



**THE PENNSYLVANIA STATE UNIVERSITY  
2023-24 BUDGET PRESENTATION AND  
STATE APPROPRIATION REQUEST**

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

**MARCH 2023**

## **PENN STATE'S 2023-24 APPROPRIATION REQUEST**

Thank you for the opportunity to present our 2023-24 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 economic development and entrepreneurship; Agricultural Research and Extension; Medical Assistance, CURE, the Cancer Institute, ASERT, and other critical health-related needs served by Penn State Health and the College of Medicine; and the Pennsylvania College of Technology.

Penn State and the Commonwealth of Pennsylvania have been partners since our founding in 1855, and together we have contributed immeasurably to the 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. Our focus over the past decade has been to reduce the total cost of a degree, decrease the rate of student borrowing, promote the success of need-based students, and decrease attrition due to finances. Despite flat general support state appropriations for the past three years, which still remain below the 2007-08 high watermark funding level, tuition increases across Penn State's campuses have been below national averages for over a decade. Calculated in FY21 dollars, Pennsylvania resident students are now paying less tuition for their Penn State education than they were in 2011-12. The University included in our 2022-23 budget an additional \$14 million for financial aid, guaranteeing that a degree-seeking undergraduate student with a household income of \$75,000 or less per year would not experience a tuition increase. This budget trend is unsustainable. In order to keep tuition increases in check without additional investment from the Commonwealth, the University has been in a decade long budget-cutting mode, which if continued may lead to lower quality education for our students and a loss of employee talent that is critical to deliver quality education.

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, for the first time, the University received \$2.35 million through the Department of Community and Economic Development 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.

The University is requesting a total appropriation of \$469.539 million, representing a 36.5% increase overall.

## 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.

The state appropriation is critical to helping Penn State 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 52,700 Pennsylvania resident students across 23 campuses and a World Campus, Penn State has a capacity that no other university in the state can match. Penn State is a valuable asset to the Commonwealth that provides a great return on investment.

It is also noteworthy that nearly 20% 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 percentage of senior citizens. Attracting and retaining young professionals is vitally important for the economic security of the Commonwealth.

For our education mission, our university currently receives \$242.096 million. Divided evenly among our 43,000 Pennsylvania resident undergraduate students (as of Fall 2021), the university receives approximately \$5,600 per student. This funding level ranks the lowest in Pennsylvania and is far below the national average. Yet at Penn State, the average Pennsylvania student pays approximately \$13,389 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. In comparison, Temple University receives approximately \$8,275 per student<sup>1</sup>, PASSHE receives \$8,378 per student<sup>2</sup>, and the University of Pittsburgh receives \$9,049 per student<sup>3</sup>.

We feel strongly that Penn State students deserve as much per-student funding as the other state-related universities in Pennsylvania. To support our students at a lower funding level than students of other institutions is a disservice to those who choose to study at Pennsylvania's sole land-grant university. The current funding model puts Penn State students at a financial disadvantage – a disadvantage that should be corrected immediately.

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<sup>1</sup> Temple University (TU) 2022-23 State appropriation divided by TU Fall 21 (approx.) PA undergraduate enrollment.

<sup>2</sup> PASSHE 2022-23 State appropriation divided by PASSHE Fall 21 (approx.) PA undergraduate enrollment.

<sup>3</sup> Pitt 2022-23 State appropriation divided by Pitt Fall 21 (approx.) PA undergraduate enrollment.

As Penn State's enrollment has increased through the years, the University's state funding has not grown with it. The absence of regular increases in Penn State's state appropriation has only intensified the pressures on Penn State's tuition rates and budget.

The 2023-24 appropriation request for General Support for Penn State proposes a 47.6% increase of \$115.173 million. This requested increase would raise Penn State's annual appropriation to the same level as Temple University, the next lowest peer on a per-student basis.

### **Cost Containment Efforts**

While Penn State's overall balance sheet remains stable, the use of central reserves to balance the operating budget, as the University has done out of necessity, is not sustainable. The University's operating deficit, which stood at \$119 million in 2021-22, is currently projected to be approximately \$140 million for 2022-23, assuming no changes are implemented.

To address this deficit the University believes that further state investment paired with administrative efforts to examine our current budget structure, with a focus on new revenue opportunities, strategic expense reductions, and the creation of a new multiyear budget allocation model, will yield a more solid financial footing for the future.

We are working to lower the University's cost structure while continuing to focus on academic excellence. For the 2022-23 academic year, we have already implemented a strategic hiring freeze and a 3% reversion across the university which is expected to yield approximately \$46 million in savings. This follows reversions of 2% in 2021-22, 3% in 2020-21, and 1% in 2019-20 for a total of \$113.4 million annually.

Budget reversions and reductions are not a new practice at Penn State. Since 2012 the University has saved or reallocated more than \$400 million. Of note, the University offered a voluntary retirement option in 2016 that resulted in \$14.4 million in savings and pre-funded a portion of our SERS unfunded liability that will result in \$533 million in net savings over 30 years.

### **Pennsylvania College of Technology**

Pennsylvania College of Technology, with its main campus in Williamsport, is a national leader in applied technology education. Penn College offers the type of hands-on, applied technology education that is vital to Pennsylvania's workforce needs, and it boasts a 96.2% placement rate across nearly 100 academic programs.

Penn College's proven model most effectively prepares leaders in the now-common parlance of "essential" professions, such as welding and CNC machining, plastics engineering, nursing and physician assistant, cybersecurity, building automation, aviation maintenance, power generation, and construction management. Penn College has an enrollment of more than 4,200 students – 90% are Pennsylvania residents, and more than 87% of the students receive financial aid.

A special mission affiliate of Penn State since 1989, Penn College nevertheless has a separate line in the state budget and is not reliant upon Penn State for funding of its operations.

A Penn College degree offers a remarkable return on investment (ROI). In early 2022, Georgetown University's Center on Education and the Workforce released its scorecard showing that Penn College four-year graduates' financial value outpaced those at all other public four-year institutions in the Commonwealth when evaluating 10 years of earnings.

Penn College's appropriation per Pennsylvania student, however, is \$7,034, while Pennsylvania resident Temple University undergraduates are funded at \$8,275 per Pennsylvania student, based on Fall 2021 enrollment numbers. Delivering a hands-on education in industry-standard labs at Penn College is an expensive endeavor, but because of the low per-student funding, low- and middle-income families have significant challenges accessing the life-changing educational programs we offer.

The 2023-24 appropriation request for Penn College proposes an increase of 17.65% or \$4.72 million. This requested increase would raise Penn College's annual appropriation to the same level as Temple University, the next lowest peer on a per-student basis.

### **Agricultural Research and Penn State 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. 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 College of Agricultural Sciences will have the capacity to serve the agriculture industry in advancing this important sector of the economy and safeguarding Pennsylvania's human and natural resources.

The 2023-24 budget plan proposes a 5% increase of \$2.886 million in the Land Scrip Fund, which represents the Commonwealth's investment in the Agricultural Research and Penn State Extension programs in support of Pennsylvania agriculture and rural communities. The college is also seeking an additional \$2 million for an Emerging and Advanced Technology Initiative to enhance the efficiency, sustainability, growth, competitiveness, and profitability of Pennsylvania agriculture through emerging technology integrations that are changing the way organizations do business.

According to the publication "*The Economic Impact of Agriculture in Pennsylvania: 2021 Update*," produced by Econsult Solutions Inc., Pennsylvania agriculture supports 301,900 direct

jobs and a total of 593,600 jobs when including induced spending. It had an \$81.5 billion direct output and a total economic impact in the Commonwealth of \$132.5 billion in 2019. More importantly, it supports Pennsylvania's and the nation's food supply chain, critical to the wellbeing of every citizen.

Penn State agricultural research and extension programs have a long history of partnering with Pennsylvania agriculture sectors and rural communities. Several impacts in 2021 include:

- Increasing Financial Resources for Pennsylvania: In 2021, the college leveraged the state appropriation via faculty competitive research grant funding, mainly from federal sources, resulting in the college expending more than \$66 million in grant funding on research that benefits Pennsylvania.
- Increasing Access to Science-Based Education: In 2021, Penn State Extension had 31.2 million website pageviews from almost 10 million users, 439,083 program registrants, more than 190,000 email subscribers, and distributed 481,939 publications. Extension has expanded product format options for populations that do not have access to broadband and Spanish-speaking audiences.
- Engaging External Stakeholders: As part of Extension's Program Development Process (PDP), extension teams received survey responses from more than 8,500 diverse stakeholder groups through industry sector needs assessments, resulting in 1,343 new educational products.
- Leveraging Community Volunteers: In 2021, Extension engaged almost 11,000 volunteers, in programs such as 4-H, Master Gardeners, and Master Watershed Stewards, with more than 638,000 volunteer hours, and a value of more than \$18 million.

The challenges and opportunities facing Pennsylvania agriculture are more complex than ever, as is the need for research and science-based solutions and innovations. Current agriculture and college priority issues include:

- Highly Pathogenic Avian Influenza (HPAI) and other invasives: An ongoing and critical priority is addressing invasive threats as they emerge, such as African Swine Fever, and working with state and federal governments to deploy experts when confronted with challenges such as the spotted lanternfly, highly pathogenic avian influenza, and even a new coronavirus strain. Responding to outbreaks of HPAI in Pennsylvania in 2022, the college participated on the PA HPAI Task Force and served as emergency responders, providing research and expertise related to biosecurity, surveillance, diagnosis, depopulation, disposal, and issues relevant to small/backyard flocks. As of August 11, 2022, in Pennsylvania there have been a total of 4,224,790 birds affected in the outbreak.
- Climate-Smart Food Supply Chains: The federal government recently announced a \$1 billion grant program in climate-smart agriculture. The college has extensive expertise, research, and outreach programs in this area, organized under the college's Institute for

Sustainable Agriculture, Food, and the Environmental Science, and has applied for a \$20M grant under that program.

- Increasing food security also requires a reliable supply chain: The college is leveraging expertise across the university to help address supply chain vulnerabilities. One example is through increasing Value Chain Coordination (VCC).
- Workforce Development and Stackable Credentials: Personalized education paths present enormous opportunities for educational institutions, industry sectors, and learners. There is great potential for increased online short courses, micro credentials, and apprenticeship programs, such as the Butcher School and Animal Science Apprenticeship Program (ASAP). ASAP was awarded a grant from the Pennsylvania Department of Labor and Industry, and will attract individuals to entry-level animal care positions on commercial dairy, swine, and poultry operations.

### **Emerging Technologies and Ag Applications**

Emerging technologies - such as virtual and augmented reality, and business blockchain - create enormous opportunities for agriculture, rural development, and job creation in Pennsylvania. The US Department of Commerce is creating 20 distributed “regional technology and innovation hubs”, including rural areas. These hubs will focus on technology development, job creation, and expanding innovation capacity, and will create opportunities to partner with land-grant institutions in this effort. The college will launch an Emerging and Advanced Technology Initiative to focus on agricultural, forestry, and natural resource applications.

The Penn State College of Agricultural Sciences is requesting \$2 million to implement this new Emerging and Advanced Technology Initiative.

### **Invent Penn State: Economic Development Extension**

The Invent Penn State LaunchBox & Innovation Network began modestly in 2015 and has grown to 21 locations embedded within Penn State campus communities, many in rural areas with traditionally underserved populations. Modeled after the Penn State agricultural cooperative extension, the network provides access to no-cost business startup support—coworking space, makerspace, accelerator programs, pitch competitions, speaker series, access to experts and mentors, and legal and IP advice through Penn State Law clinics.

These services complement existing community resources and are offered in partnership with regional economic development authorities tailored to meet the unique needs of each community. Since 2015, the demand for innovation across the Commonwealth has surged and in turn, the network has grown to support over 5,000 community entrepreneurs, launched 218 new Pennsylvania companies, graduated 464 startups from accelerator programs, created 309 new products, and created over 300 jobs. Today, 96% of Pennsylvanians live or work within 30 miles of a LaunchBox or innovation hub.

The \$2.35 million appropriated for Invent Penn State for 2022-23 is providing essential funding for programming and represents a co-investment with the University to drive economic development. Building upon this shared commitment, Penn State once again is requesting \$2.35 million to strengthen and grow the LaunchBox & Innovation Network across Pennsylvania, consistent with the University's commitment to extension services as a central element of our land-grant mission. In addition, this funding will further expand access to the Pennsylvania Technical Assistance Program (PennTAP) for Small to Medium Enterprises, with an emphasis on the manufacturing sector.

This collective investment in Pennsylvania communities will not only positively impact new business creation and job growth for rural and underrepresented constituents, but also will help decrease the impact of brain drain across the state. This 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 to improve the quality of life for humankind.

### **Penn State Health and the College of Medicine**

Penn State Health Milton S. Hershey Medical Center and College of Medicine receive annual Medical Assistance payments for clinical and educational services rendered to the Medical Assistance (MA) population, enabling citizens of the Commonwealth without the ability to pay to receive medical care at one of the nation's premier academic medical centers. The funds directed to certain academic medical centers include state funds appropriated to the Pennsylvania Department of Human Services which are then matched with nearly equal federal Medical Assistance funds. Since 2013-2014, part of this funding has been designated for the ongoing development and support 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. 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. Penn State Health and the College of Medicine request a 5%, or \$756,000 increase in funding to continue to educate students and deliver innovation programs.

### **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.

As a university, we are at a pivotal moment. With the appropriate support from the Commonwealth, together we can ensure not only the continued success of our great land grant university but the prosperity of Pennsylvania.

I look forward to ongoing conversations about the enormous potential of increased investment in Penn State as a vehicle to advance economic development for Pennsylvania families. Thank you for your support and consideration.

Neeli Bendapudi, PhD  
President  
The Pennsylvania State University

# HIGHLIGHTS OF PENN STATE'S 2023-24 BUDGET PLAN AND APPROPRIATION REQUEST

## Appropriation Request

The University is requesting a total appropriation of \$469.539 million, representing a 36.5% increase overall.

- A \$115.173 million increase in the Educational and General (E&G) or General Support line item.
- An increase in the amount of \$2.886 million is requested for our programs in Agricultural Research and Cooperative Extension.
- A special request for \$2 million to implement a new Emerging and Advanced Technology Initiative within the College of Agricultural Sciences.
- Increased support of \$4.72 million is included for the Pennsylvania College of Technology.
- A \$2.35 million request to support economic development activities across Pennsylvania.
- Additional Medical Assistance funding of \$756,000 is also included for 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 insurance costs.
- **Facilities** – Provide for facilities cost increases, including increasing fuel and utilities costs, property insurance, 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 cost of living and merit-based inflationary increases and to address targeted market and equity concerns to retain critical talent, as well as the funds necessary to fulfill contractual obligations.

## **DETAILS OF PENN STATE'S 2023-24 BUDGET PLAN AND APPROPRIATION REQUEST**

The University's proposed budget plan for 2023-24 reflects a progressive step towards Penn State's desire to be funded at the same level on a per-student basis as the other state-related institutions in Pennsylvania.

Penn State's request for an appropriation increase of \$125.535 million for 2023-24 is summarized on **Table 1**. Details of how the University would use the increase in appropriations is discussed below.

**Asset Preservation:** Deferred maintenance on essential education and general funded buildings now exceeds \$2 billion. A total of \$14.9 million is requested for facility cost increases, maintenance and operation of new or newly renovated facilities, fuel and utilities increases, and deferred maintenance.

**Strategic Priorities:** The 2023-24 budget plan includes investments of \$29.7 million for the most important strategic priorities of the university and Commonwealth, including engineering, computer science, information sciences and technology, education, healthcare. 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/Student Success:** As just one among multiple strategies to address access and affordability, our plan proposes adding \$14.9 million for need-based student aid and grants-in-aid along with other vital student success services.

**Talent Retention:** 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 2023-24 includes \$55.7 million for salary adjustments and related employee benefits. This projected amount includes a 3% cost of living adjustment and 0.5% merit pool to provide funding for inflationary adjustments and critical merit and equity adjustments to retain essential talent.

**Table 1**  
**Summary of State Appropriation**  
**(\$ in thousands)**

	<u>2022-23 Appropriation</u>	<u>Projected Increases</u>	<u>2023-24 Requested Appropriation</u>
General Support	\$242,096	\$115,173	\$357,269
Agricultural Research & Extension	57,710	2,886	60,596
Special Request: Economic Development	-	2,000	2,000
Economic Development	<u>2,350</u>	<u>-</u>	<u>2,350</u>
Total Penn State (excl PSH/CoM & Penn College)	\$302,156	\$120,059	\$422,215
Penn State Health and the College of Medicine	15,112	756	15,868
Pennsylvania College of Technology	<u>26,736</u>	<u>4,720</u>	<u>31,456</u>
<b>TOTAL APPROPRIATION</b>	<b><u><u>\$344,004</u></u></b>	<b><u><u>\$125,535</u></u></b>	<b><u><u>\$469, 539</u></u></b>

**Table 2**  
**Enrollment by Degree Level and Pennsylvania Residency**  
**Fall 2022 with change from Fall 2021**

	Residency				Total	
	Pennsylvania	Non-Pennsylvania				
	N	Change	N	Change	N	Change
<b>Undergraduate</b>						
University Park <sup>a</sup>	23,911	(213)	17,834	(617)	4,175	(830)
Commonwealth Campuses	18,142	(1,001)	5,062	400	23,204	(601)
Penn State World Campus	4,130	(7)	4,080	(854)	8,210	(861)
Subtotal	46,183	(1,221)	26,976	(1,071)	73,159	(2,292)
Pennsylvania College of Technology <sup>b</sup>	3,146	(575)	1,056	450	4,202	(125)
Total	49,329	(1,796)	28,032	(621)	77,361	(2,417)
<b>Graduate</b>						
University Park <sup>a</sup>	1,488	(146)	4,968	272	6456	126
Commonwealth Campuses	466	(63)	168	27	634	(36)
Great Valley	167	(41)	104	30	271	(11)
Dickinson Law	98	(4)	184	22	282	18
Dickinson School of Law - Unified			1	0	1	-
Penn State Law	95	(7)	468	(59)	563	(66)
Penn State College of Medicine	431	(4)	523	(10)	954	(14)
Penn State World Campus	2,360	(45)	3,409	(457)	5769	(502)
Subtotal	5,105	229	9,825	(70)	14930	(485)
Pennsylvania College of Technology <sup>b</sup>	34	(5)	5	(1)	39	(6)
Total	5,139	224	9,830	(71)	14939	(491)
<b>All Degree Levels</b>						
University Park <sup>a</sup>	25,399	(359)	22,802	(345)	48201	(704)
Commonwealth Campuses	18,608	(1,064)	5,230	427	23838	(637)
Great Valley	167	(41)	104	30	271	(11)
Dickinson Law	98	(4)	104	22	282	18
Dickinson School of Law - Unified	-	-	184	-	1	-
Penn State Law	95	(7)	1	(59)	563	(66)
Penn State College of Medicine	452	(4)	529	(10)	981	(14)
Penn State World Campus	6,490	(52)	7,489	(1,311)	13979	(1,363)
Subtotal	51,309	(1,531)	36,807	(1,246)	88116	(2,777)
Pennsylvania College of Technology <sup>b</sup>	3,180	(439)	1,061	440	4241	1
<b>Total</b>	<b>54,489</b>	<b>(1,970)</b>	<b>37,868</b>	<b>(806)</b>	<b>92,357</b>	<b>(2,776)</b>

Source: Penn State Data Digest

a. University Park counts do not include law school students. Law school counts are included with the individual schools.

b. Penn College enrolled masters level students beginning in Fall 2021

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