2015-16 Budget Context

• Uncertain Commonwealth appropriation
• Record applications & strong and stable enrollments
• Rising costs
Summary of State Appropriations
2001-02 through 2015-16 est.

<table>
<thead>
<tr>
<th>Year</th>
<th>Medical Assistance Funds</th>
<th>Federal Stimulus Funds</th>
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<tbody>
<tr>
<td>01-02</td>
<td>334.8</td>
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<tr>
<td>01-02 Resc.</td>
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<tr>
<td>02-03 Init.</td>
<td>322.6</td>
<td>316.1</td>
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<tr>
<td>02-03 Resc.</td>
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<td>03-04</td>
<td>317.2</td>
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<td>04-05</td>
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<td>05-06</td>
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<td>06-07</td>
<td>348.7</td>
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<td>07-08</td>
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<td>08-09</td>
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<tr>
<td>09-10</td>
<td>347.0</td>
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<td>10-11</td>
<td>279.0</td>
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<td>11-12</td>
<td>267.6</td>
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<td>11-12 Resc.</td>
<td>279.0</td>
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<td>12-13</td>
<td>287.7</td>
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<td>13-14</td>
<td>289.3</td>
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<tr>
<td>14-15</td>
<td>295.8</td>
<td></td>
</tr>
<tr>
<td>15-16 Est.</td>
<td></td>
<td>295.8</td>
</tr>
</tbody>
</table>

Dollars in Millions

OFFICE OF THE PRESIDENT
Penn State – 2001-2002 Appropriation Adjusted for Inflation vs. Annual Total Appropriations

$161.7M
Appropriation vs. Tuition and Fees as a Percent of the General Funds Budget

*Includes Federal Stimulus Funds for 2009-10 and 2010-11.
Nationwide Budget Trends Since 2006-07

• Education/related expenditures per FTE student at APLU “very high” research institutions increased by 7%
• State and local appropriations substantially declined across the board—about 29%
• Tuition/fee revenue made up for much of difference, rising 33% at “very high” research institutions
• Taken together, appropriations plus tuition/fees revenue ($ available for instruction) declined by 1%
Typical Public University Response

• Raising tuition and fees
• Budget cuts
• Recruiting more out-of-state students
2015-16 Budget Priorities

• Keep tuition increases low/flat
• Stimulate PA economy and student career success
• Identify expense reductions and moderate other spending priorities
• Fund operating cost increases and selective strategic initiatives
• Maintain competitive position to attract/retain the best talent
2015-16 Budget Considerations - Appropriation

- Budget proposals from 3.0 to 11%
- Penn State E&G budget based on 3.0% increase in General Support appropriation
- Level funding for Ag Research and Cooperative Extension, Medical Assistance and Penn College
2015-16 Total Institutional Budget-Income

Total Budget: $4.903 billion
2015-16 Total Institutional Operating Budget ($000’s)

- 2014-15 Total Budget: $4,636,069
- Budget Changes: 105,609
- Hershey Medical Center Changes: 161,714

2015-16 Total: $4,903,392
General Funds Budget Components

- Educational and General (E&G)
- Agricultural Research & Cooperative Extension
- College of Medicine
- Penn College
2015-16 General Funds Budget-Income (Excluding Hershey and Penn College)

General Funds: $1.913 billion

- Tuition & Fees: 79.4%
- State Appropriations: 13.2%
- Other: 7.4%
2015-16 Educational & General Budget-Income (Gen. Funds less Ag Research & Coop. Ext.)

Tuition & Fees 81.6%

State Appropriations 10.9%

Other 7.5%

E&G Budget: $1.863 billion
Summary of Estimated 2015-16 State Appropriation ($000’s)

- General Support: $220,533
- Penn College: 17,584
- Ag Research & Coop. Ext.: 46,237
- Medical Assistance Funding: 11,399

2015-16 Total: $295,753
E&G Expense Changes

$90.6 million total cost increases
$34.4 million of budget reductions and other targeted expense cuts
$17.0 million of unidentified cost savings

$39.2 million balance to be covered by new sources
E&G Expense Changes

Modest salary increase pool

- Up to 2.0% for merit
- Additional 1.0% for market, equity, promotion and exceptional performance
E&G Expense Changes

Rising costs for employee health care and retirement

- Mandatory costs of $12.8 million in employer share of health care costs and subsidy for health care insurance for grad assistants/fellows
- $13.6 million projected increase for SERS
E&G Expense Changes

Operating costs for finance and business related operations

• $9.1 million for deferred maintenance, capital improvement, maintenance and operation of new facilities, fuel and utilities, property and liability insurances, and audit
E&G Expense Changes

Strategic investments and program commitments including:

- $5.8 million for Strategic Priority-Economic Dev. and Student Career Success
- $4.9 million for Academic Excellence Scholarships, and increases in student aid and grants-in-aid
- $4.1 million for student-related support services, activities and facilities
Anticipated E&G Income Changes ($000’s)

Tuition $27.9
- Rate Increase 18.3
- Enrollment Increase 7.3
- Upper Division 2.2

State Appropriation 6.4
Student Fees 1.2
F&A, Investment Income, Other 3.7

Total $39.2
No. 1 Priority: Keep Tuition Increases Low/Flat

• Aggregate base increase for PA residents is 0.00% – Lowest increase in at least 40 years

• 2.84% aggregate base increase for Non-PA residents

• Modest tuition increase enabled by aggressive expense control and continued strong enrollments
Comparison of Resident Tuition Increases Proposed in the 2015-16 State Appropriation Request (SAR) and Current Proposal

<table>
<thead>
<tr>
<th>Location</th>
<th>SAR</th>
<th>Current Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Park</td>
<td>2.99%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Altoona, Abington, Behrend, Berks, Harrisburg</td>
<td>2.40%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Brandywine, Great Valley, Hazleton, Lehigh Valley, Schuylkill, Worthington Scranton, York, World Campus</td>
<td>1.80%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Beaver, DuBois, Fayette, Greater Allegheny, Mont Alto, New Kensington, Shenango, Wilkes-Barre</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

In addition, the Information Technology Fee has been frozen. This is the first time in 20 years that the IT Fee will not be increased.
# 2015-16 Tuition Increase Percentages for Select Public Universities (resident)

<table>
<thead>
<tr>
<th>State</th>
<th>Percentage</th>
<th>State</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia*</td>
<td>11.00%</td>
<td>North Carolina*</td>
<td>2.80%</td>
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<tr>
<td>West Virginia*</td>
<td>9.70%</td>
<td>Michigan</td>
<td>2.70%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>6.75%</td>
<td>Michigan State</td>
<td>2.70%</td>
</tr>
<tr>
<td>Cornell (contract colleges)</td>
<td>5.90%</td>
<td>Texas A&amp;M</td>
<td>1.93%</td>
</tr>
<tr>
<td>Maryland</td>
<td>5.00%</td>
<td>Nebraska</td>
<td>1.75%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>5.00%</td>
<td>Minnesota</td>
<td>1.50%</td>
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<tr>
<td>Arizona*</td>
<td>4.14%</td>
<td>Illinois</td>
<td>0.00%</td>
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<tr>
<td>Virginia Tech*</td>
<td>3.90%</td>
<td>Indiana</td>
<td>0.00%</td>
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<td>Kentucky*</td>
<td>3.00%</td>
<td>Iowa</td>
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</tr>
<tr>
<td>Tennessee</td>
<td>3.00%</td>
<td>Ohio State</td>
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<tr>
<td>Colorado</td>
<td>2.90%</td>
<td>Purdue</td>
<td>0.00%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>2.90%</td>
<td>Wisconsin</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

*Tuition and Fees; Note: Gathered from legislative, university, and news web sources.
Agricultural Research and Cooperative Extension

- Proposed budget assumes no appropriation increase for 2015-16
- Activities not supported by tuition
- Estimated inflationary cost increases of $1.6 million
- Program reductions of $1.6 million would be required; additional appropriations would be used to offset this figure and to minimize potential program reductions
### 2015-16 Budget College of Medicine and Penn State Hershey Medical Center ($000’s)

- **College of Medicine:**
  - General Funds: $123,805
  - Restricted/Auxiliary Funds: $110,181
  - Total College: $233,986
- **Penn State Hershey Med. Center**: $1,649,693
- **Total**: $1,883,679
Pennsylvania College of Technology ($000’s)

- 2014-15 Adjusted Budget: $152,205
- Total Changes: 1,850

Total 2015-16 Budget: $154,055
Scenario for Appropriation Increase Greater Than 3.0%
Fully Fund Economic Development and Student Career Success Priority

- Penn State has committed $5.8 million
- $7.9 million proposed; need an additional $2.1 million
Fully Fund the Planned Increase in Deferred Maintenance

- Penn State has committed $1.0 million
- $3.0 million proposed; need an additional $2.0
Reduce the Risk of Assuming a Recent Enrollment Increase Is Permanent

- Allows for more conservative enrollment planning
- Need $7.3 million
Phase Out Information Technology Fee

- Lower cost of degree by phasing out the $504 IT fee for all students
- Each $100 in fee reduction requires $8 million
Thank You!