

**Written Statement by Dr. Eric J. Barron, President
The Pennsylvania State University
March 2, 2016**

Dear Chairman Brown, Chairman Hughes, and honorable members of the Senate Appropriations Committee:

Governor Wolf has proposed a 5 percent increase in the appropriation to Penn State, but I cannot even begin to consider how those additional funds may help the University, in the service of its public mission, until the current budget impasse is resolved. We are at a crossroads, and how this body ultimately resolves that impasse will determine if Penn State's mission remains the same, or becomes something quite different.

For more than 150 years, through economic booms and recessions, political constancy and change, the General Assembly has provided financial support for Penn State's long-standing mission to benefit the citizens of the Commonwealth.

The act of Congress establishing the land-grant colleges is regarded as one of the most important programs ever created by the federal government, and states throughout the nation seized that opportunity to establish a new kind of institution of higher learning dedicated to the public benefit. Penn State exists today, as it has from the beginning, to create new knowledge, disseminate that knowledge for the public good, and to educate students of all walks of life – many of whom would not have access to smaller and far more expensive private institutions. Our pricing structure and multi-campus model are designed to maximize our service to students and communities. Penn State is unique in higher education, and it is highly successful in providing access to life-altering educational opportunities at a top-notch research university. Many here in this building would attest to that supposition.

By every measure, Penn State has fulfilled its mission and more. Each year, Penn State educates nearly 100,000 students, conducts more than \$800 million in research, and serves humanity through countless volunteer hours and outreach efforts that address challenges related to energy, agriculture, science, technology, leadership, health and business. Penn State is a world-class university, and it brings all the stature and investment associated with that leadership position to the Commonwealth. We are justifiably proud to hold a place as a top-100 university in the world, and we recognize the Commonwealth's very significant role in helping us achieve that rank.

Yet, inconceivably, we are faced with the elimination of state support for our mission, and perhaps facing the elimination of the mission itself.

As we look ahead to 2016-17, Penn State is in an unprecedented position, having received no appropriation whatsoever, and we face the very real prospect that we won't receive any financial support for the 2015-16 fiscal year. The situation is made more challenging given that for the last six months, we were led to believe that our appropriation was delayed due to timing. Now it appears that our state appropriation is simply a tool to be leveraged in the full budget/taxation debate.

With only four months left to balance Penn State's budget, our choices are very limited and the consequences grave.

Penn State has worked hard to contain costs and to use our resources wisely. For the past two-and-a-half decades, Penn State has used systematic budget reallocations as a source to fund operating costs and strategic academic initiatives rather than relying solely on new revenue from tuition or appropriations. During the past decade, we have further stepped up our efforts to curtail expenses and to find savings in our operations. Specifically, we have focused on three areas: 1) cost reductions; 2) cost containment and 3) efficiency initiatives. We recently provided a breakdown of the specific savings, but in summary:

- The cost reductions from 2006-07 through 2015-16 resulted in extracted recurring savings of \$224.9 million and have been used to balance operating budget increases.
- Cost containment initiatives have saved Penn State \$52.9 million during the same period.
- We have also implemented efficiency initiatives that we expect will save more than \$300 million during the next 20 years.

Nevertheless, we now need to plan for the unthinkable elimination of state support. In addition to the impact on this year, there would be significant budget reductions from all Penn State units; substantially reduced support for the College of Medicine and Penn College; halted capital plan projects; liquidation of non-endowed funds; the loss of 1,100 faculty and part-time extension positions in agricultural sciences; and the elimination of 4-H and Master Gardener programs statewide, impacting more than 92,000 members and more than 9,500 volunteers in communities across Pennsylvania. I cannot overstate the magnitude of the impact on the entire university, in addition to agricultural education and production, food security and critical environmental issues in the Commonwealth, such as our roles in protecting against the outbreak of avian flu in the poultry industry and participating in critical water quality initiatives. But as you know, these programs are not and cannot be funded by tuition dollars. Investment by the Commonwealth is the key to their continued existence.

At the same time, Penn State will need to consider permanently changing the commitment to Pennsylvania resident students, so we can add more international and out-of-state students to mitigate the catastrophic financial situation.

There is no public research university or flagship campus in the United States that doesn't receive financial support from its state. Private universities do not share our mission, nor should we expect them to run multiple campuses, or favor a Pennsylvania student population over others, or have substantially lower tuition rates for in-state students. They don't receive appropriations to provide affordable access, or to do agricultural research and run extension offices to protect and promote Pennsylvania's food and forestry industries. Penn State does receive state funding for those purposes. Or, at least it did up to this year.

I'm afraid that many people believe that Penn State will simply carry on, and somehow minimize the disruption to our students, staff, faculty and researchers, despite eight months of no financial support from the Commonwealth. We have managed to do so since last July, so you may believe that we will continue with business as usual.

What you must appreciate, however, is that Penn State cannot continue on the current path without the financial support our institution has depended on for 150 years. It is difficult to foresee a resolution to the budget impasse before the end of the fiscal year given the current stalemate. And it would be fiscally irresponsible to wait until July 1st, hoping that we won't have to make the hard decisions of deconstructing an institution built to perform a public mission, and replacing it with one that is very different and functions as a private research university without state funding. The idea is inconceivable, but imminent. I hope that, like every prior governor and General Assembly, you will find a way to financially support our mission and continue as Penn State's valued and trusted partner in teaching, research and service to the Commonwealth. Thank you.