

THE PENNSYLVANIA STATE UNIVERSITY
2025-26 STATE APPROPRIATION REQUEST



BOARD OF TRUSTEES

COMMITTEE ON FINANCE, BUSINESS, AND CAPITAL PLANNING

SEPTEMBER 2024

PENN STATE'S 2025-26 APPROPRIATION REQUEST

Thank you for the opportunity to present our 2025-26 appropriation request. 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. What's good for Penn State is good for Pennsylvania, and what's good for Pennsylvania is good for Penn State.

A recent independent economic impact study proved that an investment in Penn State is an investment in Pennsylvania. Penn State has a significant economic impact across Pennsylvania, contributing over \$12.1 billion annually to the state's economy. This impact supports and sustains 81,278 jobs throughout the state. For every \$1.00 in state appropriations received, Penn State returns \$15.77 to the state's economy and directly returns \$1.71 in tax revenue.

Penn State's 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 this success, state appropriations remain below the 2007-08 high watermark funding level — regardless, tuition increases across Penn State's campuses have been below national averages for over a decade. Penn State has held tuition flat for 18,000 in-state students at the Commonwealth Campuses for the third year in a row and implemented modest tuition increases for all other students at the remainder of our campuses that are in line with the percentage increases seen in recent years. Calculated in 2024 dollars, Pennsylvania resident students are now paying less tuition for their Penn State education than they were in 2011-12.

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, the appropriation for Invent Penn State that supports economic development activities across Pennsylvania is appropriated through the Department of Community and Economic Development, and support for Penn State Health and

the College of Medicine is provided through the Department of Health and the Department of Human Services.

The University is requesting a total appropriation of \$391.50 million.

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 of an average \$15,800 for nearly 42,000 Pennsylvania resident students and their families.

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 51,000 Pennsylvania resident students (inclusive of undergraduate, graduate, and professional students) across 23 campuses and a World Campus, Penn State has a capacity that no other university in the state can match. Our Commonwealth Campuses educate nearly 18,000 Pennsylvania undergraduate students annually, bringing world-class education, research, and service to urban, suburban, and rural areas throughout the state.

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, Penn State received \$242.096 million in Fiscal Year 2024-25. Divided evenly among our nearly 42,000 Pennsylvania resident undergraduate students (as of Fall 2023), the University received approximately \$5,789 per student. In comparison, Temple University receives approximately \$10,505 per student, the University of Pittsburgh receives \$9,538 per student, and PASSHE receives \$9,526 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 on average \$15,809 less than their out-of-state counterparts. We are significantly amplifying the state's investment to make Penn State more affordable and accessible for the working families of Pennsylvania.

We are deeply committed to ensuring that Penn State students receive equitable per-student funding comparable to that of other public universities in Pennsylvania. Penn State is grateful that the Pennsylvania General Assembly and the Governor's administration enacted legislation to implement a performance-based funding model. Penn State is eager to work with the Performance-Based Funding Council to create a simple, transparent, and comprehensive funding

model that acknowledges each institution's distinctive mission and structure to ensure a fair evaluation.

Performance-based funding should acknowledge institutions for their contributions, including the total number of students an institution educates, supporting low-income and first-generation students, fostering studies in high-need career fields, and serving traditionally underserved students.

Over the past 50 years, Penn State's enrollment has increased substantially; however, there has been no corresponding increase in state funding to keep pace. The lack of consistent incremental increases in Penn State's appropriation has compounded the financial strain on Penn State's tuition rates and overall budget. Penn State's appropriations request, if approved and coupled with new grant money through the Department of Education from meeting the agreed-upon performance-based funding metrics, will begin to close the gap in per-student funding between Pennsylvania's sole land-grant institution and its peers.

To match the per-student funding levels of Penn State's peers, an additional \$156 million in General Support funding would need to be appropriated. Recognizing such an increase is difficult to achieve, Penn State requests an incremental increase that would begin to close the funding gap. **The 2025-26 appropriation request for General Support for Penn State proposes an increase of \$30 million.**

Cost Containment Efforts

Over the last year, Penn State continued to make great strides in reducing the deficit within the Education and General (E&G) budget. After originally projecting a \$140 million deficit (excluding Penn College) for the 2022-23 fiscal year, Penn State's Board of Trustees approved a balanced budget for fiscal year 2025-26.

The new data-driven budget model aligns metrics with unit allocations; progressively reduces the dependency on reserves to reach a balanced budget; and prioritizes fiscal responsibility through continued efficiencies, expense savings, and new income generation to arrive at a balanced budget by 2025-26.

Penn State also completed a Voluntary Separation Incentive Program (VSIP) to help reduce the deficit at Commonwealth Campuses, which resulted in an initial savings of \$43 million. The actual savings will not be known until later in 2024 once University leaders assess which positions need to be backfilled.

The new budget model allows Penn State to be more strategic and data-driven with how resources are allocated while maintaining flexibility to invest in the things that make Penn State one of the world's top public universities and minimize the impact on students and employees.

Pennsylvania College of Technology

Pennsylvania College of Technology (Penn College) is a national leader in applied technology education with roots tracing back to adult education and workforce training in Williamsport more than a century ago. Created as a special mission affiliate of Penn State by an act of the General Assembly in 1989, Penn College enjoys a mutually beneficial association with the University.

Penn College's state appropriation is issued as a line item within the Penn State budget; however, the College is not reliant upon Penn State for funding its operations, and it receives no capital funding from the University or the Commonwealth. Rather, this institution establishes its own rates for tuition and fees, which constitute the bulk of its revenues. (Note: Tuition for 2024-25 was held flat by a unanimous vote of the College's board of directors at its June 27, 2024 public meeting.)

Some other important distinctions afforded by this relationship are that the College:

- Grants its own Pennsylvania College of Technology degrees.
- Maintains its own Middle States accreditation.
- Receives its own Standard & Poor's rating (A/Stable).
- Has its own Board of Directors and President.
- Has a faculty collective bargaining unit (the only unionized employees).
- Operates its own police force.

The College and the University do collaborate where appropriate.

Enrollment has seen another increase this year, with more than 4,700 students scheduled for Fall 2024 in Penn College's nearly 100 diverse academic majors, all of which are focused on hands-on experiential learning in high-demand career fields. Pennsylvania residents account for 89% of the student population.

Full-time enrollment is 82% and nearly 60% of the College's students are in baccalaureate degree programs. Penn College also grants master's degrees in both Physician Assistant Studies and Nursing (Education), and a new five-year bachelor's degree program in architecture began in Fall 2023. Currently, more than 250 Penn College students are military veterans or family members.

With a 97.7% overall placement rate, and 100% in many majors, Penn College academic programs are supported by many of the same industry partners who hire its graduates — which also provides students with an incredible alumni network throughout their future careers. The College has more than 3,000 unique corporate relationships in Pennsylvania alone, representing an array of business sectors. These companies recruit its students, advise its curriculum to ensure currency, and support instructional needs with equipment, materials, and other resources.

Typically, the College's largest programs are Nursing and Welding, with Building Automation, HVAC, Electrical, IT-Cybersecurity, Mechatronics and several transportation programs currently experiencing rapid growth. In all, 68 programs were at maximum capacity and were put on a waitlist for Fall 2024, as applicant interest has ballooned.

One of those waitlisted programs is aviation maintenance, widely considered by the industry to be the best option for aviation maintenance education in the state, because of Penn College's facilities and reputation. This is also a field that is experiencing massive and growing shortfalls in skilled workforce (e.g., American Airlines says they need 40 A&P-certified maintenance techs at Philadelphia International Airport alone). With the investment of \$1.36 million for faculty, staff, and lab equipment upgrades, the College could add instructional personnel and procure the equipment and supplies needed, including aircraft turbine engines, aircraft instrument systems, aircraft reciprocating engines, and pitot static testers, along with oscilloscopes, alternators, starters, and various hand tools and instrumentation. Further, the College needs a later-model rotary aircraft to replace the decommissioned Bell UH-1 that no longer has educational value. With this funding, the College could accommodate 20 additional students each fall, not only to recruit *50% larger* cohorts going forward, but to better retain these students in this highly rigorous program, as well.

The 2025-26 appropriation request for Penn College proposes an increase of \$5.3 million over 2024-25 appropriations levels. Providing a hands-on education – delivered by expert instructors, in industry-standard labs, and with real-world consumables like lumber, fuel, copper and steel – is an expensive endeavor. With this funding, the College can create broader access to in-demand programs so desperately needed by employers in every sector across the Commonwealth.

Agricultural Research and Penn State Extension

The College of Agricultural Sciences relies on the 150-year-old land-grant partnership between federal, state, and county governments for its agricultural research and statewide Extension programs. **These programs drive progress by translating scientific research and innovation into real-world applications, new businesses, and high-quality jobs and are NOT supplemented by student tuition or state-appropriated general education dollars.**

The challenges and opportunities facing Pennsylvania agriculture are complex, and the need for research and science-based solutions and innovation are critical. The solutions we are applying today to address challenges in Pennsylvania agriculture had their origins years ago as new discoveries and innovations flowing from work in our labs, fields and forests. Likewise, the solutions to problems looming on the horizon are currently the focus of hundreds of scientists employed by Penn State working across the commonwealth. Discovery is only the first step. Penn State Extension translates this new knowledge into real-world solutions implemented in

every county in the Commonwealth providing lifelong access to research-based education and training in agriculture to all Pennsylvanians. Agricultural research and extension programs will drive the overall ag economy in Pennsylvania to the benefit of the entire Commonwealth.

Pennsylvania's investment in this Land-Grant partnership with the college, of \$57.7 million located in the Land Scrip Fund in the PDA budget, directly enables access to federal and county appropriations and competitive grants of greater than \$120 million, which is more than twice the amount of the state appropriation.

To effectively support Pennsylvania agriculture and our food supply system the Penn State 2025-26 budget plan proposes a \$4 million increase in the Land Scrip Fund.

Newly appointed Dean of the College of Agricultural Sciences, Troy Ott, is implementing a strategic planning process, working directly with Pennsylvania agricultural sectors, to identify industry priorities that align with college expertise for strategic investments.

Current priorities include:

- **Endemic and Emerging Disease and Invasive Species-** Pathogens and pests that ruin crops, threaten forests and decimate our herds and flocks will continue to be a major focus for the college. Known threats (e.g. African Swine Fever) sit just over the horizon and, if they get to our shores, will devastate the number one industry in the state, agriculture. Therefore, an ongoing priority must be addressing animal and plant health and invasive species threats. We will strategically deploy our research, teaching, and Extension functions to ensure we are prepared to shield the state and respond rapidly to devastating diseases and invasive species. For example, during the recent bH5N1 outbreak we stood up a task force and mustered expertise related to biosecurity, surveillance, diagnosis, and education. This effort builds upon the human and infrastructure resources that we deployed (with help of state funding) in response to the poultry HPAI outbreak in 2021-22.
- **Ag Technology Solutions:** Including precision agriculture, artificial intelligence, robotics, sensors, digital twins, remote sensing, closed loop systems driven by machine learning algorithms, geospatial intelligence /mapping, gene editing, and augmented reality will be brought to bear to meet unique needs of Pennsylvania agriculture, natural resource management, and community health. These technologies will be the foundation for entirely new businesses and drive economic growth in the Commonwealth.
- **Building a Sustainable Bioeconomy** – Includes measuring and mitigation impacts on the environment, providing science-based solutions to make agriculture more profitable and sustainable. For example, years of work deploying science-based solutions in the Chesapeake Bay watershed are now yielding tangible improvements in water quality discovering new ways of using renewable bioproducts, implementing climate-smart practices, advancing the field of synthetic biology to drive innovation, and workforce training needed to support the growing market for biopharmaceuticals.

- **Transitioning PA Agriculture and Growing the Ag Economy:** Including support for business transitions and progression plans for farms and agribusiness, workforce training and re-training of future agricultural professionals and leaders, and transitions in production practices to address changing social, economic, trade, and environmental realities.

Invent Penn State: Economic Development Extension

The Invent Penn State LaunchBox & Innovation Network began modestly in 2015 and has grown to 23 locations – including two prototyping spaces - embedded within Penn State campus communities, many in rural areas with traditionally underserved populations. Modeled after 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 initiative has grown to support over 8,500 community entrepreneurs, launched 1,680 new Pennsylvania companies, graduated 1,000 startups from accelerator programs, created 518 new products, and generated over 733 jobs. Today, 96% of Pennsylvanians live or work within 30 miles of a LaunchBox or innovation space.

The \$2.35 million appropriated through a line item in the Department of Community and Economic Development’s budget for Invent Penn State for 2024-25 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 it also will help to 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 2013-14, 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 of their health care needs. **Penn State Health Milton S. Hershey Center and the College of Medicine request a \$765,600 increase in funding to continue to educate students and deliver innovative 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 public 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 2025-26 APPROPRIATION REQUEST

Appropriation Request

The University is requesting a total appropriation of \$391,504 million.

- A \$30 million increase in the Educational and General (E&G) or General Support line item.
- An increase in the amount of \$4 million is requested for our programs in Agricultural Research and Cooperative Extension.
- Increased support of \$5.3 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 \$765,600 is also included for Penn State Health and the College of Medicine.

Basic Operating 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 and Benefits** – Provide a modest pool of funds for cost of living and merit-based inflationary increases, rising healthcare costs, 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 2025-26 APPROPRIATION REQUEST

The University's appropriation request for 2025-26 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 \$30 million for 2025-26 is summarized on **Table 1**. Details of how the University would use the increase in appropriations are discussed below.

Asset Preservation: Deferred maintenance on essential education and general funded buildings now exceeds \$2.4 billion. A total of \$10 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: Investments of \$5 million would be used for the most important strategic priorities of the University and Commonwealth, including engineering, computer science, information sciences and technology, education, and healthcare. Investments will be targeted in areas that focus on access and affordability and economic development, job creation, and student career success.

Student Aid/Student Success: Adding \$5 million for need-based student aid and grants-in-aid along with other vital student success services will support access and affordability.

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 with a modest 3% merit pool and 20% increase over four years for our union employees. These increases for education and general funded positions cost more than \$50 million a year. Financial support of \$10 million would be used for this purpose.

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

	<u>2024-25</u> <u>Appropriation</u>	<u>Requested</u> <u>Increases</u>	<u>2025-26</u> <u>Requested</u> <u>Appropriation</u>
General Support	\$242,096	\$30,000	\$272,096
Agricultural Research & Extension	57,710	4,000	61,710
Economic Development	2,350	-	2,350
Total Penn State (excl PSH/CoM & Penn College)	<u>\$302,156</u>	<u>\$34,000</u>	<u>\$336,156</u>
Penn State Health and the College of Medicine	15,312	765	16,077
Pennsylvania College of Technology	33,971	5,300	39,271
TOTAL APPROPRIATION	<u><u>\$351,439</u></u>	<u><u>\$40,065</u></u>	<u><u>\$391,504</u></u>