The President's Report was given in the Boardroom of The Nittany Lion Inn, University Park, Pennsylvania, at 8:39 a.m. on November 21, 2008.

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, Myers, Riley, Shaffer, Spanier, Strumpf, Suhey, and Surma; Trustees Emeriti Brosius, Cook, Coppersmith, Frey, Robinson, Rowell, Wise, and Wolf; and Governor's Representative Lewis.

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

Chairman Broadhurst welcomed a new member of the Board of Trustees Office staff, Amy Wright Perrin. Chairman Broadhurst also welcomed University Faculty Senate Officer Ingrid Blood; student representatives Gavin Keirans and Alfonso Mendoza; and Academic Leadership Council Chair Lori Bechtel-Wherry.

Chairman Broadhurst, prior to the President's Report, noted that Dr. Spanier has served as the founding chair of the National Security Higher Education Advisory Board since its inception in 2005. The advisory board, consisting of presidents and chancellors of several prominent U.S. universities, fosters outreach and also promotes understanding among the FBI, other government agencies, and higher education. He congratulated Dr. Spanier for the receipt of the "Award for Excellence in Public Service" at FBI Headquarters for his efforts to enhance cooperation between a broad range of government agencies involved in national security, intelligence, law enforcement and defense.

Chairman Broadhurst also noted that, in addition to their outstanding service to the University for the past thirteen years, Graham and Sandy Spanier also created endowments that have supported The Graham B. and Sandra K. Spanier Student Development Fund for the Musical Theatre Program; and the Philip Young Special Collections Endowment for the Libraries. He announced that the Spaniers have increased their philanthropic commitment to the University by $700,000 to raise it to a level of $1 million. The primary beneficiaries of the Spaniers' generosity will include additional support for the endowments they previously created for the Musical Theatre program and for the University Libraries. The Musical Theatre program fund supports scholarships, student travel, and other expenses related to learning and performing in the musical theatre program.

The Philip Young Special Collections Endowment for the Libraries supports the purchases of rare books, manuscripts and other materials for the University Libraries' Rare Books Room and Special Collections. Philip Young was a world-renowned Ernest Hemingway scholar and Penn State faculty member. He was Sandy's dissertation director and a great influence on her own career.

The Board of Trustees joined Chairman Broadhurst in thanking the Spaniers for this generous commitment and all that they do For the Future.

President's Report

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

"The current global economic crisis has been very much on our minds, and I'd like to begin my remarks by briefly discussing how Penn State has been addressing the financial downturn.

"We realize the impact the tight credit situation and overall economic distress has had on our students, families, and the entire Penn State community. I want to assure you that we have been taking every possible measure to work through these economic challenges."
Earlier this year, we anticipated the beginnings of a crisis and we took defensive measures to prepare for it. As you know, in response to changes in the student lending market, we became a participant in the Federal Direct Loan Program, which provides students customer-friendly and reliable access to guaranteed student loan funds.

"The impact of this turbulence has been experienced directly by Penn State, particularly in just the last few months. In September, Penn State, along with many other colleges and universities, was informed that a short-term fund managed by the CommonFund would restrict participants' access to its funds. We had used this investment vehicle as one of our primary sources of working capital liquidity. However, due to our historically conservative approach to fiscal management, we had sufficient liquidity in other investments that has allowed us to operate normally while the issues related to the CommonFund situation are sorted out. And as of today, we have been able to access and withdraw almost 60 percent of the money that had been in the CommonFund account when the restrictions were announced. The remainder of those funds will come to us over the next year or so.

"Also in September, we were informed by the Commonwealth's Secretary of the Budget of a likely 4.25 percent rescission to our appropriation, which equates to almost $15 million. Because of substantial planning efforts that anticipated such an event, and due to the responsible budgeting practices of our deans, chancellors and administrative unit heads, we will be able to respond to this reduction in our funding without increases in tuition or other undue negative impacts to our students during the current fiscal year. We have, however, moderated our plans for new commitments and initiatives to ensure that we don't exert additional pressure on an already tight budget situation. We have adjusted our operating budget and other commitments in light of the state appropriation rescission, a reduced endowment, and the credit crunch.

"The potential budget impacts for the next fiscal year are great. We will be under pressure to keep tuition increases to a minimum next year, and we are worrying about our state appropriations. We can also expect a decrease in the amount available from the endowment payout. Fortunately, we don't rely on the endowment for any operating funds—this has been a serious problem for some universities, but not Penn State.

"Looking ahead at what promises to be a challenging year, we will need to make some difficult decisions. We will be looking closely at the schedules and financing of new building projects, and some may need to be delayed. Our investment council will evaluate payout rates for the endowment. And it is unlikely that Penn State employees will see pay raises at typical levels, although we will endeavor to contribute to retirement plans and benefit packages so that no employee has to take a step backward.

"There will be belt tightening and some sacrifices, some positions will of necessity remain vacant for a time, certain initiatives will evolve at a slower pace, and we will all need to be sensitive to the needs of our students and their families. Still, I want to emphasize that Penn State is fundamentally strong and that we are well positioned to weather the storm and to continue our mission of excellence in education.

"In fact, despite the pessimism in our country, there is much good news at Penn State. We have record enrollments, and applications are streaming in for next year. We've hit a major research funding milestone, and we have enjoyed the success of some remarkable athletic teams.

"Rob Pangborn and Ann Rohrbach will give you a full enrollment report at the Committee on Educational Policy session, but I want to note a few highlights. Penn State's enrollment for 24 campuses and the World Campus stands at 92,613, up from 90,609 a year ago. More than half of the enrollment increase is associated with students enrolled exclusively in World Campus course offerings.

"Applications for next year are also on the rise—at last count we have received nearly 44,000 applications, which is just over a five percent increase compared to the same period last year. As you may recall, last year we reached 101,500 applications. I'll keep you updated as we progress through this year.
"For those of you who have ever dreamed about owning the famous Honus Wagner baseball card, which was previously owned by Wayne Gretzky and eventually sold for $2.8 million to a collector, Penn State has the next best thing.


"If any of you would like a set, please let us know. You never know how valuable the Alan Walker trading card might be some day!

"Penn State's research enterprise culminated in a record $717 million for research funding in 2008. That represents almost an eight percent increase over the prior year. Penn State has now moved up to 11th in National Science Foundation Science and Engineering Research Expenditures.

"NASA has recently announced a new award "Signatures of Life from Earth and Beyond" will go to Penn State as a result of our excellent program in astrobiology. Penn State will receive at least $7 million from the NASA Astrobiology Institute. Associate professor of geosciences Christopher House is a principal investigator on the project.

"Another important research award comes for materials science. The National Science Foundation recently awarded Penn State $13.2 million over six years to continue the research and educational activities of its Center for Nanoscale Science, a Materials Research Science and Engineering Center.

"Thomas Mallouk, DuPont Professor of Materials Chemistry and Physics, is the director of the Center, which is designed to foster collaborations that could lead to revolutionary new materials and processes.

"This fall, five Penn State physicists were elected Fellows of the American Physical Society. They are John Collins, distinguished professor of physics; Vincent Crespi, professor of physics and of materials science and engineering; Paul Sommers, professor of physics and astronomy and astrophysics; David Weiss, professor of physics; and Xiaoxing Xi, professor of physics and materials science and engineering. This is a great honor for these individuals and for Penn State.

"Mercedes Richards, a professor of astronomy and astrophysics, received the Musgrave Gold Medal, the highest academic award given by the Jamaican government. These medals are reserved for those who have had international influence in the fields of literature, arts and science.

"I also want to recognize two professors who received awards that recognize young professionals in their respective fields.

"Sharon Hammes-Schiffer, Eberly professor of biotechnology and professor of chemistry, received the 2008 American Chemical Society's Akron Selection award, which recognizes scientists and engineers age 45 or younger working in chemistry.

"Consuelo De Moraes, associate professor entomology, is the first recipient of the Early Career Innovation Award from the Entomological Society of America.

"Moving on to Development news. On October 31st, For the Future campaign commitment totals reached $570 million. Even in these challenging times, loyal donors are continuing to make new commitments to Penn State, and for that, we are very grateful.

"The loyalty of our alumni and friends is extraordinary and I'd like to take a few moments to recognize some recent gifts.
"Many of you were here for the recent Renaissance Fund Dinner where we had the privilege of recognizing Dottie and Lloyd Huck. They are among Penn State's most loyal and generous benefactors with their total philanthropic commitment to Penn State approaching $50 million. They have been a valued part of the Penn State family since they were freshmen in 1940, and I couldn't be happier that now we have a Renaissance Fund Scholarship in their names.

"Another inspiring example of continuous giving is the story of Bruce E. Moyer, a 1958 Industrial Engineering alumnus who spent his career at IBM. In the early 1980s, Mr. Moyer began making modest gifts to Penn State. In 2005, a gift officer contacted Mr. Moyer to thank him and to explore options for broadening that support. The result was the Bruce Moyer Trustee Scholarship and subsequently an estate gift of nearly $2 million, which is the largest single gift made to the Trustee Matching Scholarship Program since its inception.

"The Donald B. and Dorothy L. Stabler Foundation has been a longtime supporter of the Penn State Milton S. Hershey Medical Center, and the Foundation made a $5 million gift to support the construction of the future Penn State Hershey Children's Hospital. In recognition of this generous contribution, the new pediatric intensive care unit within the new facility will be named after Donald and Dorothy Stabler. To date, more than $57.5 million of a $65 million goal has been raised from private donors, corporations and organizations for the new Children's Hospital.

"You have also probably noticed that there has been some progress on the Arboretum, with the completion of the H.O. Smith Botanic Gardens scheduled for spring 2009. Also, I'm very pleased to note that the Arboretum has recently received a $1 million endowed gift from State College native Marcia Udine Day and her late husband, Robert J. Day, to support Arboretum programs related to special interests of children and youth.

"Penn State has also enjoyed a strong level of corporate support. Last week, I had the pleasure of announcing that Westinghouse Electric Company and its parent corporation, Toshiba, have given a $2 million gift to Penn State to support students and programs in the College of Engineering and The Mary Jean and Frank P. Smeal College of Business. A second area of focus is collaborative research on energy and environmental-related topics. This gift is the largest grant Toshiba has made to a U.S. university since the acquisition of Westinghouse. We're looking forward to continuing a successful partnership with Toshiba Westinghouse.

"This fall has been a success for Penn State Intercollegiate Athletics. The Penn State Field Hockey Team won its fifth Big Ten regular season title, and it swept all awards given out by the Big Ten conference for the 2008 season, including Coach of Year. This is the fourth time Coach Char Morett has received this honor.

"Penn State's Women's Soccer also clinched the Big Ten title for the 11th season in a row and won the Big Ten tournament.

"The number one ranked and undefeated Women's Volleyball team had its 1,000th win and has clinched the Big Ten title. We can only wait to see how well these teams do as they advance in their championship match-ups.

"Now, on to Nittany Lions football. I want to recognize the team and coaching staff for a successful season. I also want to spend a few moments on a side of the team that hasn't been given much attention lately. That is, academics.

"This year's football team has a solid academic record and includes some academic superstars, such as sophomore guard Stefen Wisniewski who has a 3.89 GPA and is enrolled in the Schreyer Honors College.
“Tackle Gerald Cadogan is a 2007 First Team ESPN The Magazine All-American. Gerald is Penn State’s nominee for the National Football Foundation and College Hall of Fame Scholar-Athlete Fellowship and the prestigious Draddy Trophy, presented to the nation’s premier college football student-athlete. He earned a 3.68 GPA, has a double major in rehabilitation services and psychology, and is the team’s most active student-athlete in community service.

“Three players graduated prior to the start of the seasons—Deon Butler, Dan Lawlor and Jordan Norwood, and now all are enrolled in second degrees. Quarterback Daryll Clark is on pace to complete his degree in just three and a half years.

“Balancing demanding practice schedules with schoolwork requires an incredible level of discipline and commitment. I am very proud of the efforts of all of our student-athletes who strive to represent the best of Penn State.

“To conclude my report, I’d like to turn your attention to Penn State’s largest student organization and the one that provides the soundtrack to Nittany Lions sports—the Blue Band. In your packets you have a copy of the documentary 'Making the Blue Band,' which follows eight incoming freshmen as they try to earn a spot in the band. Here’s a little preview. (A video was shown.)

"At this time, I would be happy to take your questions."

President Spanier received comments concerning:

- the current economic downturn and climate and its impact on students, families, alumni, and employees of Penn State (numerous comments including access to student aid, student loan default rates, efforts to increase efficiency of operations, possible structural changes with respect to University operations, and the stability of the University due its historically conservative approach to investments and operations);

- the Commission for Women’s report on key gender equity indicators;

- the Obama Administration’s consultation with universities seeking recommendations and ideas on coping with the current economic crisis from a national level in higher education; and

- World Campus’ increase in enrollments.