposedly undertaking genuine reform that I think we ought to wait so."

Vice Chair Dandrea responded that changes to the Trustee Emeritus *Standing Order*, those reforms would apply on a prospective basis to future consideration of the award of that status, and that in fairness to people who served in the past judged according to the criteria in existence during their years of service. Dandrea called on Associate General Counsel, Frank Guadagnino, to recall the previous reforms that have been made to Trustee Emeritus provisions. Trustee Lubrano followed with a question about the one-year waiting period for Emeritus status, indicating that it does not appear in the *By-Laws*. Vice Chair Dandrea agreed that a one-year waiting period, if proposed, should be integrated in the Standing Order on Trustee Emeritus status, but should not be a consideration relevant to the granting of this status to individuals who served in the past, who should be judged according to the standards for granting of Trustee Emeritus status that were in existence during their years of service and at the time they left the Board.

The Committee on Governance and Long-Range Planning recommended that the Board of Trustees approve the following resolutions; Trustee Lubrano requested a roll call vote for the following resolutions:

1. RESOLVED, That in recognition of loyal and meritorious service to the Board of Trustees, the members of the Board encourage Samuel E. Hayes, Jr. and Paul V. Suhey to serve as emeriti trustees of The Pennsylvania State University, effective July 11, 2014.
2. The Committee on Governance and Long-Range Planning recommends to the Board of Trustees that the dates of the March 2015 meetings be changed to March 19-20, 2015.

Chairman Masser called the full Board into session. A motion to approve the foregoing resolutions as recommended by the Committee on Governance and Long-Range Planning was made and seconded and approved by the Board. It should be noted that the resolutions were approved, 16-0, with 9 Trustees abstaining from the vote.

Following the vote, Trustee Brown shared the following statement:

"I'm not on the Governance Committee, and had no opportunity to make a comment yesterday, and there's going to be a special meeting before our next

Board meeting. So I want to make a comment today that I think Kay and Roger would agree that I'm one of the most supportive of the Alumni Association, I go to events and so forth to demonstrate that support. And I'm not speaking in opposition to them having an additional member in the Board. What I am expressing a concern is, if the decision is made to have an Alumni Association Trustee position created that it not take away from the alumni elected because if you take away from the alumni elected, you just disenfranchised 436,000 alumni by doing that. So I just wanted to put that on the record. Thank you."

**F. Committee on Outreach, Development and Community Relations**

Chair Paul Silvis reported that the Committee on Outreach, Development and Community Relations met on July 10 with a quorum of the Committee present. The Committee was provided with an update on *Penn State Today*. The inaugural, electronic transmission occurred on June 30, and is intended to highlight the achievements of Penn Staters around the globe, celebrate successes in our three-pronged mission of teaching, research and service and promote an exchange of ideas among the various individuals who learn and work at Penn State. The Committee also received an update on the University's transition to a new emergency alert system, which provides enhanced messaging capabilities in a more robust integration with the University's other communication platforms. Updates were provided by administrative liaisons in Outreach, Governmental Affairs and Development, and from Kay Salvino, President of the Penn State Alumni Association.

Chair Silvis thanked Rod Kirsch, Senior Vice President for Development and Alumni Relations and his staff, as well as Peter Tombros, Chair of *For the Future: The Campaign for Penn State Students*, for a successful campaign conclusion. The *Campaign* exceeded its goal and the results will provide a significant benefit to our students.

There were no actionable items presented to the Board.

**Election of Members to the Board of Directors: Agricultural Law Resource and Reference Center, The Dickinson School of Law of The Pennsylvania State University**

The following resolution was made and seconded and approved by the Board:

RESOLVED, That the Board of Trustees elects Trustee M. Abraham Harpster and Trustee Betsy E. Huber to serve on the Board of Directors of the Agricultural Law Resource and Reference Center of The Dickinson School of Law of The Pennsylvania State University.

**Informational Report on the Penn State Alumni Association Activities by the President of the Alumni Association**

A report on the activities of the Penn State Alumni Association was presented by Kay Salvino, President of the Penn State Alumni Association for 2013-14.

**Announcements by the Chairman of the Board of Trustees**

Chair Masser provided his closing remarks, and thanked Chancellor Austin and his staff at Penn State Schuylkill for serving as gracious hosts for the Board meetings. Chair Masser stated that the Board takes the mission of this great institution seriously, and will continue to strive for progress for the betterment of our students, faculty, staff and alumni. He noted that *For the Future: The Campaign for Penn State Students*, officially ended on June 30th with an even higher total than was previously announced. The final total is an incredible \$2.188 billion with current and past trustees contributing over \$100 million to the *Campaign*. Chair Masser recognized President Barron's commitment to the importance of student engagement, and its impact on enriching the student experience. Finally, he remarked on the great honor

and privilege of serving on the Board, and in his continuation as Chair, looks forward to the collective advocacy that the Board can provide to our President, administrators, faculty, staff, students and alumni.

Chair Masser called for other matters to come before the Board.

Trustee Lord presented a proposed resolution for the Board's consideration; hard copies of the resolution were distributed to the Trustees. The proposal, as it was presented to the Board, is included in its entirety as Appendix IV.

[Appendix IV]

Trustee Lord read the proposal aloud, and asked for guidance on the protocol of discussion and action. He summarized the proposed resolution, stating that it compels the Board to complete the unfinished investigation started by Mr. Freeh. Trustee Lord recalled his earlier conversation with General Counsel Steve Dunham about the proposed resolution, during which time Mr. Dunham suggested that the matter be suspended at this time because he believes that discussion will, in fact, require that we move to Executive Session due to a variety of privilege issues. Trustee Lord agreed with Mr. Dunham, and agreed to suspend discussion until the September public meeting, when he will ask for a roll call vote on the resolution.

General Counsel Dunham confirmed the conversation with Trustee Lord, citing that the resolution overlaps multiple legal proceedings and legal issues facing the University. The discussion would require a meeting in privileged session, and to protect and promote it, it would be best to defer discussion until later.

Trustee Harpster suggested that the motion, initiated by Trustee Lord, and seconded, be tabled by the Board until the September meeting, at which time it will be taken off the table in privileged, Executive Session. A motion to table the foregoing resolution was made and seconded and approved by the Board.

The meeting adjourned at 4:53 p.m.

The meeting is available in its entirety at <https://www.youtube.com/watch?v=Di4QqD5IFsM>

Respectfully submitted,

Janine S. Andrews  
Associate Secretary,  
Board of Trustees

**Remarks from President Eric J. Barron**  
**Meeting of the Penn State Board of Trustees, Penn State Schuylkill**  
**July 11, 2014**

"Thank you.

"As many of the Board Members know, I have been looking at six major issues as a way to explore how Penn State is doing and how we might be able to develop strategic initiatives moving forward. And I put the six topics up on the screen. Excellence and student engagement as a way to get students with--that are healthier, happier and have better grade points and better resumes to graduate. Economic development and Student Career Success, Diversity and demographics, Access and Affordability and Technology and Curriculum Development. We've been busily exploring these topics and I thought what I would do instead of giving you a list of accomplishments I would dig in on one of these topics and see if that's a good way for me to proceed in other meetings to address each meeting, one of these major topics.

"So, here is our goal. We want the highest quality education for our students and we want to do it at a cost that ensures access for our citizens. Now, we have obviously, a lot of discussion about tuition and in fact, nationwide for publics is this clear notion that we're becoming increasingly tuition-driven as public universities. And what I've done here is, for 2009-2010, which is the last opportunity for which we have data from a large group of Big Ten schools, is to place up on the screen the tuition amounts for which you see that Penn State is at the top of the list. And appropriations are done on a per student basis per in-state Pennsylvania student basis. And those two equal the basic revenues that drive our ability to educate students. And whereas you see that we're at the top in terms of tuition numbers, we're at the bottom in terms of appropriation. And if you look at this and the average is here, what you see is Penn State is actually in a group in the upper part of the lower half of the universities for which we have three--Penn State, Michigan State and Iowa--that basically have the same basic revenue. And, all of these institutions are in relatively close range. So what this is telling you is, to be a great institution, to be competitive in the nation, we need a certain amount of resource per student.

"But what you see that is very different is that the universities gain those resources in a very different way. In our case, the way we met our \$17,000 is almost entirely from tuition and a smaller part from state appropriation. The next thing that I did was plot here, what that dollar amount is against the *U.S. News and Rural Public Rank* of universities for which you know, we're very proud to be number eight. And I fit a trend line to it. And the trend line basically suggests that if you have more money to spend on a student, you can get a higher national rank, that's not a surprise. But what's more interesting to me is that, if I'm above that line, then I'm spending quite a bit more money than my rank would suggest that I'm spending. I'm not very efficient in developing and I won't name those two schools but perhaps, you noticed it from that previous diagram. On the other hand, if you're below that line, then you're an institution for which the rank that you've achieved is higher than what you'd expect from the resources that we have. So, a good thing to know is that Penn State is one of those institutions below that line which suggest of our Big Ten partners, we're more efficient in at least developing this measure of quality than many of our partners. So, this is a good story but it's also telling us that in this family of institutions, of truly great institutions, you need a certain amount of revenue. And it's really the difference between the institutions is where you get the funds from. Whether or not it is that you do it through tuition or whether you do it through state appropriation.

"Now, there is some good news here even with our tuition rate. We have a record number of applicants, 124,000. Every time at a meeting, I have to increase this number because more and more come in each and every day. This is a record, the highest ever. It is a very strong suggestion that

students recognize the value proposition of a degree at Penn State University. The other thing that's interesting is that the percentage of first-in-family students to go to college is still growing. We're not becoming financially selective in terms of our student population. That's also incredibly important. 39 percent of our students in the Commonwealth Campuses, and 21 percent at University Park, are the first in their families to go to college, and I show you the Pell numbers, or 37 and 19 percent there, because "first in family to go to college" and Pell are often an overlapping population. We are extremely proud of the fact that the *"For the Future"* campaign raised a significant amount of money for student scholarships. That tells me that I'm coming into an institution that cares deeply about making sure that students have access to higher education. It is also, I think, noteworthy that our student default rates, 6.4 percent, are more than 2 percent below the Pennsylvania average, and even farther below the national average using recent data.

"This graph shows the increase in institutional awards we're making for students to defray the cost of a higher education. One number is from general funds and one is from annual endowed funds. And this is on a study of upward trajectory and a good portion of that is a commitment by this Board for Trustee scholarships and a commitment by our friends and alumni to make sure that they are helping to contribute to a more accessible education for our students. The next thing you see is the undergraduate student loan default rate. I'm just illustrating those things that I just told, the Penn State default rate seen in blue, all Pennsylvania schools in white, and the national average for all schools there in green. You really don't see a distinction for Penn State in terms of the shape of that curve. This is a recession we're looking at, basically as a result in terms of default rate and potential for jobs. But the good news is, we are at the bottom of those three curve sets even though the shape of that curve is the same, and it tells you that what's happening here in terms of default rates is a national issue. It's also telling you, if you're lower in that number that you have a higher probability that your students are getting jobs and therefore they're paying back those loans.

"I could rest with that good news and stop here, but there is some not-so-good news here as well; 66 percent of our students graduate with some debt. You might be surprised to know that if I go back 10 years, that it's still 66 percent of our students were graduating with some debt. Very little change in percentage but the average debt has grown from being less than 20,000, 10 years ago to \$35,429 today. So, that number is calculated by averaging the debt for the 66 percent. All the zeros for the 44 percent, are not in that number just in case you did not know. And we've seen student default rates grow each year as we've gone through the recession. That doesn't make anybody feel at all comfortable. So let's think about addressing the issue of cost.

"What do people most frequently focus on? What do you read about on the news? Well one of the things you're reading about in the news is tuition. Tuition is going up. Now it's kind of interesting if you did take a number like 3 percent of \$16,444, you get \$492. But if you go an extra year, you have \$16,444. That's the biggest tuition increase you can deliver to a student who does not graduate in four years. And of course, many of us when we were students, there was no choice, you are going through, and you're going through fast and that was the expectation and people said, 'Well what's going on if you were there a little bit longer?' The second most frequent focus we have is the growth in student debt. But I don't want to forget the fact that the biggest tragedy is to come on to our campus, borrow money to go to school, and have your finances stop you from getting your degree because you've graduated, or you haven't graduated, and still have the debt. So these are important problems for us to focus on. And so my view is, let's not think so much about that 3 percent. Let's first tackle the problem which is incredibly significant, and that's the total cost of the degree. What that reflects is timely completion

"We can significantly impact the cost of a degree for our students if we can help them graduate more quickly. Let's focus on the tuition due to finances, and let's focus on that growth in student aid. If we dig into this a little bit more deeply, this is a chart that represents a cohort of students from 2007, '08. So we know their six-year graduation rate. What you're looking at is how many students, and at what level they're borrowing as they go from year one, two, three, four, and unfortunately, there, for five and six, fifth



year, sixth year, in-state students, out of state students; total average of what they're borrowing, total number of students that are borrowing the funds. So what do I see in there, because I know numbers are hard to read in such a big room. Well, what we're seeing is, the average amount that a student is borrowing as you go one, two, three, four is increasing. Now part of me is thinking that might be fatigue from families who are, 'OK, we've spent our money to give you this first year amount but now I've come to year two and year three and my family resources aren't so great.' The number of students borrowing decreases from year one to year four, and it drops about 15 percent. But you'll see later on, our attrition is close to an average of 15 percent. So it almost makes you start to wonder whether or not part of that decrease in the number of students borrowing, the students we have are borrowing more, part of that decrease in the number of students borrowing may be attrition and you have to wonder whether finance is a part of the reason. Now we also know that for 2007, '08, 2,635 Pennsylvania students borrowed in year five an average of \$8,249 and then another 95 students in year six borrowed an average of \$16,437, and then that sixth year really hurt. Well I'm not too proud of that year number five either. So what this means is, just as entering class in 2007 and '08 borrowed \$23 million to finish out. That freshman class borrowed \$23 million by going to year five and six. If we can get rid of that year five and six and not borrowing, we just saved our students \$23 million. Now if I say that 67 percent of our students are borrowing, 66 percent of our students are borrowing and multiply that by the number of students and then divide that into there, we would drop the average student debt of our students by \$2,400 and some dollars just in that little piece of the equation already. Now wouldn't it be wonderful if we were one of those institutions that watched the student debt average start to decline for our institution.

"The other thing that I think is incredibly important is that, it goes back to that set of problems that we want to solve is that family income is a predictor of graduation rates. Now, we know the GPA and SAT scores are also a very strong predictor of graduation rates. But look at the data that's at the bottom there. For every \$10,000 increase in family income, starting with less than \$18,486 as a family income, the odds of graduating in six years or less goes up 6 percent. So we're looking at a six-year graduation rate for that lower income class for the entire institution of 50 percent; at UP 71 percent; at Commonwealth Campuses, 40 percent. You go up that next level of income and it jumps to 62.7 percent. And if you go greater than \$88,000, the sixth year of graduation rate jumps to 77.6 and 88 percent there at University Park. So this is telling us that we have a number of students who because they don't have financial capability are entering the system and then not graduating. And my bet is, each one of those students has assumed some debt and so, that means no degree and some debt. As I said, you know, our degree has an incredible value. Every single business magazine out there tells you how successful our students are. That lower debt rate is because our students are successful in getting jobs. We have a set of students who represent a bigger tragedy that aren't graduating and have debt. Difficult to see and I know we'll share all of these, but this chart actually shows you how students pay for their education. And it's taking on the left here, University Park Pennsylvania students, University Park non-PA, Commonwealth Campuses PA, Commonwealth Campuses non-PA, and you're going through a set here which is green as expected family contribution, red is grant, yellow is federal student loans, scholarships are in purple. A variety of the two lowest colors of blue, least dense colors of blue are two different kinds of loan. And the dark blue is unmet need. This unmet need, especially for out-of-state students continues even if we go up to categories of income that are \$187,000 plus per year. But obviously, the green is growing with the expected family contribution. So we're seeing a significant amount of unmet need that's highly correlated of course with what your family income is.

"So, what does this tell us? The unmet need for students with a family income of less than \$32,000 is approximately 30 percent of the cost of attendance. That means I add up all the sources that they have, and 30 percent of it, they don't come up with. And that has to come from some sort of employment or loan that we don't know about. That 30 percent of the cost of attendance, and the cost of attendance at UP is, for an in-state student is \$28,259, in the Commonwealth Campus is \$22,147. That yields an unmet need at UP of \$9,900 a year for that low-income category, and \$8,100 at Commonwealth Campuses. So what happens? First of all, just to make sure we're including the loan as well as unmet need, that means their loan rate at UP is about \$8,000 a year and at the Commonwealth Campus is

\$4,600 per year. So, significant unmet need, quite a bit of borrowing, what is exactly the outcome of that? Well, the problem is, what I'm going to have to do to meet that unmet need is I'm going to have to work more hours. That's the only way that I'm going to be able to address that. So, if I have many more hours of work, that's the equivalent of having fewer hours in the classroom, a much higher attrition rate, you saw the much lower six-year graduate rates they result from it. You end up with some debt without a degree and higher debt, because if I'm going through the system very slowly like that, I'm going to year five and six. So not only is my disadvantage by borrowing more, but I'm going to borrow more over a longer period of time. This is more acute for the out-of-state students, many of them, but I kind of focused here on the Pennsylvania students. I just want to point out there is some unmet need even for a Pennsylvania student up there close to a family income of a \$100,000.

"So let's talk about possible solution. What should we do? How should we address this? So here is one notion. Let's take every student and say, 'OK, we have an expectation that you'll get a minimum wage job, you're going to work or otherwise, you're not going to have that unmet need. For 20 hours a week, minimum wage, 50 weeks of the year, \$7,250 in the State of Pennsylvania.' If I now take that one job of 20 hours a week off the top, and say that for all of us, we might have an expectation instead of this being given to you, you're going to have some work time. If I take off that job off the top, then I need 25.6 million to cover all the rest of the unmet need annually for Penn State students. So does that make sense to you? Do you understand what I'm trying to say? You work 20 hours a week, minimum wage job, and I take that as part of your funding formula and I've got 25.6 million and I have an obligation as an institution to find that 25.6 million. Because if I don't, then you're going to work more hours and you're going to graduate with more debt because it's five or six years long or you're not going to graduate and borrow the money. It would be really easy to sit there and say, 'get to work;' Now, just so you know, that's 14.6 million is the total for students with a family income, Pennsylvania students of less than \$32,000 per year, which is 11,419 students. So, now, all of a sudden, if I'm providing that, then I have a set of students that are working less and they can take a higher course load, they have more timely graduation, they are graduating and they have less debt and they're very likely to have better grades. So in my view point, this is a possible solution to what I see is, if you dig down, to be the most significant problem, not \$492 of tuition change.

"The second thing is, to address the potential of reducing the total cost to degree and focus on timely completion. And part of this is to explore options such as, can you give students an online summer at an incredible discount so that they're not borrowing during that summer because you set up a series of courses that help students meet need? And instead of going for year five and six, I now have a summer course and it's online. I'm still doing my 20 hours a week but I'm taking advantage of our wonderful world campus and our ability to deliver things online. I'm deliberately discounting this in a way that takes those students with unmet need and help them be more successful. Can I do this in a residential summer? Lower utilization of the classroom, faculty would like to make more, lower utilization of residence halls so that we have to be careful because there's a certain amount of maintenance that goes on in those residence halls. And look at what is breakeven for the University, which is essentially a different way to provide a scholarship for student, and think of it as, picking up a semester without debt. That's another possibility.

"Now third is to really look at those factors that have an impact on time to degree or associated with high attrition. One part of that is stronger advising for students that are undeclared. Nationally, a student that doesn't declare a major has a lower retention rate and a lower six-year graduation rate, than does a student that's declared right away. What can we do to help those students make the choices so that they don't lose time end up with a year five and six or decide they can't afford to stay? One of the wonderful things about LionPATH that we're working to fund here, is that LionPATH has the opportunity, I believe, to monitor degree requirement. What if I'm an engineering major and I've just missed a course that's a prerequisite and it's only offered one time a year? The computer pops you out and informs you and an advisor, you just lost a year. You're going to have to go an extra year to get your engineering major because you missed the prerequisite that's not offered again until the fall of the next year. Did you

do that on purpose? If you did it on purpose, I don't know what to do. But if you just decided, there was a wonderful philosophy class that you wanted to take because you like that professor, and you skipped engineering XYZ, and you didn't realize it was going to take you an extra year to graduate, then we catch that student and help make sure they have timely graduation.

"There are also a lot of programs and I know we focus on this for those first in family to go to college because they also, part financially and part other reasons, partly role models, have a higher attrition rate than the other students. So you get the idea here that what I'm trying to do is contemplate strategically with all the wonderful people at Penn State to solve what are the critical issues that are associated with access and affordability. And the first step in this particular process is not to get ourselves wrapped around the axle over the \$400. We need to focus on what the key problems are here. The extent to which attrition and time-to-degree is correlated with financial need. We're looking at this much more closely to find out how many of those students that are leaving are really doing so because they're facing unmet need and debt and they can't see themselves to the end because they're working too hard, they're not going to be successful, and they see that fifth year coming and that sixth year coming and debt as they leave out. To seek the resources, to provide kind of a Penn State Promise, can we find that \$20, \$30 million to create a Penn State Promise? You come to Penn State, you're need-based, you have unmet need, even going into some middle income brackets, and look at that student and say, 'You work that 20 hours a week, we're going to cover the rest of that unmet need so that you don't get two jobs, or work 35 hours, and end up not graduating, or having bigger debt from five and six years.' We want to look, study this notion of the summer study session both online and residential, to see if we can find a much more cost effective student period to get more credits at a much lower cost so that we get timely graduation. And we need to be looking carefully at all the programs even the ones we think we do really well to see if we can have an impact on those students that we know are particularly vulnerable.

"This, in my view, takes one of those six issues and starts to focus strategically on how it is that we can take charge of it and make the very biggest impact on our students. And I think which we'll watch is if we can be successful on this. We'll watch that student debt number go down. We'll watch our graduation rates go up. We will see those students graduating more quickly, every single one and likely to have higher grades, all those things are tremendous benefits for the citizens of Pennsylvania. That's the end of my remarks. I am more than happy to take questions. I hope you will also tell me whether or not I should stand up here and talk about a lot of our accomplishments, or whether your game for me is to sit here and take each one of those six issues, talk about the data, talk about what we're thinking about and how we make this University truly strategic and how it moves forward.

"Thank you very much for your time."



# **President's Report to the Board of Trustees**

***July 11, 2014***

## Examining Six Major Issues

- Excellence
- Student Engagement
- Economic Development and Student Career Success
- Diversity and Demographics
- **Access and Affordability**
- Technology and Curriculum Delivery





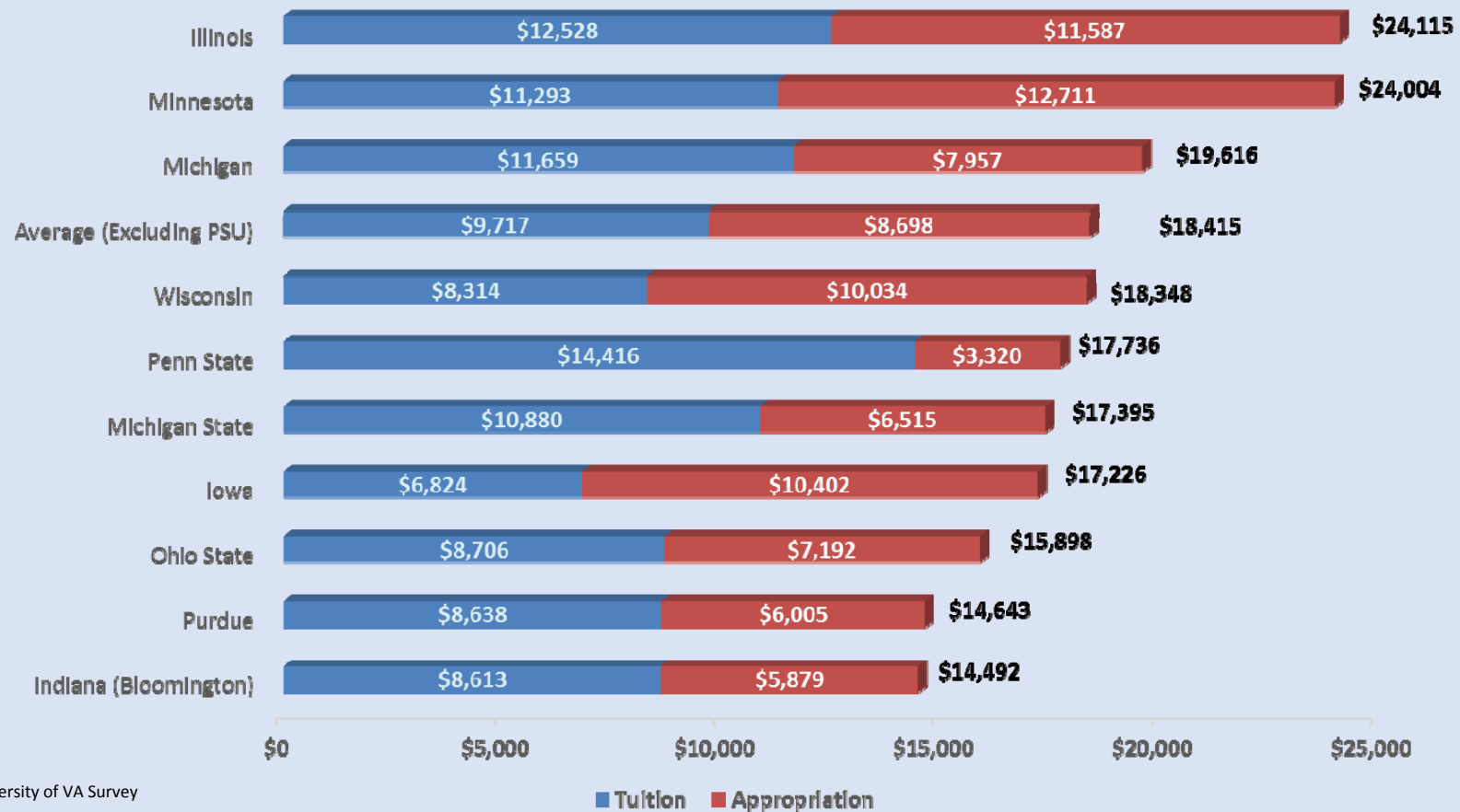
## **Access and Affordability**

***Goal: Highest quality education at a cost that ensures access for our citizens***

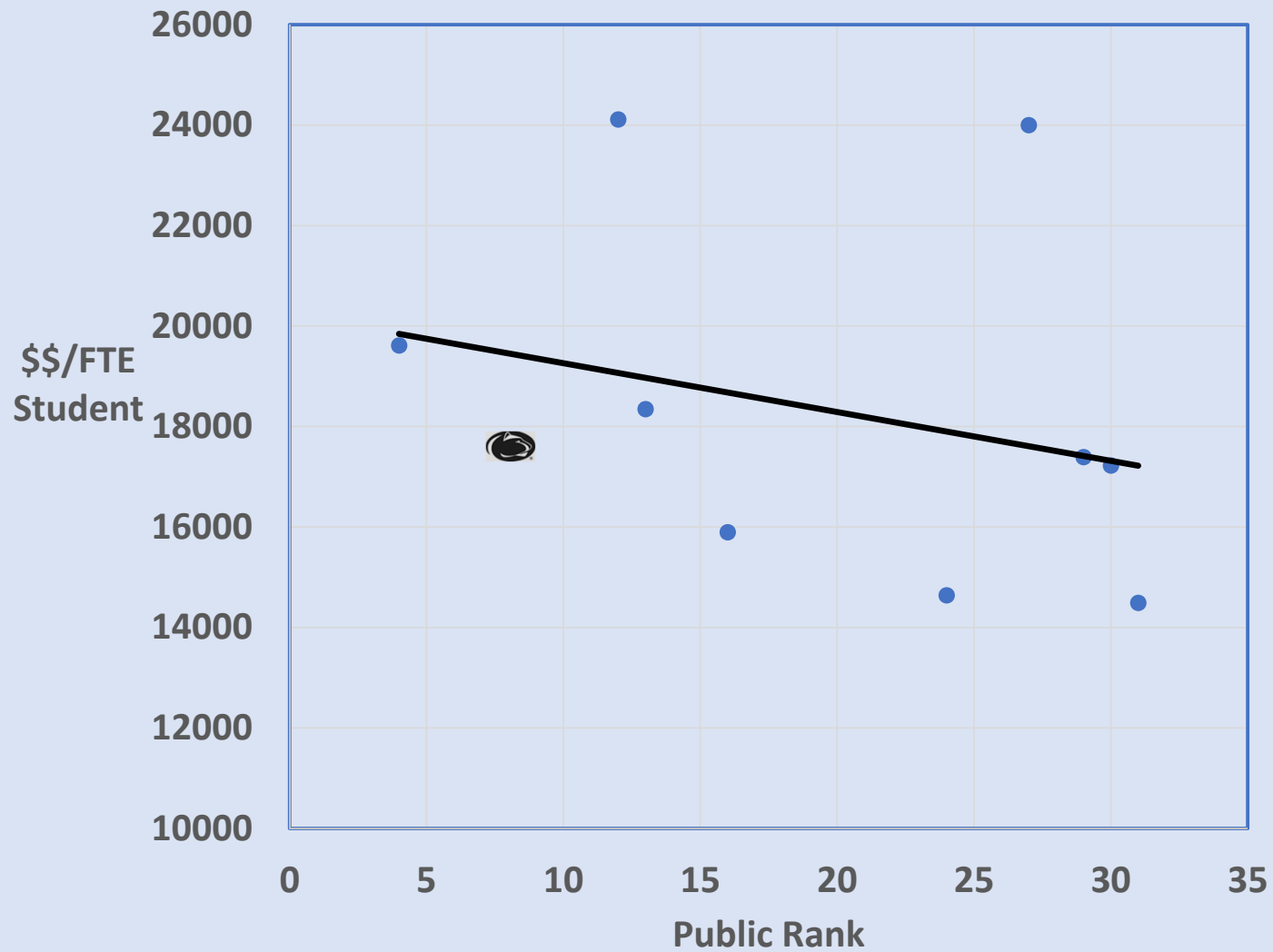


# Evolution to a Tuition-Driven University

## 2009-10 Resident Lower Division Tuition & Fees Plus Appropriation/FTE Student



## US NEWS PUBLIC RANK VS. REVENUE \$



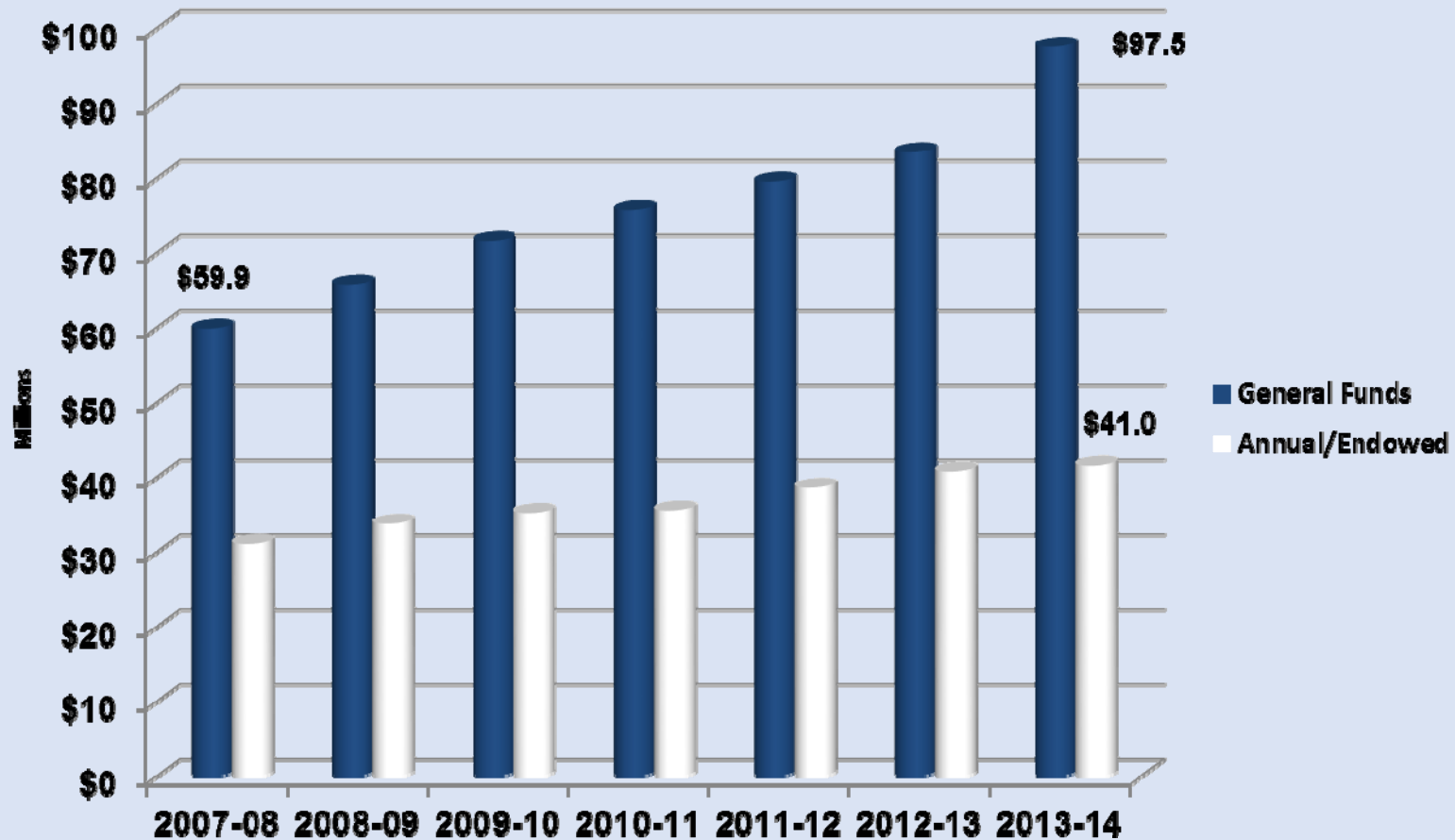


## The Good News

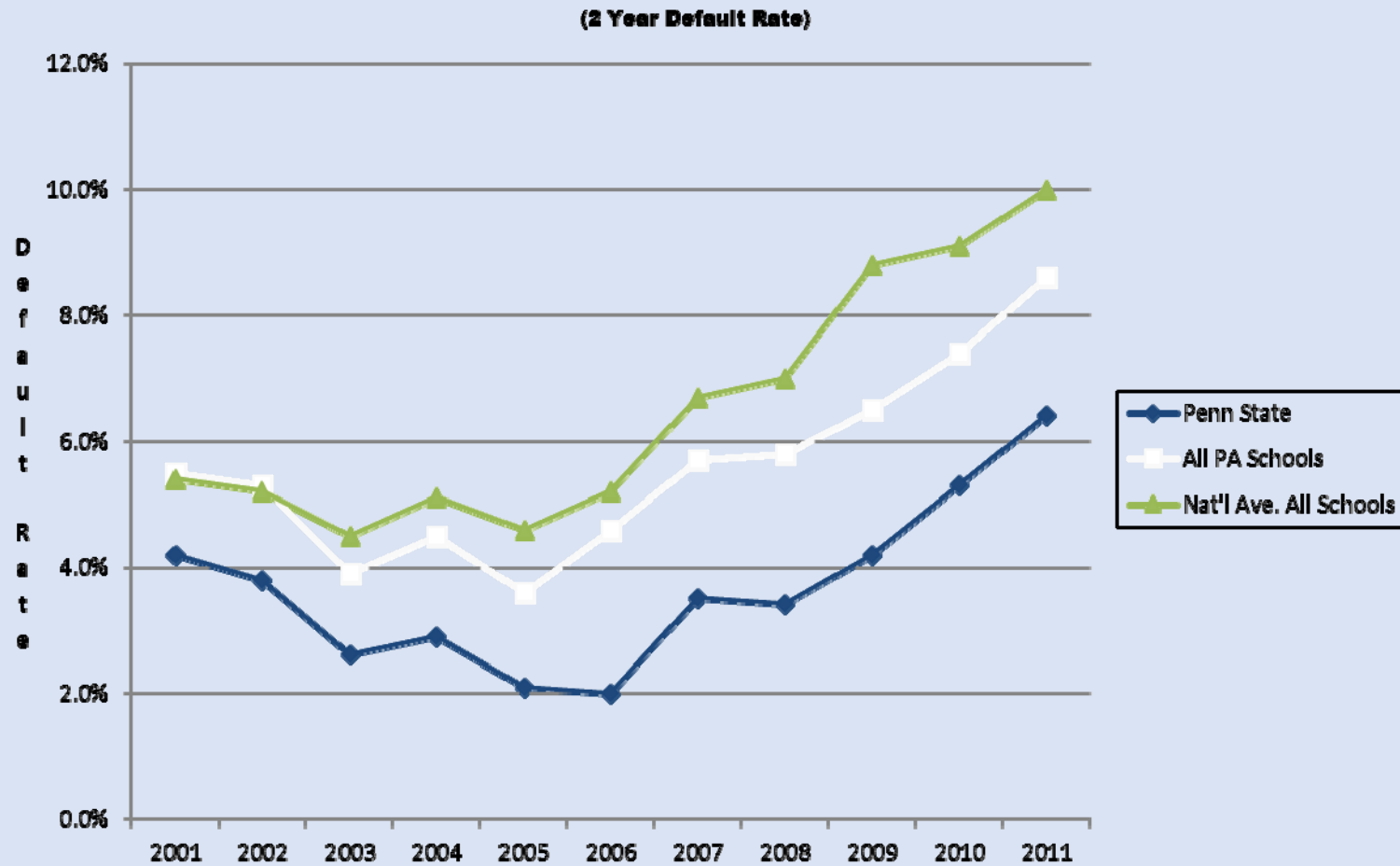
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- Record number of applications –124,000 this year to date (highest ever - strong value proposition)
- % of first in family students still growing – 39% at CC and 21% at UP (37%/19% Pell)
- *For the Future* raised \$514 million for scholarships
- Student default rates (6.4%) are more than 2% below PA averages and 3.6% below national averages (most recent data 2011)

## Growth of institutional awards since the public start of *For the Future: The Campaign for Penn State Students*



# Undergraduate Student Loan Default Rate



## The Not-So-Good News

Average student debt is growing:

- 66% graduate with some debt (very little change over the last decade); but of these the average debt has grown from less than \$20,000 a decade ago to \$35,429 today.
- Student default rates have grown each year since the recession started.

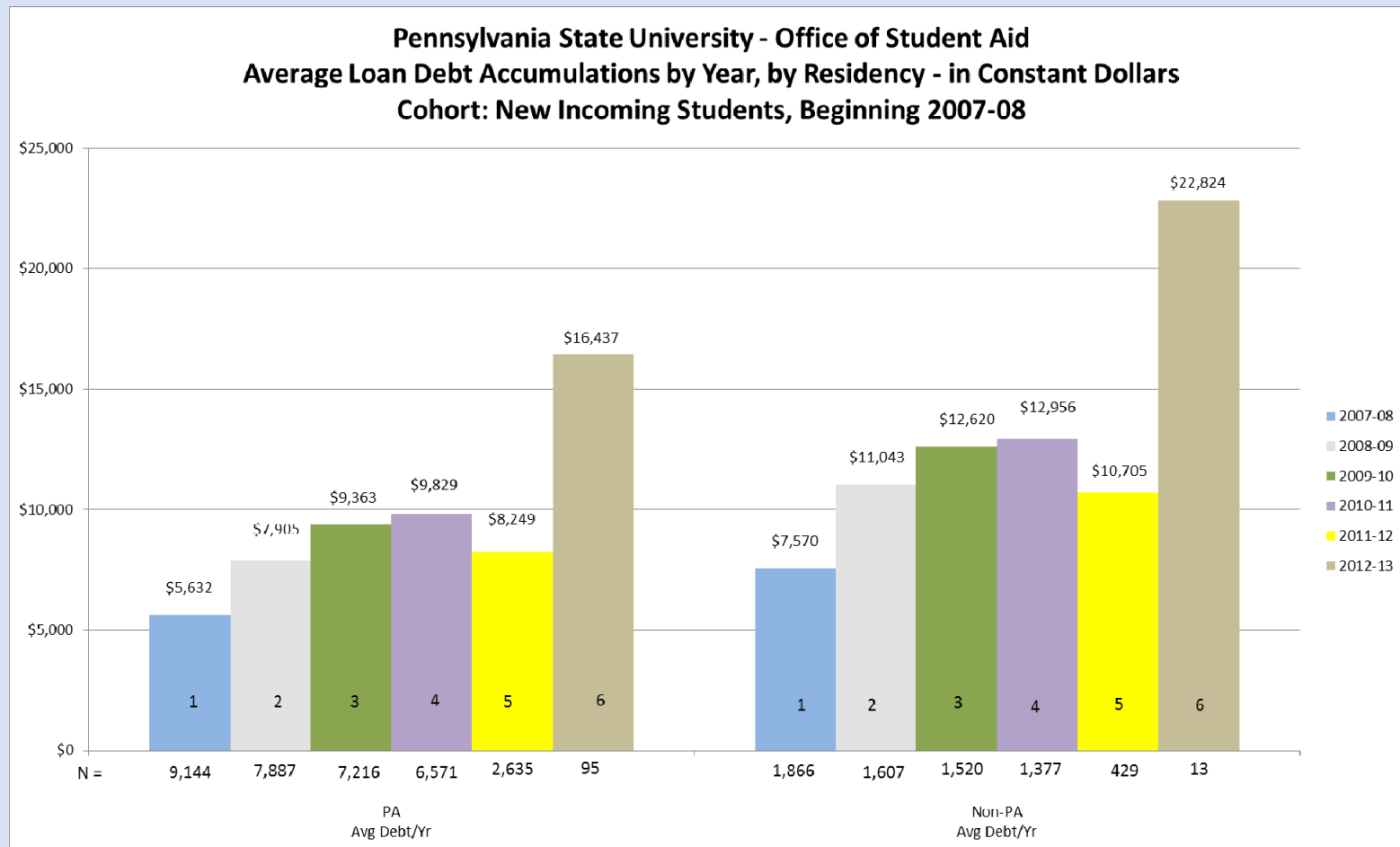


## Addressing the Issue of Cost

- Most frequent focus: tuition increases  
But consider, 3% of \$16,444 is \$492, whereas an extra year of classes is \$16,444: the biggest of all tuition increases
- Second most frequent focus: growing student debt  
But, debt without a degree is even a bigger tragedy

***Our first FOCUS should be the cost of degree (timely completion), attrition due to finances and growth in student debt.***

# When do students borrow?



## Observations on when students borrow

- The average amount borrowed increases from years 1 to 4 (family financial fatigue?)
- The number of students borrowing decreases from years 1 to 4 (part attrition?)
- For 2007-2008 cohort, 2,635 PA students borrow in year 5 (average \$8,249), 95 students in year 6 (average \$16,437).
- Total borrowing in years 5-6 (PA cohort: \$23 million)

***Conclusion – average student debt could be reduced significantly with timely graduation***

## Family income is a predictor of graduation rates

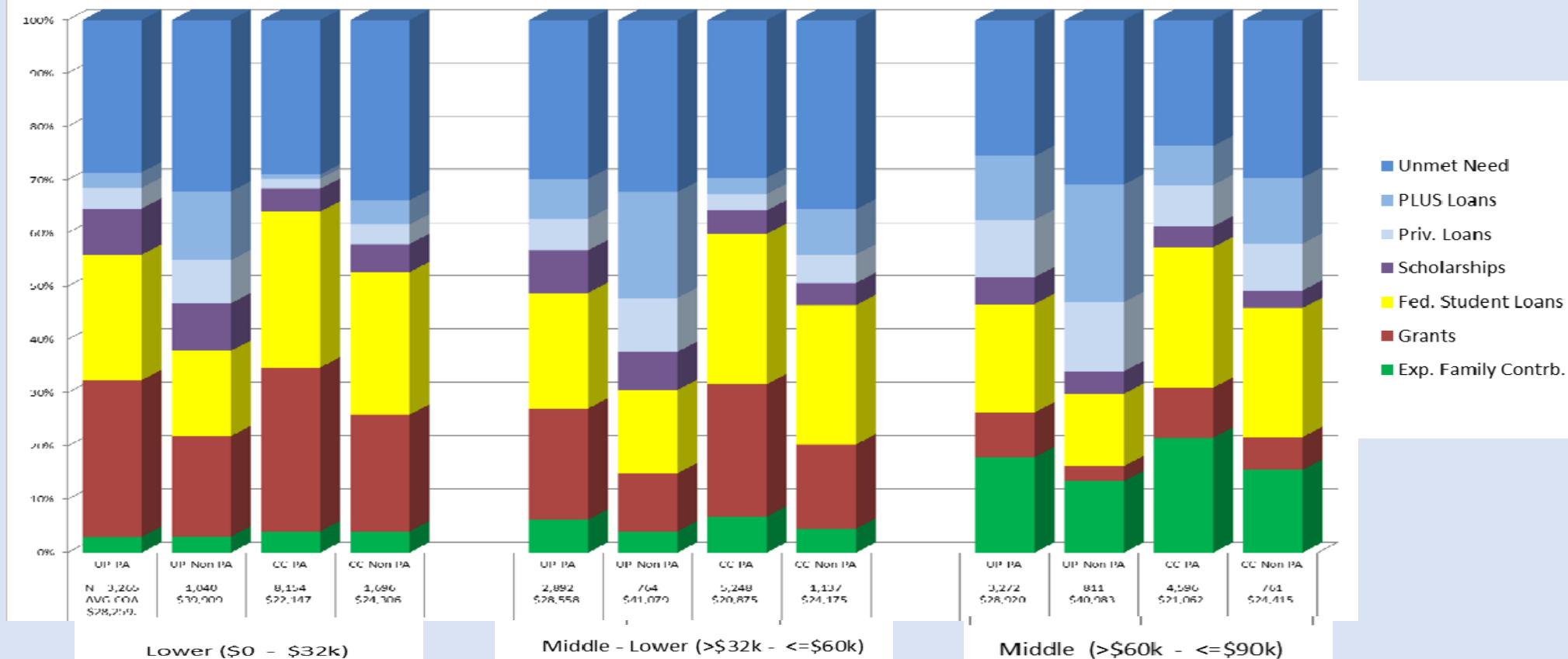
- GPA and SAT scores are the strongest predictor of graduation rates, but family finances matter.
- For every \$10,000 increase in family income, odds of graduating in 6 years increase 6%.

Income	6-yr graduation (all)	6-yr graduation UP	6-yr graduation (CC)
Less \$18,486	50%	71.1%	40.1%
\$34,676-55,230	62.7	80.3	53.5
Greater \$88,002	77.6	88.0	62.8



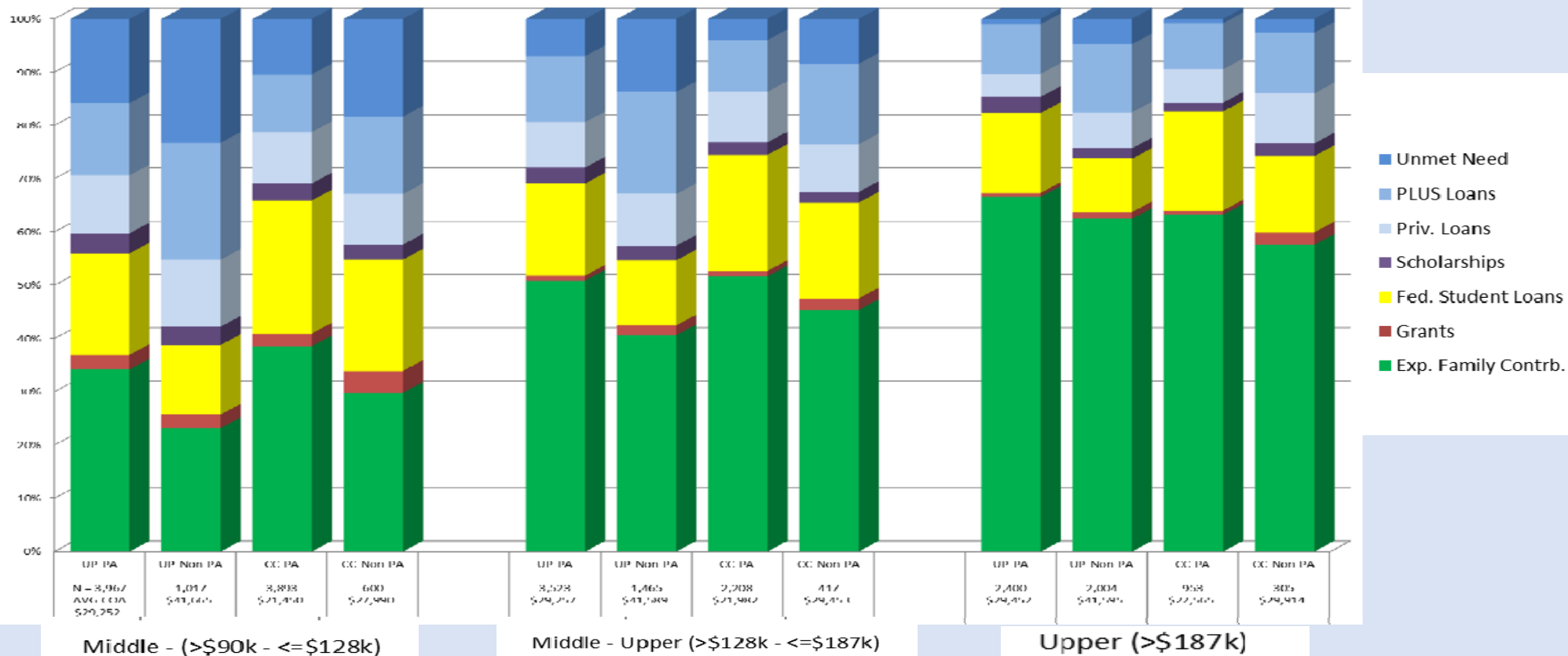
## How Students Pay for College (Family Income \$0-\$90k)

Pennsylvania State University - Office of Student Aid  
Primary Sources of Funding for Direct Cost of Attendance  
Weighted Averages by Income, by Location, by Residency



## How Students Pay for College (Family Income \$90k+)

Pennsylvania State University - Office of Student Aid  
Primary Sources of Funding for Direct Cost of Attendance  
Weighted Averages by Income, by Location, by Residency



## Loans/unmet need for low income students-PA residents

- The unmet need for students with a family income less than \$32,000 is approximately 30% of the cost of attendance (\$28,259 at UP and \$22,147 at CC)
- Yields unmet need of approximately \$9,900 at UP and \$8,100 at CC.
- Loan rate is approx. \$8,000/year at UP and \$4,600/year at CC.



## **Barriers to timely graduation and graduation**

- Problem: more work hours to address unmet need, fewer hours of class, high attrition rate (lower 6-yr grad. rates, debt without a degree or degree with higher debt from more years.)
- Issue is more acute for out-of-state students.
- Some unmet need also present for incomes of \$32,000 to \$90,000.



## **Possible Solutions: cost of degree (timely completion)**

1. Assess the potential of meeting all unmet need that cannot be reached by a minimum wage job at 20 hours a week.
  - \$25.6 million is needed to reach the remaining unmet need annually for all PA students; \$14.6M of the total is for students with a family income less than \$32,000 per year (11,419 students)
  - Less work allows for higher course load, more timely graduation and less debt (and likely better grades)

## Possible Solutions (cont.)

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2. Assess the potential of addressing cost to degree and timely completion by greater utilization of summer session.

- Online summers – highly reduced tuition for students with unmet need – “no debt semesters”
- Residential summers – cost contained summer, utilize physical space during low demand period, opportunity for faculty salaries – determine breakeven cost structure

## Possible Solutions (cont.)



3. Assess potential to reduce factors that increase time to degree or are associated with attrition.

- Advising – assessment to advance timing of degree for students who are undeclared
- LionPATH monitoring of degree requirements – flag students who fall off “path”
- Programs – first in family in college



## Proposed Focus

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- Assess the extent to which attrition and time to degree is correlated with financial need (on-going)
- Seek resources to provide a Penn State Promise – 20 hour a week job and we will cover the remaining unmet need
- Examine the options for utilizing summer session to create lower cost options and shorter time to degree
- Examine programs that address issues that can impact time to degree (e.g. undeclared students)



## Discussion/Questions

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PENNSSTATE

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# **THE PENNSYLVANIA STATE UNIVERSITY**

## **BOARD OF TRUSTEES JULY 11, 2014**

### **PROPOSED 2014-15 OPERATING BUDGET AGENDA ITEM 7 AGENDA ITEM 8.D.3**

### **PROPOSED 2014-15 TUITION AND FEES FINANCE, BUSINESS AND CAPITAL PLANNING AGENDA ITEM 8.D.4**

**THE PENNSYLVANIA STATE UNIVERSITY  
2014-15 OPERATING BUDGET**

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**TAB A**

**2014-15 OPERATING BUDGET**

## **THE PENNSYLVANIA STATE UNIVERSITY 2014-15 OPERATING BUDGET**

The Board of Trustees will be asked to consider and approve Penn State's operating budget at its meeting on July 11, 2014.

### **SUMMARY OF THE BUDGET PLAN**

Penn State has placed the highest priority on keeping tuition increases to the lowest possible level while continuing to provide a high quality educational experience. The University's 2014-15 operating budget reflects significant and ongoing expense reductions and reallocations. It also reflects costs associated with attracting and retaining the highest caliber of faculty and staff, another significant rise in the employer contribution to the State Employees' Retirement plan, and the increasing costs of maintaining and operating a large physical plant. In addition to the expense reductions and reallocations, it is possible to propose a tuition increase that is modest because sustained strong enrollments and research activity enable the plan to include additional revenue from recent enrollment growth as well as non-tuition revenue from the recovery of the indirect costs of research and income from the short-term investment of the University's operating capital.

Penn State's 2014-15 appropriation totals \$289.7 million. The general support (E&G) line item, the Agricultural Research & Cooperative Extension line item, and the Medical Assistance funding for the Penn State Milton S. Hershey Medical Center funded through the Pennsylvania Department of Public Welfare will remain at the 2013-14 funding levels. The Pennsylvania College of Technology will receive a \$2.0 million increase.

The proposed budget uses a number of revenue sources, including a modest tuition rate increase. In aggregate, base tuition is proposed to increase by 2.73 percent. For the Commonwealth Campuses, the tuition increase for both lower division Pennsylvania resident and non-resident students will range from 0 to 2.40 percent with the tuition for many campuses increasing by only 1.20 percent. The proposed tuition increase for lower division resident and non-resident students at University Park is 2.99 percent.

The 2014-15 budget proposal includes funds to provide for modest salary increases for faculty and staff. The budget also includes funds for increases in health care premiums, rapidly rising costs related to the University's mandated contribution for its employees participating in the State Employees' Retirement System (SERS), fuel and utility costs, the maintenance and operations of new and newly remodeled facilities, libraries and telecommunications, and for

additional student aid. Funds are also included for an extremely limited and highly selective group of strategic investments and to meet existing commitments.

The budget includes internal expense reductions of \$31.4 million made possible by restructuring our post-retirement health care liability, projected savings in health care expenditures due to recent plan design changes, and targeted central budget reductions.

## **2014-15 TOTAL OPERATING BUDGET**

The University is proposing changes totaling \$89.2 million in general funds, restricted funds, and auxiliary enterprises, plus \$122.3 million at the Hershey Medical Center, bringing the total 2014-15 operating budget to \$4.6 billion. A summary of the budget is shown in Table 1.

## **STATE APPROPRIATIONS**

Penn State's appropriation for 2014-15, as authorized in House Bill 2334, is \$231.7 million (see Table 2). This includes \$214.1 million, for the Educational and General line item (included as "General Support" in the bill), and \$17.6 million in the line item for the Pennsylvania College of Technology. Following the 19.0 percent cut of \$50.2 million in 2011-12, the fiscal year beginning July 1, 2014 will be the fourth consecutive year of level state support for Penn State's core E&G missions. This is the source that helps offset the cost of education for Pennsylvania resident students.

Funding for Agricultural Research and Cooperative Extension will again be made available to Penn State through the Agricultural College Land Scrip Fund. A total of \$46.2 million has been appropriated for Agricultural Research and Cooperative Extension, the same funding level as in 2013-14.

Again this year, the line-item appropriations for the College of Medicine at the Milton S. Hershey Medical Center have not been included in Penn State's appropriation bill. Instead, Medical Assistance funds estimated at \$11.8 million, level with the 2013-14 amount, will be directed to the Medical Center through the Pennsylvania Department of Public Welfare.

## **THE GENERAL FUNDS BUDGET**

The components of the General Funds budget include: the Educational and General budget, which supports most of the University's basic teaching, research, and public service programs; the budgets for Agricultural Research and Cooperative Extension; the College of Medicine at the Milton S. Hershey Medical Center; and the Pennsylvania College of Technology.

Excluding the College of Medicine and the Pennsylvania College of Technology, 79.4 percent of the income supporting the 2014-15 General Funds budget will come from tuition and fees and 13.2 percent from state appropriations.

The sections that follow focus on the changes in the General Funds budget.

**TABLE 1**  
**TOTAL UNIVERSITY BUDGET**  
**SUMMARY OF 2014-15 CHANGES**  
**(dollars in thousands)**

	<u>2013-14 Adjusted Budget</u>	<u>Changes</u>	<u>2014-15 Budget</u>
<b>General Funds:</b>			
Educational and General	\$ 1,748,709	\$ 61,245	\$ 1,809,954
Agric. Research & Cooperative Extension	<u>49,504</u>	<u>0</u>	<u>49,504</u>
Sub -Total	1,798,213	61,245	1,859,458
College of Medicine	114,823	5,762	120,585
Pennsylvania College of Technology	<u>104,383</u>	<u>5,201</u>	<u>109,584</u>
Total - General Funds	<u>2,017,419</u>	<u>72,208</u>	<u>2,089,627</u>
<b>Federal Funds - Agriculture</b>	21,838	0	21,838
<b>Restricted Funds:</b>			
Educational and General	488,893	0	488,893
Agric. Research & Cooperative Extension	46,082	0	46,082
College of Medicine	85,000	5,000	90,000
Pennsylvania College of Technology	<u>15,987</u>	<u>13</u>	<u>16,000</u>
Total - Restricted Funds	635,962	5,013	640,975
<b>Auxiliary Enterprises:</b>			
Educational and General	355,209	11,969	367,178
College of Medicine	3,833	0	3,833
Pennsylvania College of Technology	<u>27,313</u>	<u>31</u>	<u>27,344</u>
Total - Auxiliary Enterprises	<u>386,355</u>	<u>12,000</u>	<u>398,355</u>
<b>TOTAL</b>	\$ <u>3,061,574</u>	\$ <u>89,221</u>	\$ <u>3,150,795</u>
<b>The Milton S. Hershey Medical Center</b>	<u>1,365,716</u>	<u>122,263</u>	<u>1,487,979</u>
<b>TOTAL UNIVERSITY</b>	\$ <u><u>4,427,290</u></u>	\$ <u><u>211,484</u></u>	\$ <u><u>4,638,774</u></u>



**TABLE 2**  
**SUMMARY OF STATE APPROPRIATION**  
**(dollars in thousands)**

	<u>2013-14 Appropriation</u>	<u>2014-15 Changes</u>	<u>2014-15 Total</u>
<b><u>Direct State Appropriation:</u></b>			
General Support	\$214,110	0	\$214,110
Pennsylvania College of Technology	<u>15,584</u>	<u>2,000</u>	<u>17,584</u>
<b>Sub-Total</b>	229,694	2,000	231,694
<b><u>Agricultural College Land Scrip Fund:</u></b>			
Agricultural Research and Cooperative Extension	46,237	0	46,237
<b><u>PA Department of Public Welfare:</u></b>			
<b>M.S. Hershey Medical Center:</b>			
Medical Assistance Funding (estimate)	<u>\$11,816</u>	<u>\$0</u>	<u>\$11,816</u>
<b>Total</b>	<u><u>\$287,747</u></u>	<u><u>\$2,000</u></u>	<u><u>\$289,747</u></u>

## EDUCATIONAL AND GENERAL BUDGET

Expense changes for the 2014-15 Educational and General (E&G) portion of the University's general funds operating budget total \$61.2 million bringing the E&G budget to \$1.8 billion. The changes are described below and summarized in Table 3.

### SALARIES

The competitiveness of Penn State's salaries is an important component of the University's ability to attract and retain the very best faculty and staff. Information regarding Penn State's faculty salary rankings can be found in Tab B of this document.

The proposed salary increase plan for 2014-15 will be a key factor in maintaining the University's competitive position for high quality faculty and staff. Penn State is committed to awarding salary increases principally on the basis of merit as determined by annual evaluations. A salary increase pool of 3.0 percent will be used for merit-based increases and for market and equity considerations for groups or individuals within the unit. For 2014-15, the budget includes \$31,790,000 for salary increases and related benefits. If approved, salary adjustments would be implemented on October 1, 2014.

### BENEFITS

For 2014-15, the cost of the University's benefits program will increase by \$28.2 million. These changes include:

#### ***1. Health Insurances -- \$15.8 Million***

The University continues to pursue efforts to mitigate its health care costs while maintaining a quality program for our employees and graduate assistants. For 2014-15, an increase of \$15.8 million is included for health care costs.

#### ***2. Retirement and Social Security -- \$12.4 Million***

The mandated employer contribution rates for the State Employees' Retirement System (SERS) program began to rise starting in 2010-11 and are expected to increase substantially over the next several years before peaking in 2016-17. The budget plan includes \$12.4 million for the SERS rate increase in 2014-15.

## **PROPERTY AND LIABILITY INSURANCES**

The University is projecting an increase of \$850,000 in property and liability insurances for 2014-15. With this increase, the amount budgeted for these expenses totals approximately \$16.4 million.

## **FACILITIES AND MAINTENANCE COST INCREASES**

### ***1. Maintenance and Operation of New Facilities -- \$2.3 Million***

A total of \$2.3 million will be budgeted for the maintenance and operation of new or newly remodeled facilities scheduled to come on-line in 2014-15. These include the addition to the Intramural building, renovations to the South Frear building, the Health and Human Development South building, the 300 Science Park Road building, and various laboratory and classroom renovations at University Park.

### ***2. Fuel and Utilities Cost Increases -- \$4.6 Million***

Energy conservation is important to the University's financial and environmental goals. A range of initiatives has been undertaken during the past decade to lower energy consumption, reduce expenditures on energy and support greenhouse gas reduction goals. The projected increase includes the energy costs associated with new or newly acquired facilities and inflationary costs. These changes bring the total amount budgeted for fuel and utilities to \$66.7 million.

### ***3. Capital Improvement Program - \$3.65 million***

The general funds capital improvement program was established to address the overwhelming need to provide modern laboratory and classroom space as a supplement to the capital funds received from the Commonwealth. These funds enable the University to incur debt for building construction and renovation. Extraordinary budget pressures, including the sharp appropriation reduction in 2011-12 prompted the University to delay additional investments in the capital improvement program for the last three years. A total of \$3,650,000 is included in the 2014-15 budget plan, bringing the amount budgeted for the capital improvement program to \$53.2 million.

## **STRATEGIC INITIATIVES AND OTHER PROGRAM COMMITMENTS**

Funding in the amount of \$14.4 million is included in the 2014-15 budget for a number of initiatives to advance the strategic goals of the University. A portion of these funds will support high priority needs in the Colleges of Communications and Information Sciences and Technology. Funds are also proposed for important investments in our research and information technology infrastructures, University Graduate Fellowships, Academic Excellence Awards, and instructional capacity across disciplines that have experienced increased student demand. Funding will also be directed to help defray costs associated with comprehensive academic and student support services unique to international students and to address instructional resource needs for certain academic programs.

### **LIBRARIES AND INFORMATION TECHNOLOGY**

A total of \$640,000 is included in the budget for libraries and information technology. These funds will help the University keep pace with rapidly expanding and changing student computing, telecommunications, and information resource needs. This funding will be provided through a \$4 per-semester increase in the student information technology fee at all campuses.

### **BUDGET REDUCTIONS AND COST SAVINGS INITIATIVES**

For 2014-15, the budget includes internal expense reductions totaling \$31.4 million. This includes savings made possible by restructuring the post-retirement health care liability, projected savings in health care expenditures due to recent plan design changes, and targeted central budget reductions.

### **STUDENT ACTIVITIES**

An additional \$817,000 will result from a \$6 per-semester increase in the Student Activities Fee at University Park and at most other campuses, as determined by the students themselves. These funds will be used to support student activities and programs at the generating campuses. The increase for 2014-15 brings the amount budgeted from the fee to \$12.6 million. Student Activities Fee charges by campus can be found on Schedule 3 in Tab E of this document.

### **STUDENT FACILITIES**

A total of \$715,000 is included in the budget for the Student Facilities fee, resulting from an increase of \$4 per semester in the fee for the University Park campus and increases ranging from \$2 to \$4 per semester at most other campuses. Funds from the fee will be used to support capital projects designated to enhance student activities, fitness, and recreation. The increase for

2014-15 brings the amount budgeted from the fee to \$16.1 million. A summary of the Student Facilities Fee charges for each campus can be found on Schedule 4 in Tab E of this document.

## **STUDENT AID**

As the University implements tuition increases to provide necessary funds to meet its strategic goals, it is imperative that the amount of student aid also be increased. This will help the University meet its continuing goal that any student from the Commonwealth will be able to attend Penn State through a combination of institutional, federal, state, and private philanthropic support.

An additional \$2.0 million is included in the 2014-15 budget for student aid. These funds will be used to leverage private donations for student support through the Trustee Matching Scholarship Program and to provide additional need-based aid.

## **GRANTS-IN-AID RELATED TO TUITION RATE INCREASES**

A total of \$2.8 million is included in the 2014-15 budget for increased costs of grants-in-aid, which are related to the tuition rate increases, primarily for graduate assistants, fellowships, employees, and dependents.

**TABLE 3**  
**EDUCATIONAL AND GENERAL OPERATING BUDGET**  
**2014-15 EXPENSE CHANGES**  
**(dollars in thousands)**

<b>Compensation (and Related Benefits Adjustments)</b>	<b>\$ 31,790</b>
<b>Benefits</b>	
1. Employee Health Insurances	15,860
2. Retirement	<u>12,419</u>
Sub-Total - Benefits	28,279
<b>Property and Liability Insurances</b>	850
<b>Facilities and Maintenance</b>	
1. Maintenance and Operation of New Facilities	2,252
2. Fuel and Utilities	4,550
3. Capital Improvement	<u>3,650</u>
Sub-Total - Facilities and Maintenance	10,452
<b>Strategic Initiatives &amp; Other Program Commitments</b>	14,362
<b>Libraries and Information Technology</b>	640
<b>Cost Savings Initiatives</b>	(31,433)
<b>Student Activities</b>	817
<b>Student Facilities</b>	715
<b>Student Aid</b>	2,000
<b>Grants-In-Aid</b>	<u>2,773</u>
<b>TOTAL EXPENSE CHANGES</b>	<b>\$ <u><u>61,245</u></u></b>

## **EDUCATIONAL AND GENERAL INCOME CHANGES**

Income changes of \$61.2 million support the 2014-15 Educational and General budget of \$1.8 billion. These changes are described below and summarized in Table 4.

### **STATE APPROPRIATION**

For the Educational and General (E&G) portion of the budget, state appropriation support will remain at \$214.1 million for the fourth consecutive year.

### **TUITION**

Tuition rate schedules for resident and non-resident students by student level and by campus are shown on Schedule 1 in Tab E of this document resulting in increases ranging from 0 to 2.99 percent, with a base composite increase of 2.73 percent.

The tuition rate changes, along with additional tuition income resulting from recent enrollment growth and a \$200/semester increase in the upper-division tuition rate of higher cost programs will generate a total of \$52.6 million.

### **INFORMATION TECHNOLOGY FEE**

A \$4 per semester increase in the information technology fee will help support the constantly expanding information and technology needs of Penn State students. This will generate \$640,000 in additional income for 2014-15.

### **STUDENT ACTIVITIES FEE**

An additional \$817,000 will result from a \$6 per-semester increase in the Student Activities Fee at University Park and for students at most other campuses (as determined by the student oversight groups).

### **INTERNATIONAL STUDENT FEE**

Effective Fall Semester 2014, Penn State will implement a fee to offset additional institutional costs for comprehensive academic and student support services that are unique to international students. All new international undergraduate students will be assessed a \$500 per semester fee while they are enrolled at Penn State. International undergraduate students who have been enrolled during the 2013-14 academic year will be assessed a \$250 per semester fee

for the remainder of the time they are continuously enrolled at Penn State. Income in the amount of \$2,750,000 has been included for 2014-15.

### **STUDENT FACILITIES FEE**

A total of \$715,000 will be available as a result of an increase of \$4 per semester in the Student Facilities Fee for the University Park campus and increases ranging from \$2 to \$4 per semester for students at most other campuses.

### **FACILITIES AND ADMINISTRATION COST RECOVERY**

Over the past several years, the University has made a significant effort to better track and more fully account for costs in support of sponsored research activities. As a result of this initiative, additional income in the amount of \$2.0 million will be available from increased facilities and administration cost recovery from grants and contracts in 2014-15.

### **INVESTMENT INCOME**

Additional investment income of \$1.5 million will be budgeted for 2014-15.



**TABLE 4**  
**EDUCATIONAL AND GENERAL OPERATING BUDGET**  
**2014-15 INCOME CHANGES**  
**(dollars in thousands)**

<b>State Appropriation</b>	<b>\$</b>	<b>0</b>
<b>Tuition</b>		<b>52,550</b>
<b>Information Technology Fee</b>		<b>640</b>
<b>Student Activities Fee</b>		<b>817</b>
<b>Student Facilities Fee</b>		<b>715</b>
<b>International Student Fee</b>		<b>2,750</b>
<b>Facilities and Administration Cost Recovery</b>		<b>2,000</b>
<b>Investment Income</b>		<b>1,500</b>
<b>Other Income</b>		<b><u>273</u></b>
<b>TOTAL INCOME CHANGES</b>	<b>\$</b>	<b><u><u>61,245</u></u></b>

## **AGRICULTURAL RESEARCH AND COOPERATIVE EXTENSION**

The traditional line items for Agricultural Research and Cooperative Extension were removed from Penn State's direct appropriation bill in 2011-12. Again in 2014-15 the funds have been made available to Penn State through the Agricultural College Land Scrip Fund. A total of \$46.2 million has been appropriated for Agricultural Research and Cooperative Extension, representing level funding for 2014-15.

Expense and income changes for the Agricultural Research and Cooperative Extension budgets are summarized in Table 5. The budgets are funded primarily through state appropriations and support salaries, benefits, and operating costs for each program. The College of Agricultural Sciences relies on the more than 150-year old land grant partnership of federal, state, and county governments as the foundation for agricultural research and statewide extension programs. 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.

Expense changes include \$1,934,000 for compensation adjustments and benefits cost increases, and a decrease of \$1,934,000 in program funds.

**TABLE 5**  
**AGRICULTURAL RESEARCH AND COOPERATIVE EXTENSION**  
**2014-15 CHANGES**  
**(dollars in thousands)**

**Income:**

Appropriation	\$ <u>0</u>
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<b>TOTAL INCOME CHANGES</b>	<b>\$ <u>0</u></b>
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**Expense:**

Compensation and Employee Benefits Costs*	1,934
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Program Changes	<u>(1,934)</u>
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<b>TOTAL EXPENSE CHANGES</b>	<b>\$ <u>0</u></b>
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\*Includes benefits cost increases for salaries paid on Agricultural Federal Funds.

**THE COLLEGE OF MEDICINE  
AND  
THE MILTON S. HERSHEY MEDICAL CENTER**

**COLLEGE OF MEDICINE**

General funds expense and income changes for the College of Medicine at the Hershey Medical Center for 2014-15 are shown on Table 6.

Expenses will increase by a total of \$5.8 million, including: \$3.0 million for instruction; \$897,000 in program commitments; \$1.3 million for compensation; a reduction of \$768,000 for employee benefits; and, an increase of \$1.3 million for facilities and physical plant costs.

Income changes include increases of \$1.0 million in academic support from the Milton S. Hershey Medical Center, \$1.1 million in facilities and administration and investment income and \$1.5 million in earnings of departments.

The tuition rate increases for Doctor of Medicine students will be \$2,430 per academic year for Pennsylvania residents. Tuition for non-residents will not increase for 2014-15. The combined tuition increases for medical students, graduate students, and continuing education students will result in an additional \$2.2 million in tuition income for 2014-15.

The total 2014-15 operating budget for the College of Medicine is \$214.4 million, as shown on Table 6A. The budget includes \$120.6 million for general funds, \$90.0 million for restricted funds, and \$3.8 million for auxiliary enterprises.

## **THE MILTON S. HERSHEY MEDICAL CENTER**

The Milton S. Hershey Medical Center is a subsidiary corporation within Penn State that was formed to operate the clinical activities, both hospital and physician, that occur at the Hershey Medical Center.

Budgeted expenses and income of \$1.49 billion for 2014-15, as shown on Table 6A, were approved by the Finance Committee of the Board of Directors of the Milton S. Hershey Medical Center on June 26, 2014.

Medical Assistance funds appropriated to the Milton S. Hershey Medical Center through the Pennsylvania Department of Public Welfare total \$11.8 million, the same as in 2013-14. Penn State Hershey secured \$5.3 million again in the FY 14-15 budget to support the 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 will help to address the healthcare needs of both the Centre County region and the entire northern tier of Pennsylvania. This funding will be used to facilitate contributions by, and collaborations with, the Department of Public Health Sciences which will be utilized to support the analysis of the health care needs of the Commonwealth and the development of clinically-integrated networks to meet them.

When combined with the College of Medicine, the budget for the entire medical center operation for 2014-15 is \$1.7 billion.

**TABLE 6**  
**THE COLLEGE OF MEDICINE**  
**2014-15 GENERAL FUNDS BUDGET CHANGES**  
**(dollars in thousands)**

**Expense:**

Instruction	\$	3,025
Programs Needs		897
Compensation Adjustments		1,329
Employee Benefits		(768)
Facilities and Physical Plant		<u>1,279</u>

<b>TOTAL - EXPENSE CHANGES</b>	<b>\$</b>	<b><u><u>5,762</u></u></b>
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**Income:**

Tuition and Fees	\$	2,217
Facilities & Administration and Investment Income		1,070
Earnings of Departments		1,470
Academic Support from The M.S. Hershey Medical Center		<u>1,005</u>

<b>TOTAL - INCOME CHANGES</b>	<b>\$</b>	<b><u><u>5,762</u></u></b>
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**TABLE 6A**  
**THE COLLEGE OF MEDICINE AND**  
**THE MILTON S. HERSHEY MEDICAL CENTER**  
**2014-15 TOTAL OPERATING BUDGET**  
**(dollars in thousands)**

	<u>2013-14 Adjusted Budget</u>	<u>Changes</u>	<u>2014-15 Budget</u>
<b>College of Medicine (COM):</b>			
General Funds	\$ 114,823	\$ 5,762	\$ 120,585
Restricted Funds	85,000	5,000	90,000
Auxiliary Enterprises	<u>3,833</u>	<u>0</u>	<u>3,833</u>
<b>Sub-Total - COM</b>	203,656	10,762	214,418
<b>Milton S. Hershey Medical Center</b>	<u>1,365,716</u>	<u>122,263</u>	<u>1,487,979</u>
<b>TOTAL</b>	<b>\$ <u>1,569,372</u></b>	<b>\$ <u>133,025</u></b>	<b>\$ <u>1,702,397</u></b>

## **THE PENNSYLVANIA COLLEGE OF TECHNOLOGY**

### **EXPENSE AND INCOME CHANGES**

Expense and income changes included in the 2014-15 budget for the Pennsylvania College of Technology (Penn College) are described below and shown in Tables 7 and 7A.

The 2014-15 general funds budget for Penn College includes income increases of \$5.2 million. State appropriations will increase by \$2.0 million over the 2013-14 level. These additional funds will be used to address instructional capacity concerns and other high priority needs. Tuition and fees will increase by \$255 per semester for Pennsylvania residents students (based on a 15-credit course schedule) and will generate additional income of \$3.8 million. Other income will decrease by \$561,000.

General funds expense for 2014-15 will increase by \$5.2 million. Compensation will increase by \$2.1 million. Employee benefits are projected to increase by \$2.1 million. Other expenditures will increase by \$1 million.

The total 2014-15 operating budget for Penn College is \$152.9 million, as shown on Table 7A. This includes the general funds budget of \$109.6 million, restricted funds of \$16.0 million and \$27.3 million for auxiliary enterprises.



**TABLE 7**  
**THE PENNSYLVANIA COLLEGE OF TECHNOLOGY**  
**2014-15 GENERAL FUNDS BUDGET CHANGES**  
**(dollars in thousands)**

**Income:**

State Appropriation	\$	2,000
Tuition and Fees		3,762
Other		<u>(561)</u>

<b>TOTAL - INCOME CHANGES</b>	<b>\$</b>	<b><u>5,201</u></b>
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**Expense:**

Compensation Adjustments	\$	2,098
Employee Benefits		2,054
Other Expense		<u>1,049</u>

<b>TOTAL - EXPENSE CHANGES</b>	<b>\$</b>	<b><u>5,201</u></b>
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**TABLE 7A**  
**THE PENNSYLVANIA COLLEGE OF TECHNOLOGY**  
**2014-15 TOTAL OPERATING BUDGET**  
**(dollars in thousands)**

	<b>2013-14 Adjusted Budget</b>	<b>Changes</b>	<b>2014-15 Budget</b>
General Funds	\$ 104,383	\$ 5,201	\$ 109,584
Restricted Funds	15,987	13	16,000
Auxiliary Enterprises	<u>27,313</u>	<u>31</u>	<u>27,344</u>
<b>TOTAL</b>	<b>\$ <u>147,683</u></b>	<b>\$ <u>5,245</u></b>	<b>\$ <u>152,928</u></b>

**SCHEDULES INCLUDED IN THE  
RESOLUTIONS FOR APPROVAL OF THE  
2014-15 OPERATING BUDGET, TAB D**

Schedule I provides a summary of the proposed total University budget for 2014-15. Amounts shown for restricted funds are estimates, which are included to provide a complete picture of the total University budget. Actual restricted funds amounts will depend on continuing receipt of grants and contracts, and may be either higher or lower than estimated.

Total University general funds expenditures, including the College of Medicine and the Pennsylvania College of Technology are shown on Schedule II, and Schedule III shows corresponding estimated general funds income.

Schedule IV shows the total proposed expenditures for the College of Medicine, and Schedule V presents estimated College of Medicine income.

Footnotes to Schedules I through V in Tab D provide additional explanation of the proposed expense and income changes.

## **TAB B**

### **ACADEMIC SALARY INFORMATION**

**Comparison of Average and Faculty Salaries  
Penn State's Rank by Year  
Among Big Ten and  
Selected Public AAUDE\* Institutions**

	<u>Professor</u>	<u>Associate Professor</u>	<u>Assistant Professor</u>
<b>Penn State's Rank -- Big Ten</b>			
2013-14	2nd	3rd	5th
2012-13	2nd	2nd	6th
2011-12	4th	3rd	6th
2010-11	3rd	2nd	5th
2009-10	3rd	3rd	7th
2008-09	2nd	2nd	7th
2007-08	3rd	2nd	7th
2006-07	4th	2nd	6th
2005-06	2nd	2nd	3rd
2004-05	2nd	2nd	3rd
2003-04	2nd	4th	3rd
2002-03	3rd	5th	4th
<b>Penn State's Rank -- Selected AAUDE</b>			
2013-14	3rd	4th	7th
2012-13	4th	2nd	9th
2011-12	9th	8th	13th
2010-11	7th	6th	10th
2009-10	6th	6th	14th
2008-09	5th	5th	13th
2007-08	6th	5th	13th
2006-07	7th	5th	13th
2005-06	2nd	4th	6th
2004-05	2nd	3rd	7th
2003-04	2nd	6th	4th
2002-03	4th	6th	8th

\*Association of American Universities Data Exchange

## **TAB C**

### **TUITION COMPARISONS**

## Announced Resident Undergraduate Tuition Increases 2014-15

	<u>Tuition % Increase</u>
West Virginia University, Morgantown	7.8% *
Cornell University, Contract Colleges	6.6%
University of Connecticut, Storrs	6.5%
Texas A&M University, College Station	6.0% *
University of Arizona, Tucson	6.0%
University of Tennessee, Knoxville	6.0%
University of Utah, Salt Lake City	5.8%
University of Kentucky, Lexington	5.0%
Virginia Tech, Blacksburg	4.9% *
University of Virginia, Charlottesville	4.3% *
University of Colorado, Boulder	3.3%
University of Maryland, College Park	3.0%
Michigan State University, East Lansing	2.6%
University of Cincinnati	2.0%
Indiana University, Bloomington	1.9%
University of Illinois, Urbana-Champaign	1.7%
University of Michigan, Ann Arbor	1.6%
Ohio State University, Columbus	0.0%
Purdue University, West Lafayette	0.0%
University of Florida, Gainesville	0.0%
University of Iowa, Iowa City	0.0%
University of Minnesota, Twin Cities	0.0%
University of Nebraska, Lincoln	0.0%

\*Tuition and Fees

Gathered from legislative, university and news web sources as of June 30, 2014.

**2013-14 Undergraduate Tuition and Mandatory Fees  
at Big Ten and Other Regional Universities - Main Campuses**

	<u>Resident</u>	<u>Non-Resident</u>
Pittsburgh	\$17,100	\$27,106
<b>Penn State</b>	<b>16,992</b>	<b>29,566</b>
Illinois	15,258	29,640
Minnesota	13,555	19,805
Rutgers	13,499	27,523
Michigan	13,142	40,392
Michigan State	12,863	33,750
Virginia	12,668	40,054
Wisconsin	10,403	26,653
Indiana	10,209	32,350
Ohio State	10,037	25,757
Purdue	9,992	28,794
Maryland	9,162	28,348
Iowa	8,061	26,931
Nebraska	7,975	21,302



**2013-14 Undergraduate Tuition and Mandatory Fees  
at Selected Private Universities**

**National (AAUDE\*):**

Columbia	49,659
Carnegie-Mellon	47,642
Tulane	46,930
Dartmouth	46,753
Southern California	46,298
Pennsylvania	45,890
Brown	45,612
Northwestern	45,527
Johns Hopkins	45,470
Duke	45,376
Cornell	45,358
Washington University	44,841
Stanford	43,883
Vanderbilt	43,668
Massachusetts Institute of Technology	43,498
Harvard	42,292
California Institute of Technology	41,538
Princeton	41,085

**Other Pennsylvania Universities:**

Bucknell	46,902
Gettysburg	45,870
Villanova	44,430
Lehigh	43,520

\*Association of American University Data Exchange

Source: University of Virginia Survey/Websites

## **TAB D**

### **THE PENNSYLVANIA STATE UNIVERSITY MEETING OF THE BOARD OF TRUSTEES**

#### **FRIDAY, JULY 11, 2014 FINANCE, BUSINESS AND CAPITAL PLANNING AGENDA ITEM 7 AGENDA ITEM 8.D.3**

#### **CONSIDERATION OF PROPOSED OPERATING BUDGET FOR THE UNIVERSITY FOR THE FISCAL YEAR BEGINNING JULY 1, 2014**

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the proposed Operating Budget for the University for the fiscal year beginning July 1, 2014, as shown in Attachment I and Schedules I - V which are attached hereto and made a part hereof, is approved.

**THE PENNSYLVANIA STATE UNIVERSITY**  
**2014-15 OPERATING BUDGET**  
**SCHEDULE I**  
**SUMMARY SCHEDULE FOR TOTAL UNIVERSITY**

	(1) Adjusted Budget 2013-14	(2) Changes	(3) 2014-15 Budget
<b>General Funds:</b>			
Educational & General	\$ 1,748,709,000	\$ 61,245,000	\$ 1,809,954,000
Agric. Research & Cooperative Extension	49,504,000	0	49,504,000
Sub-Total	1,798,213,000	61,245,000	1,859,458,000
College of Medicine	114,823,000	5,762,000	120,585,000
Pennsylvania College of Technology	104,383,000	5,201,000	109,584,000
Total - General Funds	2,017,419,000	72,208,000	2,089,627,000
<b>Federal Funds - Agriculture</b>	21,838,000	0	21,838,000
<b>Restricted Funds (a):</b>			
Educational & General	488,893,000	0	488,893,000
Agric. Research & Cooperative Extension	46,082,000	0	46,082,000
College of Medicine	85,000,000	5,000,000	90,000,000
Pennsylvania College of Technology	15,987,000	13,000	16,000,000
Total - Restricted Funds	635,962,000	5,013,000	640,975,000
<b>Auxiliary Enterprises (b):</b>			
Educational & General (c)	355,209,000	11,969,000	367,178,000
College of Medicine	3,833,000	0	3,833,000
Pennsylvania College of Technology	27,313,000	31,000	27,344,000
Total - Auxiliary Enterprises	386,355,000	12,000,000	398,355,000
<b>TOTAL</b>	<b>\$ 3,061,574,000</b>	<b>\$ 89,221,000</b>	<b>\$ 3,150,795,000</b>
<b>The Milton S. Hershey Medical Center</b>	1,365,716,000	122,263,000	1,487,979,000 (d)
<b>TOTAL UNIVERSITY</b>	<b>\$ 4,427,290,000</b>	<b>\$ 211,484,000</b>	<b>\$ 4,638,774,000</b>

Note: Footnotes follow Schedule V.

**THE PENNSYLVANIA STATE UNIVERSITY  
2014-15 OPERATING BUDGET  
SCHEDULE II  
SUMMARY OF EXPENDITURES**

	(1) Adjusted Budget 2013-14	(2) Changes	(3) 2014-15 Budget
<b>GENERAL FUNDS:</b>			
<b>EDUCATIONAL &amp; GENERAL:</b>			
Instruction and Research	\$ 724,801,000	\$ 10,422,000	\$ 735,223,000
Other Public Service	22,427,000	36,000	22,463,000
Academic Support	371,149,000	753,000	371,902,000
Institutional Support	264,266,000	1,765,000	266,031,000
Student Services	121,354,000	3,740,000	125,094,000
Student Aid	48,890,000	4,725,000	53,615,000
Physical Plant Operations	185,775,000	11,168,000	196,943,000
University Contingencies	10,047,000	0	10,047,000
Cost Savings/Internal Reductions	0	(31,433,000) (e)	(31,433,000)
Compensation & Employee Benefits Adj (f)	0	31,790,000	31,790,000
Benefits Cost Increases	0	28,279,000	28,279,000
<b>Total Educational &amp; General (g)</b>	<b>1,748,709,000</b>	<b>61,245,000</b>	<b>1,809,954,000</b>
<b>AGRICULTURAL RESEARCH &amp; COOPERATIVE EXTENSION (h):</b>			
Compensation & Employee Benefits Adj.	0	1,934,000	1,934,000
Program Changes	49,504,000	(1,934,000)	47,570,000
<b>Total Agricultural Research &amp; Cooperative Extension (i)</b>	<b>49,504,000</b>	<b>0</b>	<b>49,504,000</b>
<b>Sub-Total</b>	<b>1,798,213,000</b>	<b>61,245,000</b>	<b>1,859,458,000</b>
<b>COLLEGE OF MEDICINE</b>	<b>114,823,000</b>	<b>5,762,000</b>	<b>120,585,000</b>
<b>PA COLLEGE OF TECHNOLOGY (j)</b>	<b>104,383,000</b>	<b>5,201,000</b>	<b>109,584,000</b>
<b>TOTAL GENERAL FUNDS</b>	<b>\$ 2,017,419,000</b>	<b>\$ 72,208,000</b>	<b>\$ 2,089,627,000</b>

Note: Footnotes follow Schedule V.

THE PENNSYLVANIA STATE UNIVERSITY  
279-75  
2014-15 OPERATING BUDGET  
SCHEDULE III  
SUMMARY OF INCOME

	(1) Adjusted Budget 2013-14	(2) Changes	(3) 2014-15 Budget
<b>GENERAL FUNDS:</b>			
<b>EDUCATIONAL &amp; GENERAL:</b>			
State Appropriation:			
Educational & General	\$ 214,110,000	\$ 0 (k)	\$ 214,110,000
Transfers	(4,032,000)	0	(4,032,000) (l)
Sub-Total - State Appropriation	210,078,000	0	210,078,000
Tuition and Fees	1,419,543,000	57,472,000 (m)	1,477,015,000
Facilities & Administration and			
Investment Income	86,515,000	3,500,000	90,015,000
Sales and Services Income	28,174,000	0	28,174,000
Other Income	18,399,000	273,000	18,672,000
Other Transfers	(14,000,000)	0	(14,000,000)
<b>Total Educational &amp; General</b>	<b>1,748,709,000</b>	<b>61,245,000</b>	<b>1,809,954,000</b>
<b>AGRICULTURAL RESEARCH &amp; COOPERATIVE EXTENSION:</b>			
State Appropriation:			
Agric. Research & Cooperative Extension	46,237,000	0 (n)	46,237,000
Transfers	2,581,000	0	2,581,000 (o)
Sub-Total - State Appropriation	48,818,000	0	48,818,000
Sales and Services Income	686,000	0	686,000
<b>Total Agricultural Research &amp; Cooperative Extension</b>	<b>49,504,000</b>	<b>0</b>	<b>49,504,000</b>
<b>Sub-Total</b>	<b>1,798,213,000</b>	<b>61,245,000</b>	<b>1,859,458,000</b>
<b>COLLEGE OF MEDICINE</b>	<b>114,823,000</b>	<b>5,762,000</b>	<b>120,585,000</b>
<b>PA COLLEGE OF TECHNOLOGY (p):</b>			
State Appropriation:			
PA College of Technology	15,584,000	2,000,000 (k)	17,584,000
Transfers	396,000	0	396,000 (q)
Sub-Total - State Appropriation	15,980,000	2,000,000	17,980,000
Tuition and Fees	85,597,000	3,762,000	89,359,000
Other Income	2,806,000	(561,000)	2,245,000
<b>Total PA College of Technology</b>	<b>104,383,000</b>	<b>5,201,000</b>	<b>109,584,000</b>
<b>TOTAL GENERAL FUNDS</b>	<b>\$ 2,017,419,000</b>	<b>\$ 72,208,000</b>	<b>\$ 2,089,627,000</b>

Note: Footnotes follow Schedule V.

**THE PENNSYLVANIA STATE UNIVERSITY  
2014-15 OPERATING BUDGET  
SCHEDULE IV  
SUMMARY OF EXPENDITURES  
THE COLLEGE OF MEDICINE AT THE MILTON S. HERSHEY MEDICAL CENTER**

	(1) Adjusted Budget 2013-14	(2)  Changes	(3)  2014-15 Budget
<b>GENERAL FUNDS:</b>			
Instruction and Research	\$ 36,065,000	\$ 3,025,000	\$ 39,090,000
Other Public Service	3,870,000	2,000	3,872,000
Academic Support	12,683,000	487,000	13,170,000
Institutional Support	26,235,000	228,000	26,463,000
Student Services	3,260,000	130,000	3,390,000
Student Aid	2,299,000	50,000	2,349,000
Physical Plant Operations	30,411,000	1,279,000	31,690,000
Compensation & Employee Benefits Adj.	0	1,329,000	1,329,000
Benefits Cost Increases	0	(768,000)	(768,000)
<b>TOTAL GENERAL FUNDS</b>	114,823,000	5,762,000	120,585,000
<b>RESTRICTED FUNDS (r)</b>	85,000,000	5,000,000	90,000,000
<b>AUXILIARY ENTERPRISES (s)</b>	3,833,000	0	3,833,000
<b>TOTAL</b>	\$ 203,656,000	\$ 10,762,000	\$ 214,418,000

Note: Footnotes follow Schedule V.

**THE PENNSYLVANIA STATE UNIVERSITY  
2014-15 OPERATING BUDGET  
SCHEDULE V  
SUMMARY OF INCOME  
THE COLLEGE OF MEDICINE AT THE MILTON S. HERSHEY MEDICAL CENTER**

	(1) Adjusted Budget 2013-14	(2)  Changes	(3)  2014-15 Budget
<b>GENERAL FUNDS:</b>			
Tuition and Fees	\$ 31,152,000	\$ 2,217,000 (t)	\$ 33,369,000
Facilities & Administration and Investment Income	17,478,000	1,070,000	18,548,000
Academic Support from MSHMC (u)	29,446,000	1,005,000	30,451,000
Sales and Services Income	16,804,000	1,220,000	18,024,000
Other Income	4,888,000	250,000	5,138,000
State Appropriation: Transfers	1,055,000	0	1,055,000 (v)
Other Transfers	14,000,000	0	14,000,000
<b>TOTAL GENERAL FUNDS</b>	114,823,000	5,762,000	120,585,000
<b>RESTRICTED FUNDS (w)</b>	85,000,000	5,000,000	90,000,000
<b>AUXILIARY ENTERPRISES (x)</b>	3,833,000	0	3,833,000
<b>TOTAL</b>	\$ 203,656,000	\$ 10,762,000	\$ 214,418,000

Note: Footnotes follow Schedule V.

## Footnotes for Schedules I - V

### Schedule I:

- (a) Includes Grants, Contracts, Restricted Gifts and Restricted Endowment Income. The Adjusted Budget 2013-14 is based on 2012-13 actual and 2013-14 estimated income. Expenditures are offset directly by income for the same purpose.
- (b) Self-supporting budgets representing sales and services, primarily to individuals. Educational and General Auxiliary Enterprises include Housing and Food Services, Intercollegiate Athletics, Commons Operations, Penn State Hospitality Services, Bryce Jordan Center, and Airport Operations.
- (c) Includes \$8,109,000 from room and board rate increases approved by the Board of Trustees on March 7, 2014, and other adjustments. Expenditures are offset directly by income for the same purpose.
- (d) Total income from the 2014-15 budget for The Milton S. Hershey Medical Center (MSHMC) that was approved by the Finance Committee of the Board of Directors of MSHMC on June 26, 2014.

### Schedule II:

- (e) Cost savings made possible by restructuring post-retirement health care liability, projected savings in health care expenditures due to recent plan design changes, and targeted central budget reductions.
- (f) A salary increase pool of 3.0 percent has been used for merit-based increases, and for market and equity considerations for groups or individuals within the unit.
- (g) Employee benefits expense distributed by function.
- (h) Includes expenditures offset by funding allocated by the Commonwealth and by sales and services income.
- (i) Includes allocated employee benefits for Agricultural Research and Cooperative Extension personnel paid on Federal Funds-Agriculture.
- (j) The Pennsylvania College of Technology (Penn College) is a separate but wholly owned subsidiary of the University administered through the Corporation for Penn State.

### Schedule III:

- (k) State appropriation support will increase by \$2,000,000 or 0.9% more than the 2013-14 level.
- (l) Represents the following transfers: \$1,055,000 to the College of Medicine for redistribution of 2004-05 increase, for graduate and nursing programs, for the prior years' Tuition Challenge Grants, and for a proportionate share of the 1997-98 Special Projects appropriation (which was folded into E&G in the 1998-99 appropriation); \$2,977,000 to other line items for redistribution of 2005-06 and 2004-05 increases; and for a proportionate share of the 1997-98 Special Projects appropriation.



**Schedule III (continued):**

- (m) Includes tuition rate changes for 2014-15 of \$39,567,000, additional tuition income resulting from recent enrollment growth of \$11,183,000 and summer income of \$1,800,000. Also includes income of \$2,750,000 from the implementation of the undergraduate international student fee. Reflects additional income of \$640,000 from the Information Technology Fee, \$817,000 from Student Activities Fee, and \$715,000 from Student Facilities Fee.
- (n) State support will remain constant at the 2013-14 level.
- (o) Represents the following transfers: \$1,018,000 redistribution of 2005-06 increase, \$1,136,000 redistribution of 2004-05 increase and \$427,000 for a proportionate share of the 1997-98 Special Projects appropriation.
- (p) Penn College is a separate but wholly owned subsidiary of the University administered through the Corporation for Penn State.
- (q) Represents the following transfers: \$293,000 redistribution of 2004-05 increase and \$103,000 for a proportionate share of the 1997-98 Special Projects appropriation.

**Schedule IV:**

- (r) Expenditures are offset directly by income for the same purpose.
- (s) Self-supporting budgets representing sales and services, primarily to individuals. These sales and services include student housing. Expenditures are offset directly by income for the same purpose.

**Schedule V:**

- (t) Reflects an annual increase of \$2,430 for in-state medical student tuition. Out-of-state medical student tuition will not increase for 2014-15.
- (u) Reflects funding received by the College of Medicine from The Milton S. Hershey Medical Center (MSHMC).
- (v) Represents the following transfers: for redistribution of 2004-05 increase, for graduate and nursing programs, for the prior years' Tuition Challenge Grants, and for a proportionate share of the 1997-98 Special Projects appropriation (which was folded into E&G in the 1998-99 appropriation).
- (w) Expenditures are offset directly by income for the same purpose.
- (x) Self-supporting budgets representing sales and services, primarily to individuals. These sales and services include housing.

## **TAB E**

### **THE PENNSYLVANIA STATE UNIVERSITY MEETING OF THE BOARD OF TRUSTEES**

#### **FRIDAY, JULY 11, 2014 FINANCE, BUSINESS AND CAPITAL PLANNING AGENDA ITEM 8.D.4**

#### **PROPOSED TUITION AND FEES EFFECTIVE 2014 FALL SEMESTER, THE PENNSYLVANIA STATE UNIVERSITY**

Will the Board of Trustees adopt the following resolution:

RESOLVED, That tuition and fees at all locations are, effective 2014-2015 school year, as shown on the statements attached hereto and which are a part of this resolution.

Schedule 1  
University Park, Hershey, Dickinson, and Great Valley Tuition  
Projected 2014-15 Tuition Rates

	Per Academic Year			Full-Time Per Semester			Part-Time Per Credit		
	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition
<b>Pennsylvania Residents</b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	16,090	482	16,572						
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (b)				8,045	241	8,286	670	21	691
Nursing	18,428	950	19,378	9,214	475	9,689	768	40	807
All Other Programs	20,772	622	21,394	10,386	311	10,697	866	25	891
	17,396	520	17,916	8,698	260	8,958	725	22	747
<b><u>Graduate:</u></b>									
MBA	22,410	670	23,080	11,205	335	11,540	934	28	962
Business, Science, IST, EMS, & Engineering (b)	19,304	578	19,882	9,652	289	9,941	804	24	828
All Other Programs	18,270	546	18,816	9,135	273	9,408	761	23	784
Great Valley Graduate Center									
Education	17,052	410	17,462	8,526	205	8,731	711	17	728
All Other Programs	21,614	518	22,132	10,807	259	11,066	901	21	922
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-
Dickinson School of Law	41,088	1,632	42,720	20,544	816	21,360	1,712	68	1,780
<b>College of Medicine at Hershey:</b>									
Medical	44,162	2,430	46,592	22,081	1,215	23,296	-	-	-
Graduate (Admitted Fall 2010 and after)	19,304	578	19,882	9,652	289	9,941	804	24	828
Graduate (Admitted before Fall 2010)	18,270	546	18,816	9,135	273	9,408	761	23	784
Master of Physician Assistant Program				-	-	11,667	-	-	-
<b><u>Non-Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	28,664	858	29,522	14,332	429	14,761	1,194	36	1,230
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (b)									
Nursing	31,286	1,336	32,622	15,643	668	16,311	1,304	56	1,359
All Other Programs	33,938	1,014	34,952	16,969	507	17,476	1,414	42	1,456
	30,122	900	31,022	15,061	450	15,511	1,255	38	1,293
<b><u>Graduate:</u></b>									
MBA	35,888	1,074	36,962	17,944	537	18,481	1,495	45	1,540
Business, Science, IST, EMS, & Engineering (b)	32,416	970	33,386	16,208	485	16,693	1,351	40	1,391
All Other Programs	31,246	934	32,180	15,623	467	16,090	1,302	39	1,341
Great Valley Graduate Center									
Education	30,424	730	31,154	15,212	365	15,577	1,268	30	1,298
All Other Programs	34,934	838	35,772	17,467	419	17,886	1,456	35	1,491
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-
Dickinson School of Law	41,088	1,632	42,720	20,544	816	21,360	1,712	68	1,780
<b>College of Medicine at Hershey:</b>									
Medical	51,984	0	51,984	25,992	0	25,992	-	-	-
Graduate (Admitted Fall 2010 and after)	32,416	970	33,386	16,208	485	16,693	1,351	40	1,391
Graduate (Admitted before Fall 2010)	31,246	934	32,180	15,623	467	16,090	1,302	39	1,341
Master of Physician Assistant Program				-	-	11,667	-	-	-

**Schedule 1**  
**Altoona, Berks, Erie and Harrisburg**  
**Projected 2014-15 Tuition Rates**

	Per Academic Year			Full-Time Per Semester			Part-Time Per Credit		
	2014-15		Increase	2014-15		Increase	2014-15		Increase
	2013-14	Tuition		2013-14	Tuition		2013-14	Tuition	
<b><u>Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	13,338	320		13,658	6,669	160	556	13	569
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (c)	15,448	770		16,218	7,724	385	644	32	676
All Other Programs	14,518	348		14,866	7,259	174	605	15	619
<b><u>Graduate:</u></b>									
MBA	-	-		-	-	-	792	19	811
Business, Science, IST, EMS, & Engineering (c)	19,304	578		19,882	9,652	289	804	24	828
All Other Programs	18,270	546		18,816	9,135	273	761	23	784
Graduate Assistantships, Fellowships	15,570	450		16,020	7,785	225	-	-	-
<b><u>Non-Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	20,400	490		20,890	10,200	245	850	20	870
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (c)	22,754	946		23,700	11,377	473	948	39	988
All Other Programs	21,706	520		22,226	10,853	260	904	22	926
<b><u>Graduate:</u></b>									
MBA	-	-		-	-	-	1,227	29	1,256
Business, Science, IST, EMS, & Engineering (c)	25,476	612		26,088	12,738	306	1,062	25	1,087
All Other Programs	24,348	584		24,932	12,174	292	1,015	24	1,039
Graduate Assistantships, Fellowships	15,570	450		16,020	7,785	225	-	-	-

Schedule 1  
Abington  
Projected 2014-15 Tuition Rates

	Per Academic Year			Full-Time Per Semester			Part-Time Per Credit		
	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition
<b><u>Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	12,706	306	13,012	6,353	153	6,506	518	17	535
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	14,662	752	15,414	7,331	376	7,707	597	21	618
All Other Programs	13,752	330	14,082	6,876	165	7,041	559	20	579
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	19,304	578	19,882	9,652	289	9,941	804	24	828
All Other Programs	18,270	546	18,816	9,135	273	9,408	761	23	784
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-
<b><u>Non-Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	19,382	466	19,848	9,691	233	9,924	808	19	827
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	21,546	918	22,464	10,773	459	11,232	898	38	936
All Other Programs	20,520	492	21,012	10,260	246	10,506	855	21	876
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	24,984	600	25,584	12,492	300	12,792	1,041	25	1,066
All Other Programs	23,858	572	24,430	11,929	286	12,215	994	24	1,018
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-

Schedule 1  
Brandywine, Hazleton, Lehigh Valley, Schuylkill, Worthington Scranton, York, and World Campus  
Projected 2014-15 Tuition Rates

	Per Academic Year			Full-Time Per Semester			Part-Time Per Credit		
	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition
<b><u>Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	12,706	306	13,012	6,353	153	6,506	518	17	535
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	14,396	0	14,396	7,198	0	7,198	579	5	584
All Other Programs	13,752	330	14,082	6,876	165	7,041	559	20	579
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	19,304	578	19,882	9,652	289	9,941	804	24	828
All Other Programs	18,270	546	18,816	9,135	273	9,408	761	23	784
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-
<b><u>Non-Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	19,382	466	19,848	9,691	233	9,924	808	19	827
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	21,154	0	21,154	10,577	0	10,577	881	0	881
All Other Programs	20,520	492	21,012	10,260	246	10,506	855	21	876
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	24,984	600	25,584	12,492	300	12,792	1,041	25	1,066
All Other Programs	23,858	572	24,430	11,929	286	12,215	994	24	1,018
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-

Schedule 1  
Beaver, DuBois, Fayette, Greater Allegheny, Mont Alto, New Kensington, and Wilkes-Barre  
Projected 2014-15 Tuition Rates

	Per Academic Year			Full-Time Per Semester			Part-Time Per Credit		
	2014-15			2014-15			2014-15		
	2013-14	Increase	Tuition	2013-14	Increase	Tuition	2013-14	Increase	Tuition
<b><u>Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	12,568	150	12,718	6,284	75	6,359	513	11	524
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	14,396	0	14,396	7,198	0	7,198	579	0	579
All Other Programs	13,604	164	13,768	6,802	82	6,884	553	14	567
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	19,304	578	19,882	9,652	289	9,941	804	24	828
All Other Programs	18,270	546	18,816	9,135	273	9,408	761	23	784
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-
<b><u>Non-Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	19,174	230	19,404	9,587	115	9,702	799	10	809
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	21,154	0	21,154	10,577	0	10,577	881	0	881
All Other Programs	20,300	244	20,544	10,150	122	10,272	846	10	856
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	24,714	296	25,010	12,357	148	12,505	1,030	12	1,042
All Other Programs	23,600	284	23,884	11,800	142	11,942	983	12	995
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-

Schedule 1  
Shenango  
Projected 2014-15 Tuition Rates

	Per Academic Year			Full-Time Per Semester			Part-Time Per Credit		
	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition	2013-14	Increase	2014-15 Tuition
<b><u>Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	12,474	0	12,474	6,237	0	6,237	504	0	504
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	14,396	0	14,396	7,198	0	7,198	579	0	579
All Other Programs	13,502	0	13,502	6,751	0	6,751	542	0	542
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	18,672	0	18,672	9,336	0	9,336	778	0	778
All Other Programs	17,670	0	17,670	8,835	0	8,835	736	0	736
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-
									270-86
<b><u>Non-Pennsylvania Residents</u></b>									
<b><u>Undergraduate:</u></b>									
Lower Division including Associate:									
Freshmen & Sophomore	19,030	0	19,030	9,515	0	9,515	793	0	793
Upper Division: (a)									
Junior & Senior:									
Business, Science, IST, EMS, & Engineering (d)	21,154	0	21,154	10,577	0	10,577	881	0	881
All Other Programs	20,148	0	20,148	10,074	0	10,074	840	0	840
<b><u>Graduate:</u></b>									
Business, Science, IST, EMS, & Engineering (d)	24,530	0	24,530	12,265	0	12,265	1,022	0	1,022
All Other Programs	23,424	0	23,424	11,712	0	11,712	976	0	976
Graduate Assistantships, Fellowships	15,570	450	16,020	7,785	225	8,010	-	-	-



### Footnotes for 2014-15 Tuition Rate Schedules

- (a) The upper division rate will apply to undergraduate students with a minimum of 59.1 credits, regardless of how earned.
- (b) Includes upper division and graduate programs at University Park in the Smeal College of Business (excluding MBA), the College of Engineering, the College of Earth and Mineral Sciences, the Eberly College of Science, and the College of Information Sciences and Technology. Also includes the intercollege programs of Acoustics, Bioengineering, Cell and Development Biology, Ecology, Genetics, Integrative Biosciences, Materials, Neuroscience, Operations Research, Physiology, Plant Biology, and Quality and Manufacturing Management.
- (c) Includes upper division and graduate programs in the following Erie and Harrisburg departments/schools: School of Science (Erie), School of Business (Erie), School of Engineering and Engineering Technology (Erie), Science/Engineering (Harrisburg), Business Administration (Harrisburg). Also includes upper division programs in the Altoona and Berks departments of Business and Science. Also includes upper division and graduate programs at Altoona, Berks, Erie, and Harrisburg in the Smeal College of Business, the College of Engineering, the College of Earth and Mineral Sciences, the Eberly College of Science, and the School of Information Sciences and Technology.
- (d) Includes upper division and graduate programs in the following Abington, Beaver, Brandywine, DuBois, Fayette, Greater Allegheny, Hazleton, Lehigh Valley, Mont Alto, New Kensington, Schuylkill, Shenango, Wilkes-Barre, Worthington Scranton, and York departments of Business and Science. Also includes upper division and graduate programs at Abington, Beaver, Brandywine, DuBois, Fayette, Greater Allegheny, Hazleton, Lehigh Valley, Mont Alto, New Kensington, Schuylkill, Shenango, Wilkes-Barre, Worthington Scranton, and York in the Smeal College of Business, the College of Engineering, the College of Earth and Mineral Sciences, the Eberly College of Science, and the School of Information Sciences and Technology.

**NOTE:** Specific tuition rates for each student by campus, level and program can be accessed at the following web site: <http://tuition.psu.edu>.

**Schedule 2**  
**2014-15 Information Technology Fee**  
**Per Semester**

	<b>Fall and Spring 2014-15</b>		
	<b>9 or More Credits</b>	<b>5 to Less Than 9 Credits</b>	<b>Less Than 5 Credits</b>
Abington	\$252.00	\$189.00	\$86.00
Altoona	252.00	189.00	86.00
Beaver	252.00	189.00	86.00
Berks	252.00	189.00	86.00
Brandywine	252.00	189.00	86.00
DuBois	252.00	189.00	86.00
Erie	252.00	189.00	86.00
Fayette	252.00	189.00	86.00
Great Valley	252.00	189.00	86.00
Greater Allegheny	252.00	189.00	86.00
Harrisburg	252.00	189.00	86.00
Hazleton	252.00	189.00	86.00
Lehigh Valley	252.00	189.00	86.00
Mont Alto	252.00	189.00	86.00
New Kensington	252.00	189.00	86.00
Schuylkill	252.00	189.00	86.00
Shenango	252.00	189.00	86.00
University Park	252.00	189.00	86.00
Wilkes-Barre	252.00	189.00	86.00
Worthington Scranton	252.00	189.00	86.00
York	252.00	189.00	86.00
World Campus	252.00	189.00	86.00
Dickinson - Carlisle	252.00	189.00	86.00
Dickinson - University Park	252.00	189.00	86.00
Hershey (non-medical)	252.00	189.00	86.00
Hershey (medical)	327.00	Charge per Semester	

**Schedule 3**  
**2014-15 Student Activities Fee**  
**Per Semester**

	<b>Fall and Spring 2014-15</b>		
	<b>9 or More Credits</b>	<b>5 to Less Than 9 Credits</b>	<b>Less Than 5 Credits</b>
Abington	\$93.00	\$70.00	\$29.00
Altoona	93.00	70.00	29.00
Beaver	87.00	65.00	27.00
Berks	93.00	70.00	29.00
Brandywine	93.00	70.00	29.00
DuBois	93.00	70.00	29.00
Erie	93.00	70.00	29.00
Fayette	93.00	70.00	29.00
Greater Allegheny	93.00	70.00	29.00
Harrisburg	93.00	70.00	29.00
Hazleton	93.00	70.00	29.00
Lehigh Valley	87.00	65.00	27.00
Mont Alto	93.00	70.00	29.00
New Kensington	93.00	70.00	29.00
Schuylkill	87.00	65.00	27.00
Shenango	87.00	65.00	27.00
University Park	93.00	70.00	29.00
Wilkes-Barre	93.00	70.00	29.00
Worthington Scranton	93.00	70.00	29.00
York	87.00	65.00	27.00
Dickinson - Carlisle	25.00	18.00	8.00
Dickinson - University Park	118.00	88.00	37.00
Hershey (non-medical)	32.00	23.00	10.00
Hershey (medical)	64.00	charge per academic year	

Note: The student activities fee does not apply to students enrolled at Great Valley.

**Schedule 4**  
**2014-15 Student Facilities Fee**  
**Per Semester**

	<b>Fall and Spring 2014-15</b>		
	<b>9 or More Credits</b>	<b>5 to Less Than 9 Credits</b>	<b>Less Than 5 Credits</b>
Abington	\$120.00	\$90.00	\$37.00
Altoona	120.00	90.00	37.00
Beaver	120.00	90.00	37.00
Berks	120.00	90.00	37.00
Brandywine	120.00	90.00	37.00
DuBois	60.00	45.00	19.00
Erie	120.00	90.00	37.00
Fayette	90.00	68.00	28.00
Great Valley	120.00	90.00	37.00
Greater Allegheny	120.00	90.00	37.00
Harrisburg	120.00	90.00	37.00
Hazleton	90.00	68.00	28.00
Lehigh Valley	120.00	90.00	37.00
Mont Alto	120.00	90.00	37.00
New Kensington	90.00	68.00	28.00
Schuylkill	90.00	68.00	28.00
Shenango	90.00	68.00	28.00
University Park	120.00	90.00	37.00
Wilkes-Barre	90.00	68.00	28.00
Worthington Scranton	90.00	68.00	28.00
York	120.00	90.00	37.00
Dickinson - University Park	120.00	90.00	37.00

Note: The facilities fee does not apply to students enrolled at Dickinson - Carlisle, and Hershey.

### **Proposed Resolution**

Re: the July 12, 2012 "Report of the Special Investigative Counsel" issued  
by Freeh, Sporkin & Sullivan, LLP ("Freeh Report")

July 11, 2014

**Whereas,** certain conclusions of the Freeh Report have damaged the reputations of Penn State, certain of its former officials, and its Board of Trustees;

**Whereas,** the Freeh Report is acknowledged by the NCAA to have formed part of the basis for the Consent Decree the NCAA imposed on Penn State;

**Whereas,** certain conclusions of the NCAA investigation have caused financial and reputational damage to Penn State, certain of its former officials and to its Board of Trustees;

**Whereas,** the Board of Trustees accepted the Freeh Report and the conclusions stated therein on the basis that the Freeh Report was accurate, completed, and the product of a comprehensive investigation;

**Whereas,** the Board of Trustees accepted the NCAA investigative findings on the same basis;

**Whereas,** the Board of Trustees believed the NCAA had adhered to its own charter and bylaws and was authorized by those documents to impose each of the various punishments in the Consent Decree and, on that basis, the Board of Trustees endorsed the Consent Decree;

**Whereas,** in the nearly two years since the Freeh Report was issued credible criticisms of the Freeh Report have emerged;

**Whereas,** in the nearly two years since the NCAA Consent Decree was imposed, credible criticisms of the process by which the NCAA adopted the investigative findings in the Freeh Report, and credible criticisms of the manner in which the NCAA adhered to its own charter and bylaws in imposing punishments on Penn State, have emerged;

**Whereas,** the Board of Trustees has come to question the accuracy and completeness of the Freeh Report and has come to believe that it may not be conclusive in all material respects; and

**Whereas,** the Board believes it imperative to fully investigate all matters not fully addressed by the Freeh investigative team.

**Therefore be it Resolved that** the Board of Trustees shall immediately undertake to identify matters not fully investigated and complete the investigation of such matters.