

PENNSSTATE



Meetings of the Board of Trustees

March 20, 2015

Agenda

- 1. **Roll Call**
- 2. **Approval of the Minutes of Previous Meetings**

Will the Board of Trustees approve the minutes of the meeting of the Board held on January 16, 2015?

- 3. **President's Report**
- 4. **Provost's Report**
- 5. **Update on the Milton S. Hershey Medical Center**

A. Craig Hillemeier, M.D., Chief Executive Officer; Senior Vice President for Health Affairs; and Dean, College of Medicine, the Penn State Milton S. Hershey Medical Center, will provide an update on the Medical Center.

- 6. **Reports from Standing Committees**

Discussion of action and/or information items by the Standing Committees for consideration by the Board of Trustees:

- A. **Committee on Academic Affairs and Student Life – M. Abraham Harpster, Chair**

- 1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Academic Affairs and Student Life:**

Information Items -

- a) Information on Undergraduate Programs
- b) Information on Graduate Programs

(See Appendix I)

- 2) **Proposal to Establish the School of Electrical Engineering and Computer Science**

The College of Engineering is proposing to create a new School of Electrical Engineering and Computer Science that will include the Department of Electrical Engineering and the Department of Computer Science and Engineering. The new School, which will be housed administratively within the College of Engineering, will have a School Head and two Associate School Heads who will also be department heads. Both departments are very successful in education, research, and service and have strong leadership. A formal association between the two departments as part of a joint School will create potential advantages, including more effective integration of the curricula, better coordination of graduate student recruitment, more strategic hiring at the interface between electrical engineering and computer science, improved collaboration in interdisciplinary research, and greater student access to courses offered by the other department.

Most of the top colleges of engineering have unified academic units for electrical and computer science and engineering. There are opportunities for greater efficiencies in creating common business functions for human resources, finance, IT and infrastructure. An association between these units has been recommended by the Industrial and Professional Advisory Councils (IPACS) of both departments. There are no implications for accreditation.

The proposal has been favorably reviewed by a majority of faculty in both departments, by other College of Engineering unit heads, by other Penn State deans and Institute directors, and by the University Faculty Senate Council. It is endorsed by the dean of the College of Engineering.

Will the Board of Trustees adopt the following resolution:

RESOLVED, that the establishment of a School of Electrical Engineering and Computer Science is approved, effective immediately.

3) **Proposed Change in the Name of the Department of Women's Studies to the Department of Women's, Gender, and Sexuality Studies**

The College of the Liberal Arts is proposing to change the name of the Department of Women's Studies. This would be a change of name only, and would not change the relationship of the unit to the College, University, or to other departments.

In addition to a B.A. and B.S. in Women's Studies, the department currently offers minors in Women's Studies and in Sexuality and Gender Studies. The department also offers dual-title Masters and PhD degrees with nine partners in five colleges. The field of women's studies has broadened considerably, and many of our peer institutions have made name changes to reflect some variation of Women, Gender, and Sexuality Studies.

Gender studies examines ideas of femininity and masculinity across cultures and historical periods and how these concepts are represented in literature, popular culture, the arts, science, and medicine. Sexuality studies is an interdisciplinary field devoted to the analysis of human sexuality and explores the historical, political, biological, cultural, sociological, educational, legal, health, aesthetic, and psychological contexts of human sexuality. Several department faculty write and teach in these areas.

The name change should make the department more attractive to a broader spectrum of potential majors and minors as well as give a stronger institutional home to the sexuality and gender studies minor. The proposal has been favorably reviewed by faculty in this department, by faculty in related units, and by the University Faculty Senate Council. It is endorsed by the dean of the College of the Liberal Arts.

Will the Board of Trustees adopt the following resolution:

RESOLVED, that the name of the Department of Women's Studies be changed to the Department of Women's, Gender, and Sexuality Studies in the College of the Liberal Arts, effective immediately.

B. Committee on Audit and Risk – Ira M. Lubert, Chair

C. Committee on Compensation – Carl T. Shaffer, Chair

D. **Committee on Finance, Business and Capital Planning** - Mark H. Dambly, Chair

1) **Discussion of Consent Agenda Items Provided for Information or Approval of the Committee on Finance, Business and Capital Planning:**

Information Items –

- a) Greenhouse Infrastructure Renovation, University Park
- b) Beaver Stadium Press Box Improvements, University Park
- c) Lasch Football Building Nutrition Bar and Video Wall, University Park
- d) Services Road Improvements, University Park
- e) University Drive Extension Improvements, University Park
- f) Bigler Road Stormwater Management Improvements, University Park
- g) East Parking Deck Rehabilitation, University Park
- h) Breazeale Reactor HVAC Upgrades, University Park
- i) Mushroom Research Building Addition, University Park
- j) Atherton Hall Restroom Renovations, University Park
- k) Nittany Apartment Renovations, University Park
- l) Hail Damage Repair, Penn State Berks
- m) Administrative Offices and Egress Corridor Relocation, The Milton S. Hershey Medical Center
- n) Gift Shop Relocation, The Milton S. Hershey Medical Center
- o) Pastoral Services Offices Relocation, The Milton S. Hershey Medical Center
- p) Naming of the Hershey Data Center the “University Technology Center,” The Milton S. Hershey Medical Center
- q) Naming of Rooms, Portions of Buildings, and Plazas
- r) Status of Major Construction Programs and Borrowing
- s) Investment Review of Endowment
- t) Summary and Designation of Gifts Received

Action Items –

- u) Summary of Revised Funds
- v) Summary and Acknowledgement of New Funds and Major Commitments

(See Appendix II)

2) **Proposed Naming of the Blue Band Building, “O. Richard Bundy Blue Band Building,” University Park**

The Facilities Naming Committee has recommended that the Board of Trustees name the Blue Band Building at University Park, in honor of Dr. Dick Bundy’s thirty-two years of service to Penn State. The recognition plaque will read:

O. Richard Bundy Blue Band Building

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the Blue Band Building at University Park is named “O. Richard Bundy Blue Band Building.”

(See Appendix III)

3) **Proposed Appointment of an Architect, Chemical and Biomedical Engineering Building, University Park**

The Subcommittee on Architect/Engineer Selection will make a report and recommendation on the appointment of an architect for the Chemical and Biomedical Engineering Building at University Park.

4) **Proposed Appointment of an Architect, Lacrosse Facility Upgrades, University Park**

The Penn State Lacrosse field, located west of the Multisport Indoor Facility along University Drive, was built in 2011 to replace the field that was demolished for the Pegula Ice Arena construction. Site amenities were limited to concrete pavement to allow at-grade access to the building, access for field maintenance vehicles, scoreboard, lighting, and bleacher seats on the east side of the field.

The Department of Intercollegiate Athletics planned to upgrade the lacrosse facility in several stages with the first stage being construction of terraced seating for a budget of \$2,500,000. Using a competitive process, the Office of Physical Plant retained AP Architects of State College, Pennsylvania, to design the improvements.

Recently the project scope has expanded to include a press box, restrooms, and concessions. As a result, the Lacrosse Facility Upgrades are currently estimated at approximately \$8,400,000, which requires Board of Trustee appointment of a designer. AP Architects are capable of designing this additional scope, have been doing a good job, and are familiar with the project background and technical requirements. Accordingly, the Office of Physical Plant recommends that they be appointed to design the Lacrosse Facility Upgrades.

Final plans for the Lacrosse Facility Upgrades will be brought to the Board of Trustees for approval when designed and final costs have been established.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the Officers of the University are authorized to employ AP Architects of State College, Pennsylvania, to design Lacrosse Facility Upgrades at University Park.

5) **Proposed Final Plans and Authorization to Expend Funds, Visual Arts Building HVAC Replacement, University Park**

The University intends to improve the comfort and energy efficiency of the Visual Arts Building at University Park by replacing the aging heating and cooling systems. This project was originally reported to the Board of Trustees in November at a cost estimate of \$3,500,000. The Office of Physical Plant retained Trefz Engineering, Inc., through an inclusive, qualifications-based process, to design the improvements.

A thorough investigation of the ductwork and infrastructure associated with the planned system upgrades determined that they were deteriorated to the point that a complete replacement was required. Much of this equipment is behind walls or in shafts, which has increased the project costs. The project is still appropriate and necessary as the HVAC units may not last another year. Trefz Engineering has the technical capability to design the additional work. The project scope includes a new

hot water plant in the building, new insulated duct work, controls upgrade, piping replacement, and two new air handlers. The building will be connected to the campus chilled water system. Electrical modifications will be completed to support the installation. During the course of work, corridor ceilings will be replaced and light fixtures will be replaced with energy efficient LED fixtures.

As a result of this expanded project scope, the Visual Arts HVAC replacement project is currently estimated at approximately \$8,000,000, which requires Board of Trustee designer appointment and project approval.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the Officers of the University are authorized to employ Trefz Engineering, Inc. of Horsham, Pennsylvania, to design the Visual Arts Building HVAC Replacement at University Park.

FURTHER BE IT RESOLVED, That the final plans for the Visual Arts HVAC Replacement, as designed by Trefz Engineering, Inc., are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$8,000,000.

6) **Proposed Final Plans and Authorization to Expend Funds, Data Center, University Park**

As Penn State University and Penn State Hershey Medical Center have expanded the use of technology to provide the best education, research and medical care possible, the need for reliable, secure and robust data center capacity has increased significantly. To address this need, the University intends to build two new data centers, one at University Park and another at the Hershey Medical Center. The Board of Trustees approved final plans and authorized the expenditure of funds for the Hershey Medical Center Data Center last November and construction began in January.

In order to protect the University's data and continue business as usual in the event of a disaster, the Hershey data center will back up the University Park data center, and the University Park data center will back up the Hershey data center.

The University Park data center has been designed to support planned growth in research computing, add highly resilient capacity for critical enterprise applications, and accommodate Hershey's business continuity needs.

The University Park data center will initially be built to serve a 1.75 megawatt load. As with the Hershey data center, the University Park data center has been designed to accommodate significant future expansion and both will be very energy efficient.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Data Center at University Park, as designed by IDC Architects, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to construct the project is approved at a cost of \$58,000,000.

7) **Proposed Final Plans and Authorization to Expend Funds, Water Treatment Plant and Distribution Upgrades, University Park**

The University Park water system currently delivers approximately 2.4 million gallons of water per day pumped from the Big Hollow and Houserville wellfields. The development of the campus physical plant over the decades has placed increasing demands on the storage capacity of the system; and, the concurrent growth of the University and the greater State College area has placed the University's potable water wells at an unacceptably high risk of contamination.

While we currently meet standards, development pressures will continue to increase and it is expected that additional contaminants of concern will be regulated by the Environmental Protection Agency in the near future. While the State College Borough Water Authority has several connections to Penn State's system for emergency purposes, they are unable to serve as a full backup supplier.

A comprehensive study of the costs and benefits of both water treatment options and distribution upgrades has led to a balanced and responsible plan that includes a new water treatment plant to protect the University's water supply from current and future contaminants of concern, and water distribution upgrades that should meet regulatory operational and insurance carrier water storage standards for the next twenty years. The new water treatment plant will be located near the intersection of Big Hollow Road and Services Road on the north side of the campus. The distribution system upgrades will include modifications to the water tower on the golf course, modifications to the tower behind OPP Building, a new higher water tower next to the Stuckeman Building, and a new ground storage tank north of the treatment plant.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Water Treatment Plant and Distribution Upgrades, as designed by Buchert Horn, Inc. of York, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$62,000,000.

8) **Proposed Final Plans and Authorization to Expend Funds, Student Enrichment Center, Penn State Harrisburg**

Over the past few years Penn State Harrisburg has experienced a substantial increase in its student population. In order to help address this increase, the University intends to provide additional student support space with a new, approximately 70,000 square foot, facility in the academic core of the campus. It will include offices and meeting rooms for the counseling and learning centers, student life facilities including food service, a convenience store, a 390-seat auditorium, and a spiritual center. The campus bookstore will be demolished and

its functions will be absorbed into the new facility. The project includes exterior public gathering spaces, pedestrian connections to the existing campus sidewalk network, and associated landscape improvements.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the final plans for the Student Enrichment Center, as designed by Bohlin Cywinski Jackson of Pittsburgh, Pennsylvania, are approved.

FURTHER BE IT RESOLVED, That authorization to expend funds to accomplish the project is approved in the amount of \$30,000,000.

9) **Proposed Changes in Room and Board Charges for the 2015-16 Academic Year, The Pennsylvania State University**

It will be necessary to increase room and board charges effective for the 2014 Fall Semester because of increased operating and facility maintenance costs.

Appendix IV provides details of the Housing and Food Service Budget Presentation for 2015-16, as well as the proposed rates at University Manor, The Milton S. Hershey Medical Center.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That room and board charges at all locations be increased as shown on Schedules I through IV attached hereto and which are a part of this resolution.

(See Appendix IV)

10) **Proposed Approval of Penn State Health / Pinnacle Merger**

Final approval is requested for a proposed transaction with Pinnacle Health System ("Pinnacle") of Harrisburg, Pennsylvania, through which Pinnacle would become a part of Penn State Health and thereby become a component of a health enterprise including Saint Joseph's Regional Health Network and Penn State Milton S. Hershey Medical Center. The Board of Trustees authorized the incorporation of Penn State Health for this purpose in September 2014. Terms and conditions of the Pinnacle transaction will be presented in detail to the Board of Trustees at an executive session of the Board. The Committee on Finance, Business and Capital Planning considered the proposed transaction at its meeting in January 2015 and recommended final approval by the Board of Trustees.

Will the Board of Trustees adopt the following resolutions:

RESOLVED, That the Board of Trustees approves the proposed transaction with Pinnacle Health System ("Pinnacle") of Harrisburg, Pennsylvania, which will integrate Pinnacle as an affiliate of Penn State Health, upon the terms and conditions presented to the Board of Trustees and subject to all requisite regulatory approvals.

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

11) **Conflict of Interest – Approval of Lease with PSRP Developers, Inc., Innovation Park**

Article VIII, Section 8.05 (a) of the Bylaws of the University, provides that, "A contract or transaction between the University and a Trustee, family member or an entity in which the Trustee or family member has a beneficial interest of ten percent (10%) or more and the contract is valued at \$10,000 or more must be approved by the Board of Trustees in accordance with this Section." Further, that Section provides that "the University official responsible for the matter must first conclude that it is in the best interests of the University to consider entering into such a contract or transaction" and that "the officer must first explore alternatives that do not involve an interest of the Trustee, family member or entity in which the Trustee or family member owns a beneficial interest of ten percent (10%) or more." The interested Trustee shall leave the meeting during discussion and voting. Finally, Section 8.05(a) provides that "[t]he Board shall determine by a majority vote of the disinterested Trustees whether the transaction or arrangement is in the University's best interests, the price and value provided are fair and reasonable to the University and whether to approve the transaction or arrangement."

Having been on the Board of Trustees from July 1, 1997 through June 30, 2000 and from September 24, 2007 to April 9, 2014, Trustee Ira Lubert rejoined the Board on January 16, 2015 and has a beneficial ownership of more than 10 percent of PSRP Developers, Inc. which owns 101 Innovation Boulevard (Lubert Building) and 103 Innovation Boulevard at Innovation Park.

During this time, the University has entered into various lease agreements for space in the Lubert Building and 103 Innovation Boulevard. Each of these leases have been ratified or approved, consistent with the Board of Trustees Bylaws with the most recent approval occurring in March 2014 to extend one of the existing leases in Lubert Building.

It is proposed that the University enter into a lease for Suite 314 in the Lubert Building. The terms of the lease are for 3,346 square feet at an annual rent of \$55,209 for a three-year term, with five, one-year options to renew.

The Smeal College of Business wishes to use the space to house its Executive Programs Team. The Team, comprised of approximately eight members, manages the non-degree programs offered through the Smeal College of Business.

The terms of the lease are within a reasonable price range, considering the quality of the space and the amenities provided at Innovation Park. As a result, the Responsible Officer, Dan Sieminski, has determined that the lease renewal described above is in the best interests of the University.

Will the Board of Trustees adopt the following resolution:

RESOLVED, That the proposal to enter into a three-year lease, with 5 one-year options, for Suite 314 at 101 Innovation Boulevard (Lubert Building) with PSRP Developers, Inc., totaling 3,346 square feet at a current annual cost of \$55,209.

- E. **Committee on Governance and Long-Range Planning** - Keith W. Eckel, Chair
- F. **Committee on Legal and Compliance** – Kenneth C. Frazier, Chair

1) **Proposed Public Venue Liquor License**

Will the Board of Trustees adopt the following resolutions:

WHEREAS, The Pennsylvania Liquor Code authorizes the Pennsylvania Liquor Control Board to issue various licenses related to liquor sales, subject to a well-defined set of regulations; and

WHEREAS, The Pennsylvania State University desires to file an Application for Public Venue Restaurant Liquor License issued by the Pennsylvania Liquor Control Board,

HEREBY BE IT RESOLVED, That an Application for Public Venue Restaurant Liquor License be submitted to the Pennsylvania Liquor Control Board related to the sale of alcoholic beverages at the Bryce Jordan Center; and,

FURTHER BE IT RESOLVED, That David J. Gray, Senior Vice President for Finance and Business/Treasurer, and/or Joseph J. Doncsecz, Associate Vice President for Finance and Corporate Controller, is/are authorized to execute the application and any other papers required by the Pennsylvania Liquor Control Board, and to take such other actions as may be required in connection with the Application.

- G. **Committee on Outreach, Development, and Community Relations** – Paul H. Silvis, Chair

7. **Appointment of Directors of Penn State Health**

The Board of Trustees has previously authorized the formation of a new Pennsylvania nonprofit corporation, initially to be named Penn State Health, for the purpose of entering into transactions with St. Josephs Regional Health System of Reading, Pennsylvania, and Pinnacle Health System of Harrisburg, Pennsylvania, and to provide oversight and governance of an expanded health enterprise including Penn State Milton S. Hershey Medical Center.

The next action necessary to establish Penn State Health as an operating corporation is to appoint a board of directors. It is recommended that the board of directors initially consist of eight members, and that the seven individuals currently serving on the Board of Directors of Penn State Hershey Health System, Inc., plus one additional individual, be designated to serve on the Penn State Health Board of Directors. Note that the number of directors will be enlarged when the proposed transaction with Pinnacle Health System is consummated.

3/20/2015

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Will the Board of Trustees adopt the following resolution:

RESOLVED, that the Board of Directors of Penn State Health shall initially consist of eight members, and the following individuals are appointed for a term of one year:

Dennis P. Brenckle
Peter N. Carlino
Kathleen L. Casey
Mark H. Dambly

Rodney A. Erickson, Ph.D.
David J. Gray
A. Craig Hillemeier, M.D.
Keith E. Masser

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

Proposed Room and Board Rates 2015–2016

The Pennsylvania State University

Effective Fall 2015

Undergraduate Residence Hall Room

Rates/Person/Semester

(Meal Plan Required)

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Standard Double	2	\$2,730	\$2,860	\$130
Standard Double/Bath	2	2,880	3,010	130
Renovated Double	2	2,955	3,100	145
Small Double	2	2,045	2,145	100
Triple	3	2,455	2,575	120
Triple/Bath	3	2,730	2,860	130
Quad	4	2,455	2,575	120
Quad/Bath	4	2,730	2,860	130
Quad as Triple	3	2,730	2,860	130
Standard Single	1	3,715	3,900	185
Standard Single/Bath	1	3,780	3,975	195
Renovated Single	1	3,780	3,975	195
Eastview Single/Bath	1	4,720	4,960	240
Eastview Large Single/Bath	1	5,075	5,330	255
RA Rate	1	1,795	1,855	60
Standard Double Suite	2	3,220	3,375	155
Standard Double Suite as Triple	3	2,730	2,850	120
Standard Single Suite	4	3,755	3,945	190
Double Suite	2	3,460	3,625	165
Single Suite	1	4,550	4,780	230

Supplemental assignments will be priced at a 20 percent discount from the applicable suite or room rate.

Single occupancy of rooms intended for double occupancy will be priced at 25 percent more than the double occupancy rate for that room type.

Proposed Room and Board Rates Continued

*The Pennsylvania State University
Effective Fall 2015*

University Park Nittany Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$3,300	\$3,460	\$160
4 Bedroom Garden	4	3,715	3,895	180
4 Bedroom Townhouse	4	3,850	4,035	185

**Room rate includes utilities.*

Erie, Behrend Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$3,300	\$3,460	\$160

**Room rate includes utilities.*

Harrisburg Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Apartments-Bedroom Single	4	\$3,950	\$4,140	\$190
Apartments-Bedroom Double	6	3,475	3,640	165
Apartments-Bedroom Triple	9	3,125	3,275	150

**Room rate includes utilities.*

Proposed Room and Board Rates Continued

The Pennsylvania State University
Effective Fall 2015

University Park Graduate Family Apartment Rates/Month*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 1 Bedroom	N/A	\$1,030	\$1,065	\$35
White Course 2 Bedroom	N/A	1,170	1,210	40
White Course 3 Bedroom	N/A	1,315	1,360	45
White Course 3 Bedroom w/Half Bath	N/A	1,330	1,375	45

*Room rate includes utilities.

University Park Graduate Apartment Rates/Person/Month*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 4 Bedroom Apartment	4	\$815	\$850	\$35

*Room rate includes utilities.

Board Plan Rates/Semester

Meal Plan	Dining Dollars	Current Rate	Proposed Rate	Proposed Increase
Plan 1	\$735	\$2,005	\$2,065	\$60
Plan 2	825	2,095	2,155	60
Plan 3	885	2,155	2,215	60
Plan 4	1,010	2,270	2,340	70
Plan 5	1,095	2,355	2,425	70
Plan 6	1,270	2,530	2,600	70

UNIVERSITY MANOR APARTMENTS

CURRENT vs. PROPOSED MONTHLY RENTAL RATES

<u>Type Occupancy</u>	<u>No. Units</u>	<u>Current Rates Per Apt.</u>	<u>Proposed Rates Per Apt.</u>	<u>Amount Increase</u>
University Manor East				
1 Bedroom (with Washer/Dryer)	24	\$ 900	\$ 910	\$ 10
2 Bedroom (with Washer/Dryer)	208	\$ 1,060	\$ 1,080	\$ 20
3 Bedroom (with Washer/Dryer)	16	\$ 1,194	\$ 1,218	\$ 24
University Manor West				
4 Bedroom (furnished) *	31	\$ 2,120	\$ 2,168	\$ 48

* NOTE: Proposed monthly increase per bedroom is \$12

1. **Information on Undergraduate Programs**

A. Penn State Harrisburg

1) Integrated Undergraduate/Graduate Program with Bachelor of Science in Psychology and Master of Arts in Applied Psychological Research: New Program

This program is designed to allow academically superior psychology undergraduates obtain both the B.S. and M.A. degree within five years of study. It will prepare individuals to conduct research in settings such as government, education, health care or private settings or continue on to doctoral degree study. The authorization for the new IUG will become effective Summer 2015.

2. **Information on Graduate Programs**

A. Learning, Design, and Technology in the College of Education: Drop the Doctor of Education Degree (D.Ed.), and Change Degree Requirements for the Master of Education (M.Ed.) and Master of Science (M.S.) Degree Programs

Students who would take the EDTEC Option will now take the M.Ed. in Learning, Design, and Technology. Eliminating the EDTEC Option will attract a more diverse population to the online [M.Ed.] program and integrate the EDTEC students more closely with other students in the LDT program.

In general, students pursuing the D.Ed. transfer into the Ph.D. program prior to graduation in LDT, which explains why there are currently enrolled D.Ed. students but no graduates since 2007. The perception of most students is that the Ph.D. is a degree that is more likely to lead to academic posts, and as students experience the research environment, they prefer to aim toward research and academic jobs in their futures. Because Penn State's LDT program is among the best research programs in the country, it attracts far more students who are interested in Ph.D. level work than advanced practitioner degrees and many of our students are highly marketable for academic positions.

B. Integrated Undergraduate/Graduate Program with Bachelor of Science in Psychology and Master of Arts in Applied Psychological Research: New Program

The integrated B.S. degree in Psychology/M.A. degree in Applied Psychological Research "meets the needs of the most academically talented students in the Psychology undergraduate major. A large proportion of our most academically talented students apply or wish to apply to graduate schools during their final year of undergraduate studies or soon after graduation. If they are accepted into a master's or doctoral program, the students can expect 2 to 5 additional years of graduate study. Students can benefit from the integrated degree because it provides a more challenging curriculum that allows them to accelerate their program of study to possibly receive an undergraduate and graduate degree within 5 years, or 3 additional semesters of graduate study. Additionally, the integrated program can provide these students with a more cohesive program of study with opportunities to engage in more comprehensive research and clinical experience leading to both the Bachelor and Master's degree.

1. **Greenhouse Infrastructure Renovation, University Park**

The existing heating, cooling and ventilation systems in the eight greenhouses near Tyson Building are in poor condition and no longer serve the greenhouse environment properly. The University intends to replace them with new energy efficient systems in two phases. Greenhouses A,B,C,D,E,F,G will be renovated in the summer of 2015. Greenhouse H will be done in the fall of 2015. Electrical systems and lighting will be also upgraded. The project will also include miscellaneous work such as selective door replacement. The cost estimate for this project is \$3,500,000.

(See Appendix II.1)

2. **Beaver Stadium Press Box Improvements, University Park**

The press box at the Beaver Stadium was last renovated in 1978 and is in need of renewal. The University intends to mitigate any hazardous materials, replace the elevator cab and improve elevator controls and speed, replace windows with energy-efficient units, paint, replace carpeting, and install new energy-efficient lighting in the approximately 18,480 square foot space. The project also includes paint to the exterior of the press box. Planned completion is before the first home game (September 12th) against Buffalo. The cost estimate for this project is \$2,000,000.

(See Appendix II.2)

3. **Lasch Football Building Nutrition Bar and Video Wall, University Park**

The University intends to renovate a portion of the Lasch Football Building to construct a Nutrition Bar that will make nutritious snacks available to athletes using the facility. A lift will be installed to replace an existing accessible ramp that is being displaced in this portion of the building. The project also includes the installation of a video wall in the auditorium. The cost estimate for this project is \$2,300,000.

(See Appendix II.3)

4. **Services Road Improvements, University Park**

The University intends to complete infrastructure improvements in the north University Park campus area to support the new Data Center, new water treatment plant, and future utility needs. The Services Road project includes the installation of a storm sewer, an electric duct bank, a telecom duct bank and a waterline on Big Hollow Road from Tower Road to Services Road. A storm sewer and waterline will be installed on Services Road from Bigler Road to University Drive. Both roads will be rebuilt and Services Road will be widened to 30 feet with curbs and bike lanes. These improvements will improve safety, drainage, and pavement conditions. The cost estimate for this project is \$4,020,000.

(See Appendix II.4)

5. **University Drive Extension Improvements, University Park**

The University intends to complete infrastructure improvements in the north University Park campus area to support the new Data Center, new water treatment plant, and future utility needs. The University Drive Extension project includes the installation of a storm sewer, an electric duct bank, a telecom duct bank, a waterline, and a water reuse line on University Drive Extension from Park Avenue to Tower Road. The same section of University Drive Extension will be widened to 30 feet with curbs and bike lanes. These improvements will improve safety, drainage, and pavement conditions. The cost estimate for this project is \$3,840,000.

(See Appendix II.4)

6. Bigler Road Stormwater Management Improvements, University Park

The University intends to construct storm sewer improvements to alleviate flooding problems due to insufficient existing infrastructure. New storm sewer pipe will be installed beneath Bigler Road and McKean Road in two sections. The first section is on Bigler Road from Hastings Road to the southeastern terminus of Bigler Road. The second section is on McKean Road from Hastings Road to the unnamed road between East Area locker Rooms and the Greenberg Ice Pavilion. The road will be completely reconstructed in both sections. The cost estimate for this project is \$2,200,000.

(See Appendix II.5)

7. East Parking Deck Rehabilitation, University Park

The East Parking Deck is on a five year general maintenance and repair schedule, which extends the service life of deck components. This project will include fixing and sealing cracks, miscellaneous concrete repairs, sealing, cleaning of expansion joints, replacement of joint sealants, painting, applying a new traffic coating to the exposed floors and more throughout the entire deck. The cost estimate for this project is \$1,700,000.

(See Appendix II.6)

8. Breazeale Reactor HVAC Upgrades, University Park

The University intends to replace heating, ventilation, and air conditioning systems in the Breazeale Nuclear Reactor building, including connection to and expansion of the existing on-site chilled water system. The project includes asbestos abatement, and subsequent carpet and tile replacement in a portion of the building. Architectural upgrades will be implemented in the east wing area including the conference and office areas to achieve better functionality of the space. There will be no exterior changes to the building. The cost estimate for this project is \$1,100,000.

(See Appendix II.7)

9. Mushroom Research Building Addition, University Park

The new water treatment plant will displace some of the Mushroom Research mixing operations and equipment storage spaces at the University Park campus. The University intends to add approximately 8,000 square feet to the Mushroom Research Building to accommodate these activities and to connect these functions to the research spaces. The project includes other basic maintenance improvements, raw materials storage, compost mixing operations, compost bunkers, shop facilities, mushroom tunnels and an accessible restroom. The cost estimate for this project is \$2,000,000.

(See Appendix II.8)

10. Atherton Hall Restroom Renovations, University Park

The University intends to renovate one quarter of the 1939 era bathrooms in Atherton Hall. Four existing common bathrooms, three in the southeast wing and one in the central wing, will be replaced by twenty-one new shared private bathrooms. Vestibules with sinks and lockers will also be provided. The first two phases of this work (northeast and northwest wings) were completed in 2013 and 2014. The remaining existing bathrooms are anticipated to be addressed in a later, final phase. The cost estimate for this project is \$1,500,000.

(See Appendix II.9)

11. Nittany Apartments Renovations, University Park

The University intends to renovate twenty-one apartments, located in five buildings, in the mid-1980s era Nittany Residence Area. Work includes kitchens, bathrooms, flooring, painting, and lighting. The first phase of this work (thirteen apartments) was completed in 2014. The balance of the existing apartments will be addressed in subsequent phases. The cost estimate for this project is \$1,300,000.

(See Appendix II.10)

12. Hail Damage Repair, Penn State Berks

In May of 2014 a destructive hail storm caused extensive damage to a majority of buildings and grounds at the Berks campus. The University immediately completed repairs to maintain safe operation and limit further damage to University assets. Further repairs include repair or replacement of thirteen roofs, shredded insulation on rooftop utilities, wall capping, skylights, and approximately forty pedestrian-level light fixture heads. Negotiations between Factory Mutual and the University's Risk Management office continue, but it is expected that all funding for the work will be covered by the associated insurance claim. The project cost estimate is \$2,500,000.

(See Appendix II.11)

13. Administrative Offices and Egress Corridor Relocation, The Milton S. Hershey Medical Center

The hospital administrative offices are currently located between the Heart and Vascular Institute (HVI) invasive surgery unit and HVI patient rooms. This project will relocate the administrative offices to an underutilized area of the first floor, which will in turn allow the existing location to be used for HVI clinical services in the future. The administrative office area will utilize a combination of open and private office areas that will maximize occupancy, increase exterior light penetration, and promote collaboration. An egress corridor from a stairwell runs through the space proposed for office use. This project will combine the egress corridor and an adjacent public corridor into a single function to regain valuable floor space for the new administrative office area. Two existing unisex toilet rooms will also be relocated as part of this project to improve public access and enhance the corridor and office area configuration. The estimated cost for this project is \$1,300,000.

(See Appendix II.12)

14. Gift Shop Relocation, The Milton S. Hershey Medical Center

This project consists of relocating the Gift Shop from inside the surgical waiting area on the first floor of the hospital to an existing unoccupied shell space also on the first floor. The purpose of this project is to move this support function out of an area of the hospital better utilized for clinical services. The project will also provide the opportunity to re-layout the gift shop public areas and back-of-house functions in a more efficient manner. The new location of the gift shop will be immediately adjacent to the main east-west public corridor through the main hospital. The estimated cost for this project is \$1,772,500.

(See Appendix II.13)

15. Pastoral Services Offices Relocation, The Milton S. Hershey Medical Center

Pastoral services offices are currently located near, but not adjacent to, each other on the first floor of the main hospital. The intent of this project is to centralize the offices in a single suite and relocate these support services out of an area of the hospital better utilized for clinical services. Pastoral services will be relocated to an existing unoccupied shell space on the first floor of the hospital. The functions within the pastoral services office suite will include private offices, shared work space, a conference room, and private areas for counseling. The estimated cost for this project is \$1,987,500.

(See Appendix II.14)

16. **Naming of the Hershey Data Center the “University Technology Center,” The Milton S. Hershey Medical Center**

The University intends to name the Hershey Data Center the University Technology Center. The University Technology Center will provide centralized space and enhanced security for patient, research, and educational data for the Medical Center and College of Medicine.

(See Appendix II.15)

17. **Naming of Rooms, Portions of Buildings, and Plazas**

The Facilities Naming Committee has made certain recommendations to the President on the naming of rooms, portions of buildings and plazas. In accordance with the Policy on Naming University Facilities, the Board of Trustees is hereby informed that the President has approved the following naming actions:

1. Name the Inglenook Staircase, Hintz Family Alumni Center, in recognition of a pledge from Kay and Ernie Salvino. The recognition plaque will read:

*Staff Recognition Staircase
With sincere appreciation for your excellent service to all of our Penn State Alumni
Association members and all who visit this alumni home.
Kay Salvino, 78th President (2013-2015)
And
Ernest F. Salvino*

2. Name the First Floor Welcome Desk, Hintz Family Alumni Center, in recognition of a group gift from the 2013-14 Alumni Council. The recognition plaque will read:

Welcome Desk A Gift of the 2013-14 Alumni Council

3. Name the Second Floor Reception Desk, Hintz Family Alumni Center, in recognition of a pledge from the 2014-15 Alumni Council. The recognition plaque will read:

Reception Desk A Gift of the 2014-15 Alumni Council

4. Name the Assistant Coach's Office (Room 207), Lasch Football Building, in recognition of a gift from Peter and Terry Horstman. The recognition plaque will read:

*Pete and Terry Horstman
Assistant Coach's Office*

5. Name the Head Coach's Office (Room 108F), McCoy Natatorium, in recognition of a gift from John Borgerding and Christine Fields. The recognition plaque will read:

*In loving memory of Charles W. Borgerding, Jr. by his family
Head Coach's Office*

6. Name an interview room (Room 206F) in the Career Center, Mateer Building, in recognition of a gift from Pappas Restaurants. The recognition plaque will read:

*Career Center Interview Room
Made possible through a gift from
Pappas Restaurants*

18. **Status of Major Construction Programs and Borrowing**

(See Appendix II.16)

19. **Investment Review of Endowment**

Appendix II.17 is a report of the University's endowment and similar funds as of December 31, 2014.

(See Appendix II.17)

20. **Summary and Designation of Gifts Received**

Appendix II.18 is a summary of gifts received during the period July 1, 2014 through January 31, 2015

(See Appendix II.18)

21. **Summary of Revisions to Existing Scholarships, Fellowships, Etc.**

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolution:

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.

22. **Summary and Acknowledgement of New Funds and Major Commitments**

The Committee on Finance, Business and Capital Planning is advised that for the period December 15, 2014 to February 20, 2014, 35 new funds totaling approximately \$2,103,537.69 were accepted by the University, including scholarships, fellowships, etc. All of these items conform to established University policies and regulations.

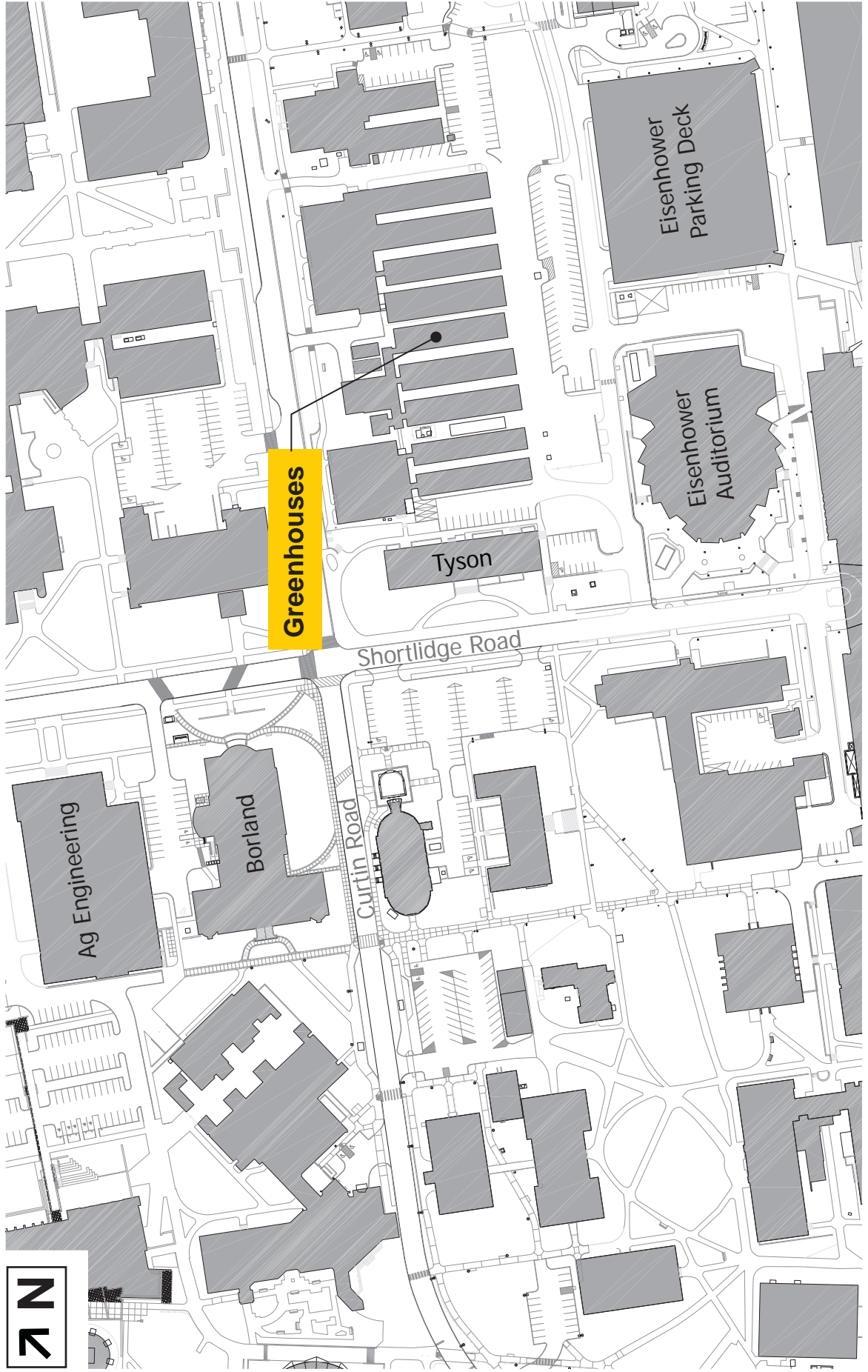
For the period November 1, 2014 through December 31, 2014, 35 major commitments were accepted by the University totaling approximately \$24,277,979.

Will the Committee on Finance, Business and Capital Planning recommend to the Board of Trustees adoption of the following resolutions:

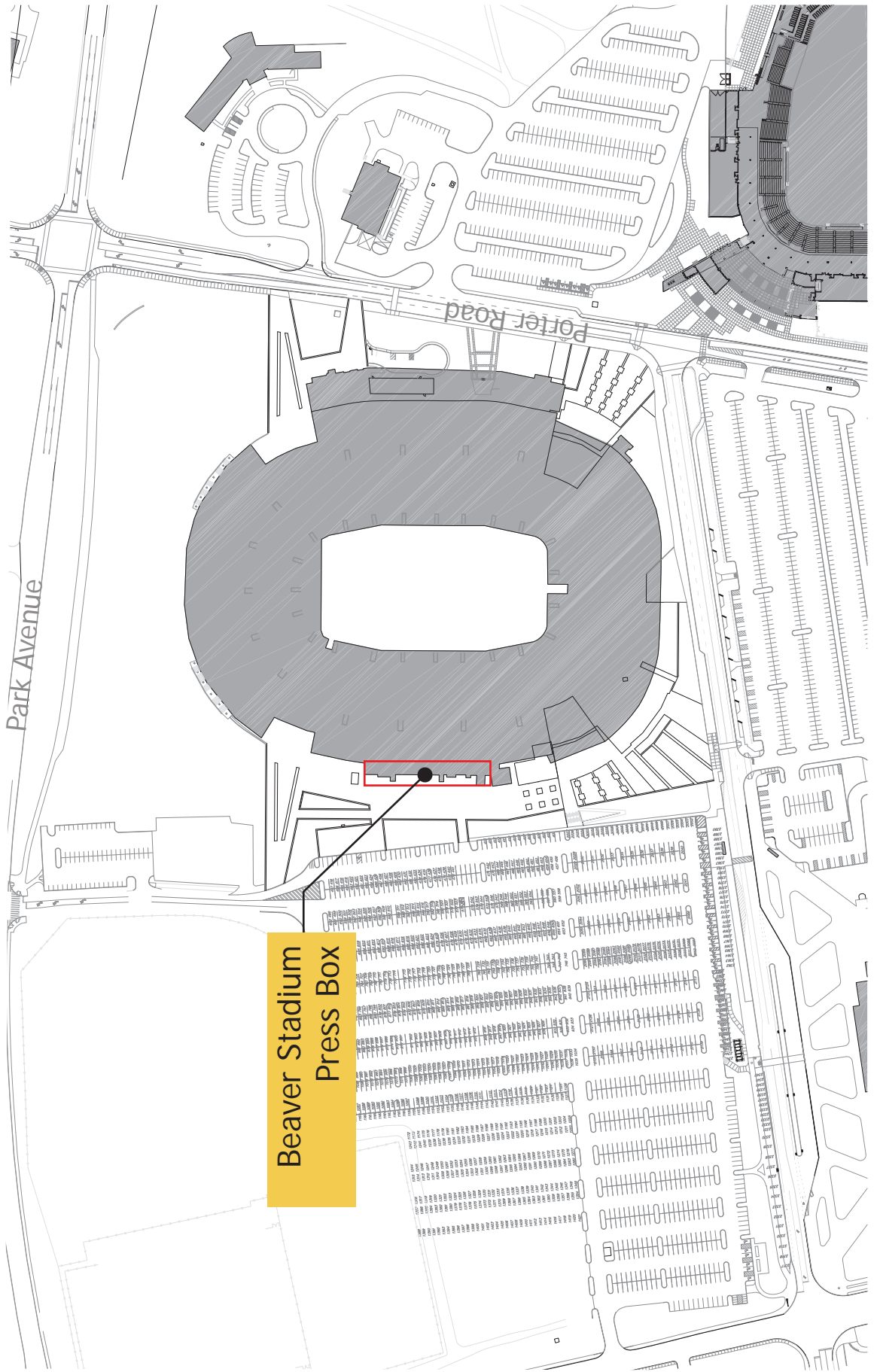
RESOLVED, That the Board of Trustees gratefully acknowledges the generous contributions of the many friends of the University in support of endowments, funds, and other major commitments as reported to the Committee on Finance, Business and Capital Planning at its meeting of March 19, 2015.

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.

University Park

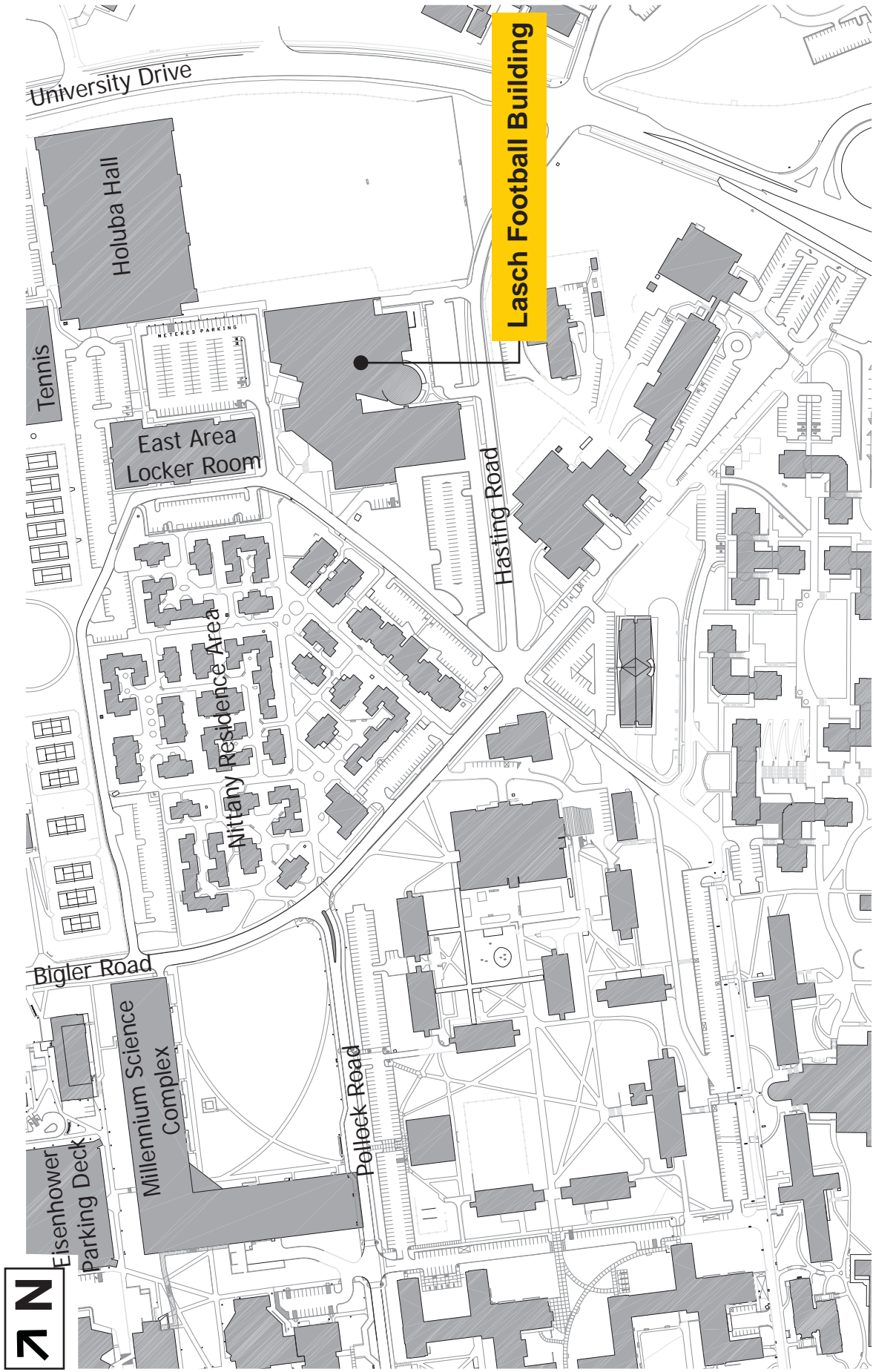


University Park

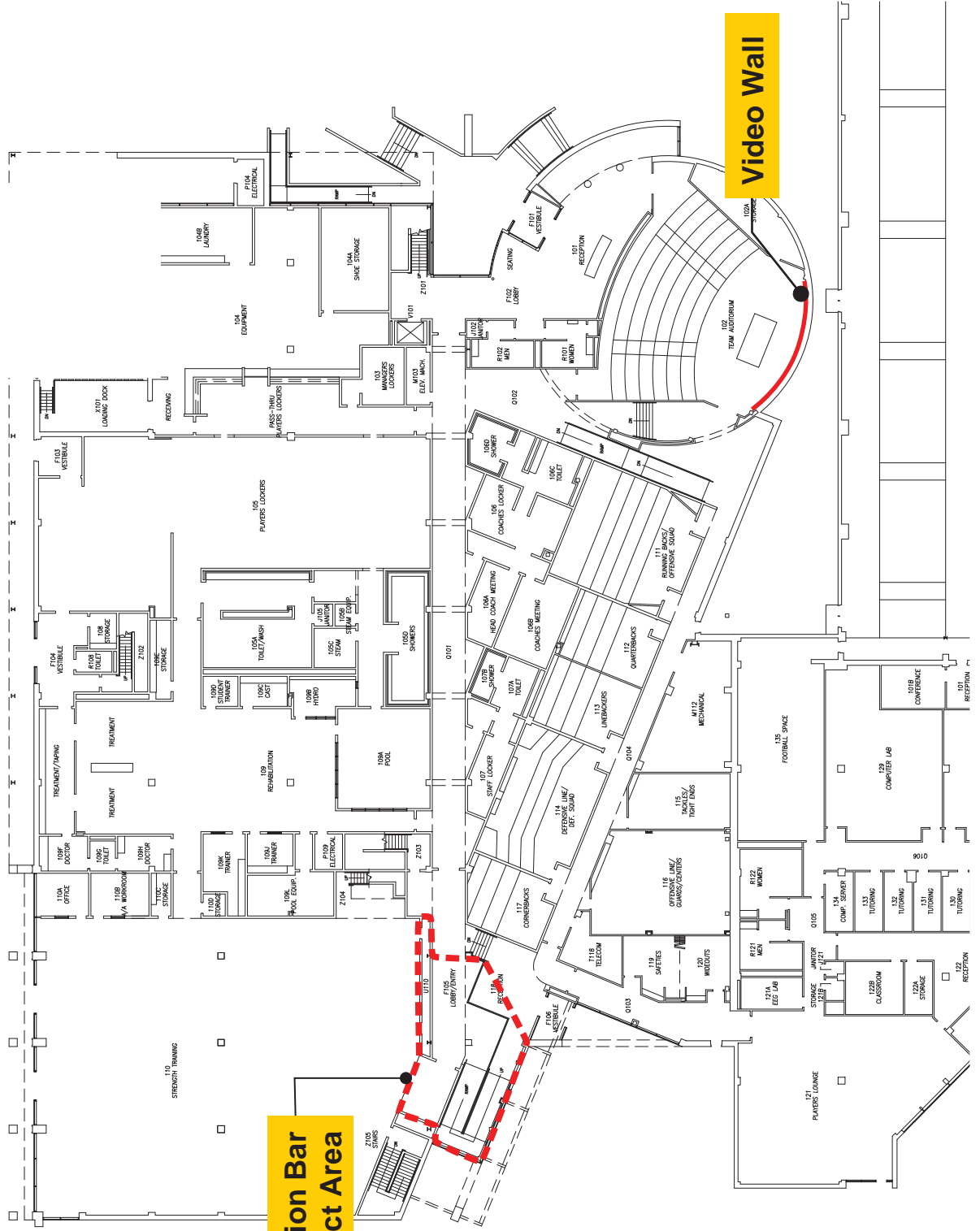


Beaver Stadium
Press Box

University Park

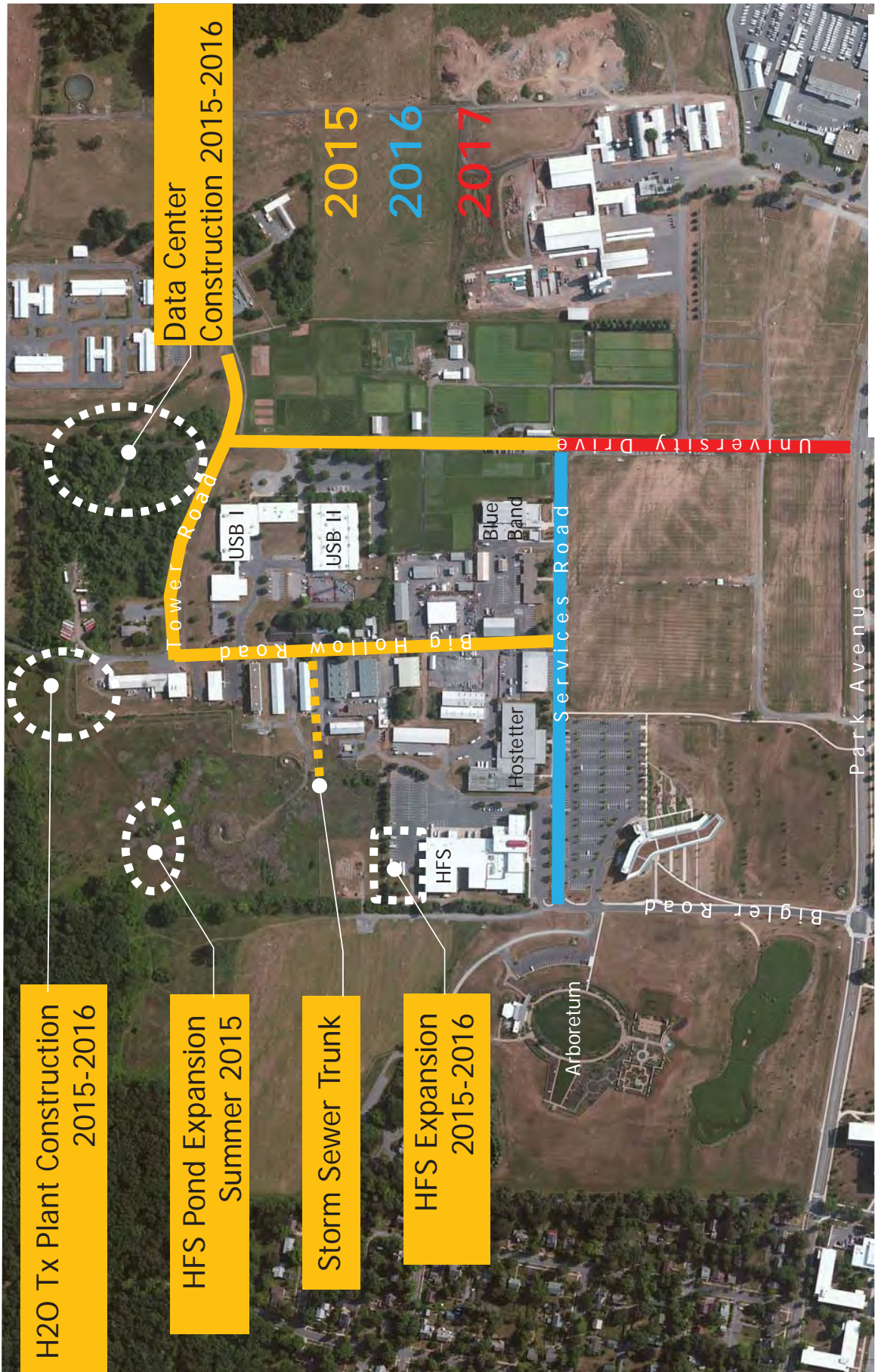


University Park

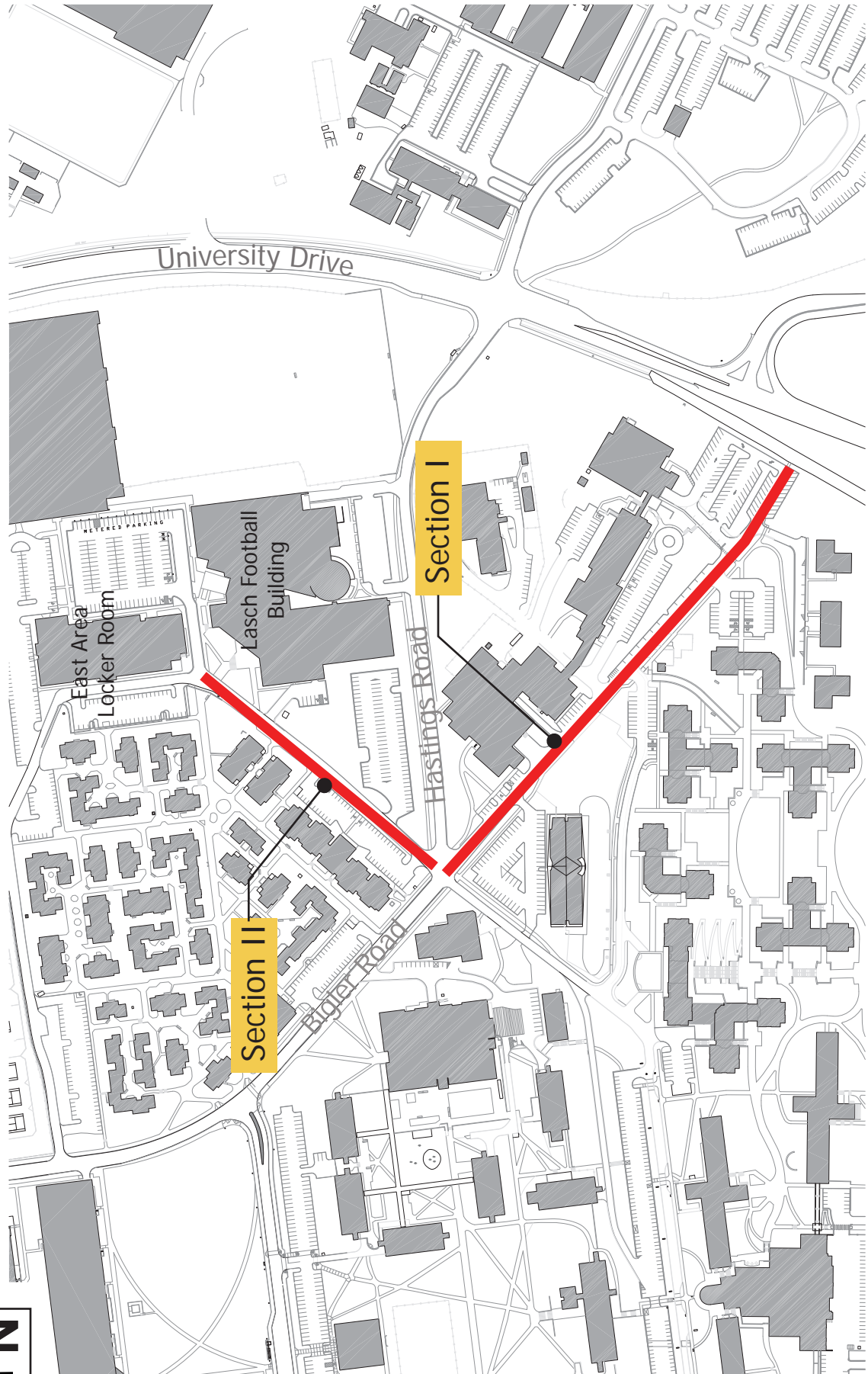


FIRST FLOOR - Lasch Football Building

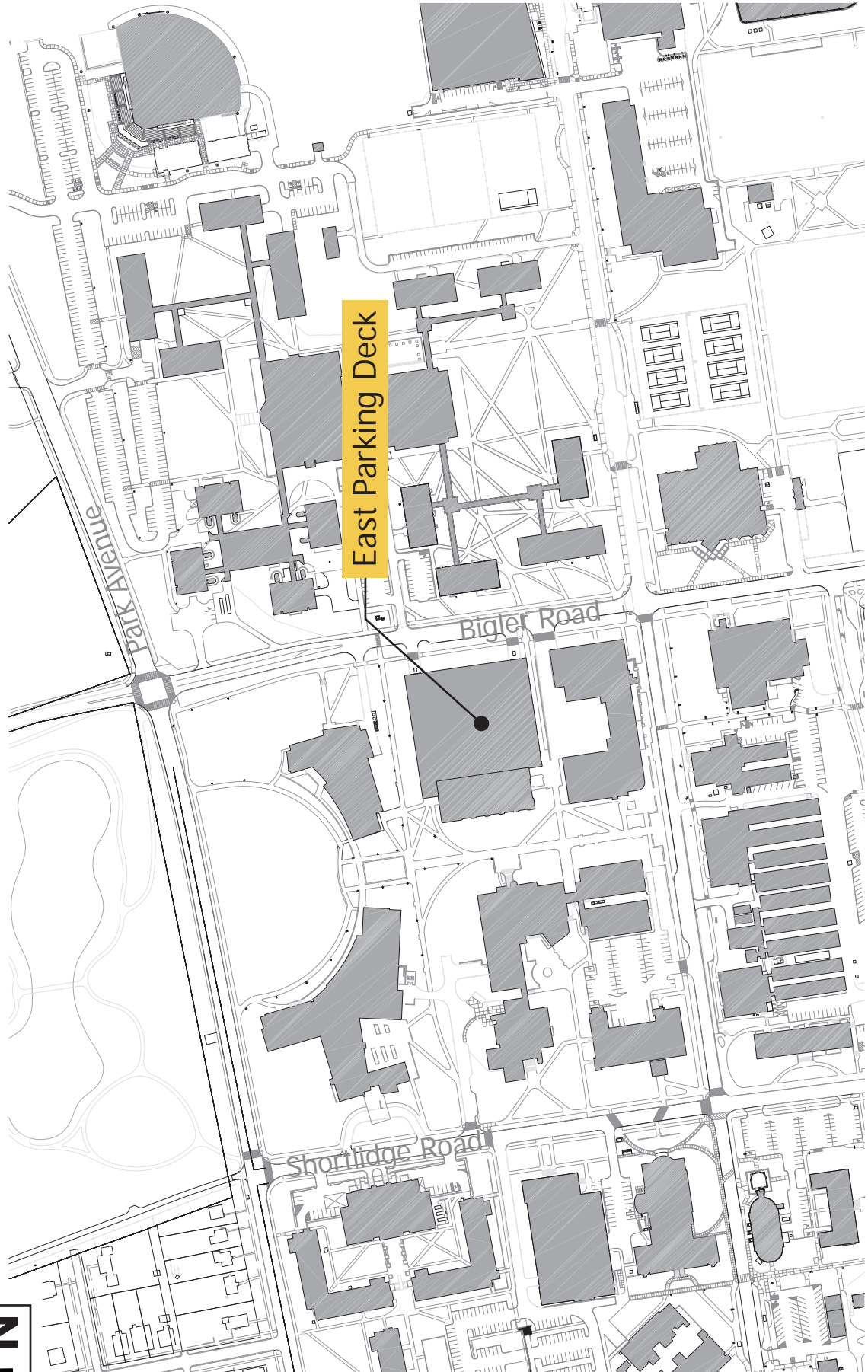
University Park



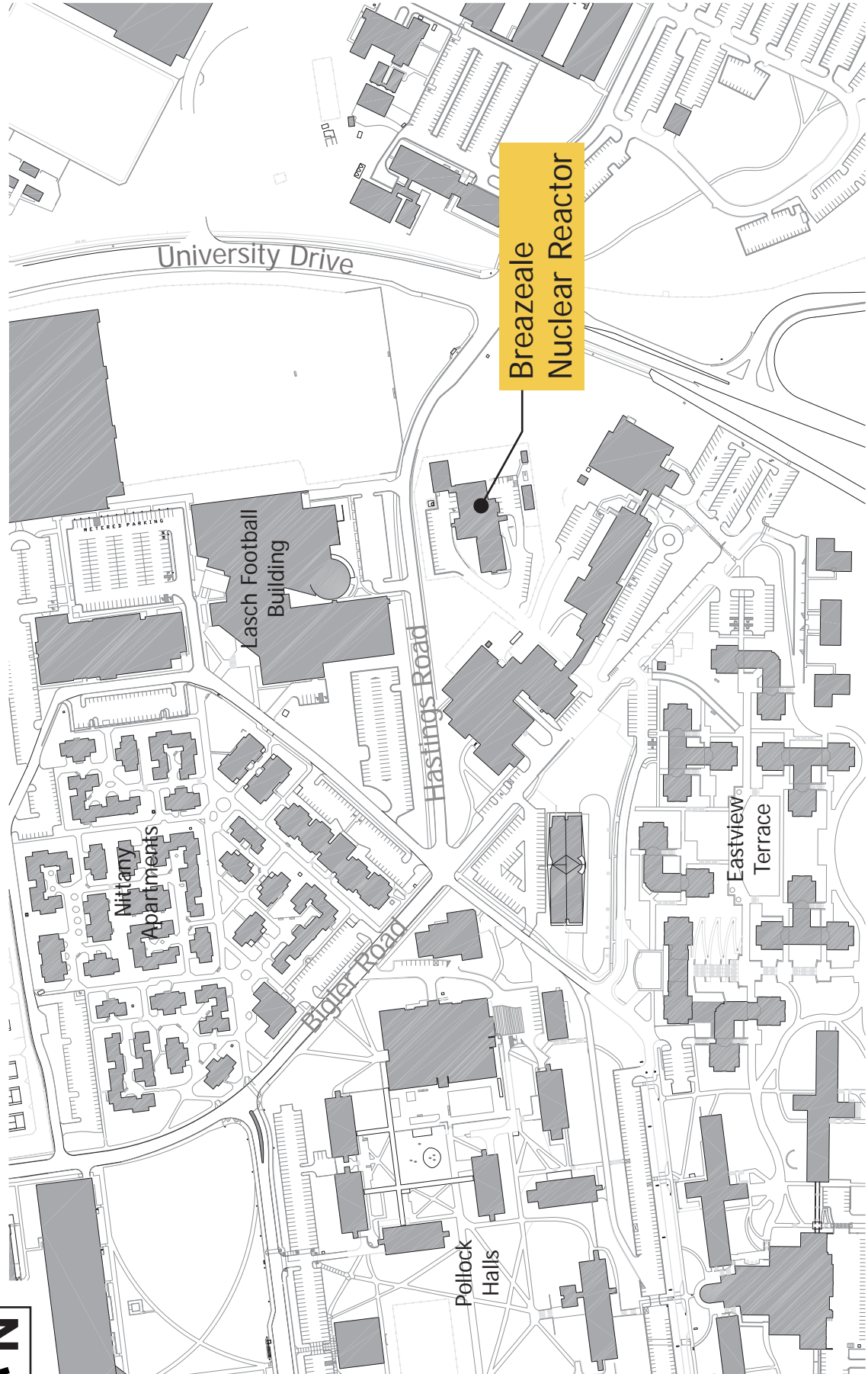
University Park



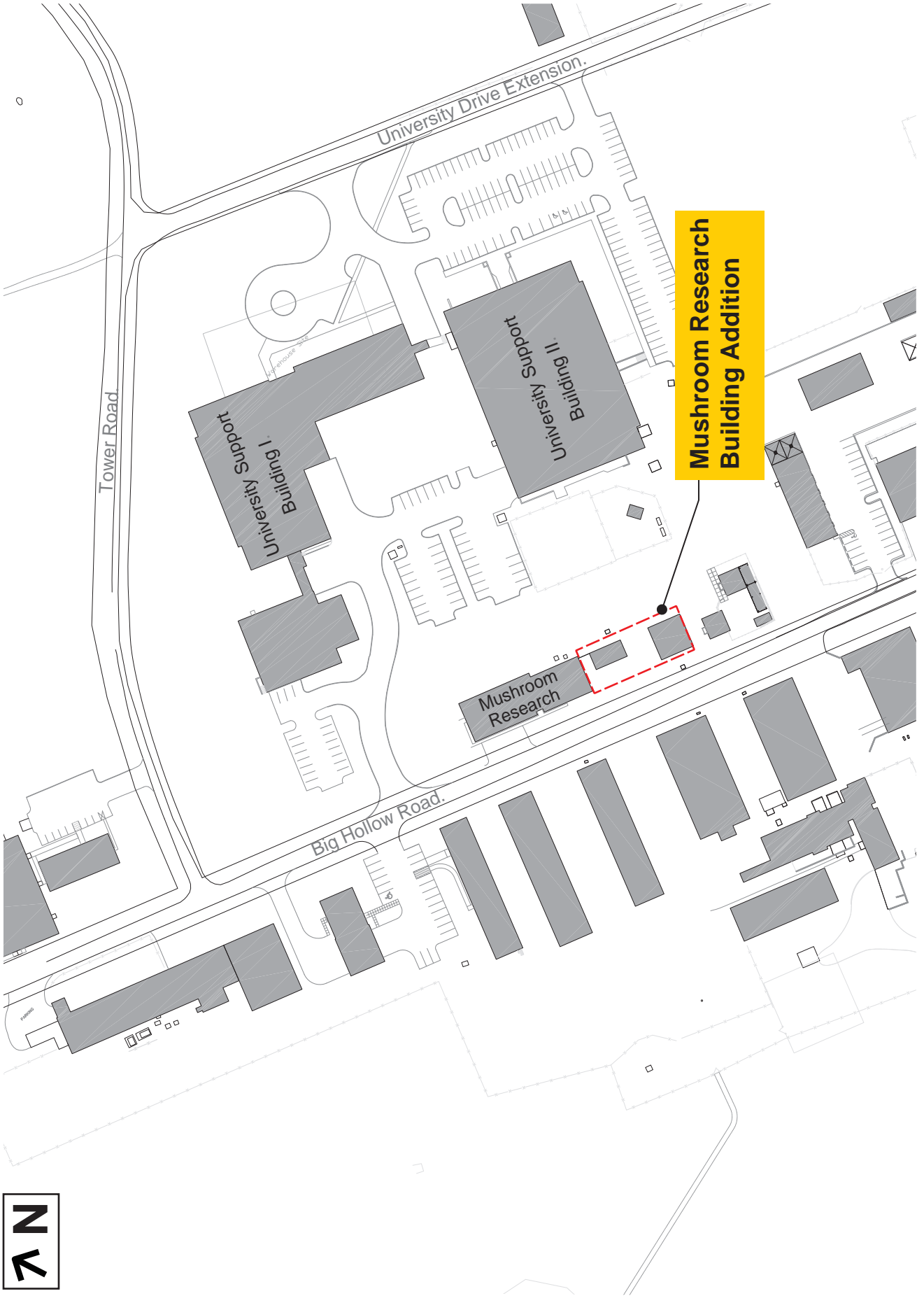
University Park



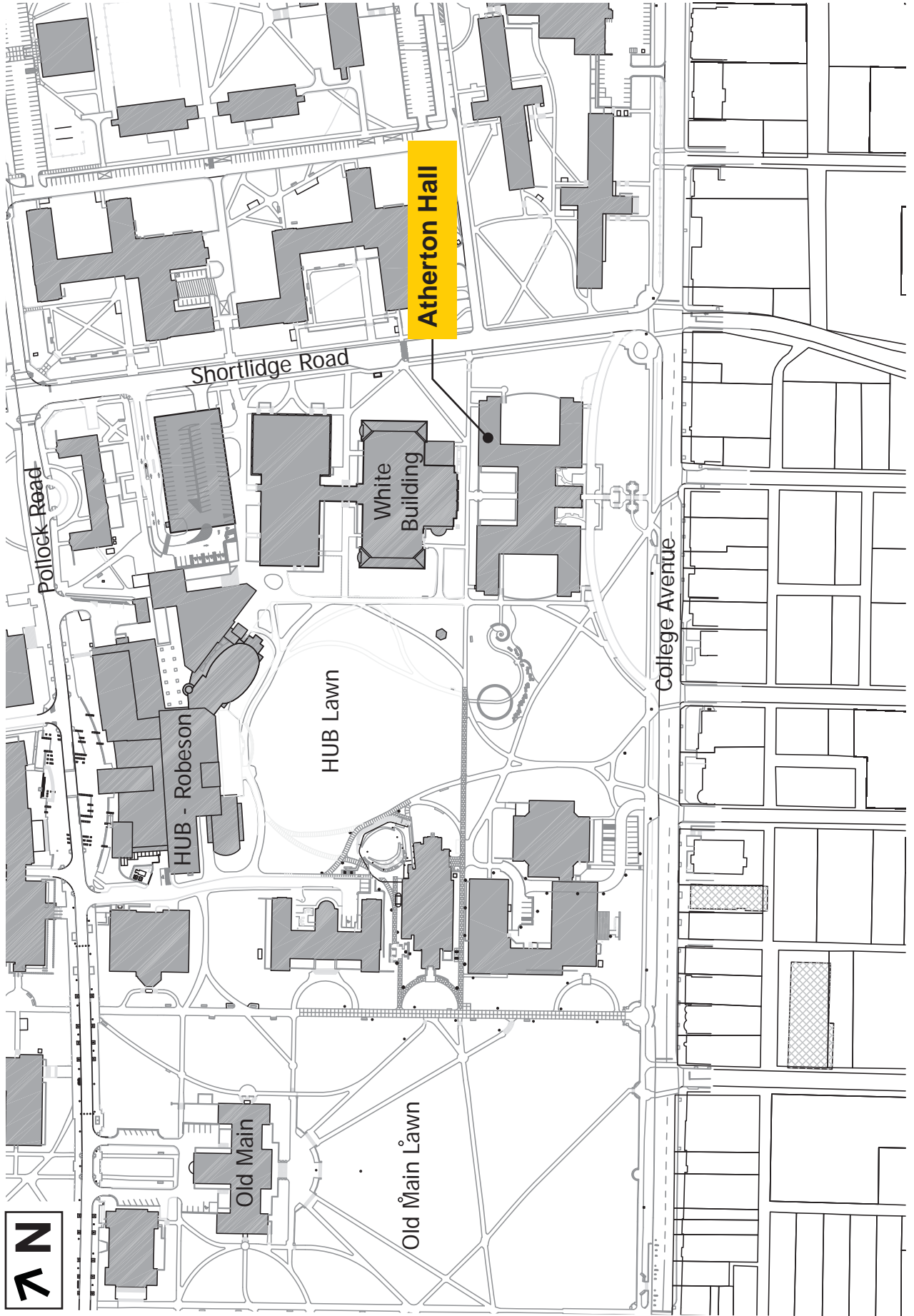
University Park



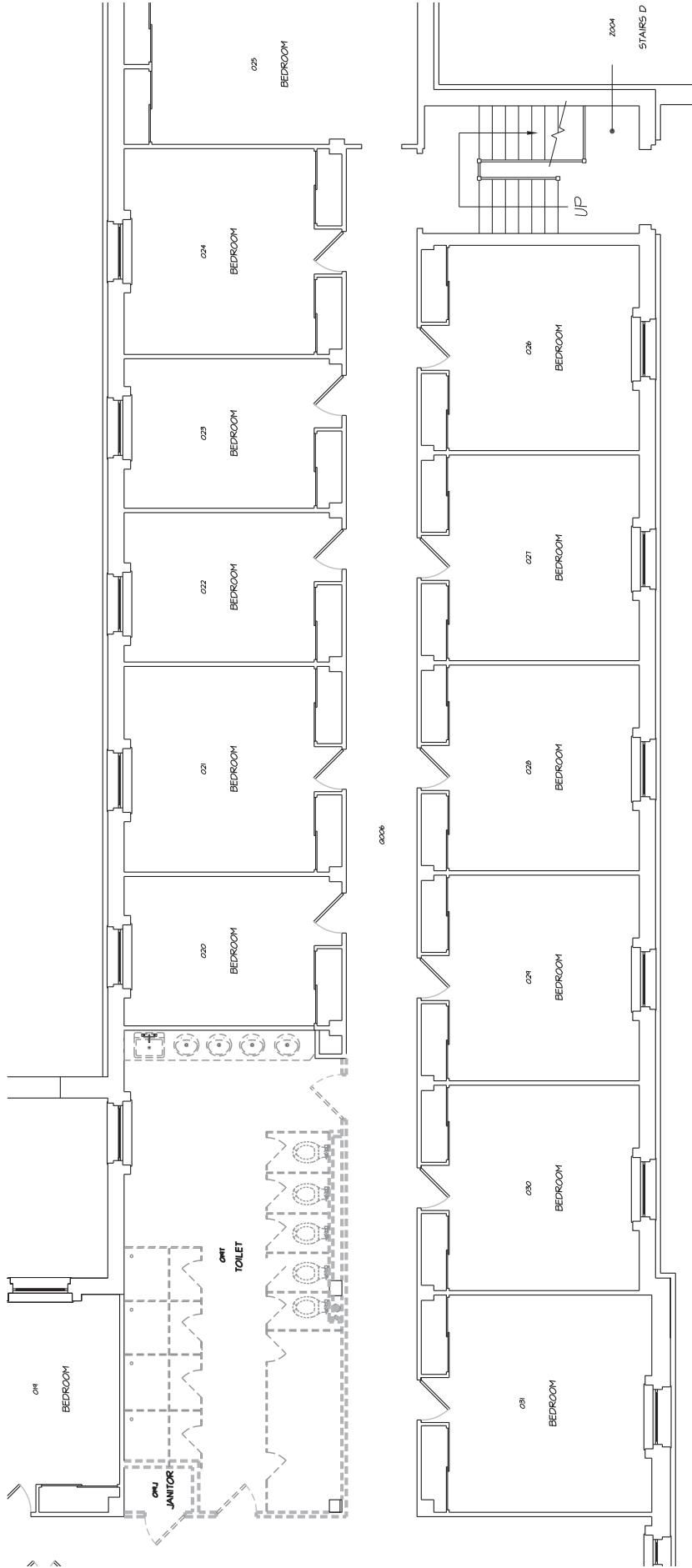
University Park



University Park

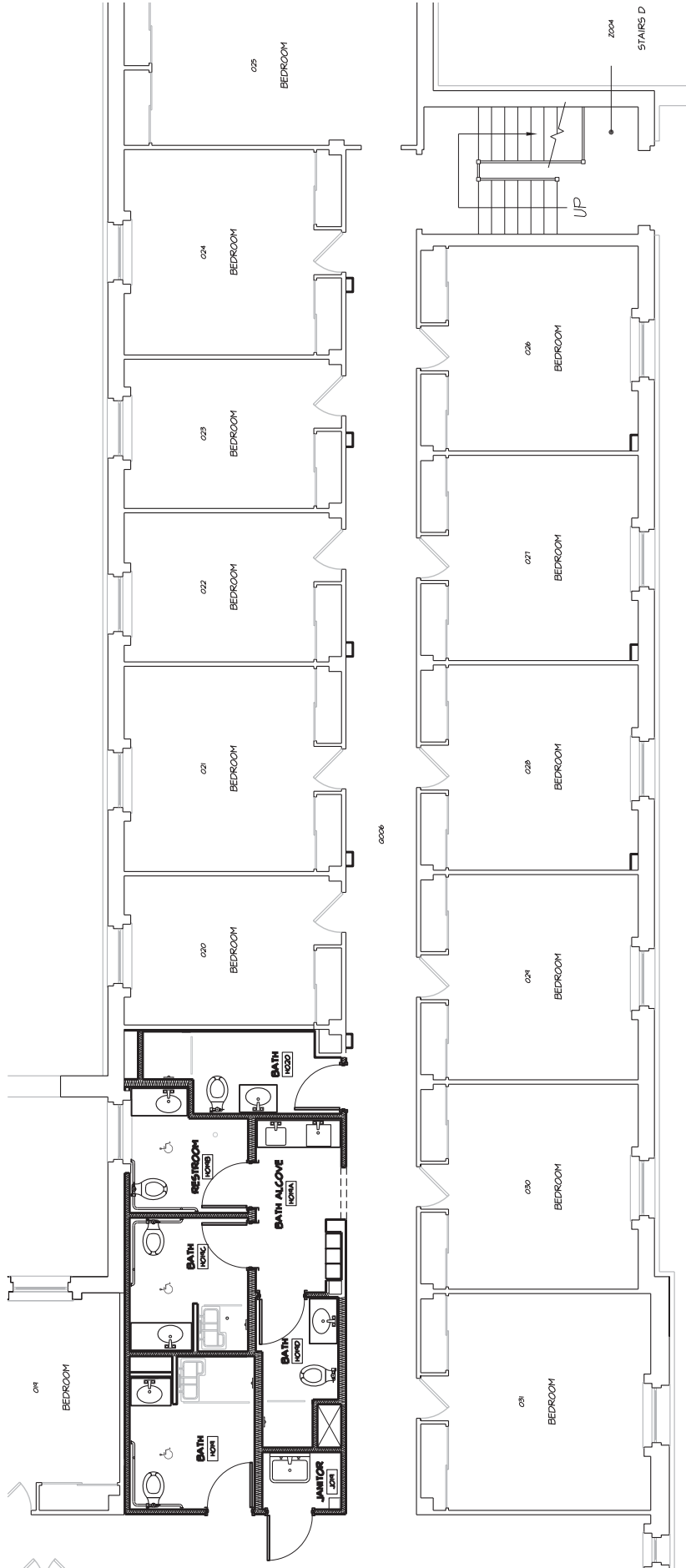


University Park



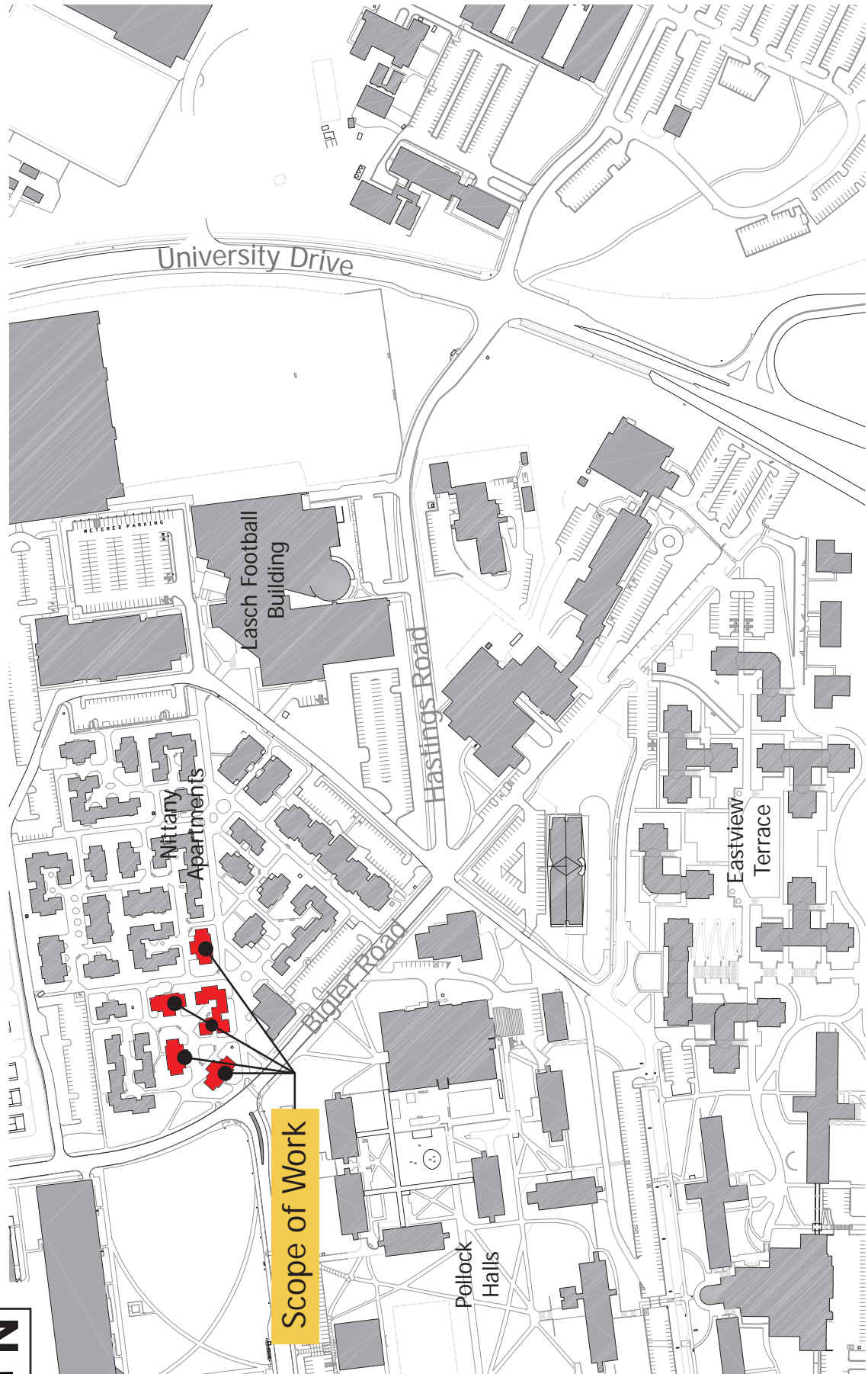
ATHERTON HALL - EXISTING FLOOR (TYPICAL)

University Park



ATHERTON HALL - PROPOSED FLOOR (TYPICAL)

University Park

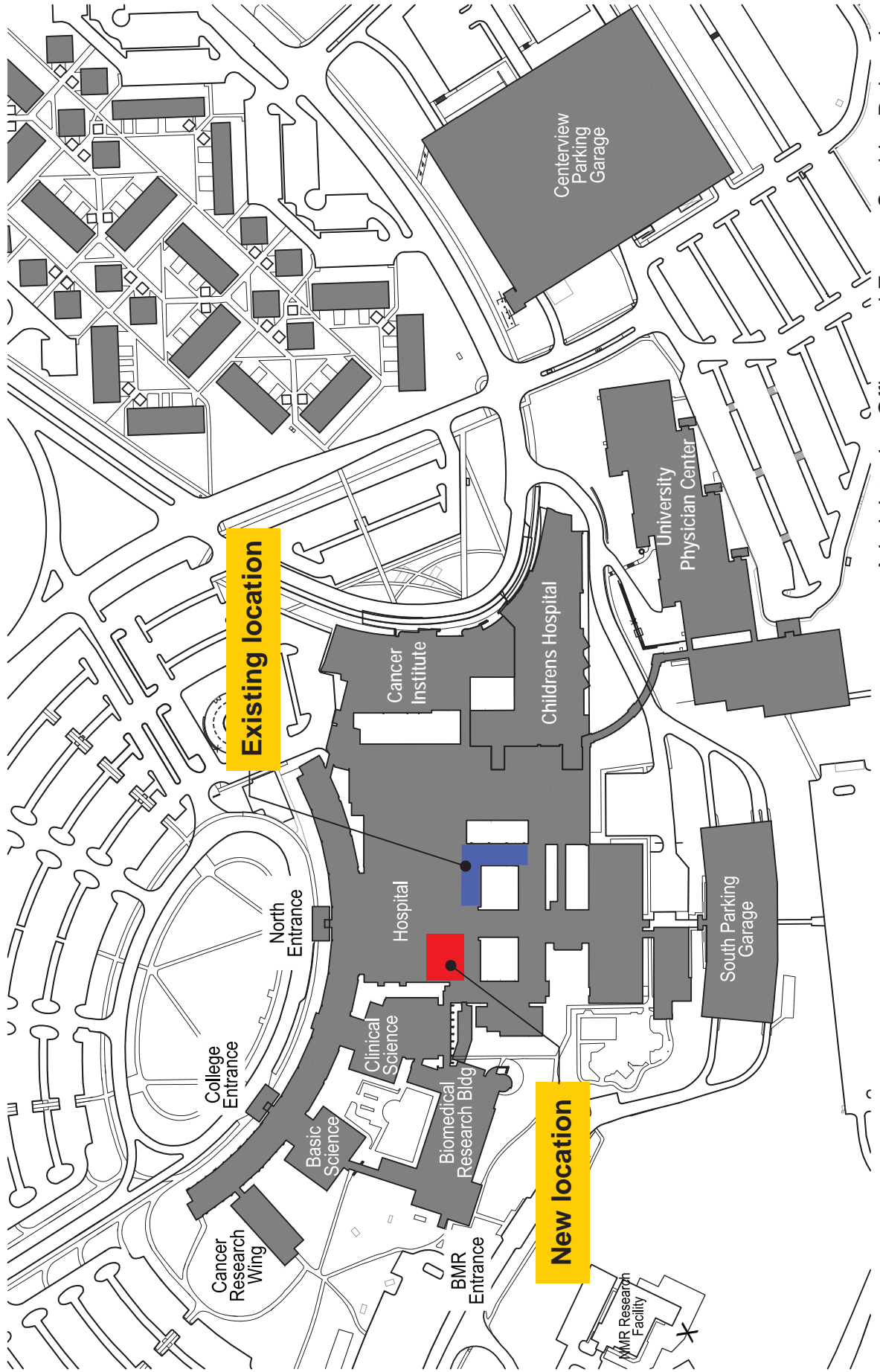
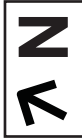




Hail Event - Penn State Berks

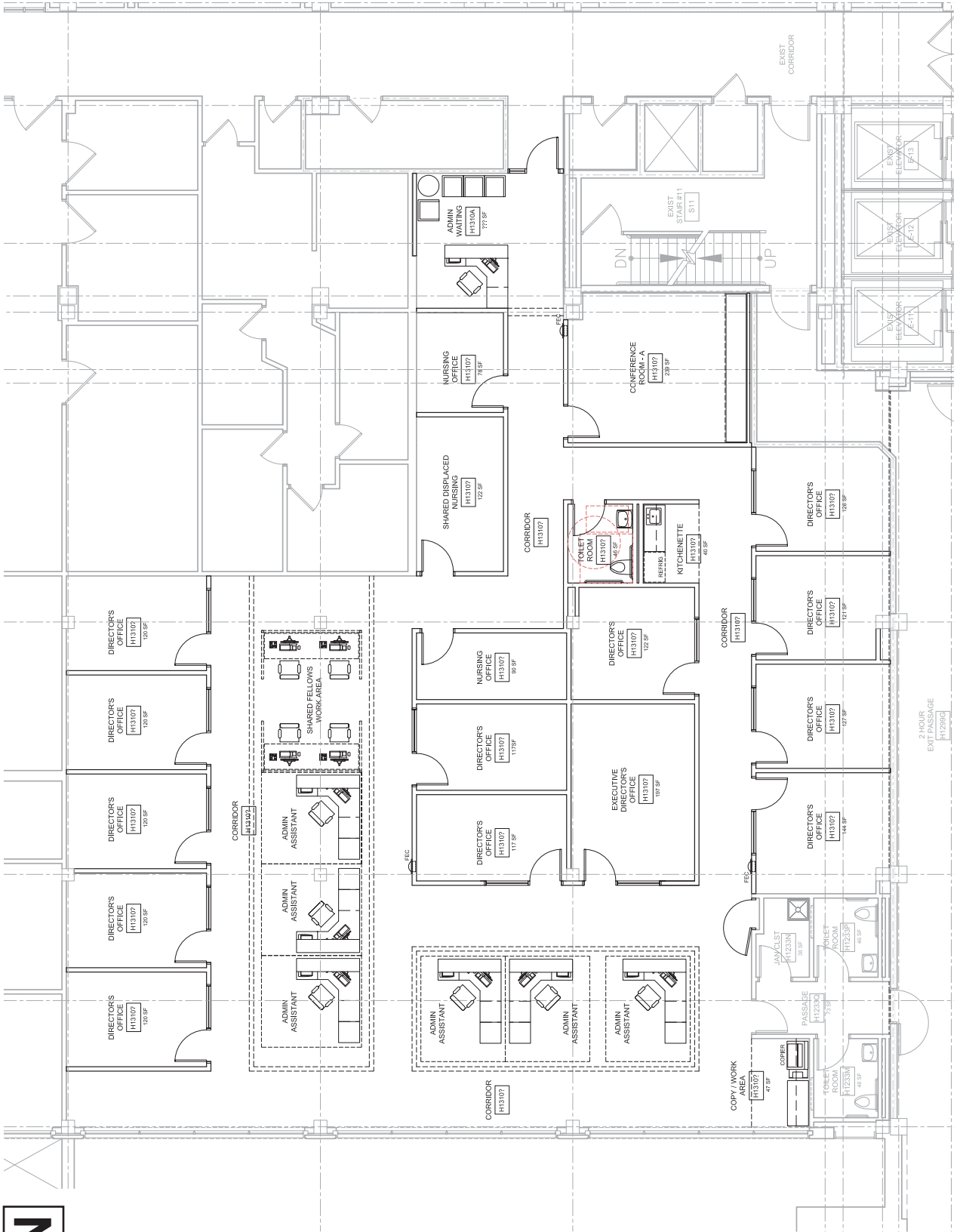
Penn State Berks

The Milton S. Hershey Medical Center



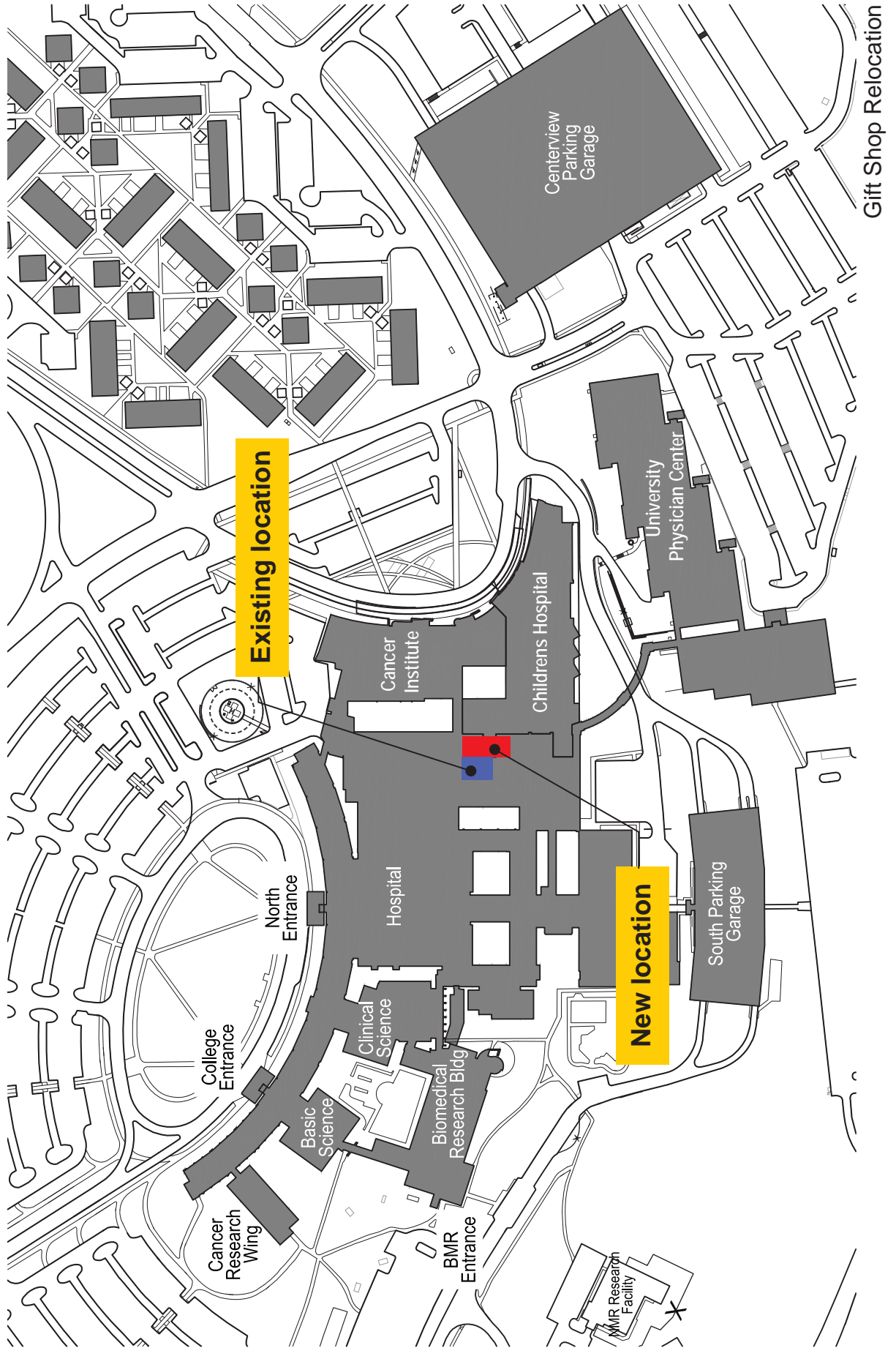
Administrative Offices and Egress Corridor Relocation

The Milton S. Hershey Medical Center

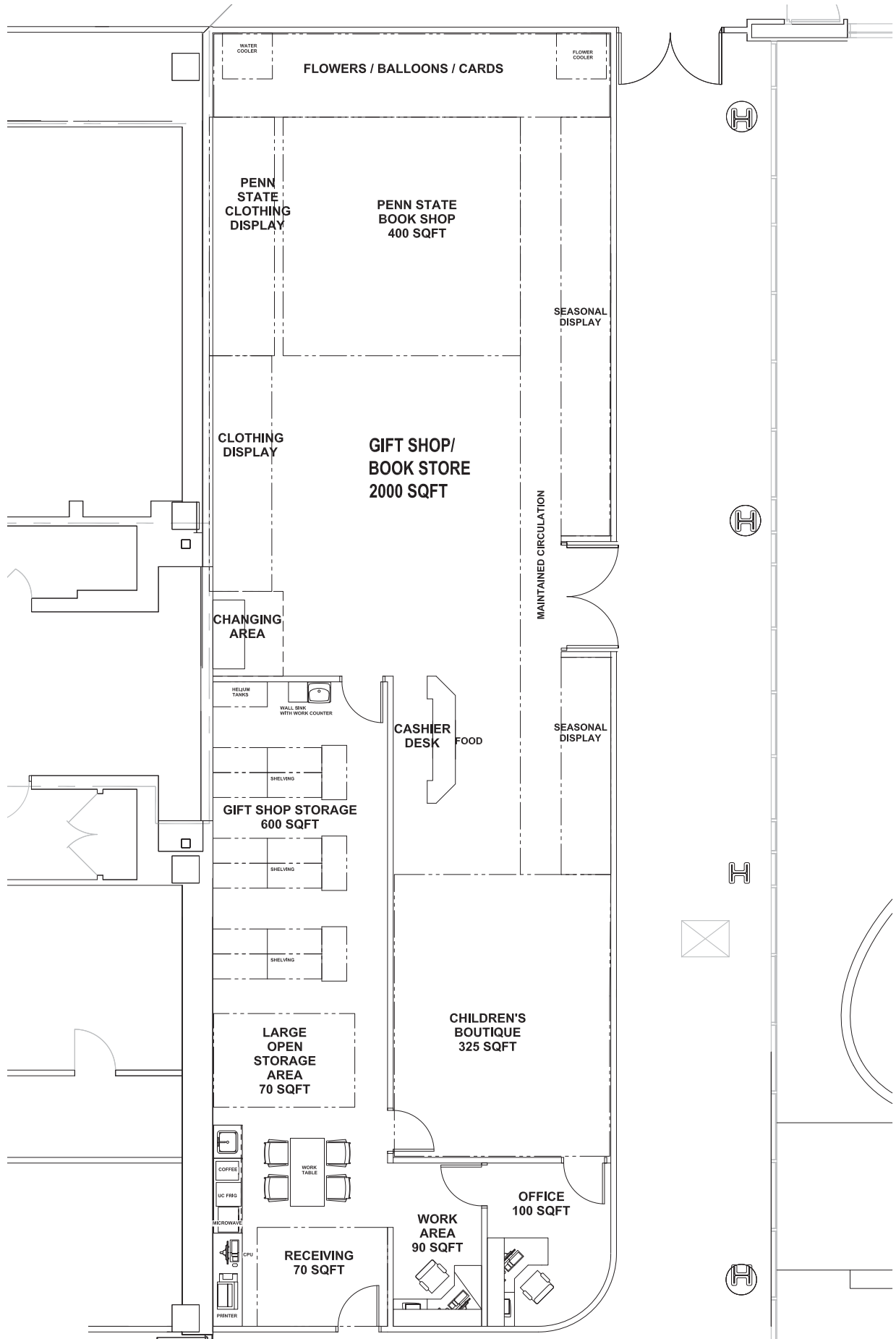


Administrative Offices and Egress Corridor Relocation

The Milton S. Hershey Medical Center

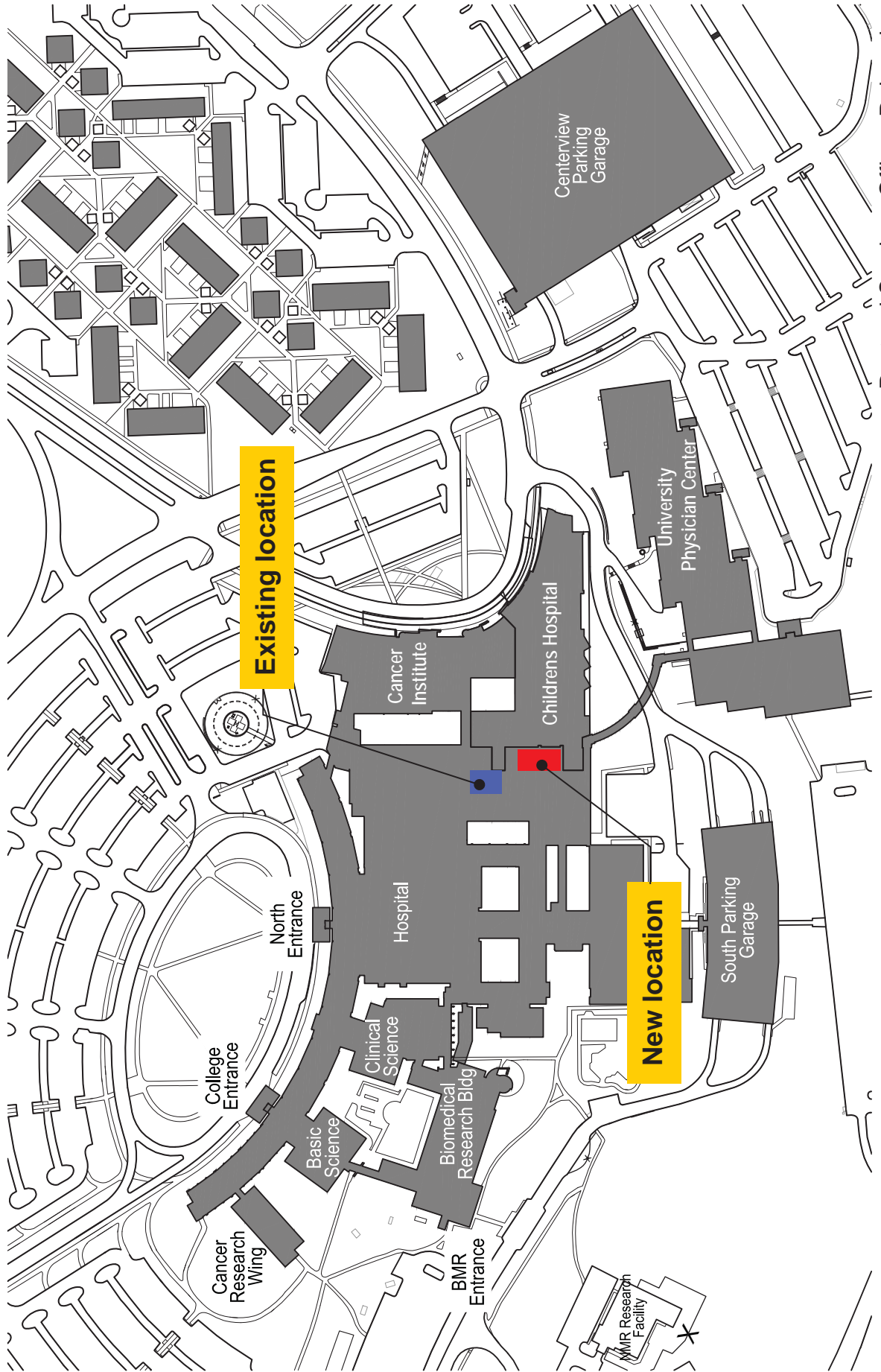


The Milton S. Hershey Medical Center



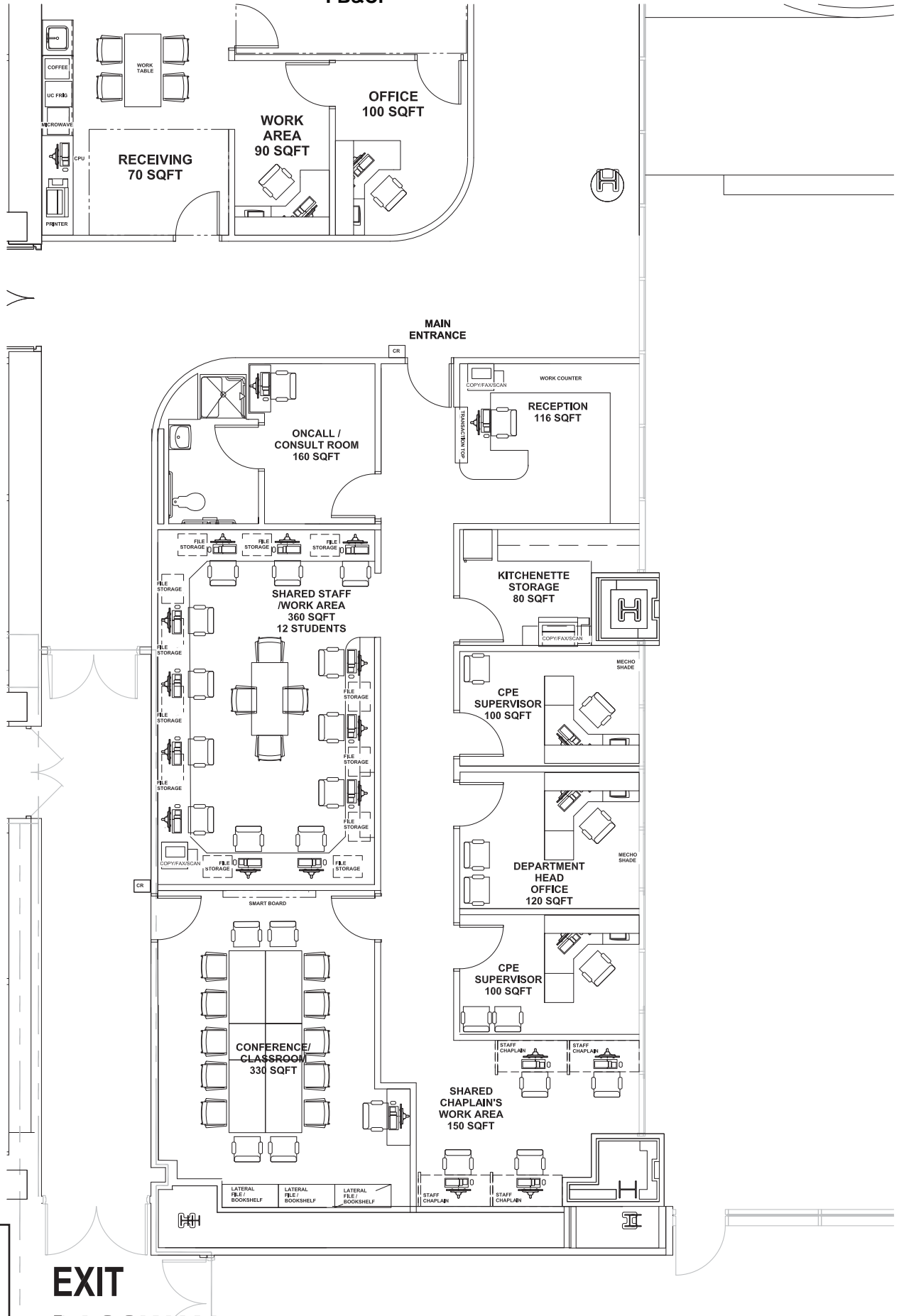
Gift Shop Relocation

The Milton S. Hershey Medical Center



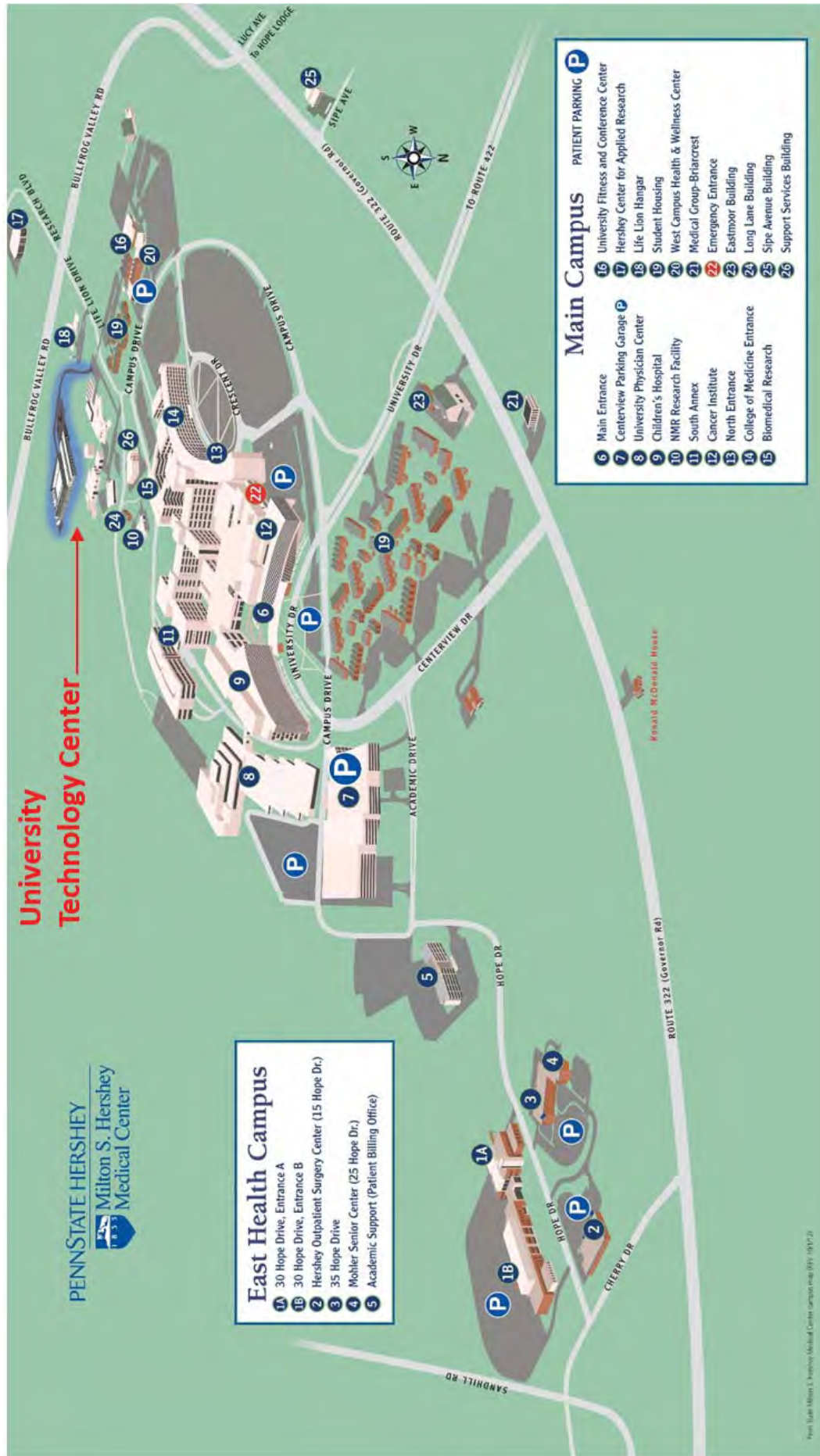
(Appendix II.14)

The Milton S. Hershey Medical Center



Pastoral Services Offices Relocation

The Milton S. Hershey Medical Center



(Appendix II.15)

STATUS OF MAJOR CONSTRUCTION PROGRAMS AND BORROWING (> \$5 Million)
December 31, 2014

Campus	Project Data		Budget Amount	Commonwealth Funding	Gift Amount	BOT Milestones		Construction		Notes
	Project Name					Arch/Eng Selection	Final Plan Approval	Start Date	Completion Date	
Abington	New Residence Hall		\$45,400,000	\$0	\$0	07/14	01/16	02/16	07/17	Project in design.
Altoona	Adler Building Addition and Renovation		\$22,900,000	\$13,700,000	\$3,200,000	12/13 (DGS)	05/15	08/15	08/16	Project in design.
Beaver	Michael Baker Building Renovation		\$9,100,000	\$0	\$0	11/13	01/15	03/15	08/16	Project bidding in progress.
Berks	Luerksen Building Renovation		\$15,300,000	\$11,400,000	\$0	03/13	07/14	08/14	12/15	Construction is approximately 20% complete.
Brandywine	New Residence Hall		\$28,000,000	\$0	\$0	07/14	01/16	02/16	07/17	Project in design.
	Student Union		\$17,100,000	\$0	\$0	07/14	01/16	02/16	07/17	Project in design.
Harrisburg	Student Enrichment Center		\$29,000,000	\$0	\$1,000,000	11/13	03/15	04/15	08/16	Project in design.
Hershey	Hershey Data Center		\$54,000,000	\$0	\$0	09/13	11/14	12/14	08/17	Project preparing for construction.
Philadelphia	EEEB Hub, Building 861 and 7R, Philadelphia Navy Yard		\$39,000,000	\$30,000,000	\$0	09/11	01/13	02/13	02/15	Construction is approximately 98% complete.
York	Ruhl Student Center and Multi-Purpose Building Addition and Renovation		\$10,500,000	\$0	\$11,000,000	11/13	05/15	05/15	08/16	Project in design.
	300 N. Science Park Rd. Phase II		\$14,250,000	\$0	\$0	N/A	07/14	07/14	05/15	Construction is approximately 40% complete.
	Agricultural Engineering Building Renovation		\$44,000,000	\$0	\$3,000,000	01/15	03/16	05/16	01/18	Project in program validation stage.
	Burrows Building Renovation		\$37,800,000	\$0	\$0	05/12	01/14	02/14	12/15	Construction is approximately 55% complete.
	CBL Cage Wash Addition		\$5,400,000	\$0	\$0	N/A	09/13	12/13	03/15	Construction is approximately 93% complete.
	UP Data Center		\$58,200,000	\$0	\$0	09/13	03/15	04/15	07/16	Project bidding in progress.
	East Halls Renovation and New Residence Hall, Phase 1A						01/16	02/16	07/17	Project in design.
	East Halls Renovation and New Residence Hall, Phase 1B		\$171,300,000	\$0	\$0	11/14	01/17	02/17	07/18	Project in design.
	East Halls Renovation and New Residence Hall, Phase 1C						01/18	02/18	07/19	Project in design.
	Environmental Improvements BFP Installations		\$10,500,000	\$7,000,000	\$0	N/A	N/A	06/08	03/15	Project program is approximately 95% complete.
	Essential Services Program		\$11,950,000	\$3,000,000	\$0	N/A	N/A	12/05	11/15	Project program is approximately 85% complete.
	Friday Dining Commons Renovation		\$21,500,000	\$0	\$0	09/14	11/15	12/15	12/16	Project in design.
	Greenberg Renovation		\$10,300,000	\$0	\$0	05/14	11/14	12/14	05/15	Construction is approximately 30% complete.
	Health and Human Development Building		\$60,500,000	\$56,700,000	\$0	01/08	11/12	03/13	05/15	Construction is approximately 85% complete.
	HFS Warehouse and Bakery Expansion		\$15,500,000	\$0	\$0	11/13	01/15	02/15	01/16	Project in design.
	HUB Addition		\$50,800,000	\$0	\$0	03/11	05/13	05/13	05/15	Construction is approximately 85% complete.
	IM Building Addition Phase II		\$31,250,000	\$0	\$0	03/13	01/14	03/14	05/15	Construction is approximately 75% complete.
	Lasch Football Building Locker/Equipment Room Renovation		\$12,000,000	\$0	\$0	01/15	11/15	12/15	07/16	Project in design.
	MRL Renovations		\$25,300,000	\$9,500,000	\$0	N/A	09/14	09/14	08/16	Construction is approximately 8% complete.
	Mueller Laboratory Renovations		\$20,700,000	\$0	\$0	03/12	01/14	05/14	07/15	Construction is approximately 60% complete.
	Recreational Facility Access Modifications		\$7,500,000	\$6,000,000	\$0	N/A	07/15	07/15	10/15	Project in design.
	Residence Hall at North Halls		\$30,200,000	\$0	\$0	09/14	01/16	02/16	06/17	Project in design.
	South Halls Renovations and New Building		\$94,100,000	\$0	\$0	3/11, 11/11	03/12	05/12	12/14	Construction is complete.
	Slide Renovation		\$52,000,000	\$0	\$0	03/12	09/14	06/14	03/16	Construction is approximately 20% complete.
	Transformer Replacement Program		\$11,100,000	\$1,000,000	\$0	N/A	N/A	06/07	07/15	Project program is approximately 88% complete.
	Tyson Building HVAC Upgrades and Roof Replacement		\$5,200,000	\$4,100,000	\$0	N/A	03/14	05/14	08/15	Construction is approximately 55% complete.
	Water Treatment Plant and Distribution System Upgrades		\$61,600,000	\$45,000,000	\$0	01/11	03/15	05/15	03/17	Project in design.
	WCSP Steam Turbine Replacement		\$9,200,000	\$0	\$0	01/11	01/13	12/13	11/15	Construction is approximately 30% complete.
	WCSP Steam Production Modifications		\$57,300,000	\$0	\$0	01/11	11/12	02/14	08/18	Construction is approximately 20% complete.
	Whitmore Laboratory Renovations		\$31,700,000	\$0	\$0	03/12	09/14	01/15	12/16	Construction began in January 2015.

Summary of University Long-Term Debt - \$(000) (excluding PCT)		Authorized Borrowing Status - \$(000) (excluding PCT)	
Total Bonds, Notes and Capital Leases as of June 30, 2014	\$846,263	Borrowing Authority per September 2013 Board of Trustees	\$750,000
Bonds, Notes, and Capital Leases Issued Year to Date Fiscal Year 2014/15	\$0	Capital Leases, Bonds, & Notes Issued	(\$21,160)
Year to Date Principal Payments and Premium Amortizations	(\$31,073) *	Future Capitalized Leases & Other Anticipated Commitments	(\$22,380)
Total Bonds, Notes and Capital Leases as of December 31, 2014	\$815,190	Estimated Authority Remaining	\$706,460

Long-Term Investment Pool & Similar Funds (LTIP)

Investment Review for Calendar 2014

Submitted February 2015

This cover page provides a summary overview of the Pennsylvania State University Long-Term Investment Pool (see next page for details) for Calendar Year 2014. The second page summarizes LTIP-related data that is discussed on the remaining pages, along with performance analysis.

Executive Overview

Long-Term Investment Pool (LTIP) Performance

Annualized *net* investment returns for the Penn State University LTIP (adjusted for the impact of gifts and spending, and after external investment management expenses) for periods ending December 31, 2014 are:

<u>Calendar 14</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
7.6%	11.9%	10.7%	7.9%

Long-Term Investment Pool Market Value (pg 3)

As of December 31, 2014, Penn State University's LTIP was valued at \$3.43 billion, which includes \$2.31 billion in endowment assets and \$1.12 billion in non-endowed funds. An additional \$108 million was held as Similar Funds (see page 2 for details). Endowment spending is reviewed on pages 2 and 3.

Review of Investment Markets (pg 4)

The graph below compares respective returns for the 12-months ending December 31, 2014 and December 31, 2013 for the S&P 500, MSCI All Country World (ACWI) ex-US, Dow Jones UBS Commodities, Barclays Aggregate Bonds, and publicly-traded Real Estate Investment Trusts (REITs) Indexes. As shown below, equity and commodity returns for calendar 2014 lagged 2013, while bonds and REITs outperformed their respective 2013 returns.

Investment Diversification and Asset Mix (pg 5)

At calendar year-end, 53% of LTIP assets were invested in public equities (domestic and foreign) and 15% in private equity and venture capital, in combination representing 68% of LTIP in growth-oriented assets. In addition, 14% was invested in fixed income/cash, 10% in real assets, and 8% in diversifying (hedge) strategies.

Comparative Fund Performance (pg 6)

Penn State's LTIP returned 7.6% net for the year ending December 31, 2014, outpacing the 5.9% return of the Passive Policy Portfolio, while LTIP's 3-yr and 5-yr relative performance notably better than the respective passive benchmark returns.

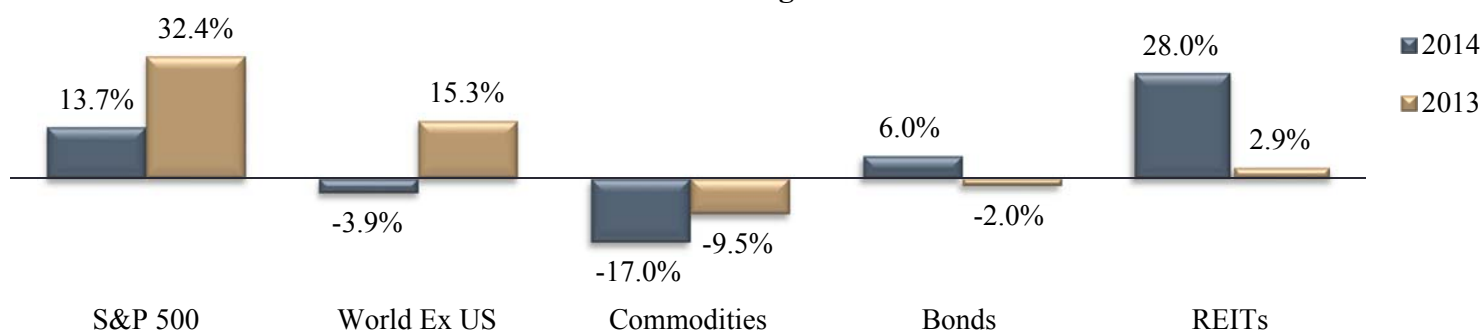
LTIP Liquidity (pg 7)

With nearly one-half of assets convertible to cash in a matter of days, the LTIP maintains adequate liquidity to satisfy anticipated cash requirements.

LTIP Performance and Spending (pg 8)

Penn State LTIP's average annual net returns of 7.9% and 9.0% for the last 10-year and 20-year periods, respectively, have allowed LTIP to earn inflation-adjusted returns in excess of spending, thereby achieving long-term intergenerational equity.

**Investment Market Returns
Calendar Years Ending December 31**



5-Year LTIP Facts and Figures

	Annual Periods Ending December 31				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<i>Investment Performance</i>					
Endowment ¹ (annualized net returns)	7.6%	14.2%	14.0%	3.9%	14.1%
<i>Market Values</i> (\$ millions)					
Endowment ¹	2,310.1	2,120.7	1,859.0	1,669.1	1,545.8
<u>Similar Funds</u> ²	<u>108.3</u>	<u>109.7</u>	<u>94.3</u>	<u>89.7</u>	<u>116.5</u>
Endowment and Similar Funds	2,418.4	2,230.4	1,859.3	1,798.1	1,458.0
Gifts & Other Additions (\$ mils)	120.1	87.3	52.6	139.1	71.4
Current Spending (\$ mils)	79.6	73.1	71.2	66.4	62.5
As described in footnote #3 below, funds earmarked for FAS 106 liabilities (post-retirement health care benefits for PSU retirees) were commingled into the University's Long-Term Investment Pool (LTIP) between September 2009 and January 2013. Prospectively, the reported market value, and related analysis, for LTIP will include all commingled funds, as shown below for December 31, 2014.					
<u>Non-Endowed Funds</u> ³	<u>1,121.3</u>	<u>1,081.0</u>	<u>717.3</u>	<u>134.8</u>	<u>135.7</u>
Total LTIP ⁴ & Similar Funds	3,539.31	3,311.4	2,670.6	1,893.6	1,798.0
1) Endowment — donor-restricted gifts					
2) Similar Funds — deferred gifts and donor-restricted funds in transit to Endowment					
3) Non-Endowed Funds earmarked for FAS 106 liability (employee post-retirement health care benefits)					
4) Commingled assets over which Penn State's Office of Investment Management (OIM) has investment responsibility, as approved by the Penn State Investment Council (PSIC), exclusive of Similar Funds					

Penn State Investment Council (PSIC) Meetings

August 22, 2014:

- Committing \$15M to: Round Hill Music Royalty Fund I, L.P.
- Investing \$20M in: Proprietary Capital Lynx Plus Fund
- Investing \$30M in: Sanderson International Value Equity Fund

October 31, 2014:

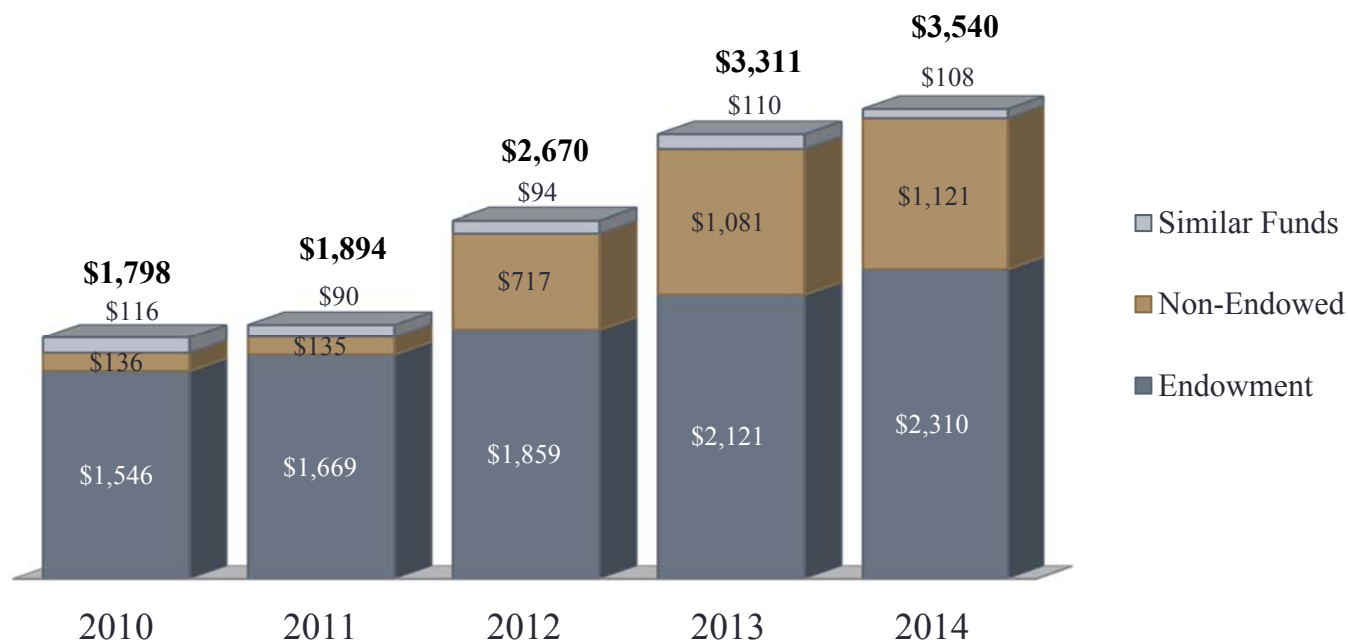
- Committing \$20M to: Siris Partners III, L.P.
- Committing \$20M to: OrbiMed Royalty Opportunities II, L.P.
- Committing \$15M to: Commonfund Capital Venture Partners XI, L.P.
- Investing \$25M in: Fuller & Thaler Small Cap Value
- Investing \$25M in: Snow Capital Small Cap Value Equity
- Investing \$50M in: Rice Hall James & Associates Small Cap Opportunities

Please note that commitments made to Limited Partnerships (LPs) are not immediately invested and are called (paid in) over several years until commitment is satisfied, except as noted.

Long-Term Investment Pool Market Value

As of December 31, 2014, Penn State's Long-Term Investment Pool was valued at \$3.43 billion, including non-endowed funds in the amount of \$1.12 billion that have been commingled into the LTIP. Non-pooled assets — charitable remainder trusts, charitable gift annuities, and other life income funds in addition to donor restricted funds — accounted for an additional \$108 million, shown below as Similar Funds, for a total \$3.54 billion in assets.

Long-Term Investment Pool Market Value
Calendar Years Ending December 31
 (\$ millions)



Endowment Assets

Endowment assets increased by \$189 million during calendar 2014, from \$2.12 billion to \$2.31 billion. As seen in the table on page 2, endowed gifts added over the last 12 months totaled \$120 million, while endowment program support (spending) amounted to \$80 million. Current endowment spending has been approved by the Board of Trustees to remain at an annual rate of 4.5%.

Long-Term Investment Pool

As of December 31, the market value of the Long-Term Investment Pool (LTIP) totaled \$3.54 billion. In addition to Endowment assets of \$2.31 billion, LTIP includes \$1.12 billion in non-endowed assets that have been commingled for investment purposes, but are restricted to the on-going funding of the University's FAS 106 liability.

The remainder of this report will focus on the Long-Term Investment Pool, including all commingled funds.

Review of Investment Markets in Calendar 2014

In the table below, representative financial market returns are listed for 1-, 3-, and 5-year periods covering four major asset categories: Global Equities (divided into US Equities and Non-US Equities), Fixed Income, Commodities, and Private Capital. The performance of investment markets that impact Penn State University's Long-Term Investment Pool (LTIP) is discussed below.

<i>Annualized Percentage Returns as of December 31, 2014</i>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Global Equities U.S.			
S&P 500 Index (US Large Cap Equities)	13.7	20.4	15.5
Russell 3000 Index (Total US Equities)	12.6	20.5	15.6
Russell 2000 Index (US Small Cap Equities)	4.9	19.2	15.5
Global Equities Non-U.S.			
MSCI All Country Ex-U.S. Index (ACWI)	-3.9	9.0	4.4
MSCI Developed Non-U.S. Index (EAFE)	-4.9	11.1	5.3
MSCI Emerging Markets Index (EME)	-2.2	4.0	1.8
Fixed Income			
Barclays US Aggregate Bond Index	6.0	2.7	4.4
Barclays US Treasury TIPS Bond Index	3.6	0.4	4.1
JP Morgan Global Bond Index	-0.5	-1.0	1.7
Commodities			
Bloomberg Commodities Index	-17.0	-9.4	-5.5
Gold (SPDR GLD)	-2.2	-8.8	1.4
Private Capital (9/30/14)			
Venture Capital (Cambridge Associates)	20.9	14.5	14.5
Private Equity (Cambridge Associates)	16.2	16.4	16.3
Private Real Estate (NCREIF)	11.3	11.1	11.0

Market Notes:

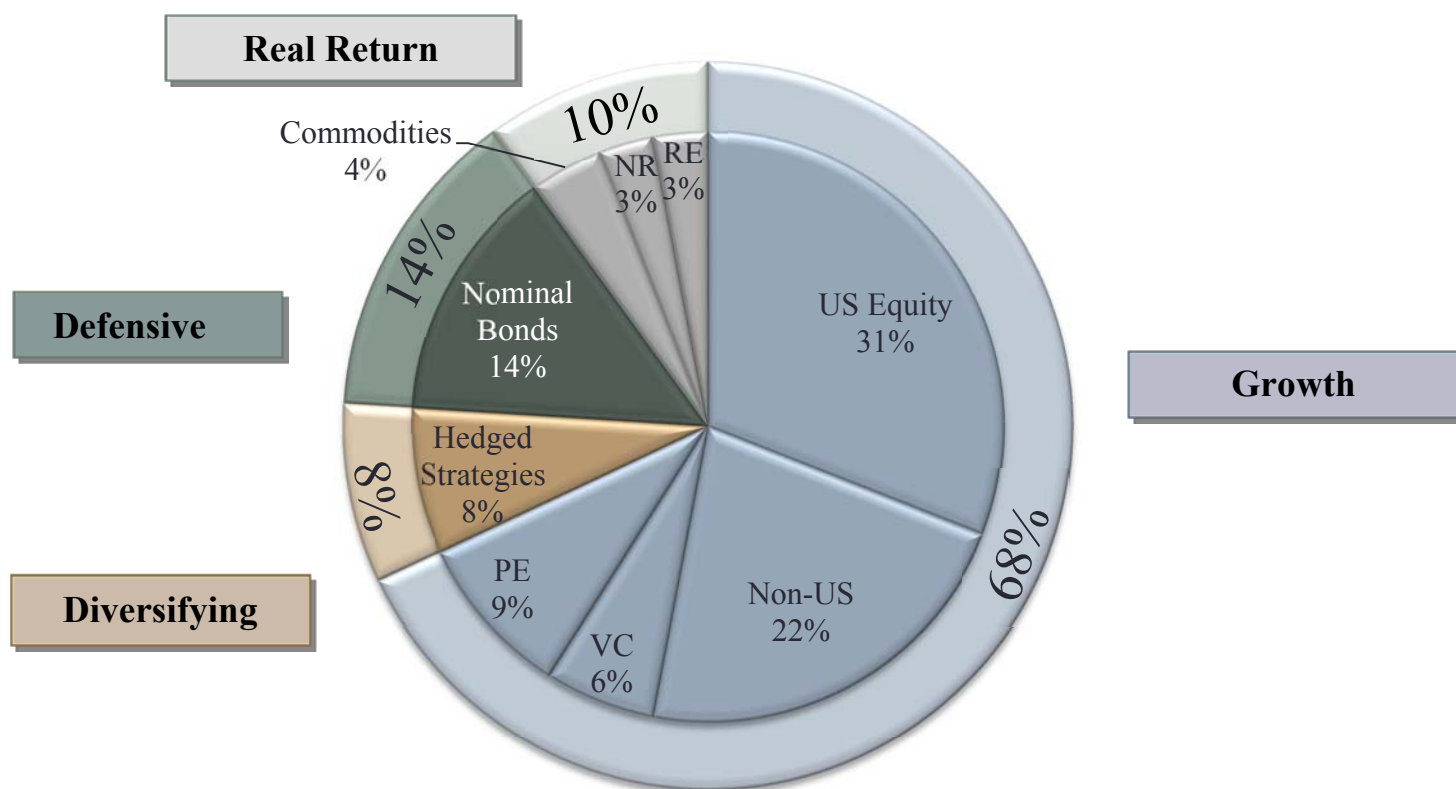
- **Global Equities:** Except for US Small Cap in 2014 (4.9%), US Equities have posted double-digit returns for each of the 1-, 3-, 5-years ending 12/31/14, and continued to outpace non-US Equities over all three periods. Non-US Equities were down 3.9% in 2014, with Developed Market and Emerging Market Equities retuning -4.9% and -2.2%, respectively.
- **Fixed Income:** US Fixed Income and US TIPS continued their pace of single digit gains while Global Bonds were slightly negative again in 2014.
- **Commodities:** The Bloomberg Commodities Index continued its negative trend, registering losses of -17.0%, -9.4%, and -5.5% for the trailing 1-, 3-, 5-years, while Gold outpaced commodities overall.
- **Private Capital:** Private Equity, Venture Capital, and Private Real Estate all continued their double-digit gains for each of the 1-, 3-, 5-years ending 9/30/2014.

Economic and Market Outlook

On the following two pages, LTIP's broad and detailed asset mix is discussed, followed by the composite investment returns for each of the four above asset categories compared to the corresponding LTIP returns.

Investment Diversification and Asset Mix

Asset allocation is a primary determinant of investment performance and risk control. LTIP's asset mix combines four strategic investment themes – growth (economic-sensitive), real (inflation-sensitive), diversifying (low sensitivity to economic/investment-market fluctuations), and defensive – to maximize potential returns, while tempering volatility. In the graph below, the four macro investment themes are shown in the outermost ring with their December 31, 2014 allocations of 68%, 8%, 14% and 10%, respectively; however, the percentages fluctuate over time depending on market trends and allocations approved by the Penn State Investment Council.



At a more granular level, LTIP's diversified portfolio includes a variety of traditional asset classes that comprise the four strategic themes, as shown by the slices within the inner pie (percentages are rounded):

- Growth (68%): 31% in publicly-traded US and 22% in publicly-traded non-US common stocks, as well as 6% in venture capital and 9% in private equity funds.
- Diversifying (8%): 5% in credit-related, 2% in equity-related strategies and 1% in various other hedged strategies.
- Defensive (14%): 10% in US government and investment grade corporate bonds, and 4% in global bonds.
- Real Return (10%): 3% in real estate, 3% in natural resources, and 4% in commodities.

The approximately 68% currently allocated to growth is intended to take advantage of capital growth and purchasing power protection offered by equity-type investments, while the 10% allocated to real return is to buffer inflation. The 14% invested in defensive (fixed income) and 8% in various hedged strategies are intended to provide stability and diversification during times of market turbulence and uncertain economic conditions.

LTIP Performance Compared to Passive Portfolio

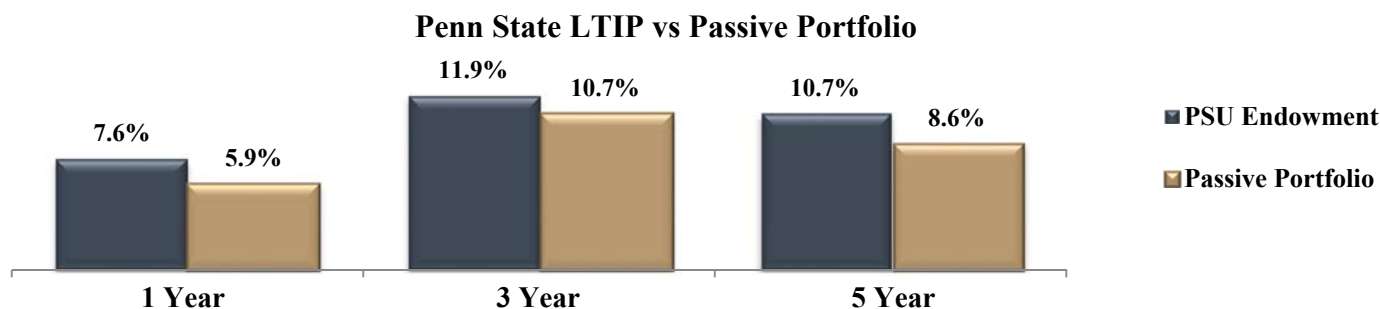
The Long-Term Investment Pool's investment performance is measured against a hypothetical *Passive Portfolio*, comprised of four broad asset categories: Public Equities, Private Capital, Fixed Income and Commodities. This passive portfolio serves as a blended benchmark against which the performance of the actual, actively-managed, and more broadly-diversified LTIP portfolio is monitored. This analysis is distinct from the foregoing conceptual, strategic themes which do not lend themselves to benchmarks analysis.

These categories are very broadly defined: the equity and fixed income categories include hedge funds whose strategies are equity and/or credit oriented, respectively, while commodities include hedged and long-only strategies. The custom index for Private Capital includes representative private equity, venture capital, and private real estate partnership time-weighted returns.

In the table below, the respective static weightings of the four asset categories are associated with corresponding market benchmarks and their respective index returns to generate *Passive Portfolio* returns over 1-, 3-, and 5-year horizons:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Weighting</u>	<u>Annualized Benchmark Returns</u>		
			<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
Public Equities	MSCI All Country World	55%	4.2	14.1	9.2
Total Private Capital	Custom Index	20	16.1	14.6	14.5
Fixed Income	Barclays Aggregate Bond Index	20	6.0	2.7	4.4
Commodities	Dow Jones UBS Commodities	<u>5</u>	<u>-17.0</u>	<u>-9.4</u>	<u>-5.5</u>
Total Passive Portfolio (net)		100%	5.9%	10.7%	8.6%

Note: The weightings used above are assumed to be constant over the entire 5-yr.

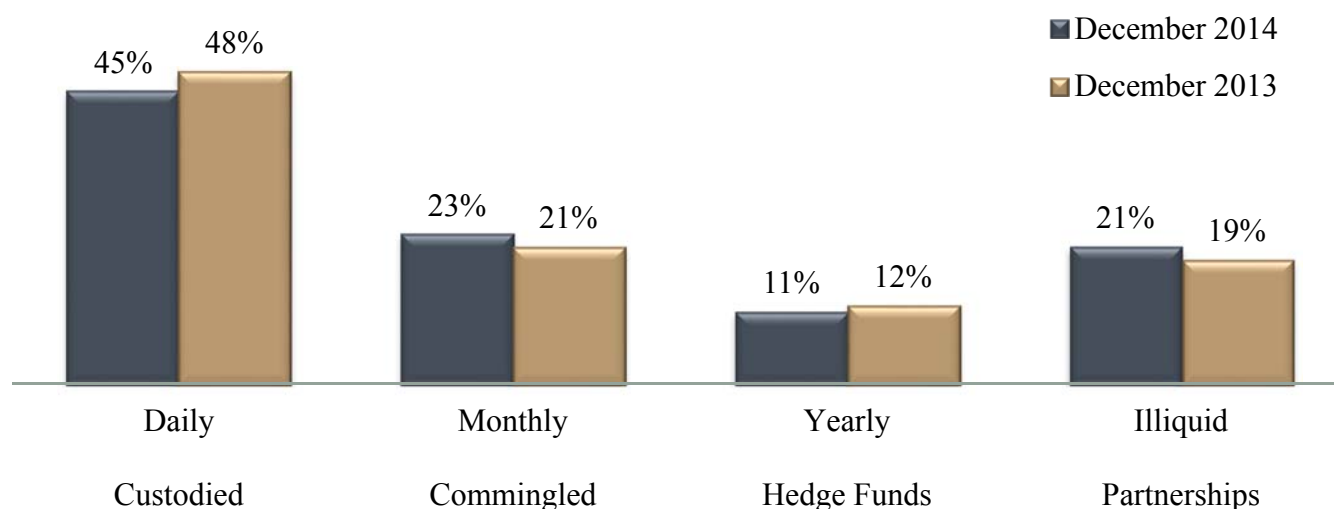


As shown above, Penn State's LTIP returned 7.6% net for calendar 2014, surpassing the 5.9% return of the Passive Portfolio over the trailing 12 months. For the 3- and 5-year periods, the Long-Term Investment Pool's annualized returns of 11.9% and 10.7% outpaced the Passive Portfolio's returns of 10.7% and 8.6%, respectively. This indicates that, over the long term, LTIP was able to outperform passive indexes through selection of active investment managers and broad diversification of assets as shown on the previous page.

The Passive Portfolio provides a guidepost to help achieve long-term results that are consistent with the twin objectives of purchasing-power preservation, along with stable LTIP spending. LTIP's performance varies from the *static* Passive Portfolio as a consequence of several factors, including, but not limited to, the timing of cash-flows, tactical shifts in asset mix, and individual investment manager performance and turnover.

Long-Term Investment Pool Liquidity

Financial crises are characterized, among other considerations, by lack of liquidity, as institutions are unable to meet current obligations due to lack of available cash. In the graph below, LTIP assets are classified according to how quickly they can be converted to cash. Securities listed on exchanges or traded over-the-counter, and held in custody as separately managed accounts, can be liquidated on a daily basis (typically 1- and 3-day settlement for bonds and stocks, respectively). Commingled portfolios, i.e., collectively-managed investment pools of publicly-traded securities, are eligible for purchase or sale at least once a month. Hedge fund partnerships are typically open for at least partial liquidation once a year, with a few having more and/or less frequent liquidity “windows.” Non-marketable partnerships are considered illiquid primarily because of the inability of limited partner investors to transact at will.



Observations from the blue (left) bars of each of the four pairs above for the period ending December 31, 2014:

- 45% percent of LTIP assets are invested in stocks and bonds that can be converted to cash in a matter of days. Of this, about 1% is held in money market accounts, along with approximately 5% in “securitized cash” (i.e., fully-collateralized S&P and Treasury futures), which can be readily converted to cash in order to satisfy day-to-day and/or unforeseen cash requirements.
- Commingled portfolios, primarily non-US public equities, comprise 23% of LTIP assets and can be converted to cash within 30 days or, in some cases, sooner. Commingled structures are used for non-US holdings in lieu of registering in individual countries where foreign companies are headquartered.
- 11% of LTIP assets are invested in various diversifying hedge fund partnerships and can be at least partially converted to cash annually or, in many cases, quarterly.
- 21% percent of LTIP assets are invested in more than 100 different partnership funds or other non-marketable investments that are considered illiquid because underlying holdings are typically not readily marketable or the timing of future realizations into cash distributions are uncertain.

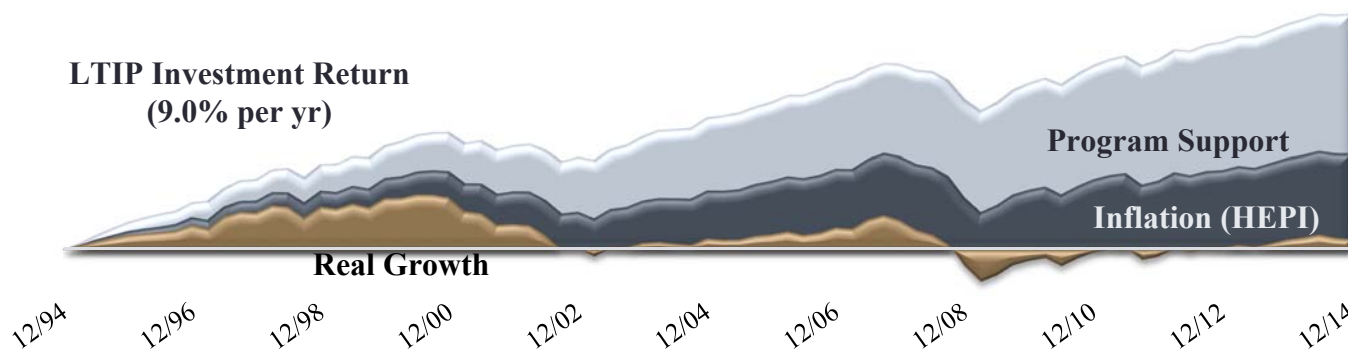
The foregoing indicates that LTIP maintains sufficient liquidity to satisfy anticipated cash requirements.

Liquidity Trends

As shown above, the liquidity profile of Penn State’s LTIP has shifted somewhat from the end of calendar 2013 (tan bars) to the end of calendar 2014 (blue bars). Daily liquidity decreased slightly from 48% to 45%, while monthly liquidity increased from 21% to 23%, as LTIP’s allocation shifted from separately-managed US equities to non-US commingled funds. Yearly liquidity dropped marginally from 12% to 11%, while illiquid non-marketable alternative assets increased from 19% to 21%. Over time, stepped up commitments to partnerships will gradually result in larger representation by non-marketable investments.

Long-Term LTIP Growth and Spending

In the chart below, the top line represents the cumulative net investment return of the Penn State Long-Term Investment Pool (LTIP) over the last 20 years, averaging 9.0% per year. The layers illustrate investment return apportioned to program support (spending, as previously discussed on pages 2 and 3) and inflation (as measured by the Higher Education Price Index [HEPI]), with the remaining residual representing net, real (inflation-adjusted) growth.



Cumulative 20-year Returns (Base 100 Index)

LTIP's primary investment goal is to earn a long-term rate of return sufficient to support *current* spending and to preserve *future* purchasing power. This two-pronged objective is illustrated by apportioning total nominal (i.e., before adjusting for inflation) investment return (topmost line above) into discrete layers, representing program support and inflation, along with a residual layer corresponding to net *real* growth. Because investment returns periodically fluctuate (illustrated by the jagged topography above), real growth, which nets out program support and inflation from total LTIP return, oscillates across the horizontal "intergenerational equity" line. While market fluctuations have caused the growth layer to swing positive and negative around the horizontal line, intergenerational equity has largely been achieved.

Two Very Different Decades of Market Performance

The variable nature of investment returns is characterized in the table below which bifurcates the last 20 years into two successive 10-year periods, whose respective investment returns differed widely. The 10 years ending December 2004 (second row) benefitted from an extended equity bull market during the 1990s, while the 10 years ending December 2014 (first row) suffered a large sell-off in equities, before rebounding over the last 5.8 years. The return disparity between decades is visibly reflected by comparing the 10-year average returns for the period ending December 31, 2014 versus the period ending December 31, 2004 for both the S&P 500 and Barclays Aggregate Bond Indexes below:

<u>10-Year Periods</u> <u>Ending December 31</u>	<u>Annual Nominal Returns</u>			<u>HEPI</u>	<u>Annual Real Returns</u>		
	<u>S&P 500</u>	<u>Bond Index</u>	<u>LTIP</u>		<u>S&P</u>	<u>Bonds</u>	<u>LTIP</u>
2004 to 2014	7.7%	4.7%	7.9%	2.8%	4.9%	1.9%	5.1%
1994 to 2004	12.1	7.7	10.2	3.5	8.5	4.2	6.6
Difference:	-4.4%p	-3.0%p	-2.3%p	-0.7%p	-3.6%p	-2.3%p	-1.5%p

As shown by the negative differentials in the third row above, market index returns for the most recent 10 years lagged those for the previous 10 years: S&P 500's 7.7% annualized nominal return for the 10 years ending December 31, 2014 trailed its 12.1% pace for the prior 10-year period by 4.4% (percentage points); meanwhile, Barclays Aggregate Bond Index returned 4.7% for the December 31, 2014 10-year period versus 7.7% for the prior 10-year period, a 3.0%p differential. LTIP's 7.9% annualized nominal net return for the 10 years ending December 31, 2014 *exceeded* the respective returns for both stocks and bonds. LTIP's prior 10-year return of 10.2% was between the corresponding stock and bond returns. LTIP's differential of -2.3%p indicates more consistent return relative to investment market returns.

On an inflation-adjusted basis relative to HEPI (boxed column in middle of above table), LTIP's net real return difference was -1.5%p compared to real differences of -3.6% for stocks and -2.3% for bonds (the third row of the right three columns above). Over the last decade, replacing public market investments with a variety of "alternative investments" has enabled LTIP to outperform both stocks and bonds for the 10 years ending December 2014. More importantly, LTIP's inflation-adjusted returns (5.1% and 6.0%) exceeded Penn State's annual spending rate (4.5%).

THE PENNSYLVANIA STATE UNIVERSITY
 OFFICE OF UNIVERSITY DEVELOPMENT
 YEAR TO DATE REPORT - ALL SOURCES
 TYPE DONOR REPORT (GIFTS)

THROUGH JANUARY 2015

	This Year Year-To-Date (As of 1/31/15)		Last Year Year-To-Date (As of 1/31/14)		Change Year-To-Date (From 2014 - 2015)		Last Fiscal Year Grand Totals (7/01/13 - 6/30/14)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ALUMNI	70,495	45,422,440	72,291	52,171,084	(1,796)	(6,748,644)	127,858	84,866,359
FRIENDS	72,366	18,311,211	92,229	26,295,855	(19,863)	(7,984,644)	164,809	48,024,477
CORPORATIONS	6,447	33,699,335	7,283	31,551,106	(836)	2,148,229	13,942	87,464,233
FOUNDATIONS	993	16,510,680	1,155	19,179,178	(162)	(2,668,498)	1,865	28,929,088
ORGANIZATIONS	3,543	9,246,725	3,230	7,595,361	313	1,651,364	7,994	22,414,664
TOTALS	153,844	\$123,190,391	176,188	\$136,792,584	(22,344)	(\$13,602,193)	316,468	\$271,698,821

THE PENNSYLVANIA STATE UNIVERSITY
 OFFICE OF UNIVERSITY DEVELOPMENT
 YEAR TO DATE REPORT - ALL SOURCES
 PURPOSE OF GIFT

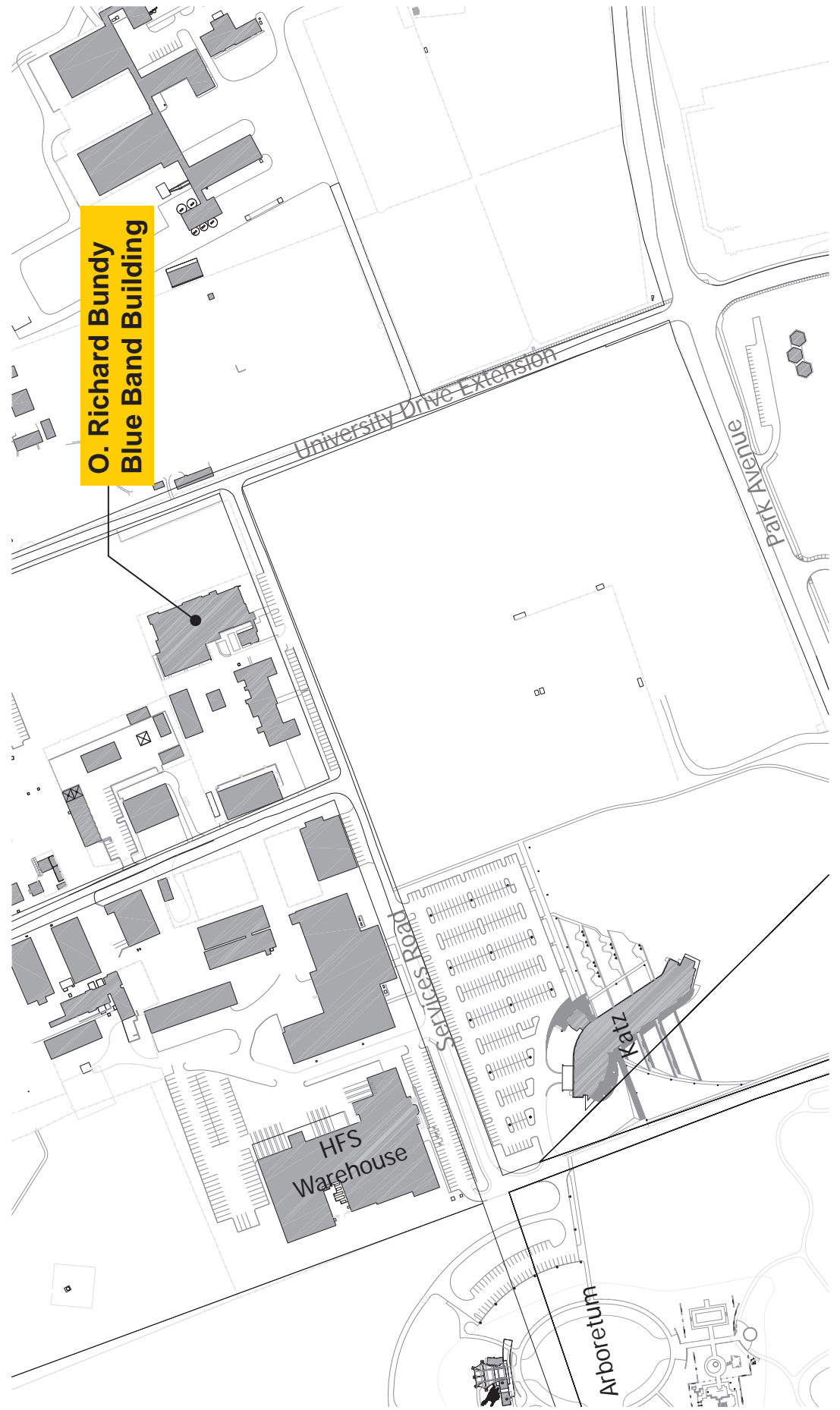
THROUGH JANUARY 2015

	This Year Year-To-Date <i>(As of 1/31/15)</i>		Last Year Year-To-Date <i>(As of 1/31/14)</i>		Change Year-To-Date <i>(From 2014 - 2015)</i>		Last Fiscal Year Grand Totals <i>(7/01/13 - 6/30/14)</i>	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
UNRESTRICTED	3,465	1,117,029	4,939	1,058,429	(1,474)	58,600	6,976	1,469,886
ACADEMIC DIVISIONS	9,314	3,658,425	9,284	3,246,139	30	412,286	16,184	6,108,746
FACULTY RESOURCES	266	8,064,169	262	7,908,241	4	155,929	509	14,844,440
RESEARCH	2,002	15,484,724	2,166	16,456,380	(164)	(971,656)	4,149	29,070,145
PUBLIC SVC & EXT	11,047	2,635,758	11,204	1,847,907	(157)	787,851	20,030	4,667,271
LIBRARY	884	291,059	816	571,484	68	(280,425)	1,329	787,860
PHYS. PLANT MAINT.	78	53,715	189	19,305	(111)	34,410	265	83,984
STUDENT AID	29,537	31,130,976	29,591	48,679,191	(54)	(17,548,215)	50,454	66,362,948
SCHOLARSHIPS	9,594	16,909,993	10,368	36,304,990	(774)	(19,394,997)	16,949	45,212,442
STUDENT LOANS	37	3,600	40	5,055	(3)	(1,455)	61	6,480
GRADUATE FELLOWSHIPS	646	3,817,906	578	1,666,648	68	2,151,258	817	2,468,144
ATHLETIC GRT-IN-AID	19,260	10,399,477	18,605	10,702,498	655	(303,021)	32,627	18,675,882
PROP/BLDGS/EQUIP	2,042	20,869,688	2,294	24,824,089	(252)	(3,954,401)	6,428	84,383,182
OTHER PURPOSES	95,209	39,884,848	115,443	32,181,419	(20,234)	7,703,429	210,144	63,920,359
TOTALS	153,844	\$123,190,391	176,188	\$136,792,584	(22,344)	(\$13,602,193)	316,468	\$271,698,821

THE PENNSYLVANIA STATE UNIVERSITY
 OFFICE OF UNIVERSITY DEVELOPMENT
 YEAR TO DATE REPORT - ALL SOURCES
 DEVELOPMENT OFFICER'S GOAL REPORT
 THROUGH JANUARY 2015

	This Year Year-To-Date (As of 1/31/15)		Last Year Year-To-Date (As of 1/31/14)		Change Year-To-Date (From 2014 - 2015)		Last Fiscal Year Grand Totals (7/01/13 - 6/30/14)	
	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars	Gifts	Dollars
ABINGTON	788	167,782	791	584,467	(3)	(416,685)	1,225	1,415,010
AGRICULTURAL SCIENCES	3,363	5,962,671	3,417	5,703,238	(54)	259,433	5,240	13,588,739
ALTOONA	1,157	3,213,165	1,194	2,811,919	(37)	401,246	1,699	4,222,807
ARTS & ARCHITECTURE	4,363	1,479,394	4,446	2,010,706	(83)	(531,312)	6,658	3,327,599
BEAVER	424	268,752	628	279,875	(204)	(11,123)	957	434,654
BEHREND	1,974	10,411,216	2,363	2,863,043	(389)	7,548,173	3,893	11,486,529
BERKS	623	1,271,775	672	577,339	(49)	694,436	1,041	1,637,910
BRANDYWINE	426	138,032	415	902,578	11	(764,546)	727	1,845,752
COMMUNICATIONS	1,052	535,404	956	587,670	96	(52,266)	1,450	1,198,036
DICKINSON SCHOOL OF LAW	626	548,728	509	348,927	117	199,801	837	444,576
DUBOIS	363	724,893	473	6,348,280	(110)	(5,623,387)	887	7,252,881
EARTH & MINERAL SCIENCES	2,127	12,438,712	2,077	14,437,971	50	(1,999,259)	3,052	18,704,974
THE EBERLY COLLEGE OF SCIENCE	3,151	10,090,809	3,128	12,616,297	23	(2,525,488)	4,527	14,402,197
EDUCATION	2,409	687,122	2,640	1,125,203	(231)	(438,081)	3,773	1,965,925
EDUCATIONAL EQUITY	505	910,141	415	979,318	90	(69,177)	695	2,008,245
ENGINEERING	5,801	6,862,700	5,927	9,297,827	(126)	(2,635,127)	8,840	20,990,063
FAYETTE, THE EBERLY CAMPUS	214	107,384	227	243,388	(13)	(136,004)	349	1,083,527
GREAT VALLEY	262	36,114	375	50,158	(113)	(14,044)	551	1,074,132
GREATER ALLEGHENY	316	116,209	477	178,110	(161)	(61,901)	659	221,180
HARRISBURG	1,613	810,626	1,581	688,499	32	122,127	2,462	1,234,398
HAZLETON	405	216,933	510	1,088,449	(105)	(871,516)	760	1,481,386
HEALTH & HUMAN DEVELOPMENT	2,713	4,847,384	2,851	4,040,571	(138)	806,813	4,160	7,098,177
HERSHEY	55,308	15,547,640	74,564	19,267,815	(19,256)	(3,720,175)	149,062	40,304,895
INFORMATION SCIENCES & TECHNOLOGY	352	396,515	336	1,679,730	16	(1,283,215)	582	13,117,990
INTERCOLLEGIATE ATHLETICS	21,796	14,413,327	21,757	16,666,364	39	(2,253,037)	38,339	45,910,590
LEHIGH VALLEY	337	86,550	425	215,064	(88)	(128,514)	735	291,639
LIBERAL ARTS	3,209	5,429,033	3,393	6,159,636	(184)	(730,603)	4,969	7,130,209
MONT ALTO	762	256,933	783	699,799	(21)	(442,866)	1,276	814,547
NEW KENSINGTON	475	273,340	415	326,093	60	(52,753)	697	1,229,448
NURSING	508	468,448	483	1,049,823	25	(581,375)	777	1,328,270
OUTREACH	11,461	2,638,112	12,163	1,735,108	(702)	903,004	21,477	5,024,056
PENN STATE LAW	31	11,561	26	3,610	5	7,951	39	4,840
RESEARCH & GRADUATE SCHOOL	406	2,522,426	355	865,097	51	1,657,329	575	8,873,694
SCHREYER HONORS COLLEGE	1,132	870,032	1,222	1,023,692	(90)	(153,660)	2,088	1,365,054
SCHUYLKILL	572	428,245	542	367,979	30	60,266	861	421,817
SHENANGO	334	184,274	358	224,129	(24)	(39,855)	522	270,611
THE Smeal COLLEGE OF BUSINESS	4,407	5,262,921	4,427	4,828,566	(20)	434,355	6,659	8,226,809
STUDENT AFFAIRS	2,611	632,915	4,043	740,978	(1,432)	(108,063)	5,721	1,212,237
UNDERGRADUATE EDUCATION	1,803	2,718,247	1,775	4,365,953	28	(1,647,706)	2,798	5,786,784
UNIVERSITY LIBRARIES	2,829	1,839,124	2,640	2,541,064	189	(701,940)	3,747	4,247,668
UNIVERSITY WIDE	9,022	6,573,649	8,500	2,262,446	522	4,311,203	17,951	3,523,227
WILKES-BARRE	579	324,808	619	632,491	(40)	(307,683)	1,027	742,168
WORTHINGTON SCRANTON	555	285,446	568	656,222	(13)	(370,776)	968	822,756
YORK	680	380,899	722	2,717,092	(42)	(2,336,193)	1,156	3,920,795
TOTAL	153,844	\$123,190,391	176,168	\$136,792,564	(22,344)	(\$13,602,193)	316,468	\$271,698,821

University Park



O. Richard Bundy
Blue Band Building

2015–2016

Room and Board Rate Proposal Housing and Food Services *The Pennsylvania State University*

- Housing Capacities Fall 2015
- Academic Year Occupancy Percentages
- 2014–2015 Comparison Room and Board Rates
- Budget Planning Factors for 2015–2016
- Expense Increases for 2015–2016
- Double Room and Meal Plan 3 Rate 2009–2016
- Proposed Room and Board Rates 2015–2016

Housing Capacities Fall 2015

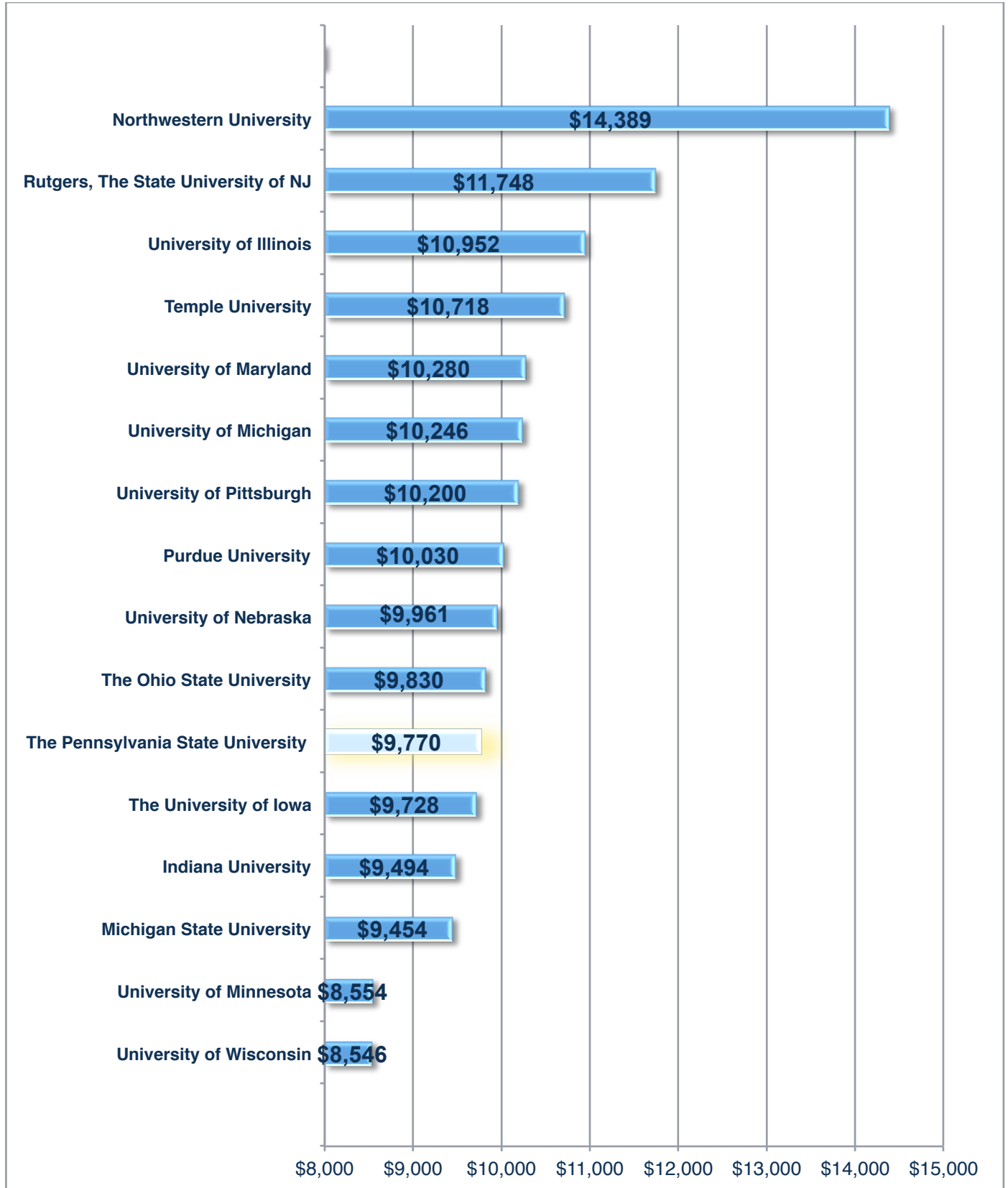
	Undergraduate Halls	Single Student Apts.	Subtotal	University Apts.	Total
University Park	13,517	300	13,817	124	13,941
Altoona	901		901		901
Beaver	211		211		211
Berks	805		805		805
Erie	1,368	283	1,651		1,651
Greater Allegheny	210		210		210
Harrisburg	99	332	431		431
Hazleton	455		455		455
Mont Alto	438		438		438
TOTAL	18,004	915	18,919	124	19,043

Academic Year Occupancy Percentages

	10–11	11–12	12–13	13–14	14–15 <i>est.</i>
University Park					
Single Student Housing	103.0	102.3	103.3	104.9	102.0
Apartments	95.2	97.0	85.4	96.2	94.0
Altoona	98.7	100.5	100.2	101.6	99.0
Beaver	82.0	89.5	74.3	75.7	73.0
Berks	99.2	99.4	97.3	96.9	96.0
Erie	99.7	98.5	99.1	97.9	98.0
Greater Allegheny	93.7	91.0	79.0	74.9	63.0
Harrisburg	98.9	98.7	96.7	98.9	97.0
Hazleton	100.5	100.7	99.0	94.1	76.0
Mont Alto	91.8	87.9	70.4	60.6	56.0

2014–2015 Comparison Room and Board Rates

Double Room and Board



Budget Planning Factors for 2015–2016

Housing and Food Services is a self-supporting auxiliary enterprise. As such, monies paid by students and guests for food and lodging are the only funds available to pay all operating expenses, building loans, and interest payments as well as costs for major maintenance and facility renewal. State funds are not used for construction, maintenance of facilities, or the operations of the housing and dining program.

The room and board rates proposed for 2015–2016 will meet the operating needs of our multi-campus residential program, provide for the necessary maintenance of our facilities, continue the major renewal plan begun with the renovation of North and South Halls, and support the strategic direction for Abington and Brandywine.

EXPENSES

Food Costs

Food costs for 2015-2016 are expected to increase by 2.9 percent. This is less than the CPI, estimated to be 3.1 percent, and is primarily due to contracts negotiated directly with vendors and the consolidation of foods purchasing for the majority of venues.

Salaries and Wages

Monies are included for anticipated inflationary increases for staff and technical service employees.

Utilities and Other Operating Expenses

Utility rates are expected to rise by 4.18 percent in the aggregate. A 2.5 percent increase is planned for each of the following areas: maintenance, supplies, and services.

Residence Life

The Office of Residence Life is requesting that the counseling fee be increased by 3.55 percent, from \$302.50 to \$313.25 per student per semester. This increase will generate an additional \$500,000 to compensate for increases in operating costs, anticipated salary and employee benefit increases, and room and board for resident assistants at all campuses.

OVERHEAD EXPENSES

Housing and Food Services Administration and Support Services

Administration and support services are provided with an allocation of \$2,266,000.

University Overhead

The budget provides \$7,853,000 for University administrative costs. Housing and Food Services pays a percentage of gross revenue to the University for central support. This rate is 4 percent for 2015–2016.

PROPERTY EXPENSES

Debt Service

The annual debt service for 2015–2016 will be \$29,992,000.

Deferred Maintenance and Facility Renewal

In total, this budget provides \$37,246,000 for facility renewal, deferred maintenance, emergency reserves, and strategic new construction for housing and foods facilities across the commonwealth.

For on-campus living to remain attractive to potential and returning students, especially with the proliferation of off-campus apartments, we need to ensure that our residence halls and dining facilities meet the standards of quality that students and their families expect.

Housing and Food Services has made significant progress on projects such as wireless capability and surveillance equipment. Based on board approval in March 2013, we are moving ahead with master planning and phasing schedules, schematic drawings, and cost estimating to further the plans for

- new housing at Abington and Brandywine
- new food services at Brandywine
- new housing at University Park in North and East Halls
- renovations to Findlay Dining Commons at University Park
- renovations to the residence halls in East Halls at University Park

INCOME

Meal Plan 3 most closely approximates the average board plan selected. A student living in a standard double room who selects Meal Plan 3 will pay 3.89 percent more for room and board in 2015–2016. The recommended rate increases for housing, food services, and conferences at Penn State University Park and the campuses will generate the required \$7,757,000 in additional income.

Expense Increases for 2015–2016

	<u>2014–2015 % of Budget</u>	<u>2015–2016 % of Budget</u>	<u>2014–2015 Budget</u>	<u>2015–2016 Increase</u>	<u>2015–2016 Proposed</u>
Food Costs	13.9%	13.8%	\$27,717,000	\$804,000	\$28,521,000
Payroll & Related	24.3%	24.5%	48,502,000	\$2,284,000	\$50,786,000
Utilities	9.4%	9.4%	18,652,000	\$780,000	\$19,432,000
Other Operating Expenses	15.0%	15.0%	30,030,000	\$990,000	\$31,020,000
HFS Admin. & Support	1.1%	1.1%	2,200,000	\$66,000	\$2,266,000
University Overhead	3.8%	3.8%	7,563,000	\$290,000	\$7,853,000
Property	32.5%	32.4%	64,813,000	\$2,543,000	\$67,356,000
TOTAL EXPENSE	100.0%	100.0%	\$199,477,000	\$7,757,000	\$207,234,000

Double Room and Meal Plan 3 Rate 2009–2016

Year	Semester Rate	Semester Increase	Percent Increase
2009–10	\$4,085	\$250	6.52%
2010–11	\$4,185	\$100	2.45%
2011–12	\$4,370	\$185	4.42%
2012–13	\$4,495	\$125	2.86%
2013–14	\$4,685	\$190	4.23%
2014–15	\$4,885	\$200	4.27%
2015–16	\$5,075	\$190	3.89%

Proposed Room and Board Rates 2015–2016

The Pennsylvania State University

Effective Fall 2015

Undergraduate Residence Hall Room

Rates/Person/Semester

(Meal Plan Required)

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Standard Double	2	\$2,730	\$2,860	\$130
Standard Double/Bath	2	2,880	3,010	130
Renovated Double	2	2,955	3,100	145
Small Double	2	2,045	2,145	100
Triple	3	2,455	2,575	120
Triple/Bath	3	2,730	2,860	130
Quad	4	2,455	2,575	120
Quad/Bath	4	2,730	2,860	130
Quad as Triple	3	2,730	2,860	130
Standard Single	1	3,715	3,900	185
Standard Single/Bath	1	3,780	3,975	195
Renovated Single	1	3,780	3,975	195
Eastview Single/Bath	1	4,720	4,960	240
Eastview Large Single/Bath	1	5,075	5,330	255
RA Rate	1	1,795	1,855	60
Standard Double Suite	2	3,220	3,375	155
Standard Double Suite as Triple	3	2,730	2,850	120
Standard Single Suite	4	3,755	3,945	190
Double Suite	2	3,460	3,625	165
Single Suite	1	4,550	4,780	230

Supplemental assignments will be priced at a 20 percent discount from the applicable suite or room rate.

Single occupancy of rooms intended for double occupancy will be priced at 25 percent more than the double occupancy rate for that room type.

Proposed Room and Board Rates Continued

*The Pennsylvania State University
Effective Fall 2015*

University Park Nittany Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$3,300	\$3,460	\$160
4 Bedroom Garden	4	3,715	3,895	180
4 Bedroom Townhouse	4	3,850	4,035	185

**Room rate includes utilities.*

Erie, Behrend Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
2 Bedroom Garden	4	\$3,300	\$3,460	\$160

**Room rate includes utilities.*

Harrisburg Apartment Rates/Person/Semester*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
Apartments-Bedroom Single	4	\$3,950	\$4,140	\$190
Apartments-Bedroom Double	6	3,475	3,640	165
Apartments-Bedroom Triple	9	3,125	3,275	150

**Room rate includes utilities.*

Proposed Room and Board Rates Continued

The Pennsylvania State University

Effective Fall 2015

University Park Graduate Family Apartment Rates/Month*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 1 Bedroom	N/A	\$1,030	\$1,065	\$35
White Course 2 Bedroom	N/A	1,170	1,210	40
White Course 3 Bedroom	N/A	1,315	1,360	45
White Course 3 Bedroom w/Half Bath	N/A	1,330	1,375	45

*Room rate includes utilities.

University Park Graduate Apartment Rates/Person/Month*

Room Description	Number of Occupants	Current Rate	Proposed Rate	Proposed Increase
White Course 4 Bedroom Apartment	4	\$815	\$850	\$35

*Room rate includes utilities.

Board Plan Rates/Semester

Meal Plan	Dining Dollars	Current Rate	Proposed Rate	Proposed Increase
Plan 1	\$735	\$2,005	\$2,065	\$60
Plan 2	825	2,095	2,155	60
Plan 3	885	2,155	2,215	60
Plan 4	1,010	2,270	2,340	70
Plan 5	1,095	2,355	2,425	70
Plan 6	1,270	2,530	2,600	70

UNIVERSITY MANOR APARTMENTS

CURRENT vs. PROPOSED MONTHLY RENTAL RATES

<u>Type Occupancy</u>	<u>No. Units</u>	<u>Current Rates Per Apt.</u>	<u>Proposed Rates Per Apt.</u>	<u>Amount Increase</u>
University Manor East				
1 Bedroom (with Washer/Dryer)	24	\$ 900	\$ 910	\$ 10
2 Bedroom (with Washer/Dryer)	208	\$ 1,060	\$ 1,080	\$ 20
3 Bedroom (with Washer/Dryer)	16	\$ 1,194	\$ 1,218	\$ 24
University Manor West				
4 Bedroom (furnished) *	31	\$ 2,120	\$ 2,168	\$ 48

* NOTE: Proposed monthly increase per bedroom is \$12

RENTAL RATE COMPARISON
UNIVERSITY MANOR VS. PRIVATE APARTMENT COMPLEXES

The rental rates that follow are the proposed University Manor rental rates as compared to the current rates for private apartment complexes in the Hershey area. The average private rental rate has been adjusted to include utility expenses where none previously existed in the rental rate. This then provides an “apples-to apples” rate comparison.

The average difference between the proposed University Manor rates and the current private apartment rates are:

DIFFERENCES BETWEEN UNIVERSITY MANOR
AND PRIVATE APARTMENT RENTAL RATES

	<u>Average Private Rates</u>	<u>Proposed Rates</u>
1 Bedroom	\$ 1,038	\$ 128 less
2 Bedroom	\$ 1,240	\$ 160 less
3 Bedroom	\$ 1,748	\$ 530 less
4 Bedroom	\$ 2,720	\$ 552 less

University Manor (Proposed Rates as of July 1, 2015):

	<u>Proposed Rates</u>
1 Bedroom	\$ 910
2 Bedroom	\$ 1,080
3 Bedroom	\$ 1,218
4 Bedroom	\$ 2,168