The President’s Report was given in the Boardroom of The Nittany Lion Inn, University Park, Pennsylvania, at 8:41 a.m. on January 23, 2009.

The following Trustees were present: Broadhurst (chairman), Garban (vice chairman), Alexander, Baldwin, Chaiken, Clemens, DiBerardinis, Eckel, Hayes, Henning, Hetherington, Hintz, Huber, Hughes, Jones, Joyner, Junker, Lubert, Masser, Metzgar, Poprik, Riley, Shaffer, Spanier, Strumpf, Suhey, Surma, and Wolff; Trustee Emeritus Huck; and Governor’s Representative Lewis.

Present by invitation were faculty representatives Blood and Boehmer; student representatives Keirans, Khoury, and Mendoza; staff members Ammerman, Bechtel-Wherry, DiEugenio, Dolbin, Erickson, Kirsch, Mahon, Pangborn, Paz, Pell, Poole, Romano, Schultz, Sims, and Weidemann; and Mr. Courtney of McQuaide Blasko.

Chairman Broadhurst welcomed University Faculty Senate Officers Ingrid Blood and John Boehmer; student representatives Gavin Keirans, George Khoury, and Alfonso Mendoza; and Academic Leadership Council Chair Lori Bechtel-Wherry.

President’s Report

Dr. Spanier’s report is included in its entirety:

"I'd like once again to begin my remarks by giving you an update on how the economy is impacting Penn State.

"Our nation has been presented with financial challenges unprecedented in most of our lifetimes, and higher education shares in these difficult circumstances. I recently sent a letter to the Penn State community that outlined some of the anticipated impacts and actions we’ll be considering in the upcoming months. While I won't read the whole letter, I do want to note a few salient points.

"Penn State’s financial status continues to be sound, and we are taking steps to ensure that our financial stability will continue throughout this recession and beyond. We do not anticipate resorting to any of the university-wide emergency actions being taken by scores of colleges and universities throughout the nation such as mid-year tuition increases, hiring freezes, mandatory furloughs, pay cuts, travel freezes, liquidation of endowment assets, and loans to meet basic operating needs.

"This is a better position than many of the more than 200 colleges and universities recently surveyed by The Chronicle of Higher Education and Moody’s Investors Service. The survey, published in The Chronicle on January 9th, revealed that about half of the institutions had a partial or total hiring freeze for faculty and staff positions. And 37 percent had either made layoffs or were considering them. While Penn State has not taken either of those steps, we must anticipate that there will be no salary increases on July 1, 2009.

"However, in the hope that no one will take a step backward, we plan to freeze employee contributions to health premiums that would otherwise be implemented in January 2010. We also plan to freeze increases in parking fees. These combined costs will need to be reflected in the University budget—at a cost of about $4 million. In addition, we will double the funding available through the Employee Special Assistance Fund, which was established a decade ago to assist employees in difficult circumstances.

"As you know, Penn State has two principal sources of income for our instructional programs—tuition and Commonwealth appropriation. Given the circumstances our students and families face; we do not feel it appropriate to plan on a tuition increase for next year significantly more than the levels already identified in our planning scenarios. This is not the
situation at many other colleges and universities nationwide. According to The Chronicle/Moody's survey, nearly half of all public institutions said they expected their tuition increase to be higher than the average of the past three years.

"On February 3rd, Governor Rendell will release his budget recommendations for the next fiscal year. While we are hopeful the Governor will recommend sufficient funding for Penn State, we are well aware that this year has not been a good one for Pennsylvania. State revenues in 2008 were 6.8 percent behind projections. As a result Penn State will receive $21.2 million less than what was appropriated - a six percent reduction.

"We understand the difficult choices the Governor and the members of the Legislature have to make, and we appreciate their efforts on behalf of education and Penn State. On March 2nd, I will travel to Harrisburg to make the case for Penn State when I appear before the House of Representatives Appropriations Committee. There will be no Senate Appropriations hearing at all for Penn State this year, a reasonable decision made by the Committee.

"One of the numbers all colleges and universities has been watching closely is retention between the fall and spring semesters. One in four private schools and 13 percent of public schools were expecting a decline greater than last year. I'm happy to report that at Penn State, our retention numbers are holding steady. Moreover, we continue to see record numbers of applications for next year. Total applications for all campuses as of January 12, 2009 are ahead by 5.5 percent compared to 2008. Overall, applications are up four percent for University Park, and first-choice freshman baccalaureate applications for summer/fall at the Commonwealth Campuses are up seven percent for out-of-state and up one percent for in-state applicants. Graduate applications are up 6.4 percent compared to last year. International graduate applications are up 13 percent, and applications to The Dickinson School of Law are up dramatically - 65 percent compared to 2008.

"Not surprisingly, financial aid requests are also up this year, and I want to take a moment to commend our Office of Student Aid on the terrific job they are doing to help identify and secure new sources of aid. Last week, The Chronicle of Higher Education ran an article on the participation rates in the federal Academic Competitiveness and National Smart Grant programs.

"Created in 2006, these programs were designed to help support low-income, high-achieving students: both new students who have taken college preparatory programs in high school, and our junior and senior students who are majoring in science, technology, engineering and math, as well those interested in a language deemed critical to national-security needs.

"While many colleges participate minimally in these programs because of the labor intensive application process, Penn State has fully embraced the opportunity and takes extra measures to identify all eligible students. Penn State now ranks first, nationally, in Academic Competitiveness Grant recipients and sixth in Smart Grant recipients. Like Penn State's rapid transition to enter the Direct Student Loan Program last spring, these high rankings demonstrate our commitment to tapping new sources of funding and maximizing new opportunities as they arise. These are stressful times for our students and their families, and I appreciate the responsiveness of the Office of Student Aid.

"Another ranking that caught our attention came from Forbes. State College ranked 15th on Forbes magazine's list of 'America's Most Educated Small Towns.' That's 15th out of more than 2,500 regions surveyed. According to Forbes, 45 percent of the residents of State College over the age of 25 held advanced degrees. This is good news for State College, because highly educated residents tend to boost property values and median incomes in their towns.

"It also seems they have a higher than average tendency to wear glasses, comfortable shoes and funny masks.
"Another group that received special attention this year is our distinguished faculty. In an honor recognizing exceptional research, creativity and service to the University community, 12 Penn State faculty members have been named distinguished professors and two have been named distinguished librarians. As you can see from this slide, the honorees for 2008-09 represent the arts, humanities, medicine, science and libraries.

"One of the measures of the excellence of our faculty is the success of Penn State students, as exemplified by this next story. Twice a year, the College of Engineering hosts a Project Showcase that features a wide array of student projects based on real-world problems developed in partnership with industry clients. Typically, interdisciplinary teams of students spend a semester of their senior year developing solutions to these problems.

"Last December, one stand-out project involved students from the Colleges of Health and Human Development, Engineering, and Business. The project shown here--Maximus V--is an ACL prevention device developed by a local start-up company headquartered in Innovation Park. The students tested the device, performed in-depth design work, and developed a business plan for the product. The project won first place in the Showcase, and the company has returned to further develop the product with other students. This type of real world collaboration has enormous benefits for our students and provides valuable services to start-up companies.

"An equally compelling, but entirely different type of project comes from Elody Gyekis, a senior art student and Schreyer's scholar. For her senior thesis, she worked with her hometown in Penns Valley to create a 30 foot x 15 foot mural featuring the people, activities, products and landscape of the area. While it's impressive in its execution, the real story can be found in the community collaboration. Elody held numerous town meetings to discuss the concept, and then she organized approximately 130 volunteers to paint the mural. The 'Valley Roots Community Mural' was displayed on a local café in Millheim.

"Moving to research news, the Chandl ee Laboratory is undergoing renovations to house Penn State's new Social and Life Sciences Imaging Center. This joint interdisciplinary venture of the Social Sciences Research Institute and the Huck Institutes of the Life Sciences will provide investigators with a shared pool of resources for magnetic resonance, electrophysiological and optical imaging. Central to this renovation was the acquisition of the fMRI equipment. In this slide you can see the delivery of the Siemens electromagnet, which weighed 12.6 tons and will become the core of the new Human MRI Facility.

"This year, a number of Penn State faculty members have been in the news with big stories, but only Stephan Schuster, professor of biochemistry and molecular biology, had a mammoth story. Here's a short video describing his work. [A video was shown.] Dr. Schuster and Webb Miller, a Penn State biology and computer science and engineering professor, are now working on sequencing the Tasmanian tiger. They hope this research will lead to the knowledge that can save the endangered Tasmanian Devil and other animals.

"Other Penn State researchers were recognized by Discover magazine in their roundup of the 100 best stories of 2008; three of the stories came from Penn Staters, and I'd briefly like to describe them. 'How evolution is taught in U.S. public schools' was a study conducted by Penn State political science professors Eric Plutzer and Michael Berkman, and graduate student Julianna Pacheco. This is the first nationally representative survey of teachers concerning the teaching of evolution. Dr. Plutzer is currently in Berlin, but Michael and Julie are here today. Could you both please stand so you can be recognized? (Michael Berkman and Julie Pacheco stand.)

"A second story is the mystery of Colony Collapse Disorder, an affliction affecting honeybees and threatening pollinator services and the crops that rely on them. Dennis vanEngelsdorp, acting state apiarist for Pennsylvania and senior extension associate at Penn State, is a lead investigator. As many of you know, Penn State has been a major player in the investigation of Colony Collapse Disorder and continues monitoring bee colonies, suggesting potential mitigations and searching for a solution. Dennis is in the field in California and regrets that he couldn't be here today.
"Also cited is Robert Eckhardt's research on a new species of hobbit-sized hominids. Bob is a regular on Discover magazine's top 100 science news stories list; this year being the fourth time in the last five years that one of his research projects has been cited. Bob's research explores the earliest origins of human development, dating back from four million years ago to six million years ago. Bob, can you please stand and be recognized? (Bob Eckhardt stands.)

"Thank you Bob, Michael and Julie for coming today.

"Outreach was recently recognized for its community engagement efforts. In December, Penn State received the Community Engagement Classification from the distinguished Carnegie Foundation for the Advancement of Teaching. According to the Carnegie Foundation, 'The elective Community Engagement Classification provides a way for institutions to describe their identity and commitments to community with a public and nationally recognized classification. It extends and refines the classification of colleges and universities.' The Carnegie Foundation's recognition reaffirms Penn State's longstanding leadership in this national engagement arena, and I'm very pleased with this formal recognition.

"One example of community engagement comes from Penn State Public Broadcasting. In September, you received a DVD with the documentary, Liquid Assets. Since this film made its debut on October 1st, it has aired on more than 80 percent of all public television stations and was distributed to the members of Congress, the Senate and Barack Obama's transition team. It has also provided the foundation for significant local community outreach, K-12 education and media sales.

"Last week Penn State's College of Agricultural Sciences had a large presence at the Farm Show in Harrisburg, which is the largest indoor agricultural event in America. One of the highlights was Penn State's exhibit and educational stage presentations on land-use planning, bioenergy research, food-safety, and water quality. Each year, more than 100 Penn State faculty, county extension educators and staff participate in the Farm Show, and we consistently receive excellent feedback on our activities there.

"I also want to note that The Harold and Inge Marcus Department of Industrial and Manufacturing Engineering is celebrating its Centennial this year. Founded in 1909, this is the oldest industrial engineering department in the nation and currently ranks as a top-five program in the country.

"Moving on to athletics, Penn State capped its thrilling 2008 football season by earning its 22nd Top 10 ranking under Coach Joe Paterno, who was named Big Ten Coach of the Year. The Nittany Lions were No. 8 in the final Associated Press and USA Today Coaches polls.

"One of the best sports stories of this year--and any year--was the Penn State women's volleyball team, which has been called the 'best women's college volleyball team ever.' The team finished the season with a perfect 38-0 record. After beating the powerhouse Nebraska team in the semi-final match, they swept Stanford to become only the sixth team in NCAA history to win consecutive women's volleyball championships. Considering this spectacular performance, it's not surprising that Coach Russ Rose was again selected as the 2008 American Volleyball Coaches Association National Coach of the Year. Coach Rose was unable to be here this morning, but to represent the team we have Dennis Hohenshelt and Nate Kitrush from the coaching staff and team members Megan Hodge, Megan Shiflett, Alyssa D'Errico, Kelcey Ream, Blair Brown, Heather Tice and Jess Ullrich. Can you all please stand to be recognized? (The group stands.) Thank you for giving us a perfect season with a proud finish! Thank you!

"Before I conclude, I wish to give a brief update on our development activities. Despite the economic turmoil, we are continuing to move ahead with For the Future: The Campaign for Penn State Students while being sensitive to individual circumstances. In the past month and a half, I have visited donors in California, New York and Texas, and the results have been promising. Since the last Board of Trustees meeting, we have received
several million dollars in new commitments. The case for scholarship support is resonating particularly well given the times we are in, and we are grateful to our donors for their loyalty and commitment to our students.

"I'm also proud to note that even in these tough times, our students haven't forgotten about others in need. Student clubs at Penn State DuBois are on track for their own record year. According to the Office of Student Life, last semester student organizations donated more than $10,000 to area charities and organizations. That total is greater than all of the money they raised during the last fiscal year. This fundraising has had a dramatic effect on DuBois area organizations struggling with increased demand for services and tight state funding.

"Finally, as I do each January, I want to remind you that the Dance Marathon will be taking place at the Bryce Jordan Center from February 20th to the 22th. This weekend is always memorable and moving, and we often have some very special guests. I hope our Trustees will stop by and cheer on the dancers. Please let Paula know if you'll be attending so we can make special arrangements for your THON 'experience.'

"This concludes my report. At this time, I would be happy to take questions."

President Spanier received comments concerning:

• educating students on the availability and use of Penn State's Bank of America Affinity credit cards;
• the 529 program (advance tuition payment program);
• Penn State’s effort to encourage and make sure students have access to international experiences;
• the impact of the credit crisis on Penn State students in regards to loan programs;
• the increase in applications to the Dickinson School of Law; and
• the ranking of the Dickinson School of Law.