University Budget

New Administrators Seminar Series, Session II
October 2022
Mission: The Pennsylvania State University is a multi-campus, land-grant, public research university that educates students from around the world and supports individuals and communities through integrated programs of teaching, research, and service.

WHAT we are trying to achieve:

1) Prioritize Access and Affordability to education
   - Focused enrollment management strategy
   - Assess net tuition by income level
   - Ensure flat to lowered net tuition for low- and middle-income students

2) Invest in Our Employees
   - Complete compensation modernization study
   - Benchmark positions
   - Calculate funding necessary to ensure employees are paid competitive salaries
   - Identify funding source for adjustments
Transparency and Reporting

**HOW** to get us to these goals will include the following:

Budget Transparency and Education by Chief Financial Officer and University Budget Office (FY23)

- University budget responsibilities moved to SVP Finance & Business/Treasurer (Chief Financial Officer)
- Weekly budget updates with ALC, PC, Financial Officers
- Present clear, accurate, transparent, and timely financial communications to stakeholders
  - Board of Trustees
  - President’s Council
  - Academic Leadership Council
  - Department Heads and Chairs
  - Faculty Senate
  - Staff Advisory Council
Financial Reporting, Planning, and Accountability (Timeline: FY23-FY26)

- Reallocation of base operating budgets (FY23-FY26)
  - Hired NACUBO consultant
  - Created Budget Working Group: 2 deans, 1 chancellor, Interim Provost, Faculty Senate Chair, 1 faculty member, SVP F&B, SVP Chief of Staff, SVP Research, VPCC, Staff Advisory Council, OPAIR, Budget and Finance, Change Management
  - New budget model allocation by late November
  - Using EAB document as guide
  - Working Group meets weekly to work through decision points
- All funds budget reporting and projections (FY24)
- Multi-year budget projections (FY24)
- Earlier budget timeline with initial 2-year budget (FY24 and FY25 budget approval in July 2023)
- Balanced budget by summer 2025
Healthy balance sheet

Moody’s (Aa1) and S&P (AA) ratings are strong with stable outlooks

Revenue challenges

- Enrollment revenue declines
- Flat appropriations from Commonwealth
- COVID-related revenue losses
- Successful fundraising campaign: 48% was for endowments, only 1% is completely unrestricted, 50% received to date

Expense challenges

- Competitive labor market
- High inflation for goods, services, food, equipment, fuel, utilities, agricultural expenses, maintenance, construction, etc...
- COVID-related expenses that were not reimbursed
## Total University General Funds: Actuals and Proposed Budget

<table>
<thead>
<tr>
<th></th>
<th>2021-22</th>
<th>2022-23</th>
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<tbody>
<tr>
<td><strong>Sources:</strong></td>
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<tr>
<td>State Appropriation</td>
<td></td>
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<tr>
<td>Educational &amp; General</td>
<td>297,056,000</td>
<td>302,156,000</td>
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<tr>
<td>Transfers*</td>
<td>(1,451,000)</td>
<td>(1,451,000)</td>
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<tr>
<td>Tuition And Fees</td>
<td>2,008,311,000</td>
<td>2,138,832,000</td>
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<td>F&amp;A and Invest Income</td>
<td>141,916,000</td>
<td>149,445,000</td>
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<tr>
<td>Academic Support from PSH</td>
<td>56,800,000</td>
<td>61,400,000</td>
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<tr>
<td>Other Revenues</td>
<td>187,793,000</td>
<td>196,767,000</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td>2,690,425,000</td>
<td>2,847,149,000</td>
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<td><strong>Uses:</strong></td>
<td></td>
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<tr>
<td>Instruction</td>
<td>665,082,000</td>
<td>682,405,000</td>
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<td>Research</td>
<td>227,037,000</td>
<td>222,423,000</td>
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<td>Public Service</td>
<td>54,914,000</td>
<td>60,822,000</td>
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<tr>
<td>Academic Support</td>
<td>568,204,000</td>
<td>609,409,000</td>
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<tr>
<td>Institutional Support</td>
<td>571,393,000</td>
<td>641,639,000</td>
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<tr>
<td>Student Services</td>
<td>176,119,000</td>
<td>184,989,000</td>
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<tr>
<td>Student Aid</td>
<td>179,816,000</td>
<td>236,118,000</td>
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<tr>
<td>Physical Plant</td>
<td>364,081,000</td>
<td>345,299,000</td>
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<tr>
<td>Auxiliary Enterprise</td>
<td>2,855,000</td>
<td>4,204,000</td>
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<td><strong>Total Uses</strong></td>
<td>2,809,501,000</td>
<td>2,987,308,000</td>
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<td><strong>Surplus/(deficit)</strong></td>
<td>(119,076,000)</td>
<td>(140,159,000)</td>
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<td>Penn College Sources</td>
<td>103,186,000</td>
<td>103,196,000</td>
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<tr>
<td>Penn College Uses</td>
<td>111,541,000</td>
<td>112,008,000</td>
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<tr>
<td><strong>Penn College Surplus/(deficit)</strong></td>
<td>(8,355,000)</td>
<td>(8,812,000)</td>
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<td><strong>Total General Funds (incl Penn College)</strong></td>
<td>(127,431,000)</td>
<td>(148,971,000)</td>
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*Appropriation transfers to College of Medicine of $1,055,000 and Penn College of $396,000*
Includes direct state appropriation to Penn State for Medical Assistance, CURE, Penn State Cancer Institute, ASERT, and other line items. Any federal match funding is not included.

2022-23 Income Budget: $8.4B

**Total Operating Budget**
- Tuition & Fees, $2.2B, 26.2%
- Appropriate, $328M, 3.9%
- Agric. Federal Funds, $23M, 0.3%
- Auxiliary Enterprise, $488M, 5.8%
- Restricted Funds, $1.1B, 13.1%
- Hospital/Clinic*, $3.9B, 45.8%
- Other Income, $411M, 4.9%

**General Funds Budget** (Excluding Penn College)
- Tuition & Fees, $407M, 14.3%
- Appropriate, $301M, 10.6%
- Other Income, $21B, 75.1%
2022-23 Education & General Expenditures by Function

- Instruction: 23.0%
- Institutional Support: 21.5%
- Physical Plant Operations: 11.6%
- Academic Support: 20.4%
- Student Services: 6.2%
- Student Aid: 7.9%
- Research: 7.4%
- Public Service: 2.0%
Achieving Balanced Budget

Generate additional revenues

- Enrollment
- State Appropriations
- Unrestricted Gifts
- Corporate Sponsorships
- Resource Optimization and Monetization

Identify unit and central expense savings

- Strategic Hiring Freeze
- Healthcare Plan
- Insurance
- Capital Projects

New budget allocation model