Chairwoman Baldwin, members of the Board of Trustees, faculty, staff, students, alumni, and friends of Penn State with us today in Eisenhower Auditorium and at other locations across Pennsylvania, I am pleased that you have joined me for this academic convocation and my State-of-the-University Address. I welcome this opportunity to reflect on Penn State’s progress on our agenda for our students, the Commonwealth, and the nation.

This year marks a very special occasion in the life of our University as we celebrate the 150th anniversary of our founding. This is an ideal opportunity not only to remember our past, but to examine it and build on it.

That is why the focus of my remarks today will be “Building on Tradition to Chart the Future.” For 150 years Penn State has been in service to the citizens of the Commonwealth.

Since our founding, our University has been a remarkable intellectual force for economic and cultural development. Penn State now shines as one of the leading universities in the world.

Let us take a look at our history and the many milestones that have moved us toward greatness.
We begin in 1855. America is on the brink of civil war over slavery and states’ rights. In Pennsylvania, talk of war overshadows a movement to create a college of scientific agriculture. The goal is to bring modern science to bear in making agriculture more productive and efficient.
For that purpose, Governor James Pollock in 1855 signs a bill chartering The Farmers’ High School as a baccalaureate institution – one of the very first of its kind in the nation -- creating the forerunner of The Pennsylvania State University.
But four years pass while a location is selected, a president and faculty recruited, a curriculum defined, and a stone block building rises in a farm field — the original Old Main, shown here under construction. The first students arrive in 1859.
Evan Pugh, a chemist trained at a German university, becomes Penn State's first president. At that time, higher education in America was based primarily on rote learning, with little allowance for experimentation. But Dr. Pugh establishes a chemistry lab in Old Main. The facility is crude, but its very existence — as a place where students could observe and test, analyze and synthesize — distinguishes Penn State from nearly every other institution of higher learning in the country.

Over the next several decades, discovery focuses on agriculture, but research eventually permeates every discipline and pushes Penn State into the ranks of the top research universities in the United States.
In the beginning, all students reside and attend classes in Old Main, which is not completed until 1863. About 119 students enrolled. The four faculty members have their offices in the building, and some have living quarters there. What can be more student centered than that?
Aiming to foster character development, the Trustees adopt strict rules of student conduct: no card playing, no alcohol, no cursing, and no dancing. Women would not be admitted until 1871, so the “no dancing” rule was probably not a great hardship.
Jumping ahead to 1905, it is the era of Teddy Roosevelt and the coming of age of America as the world’s greatest industrial power. At Penn State, we see an institution that has come of age, too.
By now, engineering and agriculture become Penn State’s most well known academic programs. In fact, Penn State had one of the 10 largest engineering undergraduate enrollments in the nation. Today we have the largest.
Student life in this era improves, offering a bit more freedom and co-curricular activities. Freshmen still don’t have the same rights as upperclassmen.

- Freshmen may not call upon or converse with young ladies.
- Freshmen must keep off the grass at all times.
- Freshmen must never speak back to upperclassmen, no matter how great the temptation.
- Freshmen are required to salute the president. (That one doesn’t seem so bad to me.)
One of the most remarkable features of this time is how many of the traditional landmarks of Penn State life are already in place.

For instance, the Nittany Lion mascot first appears in 1904. The student newspaper, the Collegian, begins publishing that same year. The alma mater, the school colors of blue and white, the Penn State Thespians, La Vie, the Blue Band — these are all present in their fundamental form by 1905.
The 1920s and ’30s witness discovery branching out to include many areas beyond engineering and agriculture. In psychology, for instance, Robert Bernreuter developed a landmark measure of personality traits. This test was used with great success over many decades for counseling and personnel selection.
This also begins an era of establishing undergraduate centers across the state. This experiment evolves over decades and helps Penn State weather an influx of returning war veterans in 1946 and the years beyond. Eventually, these centers form the basis of our statewide system of campuses, allowing us to serve more people in the Commonwealth.
During that same period Russell Marker, shown here with Dean Frank Whitmore, conducts groundbreaking research in steroid chemistry. Marker’s discoveries led to steroid and hormone therapies that have found wide use in health care and also helped to make possible the birth control pill.
World War II marks a watershed in government support for academic research. During this time the federal government directs funds to many fields in the name of national defense.

Perhaps Penn State’s Applied Research Lab, as it is now known, is the most tangible symbol of this type of support. The ARL began in 1946, headed by Eric Walker, who would go on to become Penn State’s 12th president. Today, Penn State is ranked second in the nation in defense funding.
Let’s fast forward to Penn State’s centennial year, 1955. Penn State is the nation’s first university to operate a federally licensed nuclear reactor. The reactor has played a pivotal role for nearly half a century in advancing scientific knowledge in the peacetime uses of atomic energy. Faculty research in engineering and in fields as varied as medicine, anthropology, biology, and archaeology have directly benefited from the Breazeale Reactor.
In the same year, physicist Erwin Mueller, working in Osmond Lab, is the first person to see an atom, using a field ion microscope of his own invention.
Also in 1955, the Hetzel Union Building opens on the University Park campus - the first time students have a permanent building dedicated exclusively to their extracurricular needs and activities. In 1999, the newly renovated and expanded HUB-Robeson Center opened its doors.
Beginning in the 1970s, Penn State enters a period of rapid acceleration in discovery and scholarship. Penn State researchers create life-saving devices, help increase worldwide food production, discover new species, sequence the human genome, create longer lasting bridges, predict global climate change, map the heavens, and investigate the seas, to name just a few of their visionary accomplishments over the last several decades.

Clearly, Penn State is poised to continue its incredible pace of discovery, with nearly $600 million in research expenditures last year. In fact, the University is at the forefront in a number of areas destined for enormous growth in the 21st century, such as nanotechnology, biotechnology, materials science, cancer research, and astrophysics.
As you have seen over the past few minutes, both change and tradition have shaped the unique character of our University. As we celebrate 150 years of Penn State, we are really celebrating the people who have honored those traditions through their commitment and work. Our successes are those of our faculty, students, staff, and alumni.

If asked what it takes to make a great university, I would say ... about 150 years and thousands of dedicated people.
Now in my tenth year as president of Penn State, I’m often asked what keeps me excited about this job. To me, it’s not a job. It is an opportunity, a passion, and an honor. It might surprise you to know that I’m not all that motivated by the joy of the next budget cut, the exhilaration of a critical editorial, or the thrill of my next appropriations hearing. What keeps me motivated and eager to get to work each day is the progress I witness in our faculty and their achievements; in the evolution of our campus environments and structures; in our students and their talents; in how the University makes life better for the people of the state.

In a job like this, you have to build your fun into the work. I get to have fun every day by interacting with a talented and selfless administrative team, hard working staff, brilliant and accomplished faculty, and students with incredible ability and potential. The Penn State family is unlike anything in American higher education. I love being around Penn State people and marveling at their generosity of spirit, their attachment to traditions, and their hope for our future.
In my prior University-wide addresses, I’ve been explicit about my own values and I’ve expressed some of my highest priorities for Penn State, including:

1) Humanizing the university, putting people first. Everyone has a role to play in creating an open, accepting, and responsive campus environment.

2) Helping our students develop character, conscience, citizenship, and social responsibility.

3) Being the leading university in America in the integration of teaching, research, and service.

4) Maintaining passion in higher education leadership.

5) Faculty and staff taking ownership of a shared agenda and playing a more active role in the life of the University and the lives of our students.

6) Investing in interdisciplinary programs and developing an environment that makes collaboration across disciplines seamless, productive, and rewarding.

7) Expanding our commitment to the humanities and the fine and performing arts to better prepare our students for lives that have direction and meaning.

8) Integrating information technology into our curriculum and effectively using it to reach more people.

9) Internationalizing the University.

10) Fostering diversity.

11) Engaging more fully with the publics we serve.

12) Becoming a model of a student-centered university.

Of all the goals I’ve set, however, the one that is personally most important is humanizing the University. It is a message I have repeated on many occasions, but I am taking the advice of Henry Wadsworth Longfellow, who said, “If you knock long enough and loud enough at the gate, you are bound to wake up somebody.”

Humanizing the university means building a culture that invests in our most valuable asset – our people. It is a key component of Penn State’s success and a vital factor in our future. We all have a great responsibility to each other and to our University community.
Throughout our history, Penn State has remained true to its vital three-part mission to broaden educational opportunities, produce new knowledge, and serve the people of Pennsylvania and the nation. We have a remarkable record of leadership, and as we look ahead we must anticipate the challenges that could impede our progress.

Over the past year, I have discussed with our trustees and faculty several major trends that will influence higher education in the future. I’d like to briefly review with this University-wide audience some of the key points that will help explain why this is such a critical time in Penn State’s history.

A host of demographic changes across the nation, and in Pennsylvania in particular, are going to significantly reshape our University.
Pennsylvania is barely growing and our population is aging. The Commonwealth now ranks second among the states for its share of older Americans, and although we are ranked sixth in the nation in population, we rank next to last in growth.

In 1970, 11 percent of Pennsylvania’s population was 65 years or older. By 2025, that figure will almost double to 21 percent.

This gerontological drift could have a great effect on the public support - or more precisely the lack of it -- we receive in the future. Will older individuals, who vote at much higher rates and have strong lobbies, support the education of the state’s youth?
Over the 20-year period from 1975 to 1995, Pennsylvania experienced a precipitous drop in the number of high school graduates, plummeting by nearly 70,000 students to a total of about 119,000 - one of the most profound demographic trends this state has ever seen.

Given the stagnant demographics of Pennsylvania, competition for in-state students will intensify.
Pennsylvania is also experiencing a lack of diversity in its population. National demographic projections suggest that about 65 percent of the growth in population through the year 2020 will be in ethnic minority groups. However, three-fifths of this increase will take place in just three states: Florida, California, and Texas.

Pennsylvania will remain predominantly white. It’s going to be pretty tough for Pennsylvania institutions to provide our students with an educational experience that mirrors the nation’s diversity when our own state lacks that diversity.
Equally troubling is the fact that during the 1990s, no state lost more young workers than Pennsylvania. This “brain drain” continues as a significant negative trend for the Commonwealth as well as for Penn State.

Public investment in public higher education is faltering, resources are scarce, and competition is heightened. All of these issues are leading to the increased privatization of public higher education – putting our legacy as a university that was created for the people at risk.
Our land-grant ethic is defined by the access to education we provide to all who qualify and by our service to our communities. Today, more than 15 million students attend public and private institutions in this country, but public institutions educate the majority of American college students.

However, many people now see postsecondary education as a private benefit rather than a public good. This view has aggravated our long-term funding problem as public universities have received a shrinking share of state dollars.
### Public Funding for Selected Private Research Institutions

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<thead>
<tr>
<th>Institution</th>
<th>Public Income As a Percent of Total Expenditures</th>
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<tbody>
<tr>
<td>MIT</td>
<td>49%</td>
</tr>
<tr>
<td>Stanford</td>
<td>35%</td>
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<tr>
<td>Cornell</td>
<td>34%</td>
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<tr>
<td>Johns Hopkins</td>
<td>32%</td>
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<tr>
<td>Carnegie Mellon</td>
<td>27%</td>
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<tr>
<td>Penn State</td>
<td>31%</td>
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Source: IPEDS, Penn State Office of Budget and Resource Analysis

As a university of national stature, Penn State competes with the country’s most distinguished public and private universities for students, faculty members, grants, and contracts. All of these schools receive a large portion of public money to support their enterprises. Federal and state public income for Penn State amounts to 31 percent of our total expenditures - which pales in comparison to the 49 percent MIT receives or the 35 percent garnered by Stanford, for example.

Penn State now receives more funds from the federal government than from the state government, again bringing into question what it means to be the state’s flagship public university.
Across the country, state support of higher education has been declining. In Pennsylvania over the last three decades, taxpayer support for higher education has fallen to a low in 2003 of $5.12 for every $1,000 of personal income earned.

In response, institutions continue to turn to other sources of funds — most notably tuition, thus shifting costs for higher education from the taxpayer to students and their families. We are in fact replicating a pattern of high tuition/high aid, which started in the private sector some years ago.
### Largest Private Higher Education Endowments 2002*

<table>
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<tr>
<th>Institution</th>
<th>Endowment</th>
<th>Endowment per Student</th>
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<tbody>
<tr>
<td>Princeton</td>
<td>$ 8.3 billion</td>
<td>$ 1,200,000</td>
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<tr>
<td>Yale</td>
<td>$ 10.4 billion</td>
<td>$ 939,000</td>
</tr>
<tr>
<td>Harvard</td>
<td>$ 17.5 billion</td>
<td>$ 897,000</td>
</tr>
<tr>
<td>MIT</td>
<td>$ 5.4 billion</td>
<td>$ 525,000</td>
</tr>
<tr>
<td>Stanford</td>
<td>$ 7.6 billion</td>
<td>$ 460,000</td>
</tr>
<tr>
<td>Penn State</td>
<td>$ .9 billion</td>
<td>$ 12,000</td>
</tr>
</tbody>
</table>

*As of November 2003

Source: Council for Aid to Education

Private institutions have been in the fundraising business longer than public institutions and tend to have much larger endowments. These pools of money obviously are a tremendous resource.
Private support also has played an important role at Penn State. About 100 years ago, steel magnates Andrew Carnegie and Charles Schwab both provided full funding for the construction of the buildings on the University Park campus that bear their names. At the time, this generous support was not all that common for a public university.
Today, like our private counterparts, we have made philanthropy an integral part of the culture of our University.
The privatization of public higher education, and the demographic changes I’ve outlined, pose significant questions for Penn State’s future. Public higher education is facing increased demands without a corresponding boost in the public’s investment.

The key question is whether this changing landscape will force us to refine our mission.

So what do our heritage and our current challenges tell us about the future? I believe emphatically that the outcomes will be determined through bold leadership -- of our trustees, faculty, administrators, donors, political leaders, and other believers.
Penn State’s heritage as a “people’s university” has set us apart from other institutions. Our University has always been about educating people; about discoveries that advance knowledge; about service that is shared for the benefit of people and their communities.

While it’s always tempting to focus on statistics, rankings, finances, facilities, the breadth of our offerings, and our reputation -- exactly what of our collective legacy will be remembered in the decades to come? The focus, I hope, will not be on a particular building or athletic team or donation, but rather on the broad foundation of purpose we leave behind.

Last spring, as a Sunday morning guest at a local church, I heard this message reinforced by the pastor, who reflected that when near death, people ask to be surrounded by loved ones. They don’t say, “Bring me my Palm Pilot,” or “Pull my Cadillac up close to the window so I can get one last look at it,” or “Show me my mutual fund statements so I can see how much money I am leaving.”

In the end, it is all about people.

At every level, Penn State is a community brimming with talented, intelligent, sincere, and dedicated people.
Like the team of 75 doctors, nurses and medical personnel who in May helped deliver Alexis ... Hannah ... Aaden ... Collin ... Leah ... and Joel. Also known as the Gosselin sextuplets.

These six new lives came into the world at The Penn State Hershey Medical Center and were expertly cared for in our Neonatal Intensive Care Unit. Two weeks later, a Hershey medical team also welcomed quadruplets, and two weeks after that -- triplets.

All of the babies are home and doing well. Since 1970, more than 29,000 children have been born at our Medical Center. If that’s not making life better, I don’t know what is.
The work of researchers within the interdisciplinary Children, Youth, and Families Consortium are helping more than 100,000 children and their families overcome obstacles of substance abuse, academic failure, antisocial behavior, school readiness, family change, obesity, violence, poverty, neglect, and other risks.

By teaching parents strategies for good parenting and protecting children against failure, our faculty are creating stronger families and more caring communities.

We often talk about the Penn State family, whether we are referring to our vast alumni network of more than 445,000 or to the 36,000 people who work at one of Penn State’s 24 locations, or our 84,000 students, or to those 320,000 donors who made more than 1.2 million gifts during our Grand Destiny Campaign.

Some even refer to us as “Nittany Nation” – which might be more accurate given our immense reach and scope.

It’s inspiring to think that we are all part of a larger entity that can touch every corner of the world and enhance the lives of so many.
Take the Matunis family of Perry County for example. Suzanne and Joseph Matunis raised five sons and eight daughters. Joe Matunis, a 1953 graduate with a degree in science from Penn State, never pressured his children to attend our University. But one by one, all 13 of the Matunis children selected Penn State. Why? Because of their father’s deep respect for our University and his pride in being associated with the Penn State family.

So many of our graduates embrace that Penn State pride, as do many of those who work at the University.
The results of our most recent Faculty/Staff Survey reflect that our collective efforts to humanize the University have resulted in an attitudinal upswing among our employees over the past few years. But we have a way to go, in my opinion.

Each day, our lives are shaped by our connections to others – how we treat people and how we are treated by them. I have a friend who lived in his house for four years, but because of a job change was moving out of state. As he and his wife were loading the moving van, a neighbor came walking across the lawn carrying a plate of muffins.

“Isn’t that thoughtful,” my friend said. “He must have realized that our kitchen things were all packed.” Just then, the neighbor stuck out his hand and warmly said, “Welcome to the neighborhood.”

Do you know the name of the custodian who cleans your building or the physical plant person caring for the lawn outside? Humanizing the university means creating a culture where people feel valued and respected.

I once heard that putting people first is like the law of physics – for every action there is an equal and opposite reaction. Our efforts to humanize Penn State will bring positive results, improve attitudes, and foster a more caring environment.

As part of one of the world’s largest families, we are all in a unique position to help build a community that puts people at the heart of all we do.
Like those in the Applied Research Lab on the University Park campus who donated vacation time for colleague Tammy Miller when she discovered she had breast cancer. Some of you may know Tammy better as “HUGZ the Clown,” a local volunteer who entertains children.

Tammy was set to undergo her third surgery to eradicate the disease, but she ran out of vacation time. A call from Human Resources to her co-workers in ARL yielded an overwhelming response. In just two short hours, Tammy’s colleagues had donated the maximum 30 days and many offers to donate more time had to be turned away.
Or staff assistant Kathy Sherman, originally with the Department of Geography, who for two-and-a-half years helped a retired faculty member and his wife deal with their health problems and subsequently handled details related to their deaths and burials. Kathy visited them, prepared meals and ate with them, checked in on them during the week and eventually helped place the emeritus professor in a care facility. One lunchtime, Kathy stopped by and discovered the professor’s wife was nearly unconscious. She called an ambulance and went with her to the hospital. Kathy’s visit saved her life. When the professor died, Kathy helped his wife cope with the death. She helped the professor’s wife sell their house and eventually, when the professor’s wife passed away, Kathy made funeral arrangements and helped settle her estate.
And Mona Counts, an associate professor of nursing, who was recently featured as an “Everyday Hero” by Reader’s Digest for establishing a medical center in rural Greene County. By taking out a second mortgage on her home, Mona was able to open the clinic that now serves the town of Mount Morris.

These expressions of human kindness are at the heart of our community and they are the foundation of Penn State.

As we continue to invest in people and make our University setting more caring and responsive, we are accruing some outstanding benefits.
This year, Penn State welcomed more than 19,000 students to our campuses, again signaling the popularity of our University. Part of Penn State’s tremendous appeal is due to our historic student-centered philosophy, which is being carried out daily by people like Joan Thomson, professor of agricultural communications, and her husband, Dennis, a professor of meteorology.
Over the past 34 years, this couple has invited more than 350 students to their home for the holidays.

The Thomsons are not alone in opening their doors. I am a great admirer of Penn State’s International Hospitality Council, created in 1961, which links our international students with families in the community. In the last 15 years alone, the council has helped more than 65,000 internationals. In this time of upheaval in the world, it is a great way to make lifelong connections.

Although we have more to do to make Penn State a model student-centered academic environment, we have made impressive gains.
As most of you know, we have made a significant investment of more than $900 million upgrading our facilities over the past five years. We have just crafted a new five-year capital improvement plan that calls for additional commitments of over $930 million through 2009 for construction and renovation projects on our many campuses. Included in this plan are funds for a new Materials Science Building at University Park, which is expected to be a component of the I-99 Technology Corridor initiative that will foster the creation of nearly 7,000 jobs in the region.

This plan also includes a new Cancer Center at Penn State Hershey, which is necessary to serve adequately the people of the Commonwealth, advance cancer research, and promote economic development in central Pennsylvania. Last year alone, about 71,000 Pennsylvanians were diagnosed with cancer – that’s 195 people a day. With our aging population, those numbers are expected to rise substantially.

Also planned for the Medical Center is a new Children’s Hospital, which will allow us to provide even higher quality care to the thousands of young patients who seek treatment each year at our current facility. The Penn State Children’s Hospital is already one of the state’s leading centers for pediatric care.
As part of this effort, I must mention an extremely generous act that has come from our students. Through Dance Marathon, our students have committed $10 million over the next six years to create a Pediatric Cancer Pavilion at Penn State Children’s Hospital. I continue to be impressed by the selfless giving that this event inspires in our students. This year, once again, Thon raised more than $3.5 million for cancer patients and research at the Medical Center and within the Penn State College of Medicine.
For 150 years, Penn State has built upon our tradition of putting people at the core of all we do to create an outstanding legacy of success.

To chart our future, we cannot abandon these traditions, but instead must use them as the cornerstone for continued achievements.

I hope that 150 years from now, historians will recognize your place in the remarkable success story that is Penn State.