



PennState

Eric J. Barron
President
The Pennsylvania State University
201 Old Main
University Park, PA 16802-1589

814-865-7611
Fax: 814-863-8583
president@psu.edu

February 15, 2021

The Honorable Stanley E. Saylor
Chairman, House Appropriations Committee
House of Representatives
245 Main Capitol Building
P.O. Box 202094
Harrisburg, PA 17120

Dear Chairman Saylor:

As you requested in your letter dated February 10, 2021, attached are Penn State's budget materials for the hearing scheduled on February 24, 2021 at 1:00 p.m. The materials include Penn State's 2021-22 Operating Budget Request, which was submitted to the Department of Education in September 2020, along with several supplemental exhibits.

Penn State's appropriation from the Commonwealth is vitally important to thousands of Pennsylvania families, and it helps the University to achieve its mission of serving the citizens of Pennsylvania. The continued investment in Penn State is an investment in the Commonwealth's future, its economy, and the quality of life of its citizens.

I look forward to the opportunity to discuss with you and members of the House Appropriations Committee how the Commonwealth's investment in Penn State supports the transformation of Pennsylvania's economy, access and affordability, and the career success of our students.

Sincerely,

Eric J. Barron

Enclosures



**THE PENNSYLVANIA STATE UNIVERSITY
2021-22 BUDGET PRESENTATION AND
STATE APPROPRIATION REQUEST**

**PREPARED FOR THE GENERAL ASSEMBLY OF
THE COMMONWEALTH OF PENNSYLVANIA
FEBRUARY 2021**

**PENN STATE’S 2021-22
APPROPRIATION REQUEST**

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PENN STATE'S 2021-22 APPROPRIATION REQUEST

Thank you for the opportunity to provide support for our 2021-22 appropriation request. The funding from the Commonwealth is a critical factor that influences Penn State's resident tuition rates. It helps defray the cost of in-state tuition for Pennsylvania resident undergraduates across all our campuses, which serve some of the most economically challenged regions of Pennsylvania. It also provides crucial funding that helps support Agricultural Research and Extension; Medical Assistance, CURE, the Cancer Institute, ASERT, and other health-related activities of Penn State Health and the College of Medicine; and the Pennsylvania College of Technology. This year, we are also requesting support to advance economic development activities across Pennsylvania.

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

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

We recognize the fiscal realities faced by the Commonwealth, particularly in this challenging time in which resources must be allocated to contain and respond to the COVID-19 pandemic. We are very grateful for the appropriation increases awarded in recent years up to 2020-21 and for level funding in the current year that were made possible through the efforts of Governor Wolf and the General Assembly. Continued investment in Penn State would enable the university to remain a critical partner in ensuring resilience and economic growth across the Commonwealth.

Modest increases in the appropriation over the last six years combined with Penn State's intensified efforts related to access and affordability have helped Penn State minimize tuition increases for Pennsylvania resident students. Our focus has been to reduce the total cost of a degree, decrease the rate of student borrowing, promote success of need-based students, and

decrease attrition due to finances. Tuition increases across Penn State's campuses have been below national averages for over a decade. In fact, Penn State ranks 7th among AAU public universities for the smallest overall increase in in-state tuition over the last 10 years.

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

Penn State's appropriation includes two line items under the Department of Education: General Support and the Pennsylvania College of Technology. In addition, the appropriation for the Agricultural College Land Scrip Fund that supports Agricultural Research and Extension is appropriated through the Department of Agriculture, while support for Penn State Health and the College of Medicine is provided through the Department of Health and the Department of Human Services. In addition, a special request for \$2.4 million is included to support economic development activities across Pennsylvania. The purpose, use, and benefits to the citizenry of the Commonwealth are summarized in the following sections of this statement.

GENERAL SUPPORT

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

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

In the 2019-20 Center for World University Rankings, Penn State was ranked 47th among the best universities in the world for the quality of education of its students and the research prowess of its faculty. Penn State ranked No. 31 among universities in the United States. U.S. News and World Report also ranked Penn State 18th in top public schools, as well as 26th in study abroad schools, and 30th in best colleges for veterans. U.S. News' 2020 Best Online Programs ranked Penn State World Campus in the top 10 of 20 categories:

- No. 6, online graduate engineering
- No. 2, online graduate industrial engineering
- No. 3, online graduate engineering management

- No. 2, online graduate mechanical engineering
- No. 3 (tie), online graduate electrical engineering
- No. 8 (tie), online bachelor's programs
- No. 6, online graduate computer information technology
- No. 6, online MBA and general management MBA
- No. 8, online graduate business (non-MBA)
- No. 9, online finance MBA
- No. 8, online business analytics MBA
- No. 7, online graduate education
- No. 10, online graduate instructional media programs
- Best online programs for veterans for online graduate engineering (No. 5), online bachelor's programs (No. 6), online graduate computer information technology (No. 5), online MBA (No. 4), online graduate non-MBA business (No. 4), and graduate education (No. 2)

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

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

It is also noteworthy that nearly 20 percent of Penn State's out-of-state and international students choose to stay in Pennsylvania after completing their degrees. These students start companies, enrich established businesses, and contribute to their communities as taxpayers, volunteers, and citizens. Pennsylvania ranks fifth in the nation for the percent of senior citizens. Attracting and retaining young professionals is vitally important for the economic security of the Commonwealth.

The 2021-22 appropriation request for General Support for Penn State proposes a 3.0 percent increase of \$7.3 million. Our efforts made possible by the General Support appropriation to address access and affordability and to promote job creation, economic development and student career success are summarized below.

Access and Affordability

For our education mission, our University receives approximately \$268 million (when combining Penn State and Penn College). Divided evenly among the 54,500 Pennsylvania students that we educate each year, each student would receive approximately \$5,000. Note the national average is \$7,642. Yet at Penn State the average Pennsylvania student pays approximately \$12,500 less than their out-of-state counterparts. We are more than doubling the state's investment to make Penn State more affordable and accessible for the working families of Pennsylvania. Notably, Penn State ranks 7th among the 36 public members of the Association of American Universities for the smallest overall increase in in-state tuition over the last 10 years according to the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS).

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

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

We continue to pilot and expand targeted solutions to reduce the total cost of a degree, and the data suggests they are every effective. For example, Penn State offers Provost Awards to high achieving students with high need. The awards range from \$5,000 to \$7,000 per student/per year, which results in a cumulative total of \$24,000 to each awardee. Since the Provost Awards began in 2013-14, \$109 million has been awarded to 13,000 students.

Other targeted solutions are Open Doors programs that include: the Raise.me Scholarships; Pathway to Success – Summer Start (PaSSS); Smart Track designed for online learners; Student Transition Experiences Program (STEP) for juniors transitioning from a Commonwealth Campus to University Park; the Sokolov-Miller Financial Literacy and Life Skills Center (online and on campus); and Complete Penn State, which is designed to help students with high GPAs and credit counts overcome struggles so they can complete their degrees. The University has invested in these targeted solutions and made them a centerpiece of our philanthropic campaign, *A Greater Penn State for 21st Century Excellence*. To date, 910 donors have contributed to 548 endowments, and \$7.3 million has been awarded to 2,792 students. The average award is \$2,596. It's noteworthy that the students in these Open Doors programs have higher retention rates, higher grade point averages, and lower late drop rates than the comparable population.

Another important strategy for helping students reduce the cost of a degree is through Penn State's intensified efforts in student advising. In 2015, Starfish was introduced university-wide and has proven effective in facilitating connections. It allows all academic advisors to use the same platform to maintain advising notes and monitor student progress. It identifies at-risk students in real time and connects students to valuable services. It is having a significant impact. Over the last year, 50,000+ unique students heard from at least one instructor about their course progress, and nearly 50,000 scheduled 160,000 academic advising appointments. Twelve thousand students scheduled 26,280 meetings with people who are here to help—instructors, Financial Aid coordinators, Fellowships directors, college engagement specialists, study abroad counselors and more.

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

Student Career Success

Penn State is living the land-grant mission in the 21st century through our commitment to job creation, economic development, and student career success. Penn State is the No. 2 institution in the country for graduating CEOs (just behind Stanford) according to a LinkedIn study. Currently, Penn State alumni lead Fortune 500 companies including Nike, Merck, PPL, and Hanesbrands, and we are continuing to ensure there is a pipeline to career success.

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

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

- 70 Career Fairs; 4,500 employers; 33,000 students/alumni
Fall Career Fair alone: 550 employers and 9,000 students
- 17,000 on-campus interviews
- 44 interview rooms in Career Services Center
- 40,000 individual career coaching sessions
- 2,000 career workshops/events: 65,000 participants
- 75 career courses taught to 2,500 students

- This operation serves the students and employers. As one recruiter noted, “I have been in talent acquisition for many years and attended career fairs all over the country. I have never been more pleased with the preparedness of a student body at a fair than I was today.”

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

- developed and implemented a comprehensive array of virtual career services, programs, and resources for students, alumni, and employers within one month’s time;
- delivered the highest student and alumni attendance (839 total) at the Big 10 Virtual Career fair (out of 17 universities);
- reached out to over 150 students affected by rescinded offers/internship cancellations, offering support and services;
- generated a library of nine recorded career-related workshops – Career Services’ first offering of grab-and-go workshops;
- transitioned in-person career fairs to virtual format during the Fall of 2020;
- developed a virtual recruitment series, *Tuesday Talks with Recruiters*, for students, faculty, and staff;
- and delivered a successful virtual launch of the system-wide *2020 Career Development Professionals Conference*.

Invent Penn State: Economic Development Extension

Launched in 2015, Invent Penn State has built a dynamic network of 21 LaunchBoxes and Innovation Hubs in communities across the Commonwealth, many in rural areas with traditionally underserved populations. Modeled after the Penn State agricultural cooperative extension, the hubs provide access to no-cost business startup support— legal services, intellectual property advice, lean startup accelerator programs, micro-grant programs, new product development services, flexible coworking space for entrepreneurs, business consulting, and outreach programs. These services complement existing community resources and are offered in partnership with regional economic development authorities like chambers of commerce, PA Small Business Development Centers, and Ben Franklin Technology Partners, and are tailored to meet the unique needs of each community.

Since 2015 the hubs have opened on a rolling basis and from 2015-2020 have engaged 10,759 students and faculty, supported 3,325 entrepreneurs, graduated 345 startups from accelerator programs, completed 247 product development projects, started 164 new Pennsylvania companies, and created 433 internships. In addition, Invent Penn State has led to \$11.8 million in external and leveraged funds and resulted in 195 newly created jobs.

By leveraging Penn State’s size, technology, and broad research strengths (research expenditures in 2019-20 reached a record \$1.01 billion, up \$40 million over the previous year), we are accelerating the transfer of new ideas into useful products and processes that span industry

sectors from energy, food security, environmental protection, educational technologies, and manufacturing, to health care, medical devices, and pharmaceuticals. All of this is translating into new businesses in Pennsylvania. And since the onset of the COVID-19 pandemic, the LaunchBoxes and Innovation Hubs have quickly pivoted to offer virtual programs, creating even greater accessibility.

An example of the impact of these Innovation Hubs can be seen in New Kensington. Like many towns in western Pennsylvania and across the state, New Kensington's heyday ended when the major manufacturing plant closed in 1971. In this case it was an aluminum manufacturer, but it easily could have been a steel factory, lumber mill, or coal mine in another Pennsylvania community. Over three years, Invent Penn State awarded New Kensington campus \$150,000 in seed grant funding to promote economic development in the area. The impact has been dramatic. Working with the mayor, area businesses, and local government, they are building an entrepreneurial ecosystem, as well as revitalizing the downtown. Penn State New Kensington partnered with Beauty Shoppe to open 4,700 square feet of premium co-working space in The Corner LaunchBox where they provide entrepreneurship-related events, business development and support services, stipends and competitions, and access to nearby venture capital groups. New Kensington has attracted more than \$1.0 million in funding from Westmoreland County, the Appalachian Regional Commission, and private gifts and donations for the project.

In fall 2020, construction began on the new 15,000 square-foot Digital Foundry at New Kensington, which is slated for completion in late 2021. This innovation and manufacturing lab space supports the vision for reimagining manufacturing for the digital age and offering a "Factory 4.0 Educational Toolkit" curriculum developed by Penn State New Kensington in partnership with MIT and Arconic, a global engineering firm. The lab, made possible by a \$5.5 million award from The Richard King Mellon Foundation, will produce digital simulations of products and equipment for manufacturers. Further, over the next six years, the Pennsylvania Department of Community & Economic Development through the Neighborhood Partnership Program will invest \$1.2 million in the city of New Kensington to advance the revitalization and economic development initiatives associated with the corridor. What was once called Aluminum City has been now dubbed the "corridor of innovation."

The critical mass of entrepreneurial activity occurring at the Corner LaunchBox has already attracted over a dozen new companies to New Kensington, creating jobs and a support network for talented recent graduates and young professionals who have historically left the area due to a lack of opportunity. We anticipate our investment in the next generation of innovators in New Kensington and other communities not only will positively impact new business starts and job growth for rural and underrepresented constituents, but also will serve as a bulwark against "brain drain."

A similar transformation to New Kensington is underway in Hazleton. As part of the Invent Penn State initiative, Penn State provided Penn State Hazleton with a planning grant of \$10,000 and seed grant funding of \$150,000 to establish a LaunchBox to bolster entrepreneurship and economic development in the Hazleton community. Subsequently, Penn State Hazleton received a \$1 million gift from the Estate of Pasco L. Schiavo that established an endowment for The Hazleton LaunchBox supported by Pasco L. Schiavo, Esq. As part of its current *A Greater Penn State* fundraising campaign, Penn State matched the gift, creating a \$2 million endowment fund. In addition, PPL made a \$20,000 grant to support the IT needs of the Hazleton LaunchBox. As with the Schiavo Estate gift, the University matched this gift in the amount of \$20,000. The Downtown Hazleton Alliance for Progress (DHAP) contributed \$80,000 to a general fund at Penn State Hazleton to support the operations of the Hazleton LaunchBox and to provide capital improvements of the same.

Additional contributions for Phases 1 and 2 construction of the LaunchBox include the following:

- Keystone grants totaling \$657,000
- LSA Grant of \$150,000
- Private contributions totaling \$449,500 from regional businesses and foundations

The combined funds will provide operational funding to the innovation hub each year, ensuring that it continues to spark economic development and support entrepreneurship in perpetuity. The impact of this community investment is already being felt. For example, the Hazleton LaunchBox this year launched its first summer entrepreneurship camp, which will, on an ongoing basis, expand access to entrepreneurial experiences for young people in the region.

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

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

We believe this tripart focus on fundamental economic development is what it means to be a public university in the 21st Century—leveraging excellence in teaching, research, and service in order to improve the quality of life for everyone in the state, and society in general.

Pennsylvania College of Technology

The Pennsylvania College of Technology, located in Williamsport, PA is a national leader in applied technology education and a special mission affiliate of Penn State. Penn College offers the type of hands-on, applied technology education that is vital to Pennsylvania workforce needs, and it boasts a 97 percent placement rate, offering signature instruction in diverse and much-needed programs like plastics engineering, nursing and physician assistant, IT cybersecurity, heavy equipment, construction management and robotic welding. Penn College has an enrollment of nearly 5,000 students — 90 percent are Pennsylvania residents, and more than 87 percent of the students receive financial aid.

The 2021-22 appropriation request for Penn College proposes a 3.0 percent increase of \$802,000. The increase in state appropriations will be used to support technological and laboratory upgrades, primarily for both plastics and polymer engineering technology and physician assistant students. These high-demand programs are critical, respectively, to meeting plastics industry needs across the Commonwealth and to supporting rural healthcare needs.

Agricultural Research and Penn State Extension

The 2021-22 budget plan proposes an increase of \$3.3 million in the Commonwealth's investment in the Agricultural Research and Penn State Extension programs (managed by Penn State's College of Agricultural Sciences) that support agriculture and rural communities. The COVID pandemic, and Penn State's direct efforts in reducing its impact on agriculture and rural communities (such as the 200,000 enrollments in our on-line courses provided at no or reduced cost) has demonstrated our capacity to drive economic and social recovery in Pennsylvania. Agricultural Research and Penn State Extension programs and services are funded through federal, state, and county appropriations; no tuition dollars are used in these efforts. Penn State's average cost increases to maintain these services each year has been approximately \$1 million, while for the past five years the average appropriation increase has been \$882,200 at a time in which expectations for service and research on new problems continued to increase.

Penn State has identified priority issues in Pennsylvania in need of special attention that Agricultural Research and Penn State Extension is uniquely positioned to address:

Combating Spotted Lanternfly and Other Destructive Invasive Species: Invasive plants, insects, and diseases present serious challenges to agriculture and natural resources and threaten

the economy and human health. Economists estimate that if not contained, the spotted lanternfly could drain Pennsylvania's economy of at least \$324 million annually and cause the loss of about 2,800 jobs. In addition, Emerald ash borers are eradicating ash trees from Pennsylvania forests. Ticks are transmitting Lyme disease and mosquitoes are spreading eastern equine encephalitis to humans.

Penn State has extensive expertise in these areas and is developing strategies for reducing the threats. Further investments in research and education around mitigation and best management practices are critical to help protect Pennsylvania from these and many other invasive pests and pathogens. Due to the significant economic and environmental impact potential, Penn State immediately shifted significant resources toward containment and management strategies for the spotted lanternfly, leaving other industry needs unaddressed. The College of Agricultural Sciences has been acknowledged by the Pennsylvania Department of Agriculture and USDA as the leader in research and public awareness but has been only partially funded through grant applications for this work.

Safeguarding Pennsylvania Animal Agriculture: Pennsylvania's animal agriculture sectors, which account for about 70 percent of the state's agricultural receipts, could be one disease outbreak away from financial devastation. Penn State brings a comprehensive approach to supporting animal agriculture with diverse expertise; extensive physical and digital infrastructure; emergency response capabilities; working partnerships with industry, government, and NGOs; and statewide volunteer networks. With looming threats from animal diseases, supply chain vulnerabilities, and ongoing industry training and research needs, Penn State is strategically positioned to help grow Pennsylvania animal agriculture.

Expanding Dairy Food Processing Support: Dairy is the largest sector in the Pennsylvania agricultural economy, and yet has suffered huge losses in the COVID pandemic. Even before the pandemic, the Pennsylvania Dairy Future Commission was created by the state legislature to address challenges facing the industry. Their *Recommendations for a Vibrant Future for Pennsylvania Dairy* include a recommendation for Penn State Extension to support a "More Robust Extension Dairy Foods Program." The Commonwealth's dairy foods processors are interested in improving the quality of their products, developing new products to remain competitive, updating practices to meet federal food safety regulations, and exploring new technologies. The report requests that Penn State Extension provide technical expertise in dairy food processing, including quality control, regulatory assistance, manufacturing processes, supply and testing needs, food safety practices, marketing, and business development, as well as development and innovation in shelf-stable milk products.

Implementing Water Quality Solutions: Focusing on collaborative approaches, sustained watershed partnerships, and local citizens, Penn State provides research, expertise, technical

support, training, and leadership to help develop and put into action Pennsylvania's Chesapeake Bay Water Implementation Plan, over which Pennsylvania continues to be threatened with legal action. Penn State has a unique relationship in working with farmers because of our trusted role as educators, not enforcers. The College of Agricultural Sciences developed a proposal in 2017, *High Value Extension, Research and Education Investments in the College of Agricultural Sciences to Address Water Management Needs for Agriculture and Urban Areas*, that estimated the additional resources needed to develop and deliver effective water quality solutions to farmers, conservation professionals, urban areas, and students throughout the Commonwealth.

Creating an Ag Digital Education Center: Recent investments in Penn State Extension aimed at combining its strength—translating science-based knowledge into practical solutions—with the latest distance-education practices allowed Extension to seamlessly shift to the digital education delivery required by COVID restrictions. In addition, workforce development is a top priority for Pennsylvania and agriculture. Recent investments in the latest distance-education infrastructure allowed Extension to pivot seamlessly to the virtual educational environment. As a result, Extension exponentially increased program reach in 2020 with more than 22 million website pageviews and approximately 613,000 registrants for online courses, webinars, and in-person workshops.

Penn State Extension is viewed as a national leader in the Ag Digital Education arena across the land-grant university system. With demand significantly increasing, Penn State Extension is working to enhance online, sequential non-credit learning paths to attract, retain, and advance the agricultural workforce; augment COVID outreach; and provide other on-line accessible educational options.

Penn State Health and the College of Medicine

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

Cost Containment Efforts

Two decades of stagnation in the state appropriation and increasing costs needed to fulfill our land-grant mission have led to a two-pronged approach to fill the gap: Budget Reductions and Reallocations (cost savings measures), and Budget Relief (securing external funding to cover activities that would otherwise require General Fund dollars.)

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

Concluding Remarks

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

Respectfully Submitted,

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

Eric J. Barron, President
Penn State University

HIGHLIGHTS OF PENN STATE'S 2021-22 BUDGET PLAN AND APPROPRIATION REQUEST

APPROPRIATION REQUEST

- ◆ The University is requesting a total appropriation of \$353.1 million, representing a 4.2 percent increase overall.
 - A \$7.3 million increase in the Educational and General (E&G) or General Support line item.
 - An increase in the amount of \$3.3 million is requested for our programs in Agricultural Research and Cooperative Extension.
 - Increased support of \$802 thousand is included for the Pennsylvania College of Technology to build on recent increased investments from the Commonwealth to expand instructional capacity in the technical fields most in demand by students and Pennsylvania employers.
 - A special request for \$2.4 million to support economic development activities across Pennsylvania.
 - Additional Medical Assistance funding of \$435 thousand is also included for the Penn State Health and the College of Medicine.

BASIC OPERATING COSTS

- ◆ **Benefits** – Respond to the increasing employer contribution rate for the State Employees' Retirement System (SERS) and an estimated increase in health care.
- ◆ **Facilities** – Provide for facilities cost increases, including increasing fuel and utilities costs, the maintenance and operation of new facilities, the necessary additional funding to address asset preservation of an aging physical plant, and to support the capital needs related to major renewals and replacements of facilities across our multiple locations.
- ◆ **Faculty and Staff Compensation** – Provide a modest pool of funds for merit-based inflationary increases and to address targeted market and equity concerns as well as the funds necessary to fulfill contractual obligations.

DETAILS OF PENN STATE'S 2021-22 BUDGET PLAN AND APPROPRIATION REQUEST

The University's proposed budget plan for 2021-22 reflects progress toward Governor Wolf's stated goal to restore funding to Pennsylvania institutions of higher education to the level appropriated prior to the major cuts in 2011-12.

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

Penn State's request for an appropriation increase of \$14.2 million for 2021-22 is summarized on **Table 2**. Details of the University's proposed budget plan and appropriation request are discussed below.

EXPENSE CHANGES

Benefits and Insurances: The University's budget plan includes projected increases of \$13.6 million for benefits cost increases. This includes increases for health care and retirement. A \$4.1 million increase is projected in property and liability insurances.

Facilities: A total of \$17.0 million is projected for facilities cost increases. Included are funds for the maintenance and operation of new or newly renovated facilities, fuel and utilities increases, deferred maintenance projects, and the continuation of the University's capital improvement program.

Strategic Priorities: The 2021-22 budget plan includes funding for the most important strategic priorities of the university. Investments will be targeted in areas described in the President's Statement that will focus on access and affordability and economic development, job creation, and student career success.

Student Aid: As just one among multiple strategies to address access and affordability, our plan proposes adding \$2.0 million for need-based student aid, bringing the total of permanently budgeted funds to nearly \$65 million. These funds will be used to leverage additional private donations for student support.

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

activities that are core to our missions. We compete with other great institutions to bring in the best talent. Dozens of our faculty are recruited by other universities every year. We strive to recruit and retain the very best faculty and staff in a fiscally responsible manner. The budget plan for 2021-22 includes \$32.4 million for salary adjustments and related employee benefits. This projected amount includes a 2.5 percent salary pool to provide funding for inflationary adjustments that would be awarded primarily based on merit and address market and equity situations.

AGRICULTURAL RESEARCH AND COOPERATIVE EXTENSION

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

INCOME CHANGES

The University is requesting an appropriation increase of \$14.2 million (see Table 2). Of this amount, \$7.3 million is for Penn State's General Support line. Also, as part of the direct appropriation, an additional \$802 thousand is requested for the Pennsylvania College of Technology. An increase in the amount of \$3.3 million is included for our programs in Agricultural Research and Cooperative Extension funded through the Agricultural College Land Scrip Fund.

A special request of \$2.4 million for funding to help support our state-wide economic development initiatives is also included.

An additional \$453 thousand is requested in the Medical Assistance funding provided to Penn State Health and the College of Medicine through the Pennsylvania Department of Human Services and the Pennsylvania Department of Health.

The University is projecting an additional \$44.3 million in other income including tuition.

Table 1
Summary of Proposed Changes
2021-22 Budget Plan and State Appropriation Request
(\$ in thousands)

	Educational and General	Economic Development	Ag. Research & Coop. Ext.	College of Medicine	PA College of Technology	Total
Revenue Assumptions						
Appropriation Request*	\$7,263	\$2,350	\$3,298		\$802	\$13,713
Tuition	40,202				1,982	42,184
Other Income	4,147			4,455		8,602
Total Revenue	\$51,612	\$2,350	\$3,298	\$4,455	\$2,784	\$64,499
Basic Operating Costs						
Salary Adjustments	\$32,448		\$857	\$3,160	\$1,081	\$37,546
Benefits	18,592		979	1,295	1,703	22,569
Property & Liability Insurances	4,066					4,066
Facilities	19,130					19,130
Strategic Priorities and Other Program Needs	12,000	2,350	1,462			15,812
Student Aid	2,000					2,000
Student Activities	262					262
TOTAL EXPENSE CHANGES	\$88,498	\$2,350	\$3,298	\$4,455	\$2,784	\$101,385
Operating Surplus/(Deficit)	(\$36,886)	\$0	\$0	\$0	\$0	(\$36,886)
Incremental Revenues/Cost Savings Target	\$36,886	\$0	\$0	\$0	\$0	\$36,886

* The University is also requesting an additional increase of \$453,000 in the State and Federal Medical Assistance funding provided to Penn State Health and the College of Medicine through the Pennsylvania Department of Human Services. Penn State's overall request for additional Commonwealth support for 2021-22 totals \$353,070,000.

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

	<u>2020-21 Appropriation</u>	<u>Projected Increases</u>	<u>2021-22 Requested Appropriation</u>
General Support	\$242,096	\$7,263	\$249,359
Agricultural Research & Extension	54,960	3,298	58,258
Special Request: Economic Development	<u> </u>	<u>2,350</u>	<u>2,350</u>
Total Penn State (excl PSH/CoM & Penn College)	\$297,056	\$12,911	\$309,967
Penn State Health and the College of Medicine	15,112	453	15,565
Pennsylvania College of Technology	<u>26,736</u>	<u>802</u>	<u>27,538</u>
TOTAL APPROPRIATION	<u><u>\$338,904</u></u>	<u><u>\$14,166</u></u>	<u><u>\$353,070</u></u>

Table 3
Headcount Enrollment by Degree Level and Pennsylvania Residency
Fall 2020 with change from Fall 2019

	Pennsylvania		Non-Pennsylvania		Total	
	N	Change	N	Change	N	Change
Undergraduate						
University Park ^a	22,905	(236)	16,904	(594)	39,809	(830)
Commonwealth Campuses	20,802	(1,058)	4,970	(270)	25,772	(1,328)
Dickinson School of Law - Unified	-	-	-	-	-	-
Dickinson Law	-	-	-	-	-	-
Penn State Law	-	-	-	-	-	-
Penn State College of Medicine	-	-	-	-	-	-
Subtotal	43,707	(1,294)	21,874	(864)	65,581	(2,158)
Pennsylvania College of Technology ^b	3,994	(575)	571	159	4,565	(416)
Total	47,701	(1,869)	22,445	(705)	70,146	(2,574)
Penn State World Campus	3,475	197	5,390	308	8,865	505
Total Including World Campus	51,176	(1,672)	27,835	(397)	79,011	(2,069)
Graduate						
University Park ^a	1,535	67	4,557	(59)	6,092	8
Commonwealth Campuses	920	(76)	234	(30)	1,154	(106)
Dickinson School of Law - Unified	-	-	1	(4)	1	(4)
Dickinson Law	92	2	154	5	246	7
Penn State Law	79	7	332	(91)	411	(84)
Penn State College of Medicine	393	23	587	39	980	62
Subtotal	3,019	23	5,865	(140)	8,884	(117)
Pennsylvania College of Technology ^b	-	-	-	-	-	-
Total	3,019	23	5,865	(140)	8,884	(117)
Penn State World Campus	2,035	126	4,451	33	6,486	159
Total Including World Campus	5,054	149	10,316	(107)	15,370	42
All Degree Levels						
University Park ^a	24,440	(169)	21,461	(653)	45,901	(822)
Commonwealth Campuses	21,722	(1,134)	5,204	(300)	26,926	(1,434)
Dickinson School of Law - Unified	-	-	1	(4)	1	(4)
Dickinson Law	92	2	154	5	246	7
Penn State Law	79	7	332	(91)	411	(84)
Penn State College of Medicine	393	23	587	39	980	62
Subtotal	46,726	(1,271)	27,739	(1,004)	74,465	(2,275)
Pennsylvania College of Technology ^b	3,994	(575)	571	159	4,565	(416)
Total	50,720	(1,846)	28,310	(845)	79,030	(2,691)
Penn State World Campus	5,510	323	9,841	341	15,351	664
Total Including World Campus	56,230	(1,523)	38,151	(504)	94,381	(2,027)

Source: Enrollment Census and Official Enrollment Database

a. University Park counts do not include law school students.

b. Beginning in Fall 2019, the Pennsylvania College of Technology non-degree enrollments exclude students in high school programs.

Prepared by the Office of Planning, Assessment, and Institutional Research.