



Pennsylvania's  
**STATE SYSTEM**  
 of Higher Education

**14 universities.  
 Infinite opportunities.**

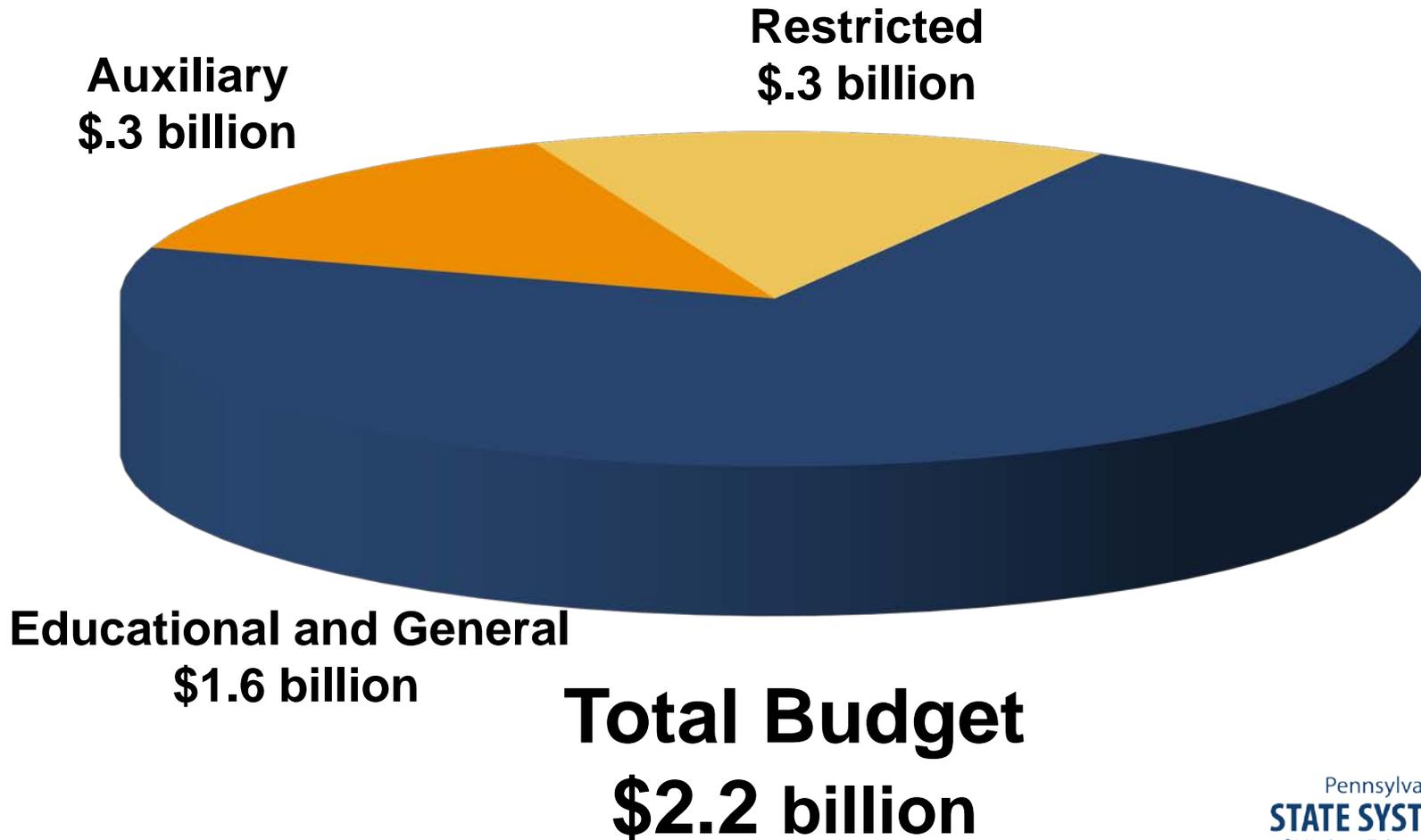


# State System's Financial Environment

APSCUF Faculty Negotiations | March 20, 2015



# 2014/15 System Budget





# Historical Context

APSCUF Negotiations| March 20, 2015

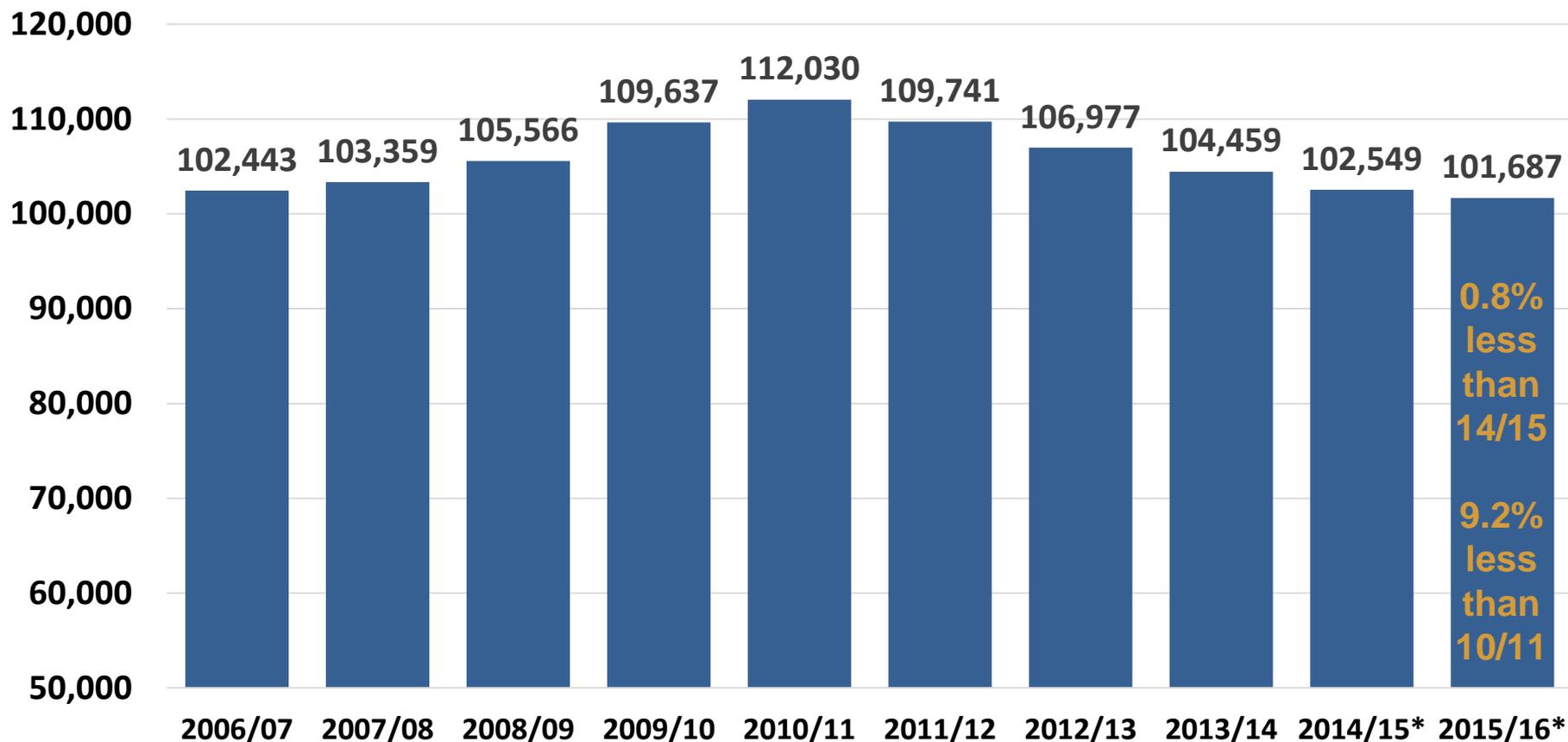


# System's Financial Challenges

- Enrollment demographics
- State support
- Affordability and predictability
- Structural Deficit
  - Expenditure increases exceed revenue increases

# Historical Enrollment Trends

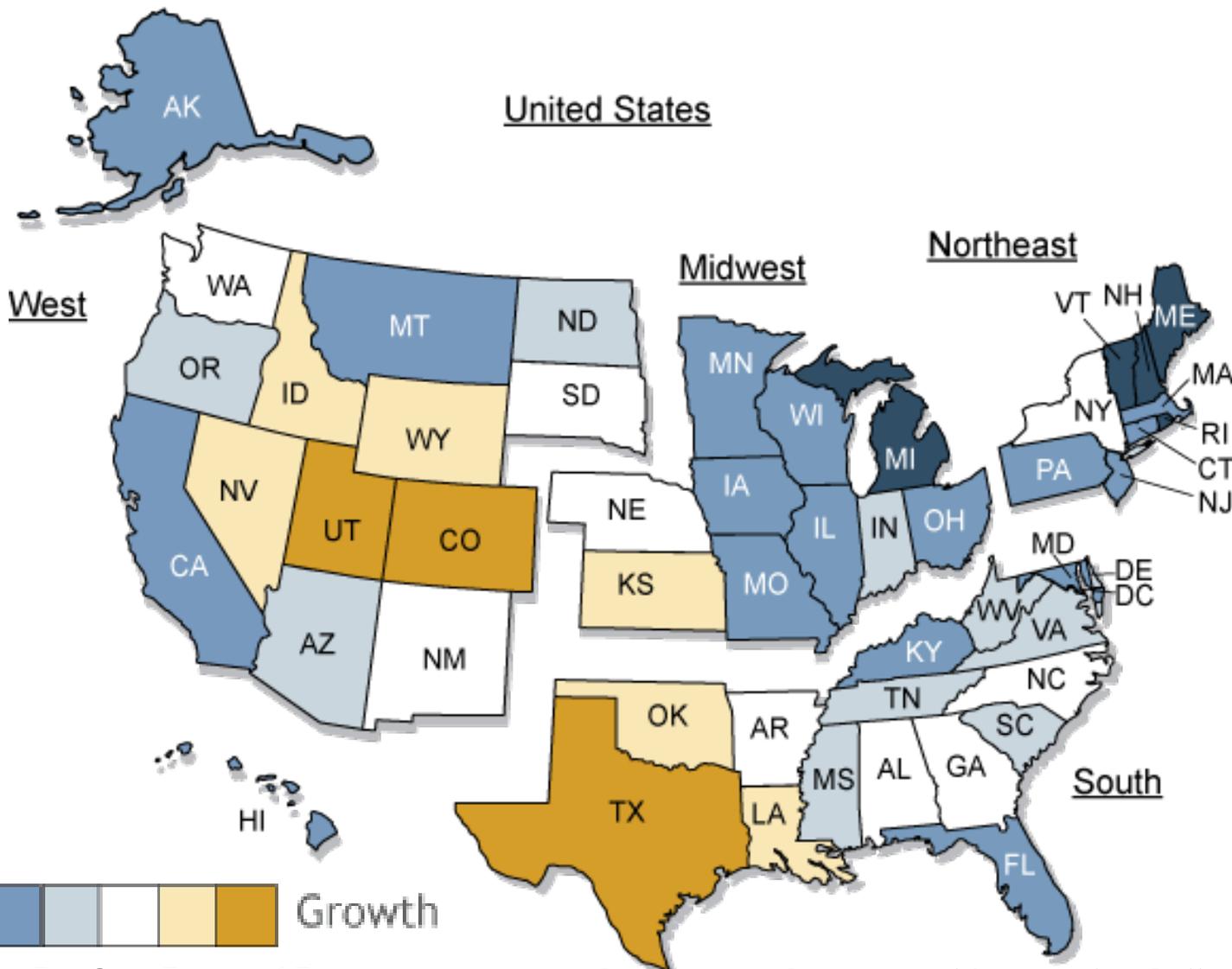
## Annualized FTE Enrollment



*\*As estimated September 2014*

# Change in High School Graduates

2008/09 through 2019/20

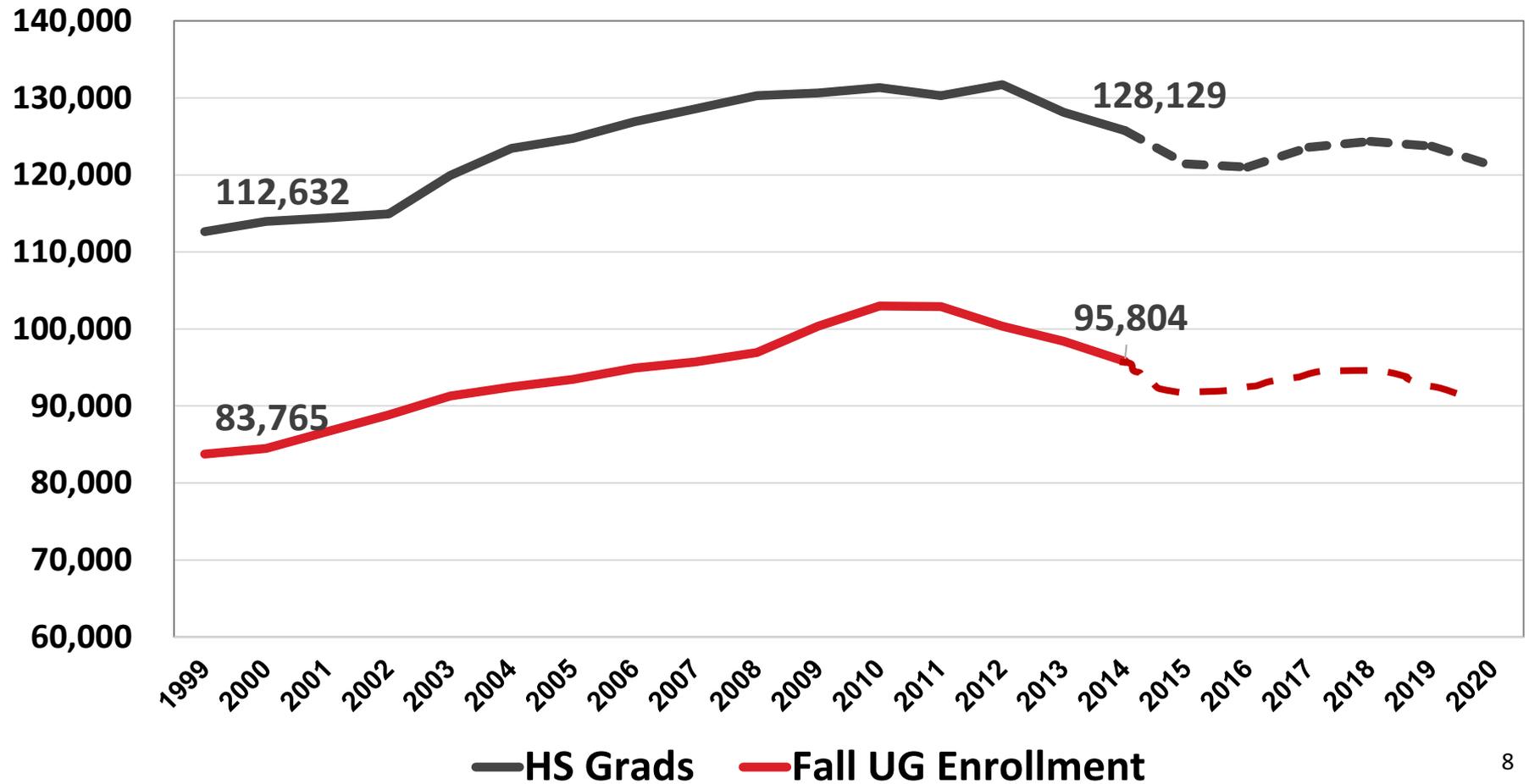


Source: WICHE, *Knocking at the College Door*

# Current and Future Student Markets

## *High School Graduates*

### High School Graduates and Fall Undergraduate Headcount Enrollment

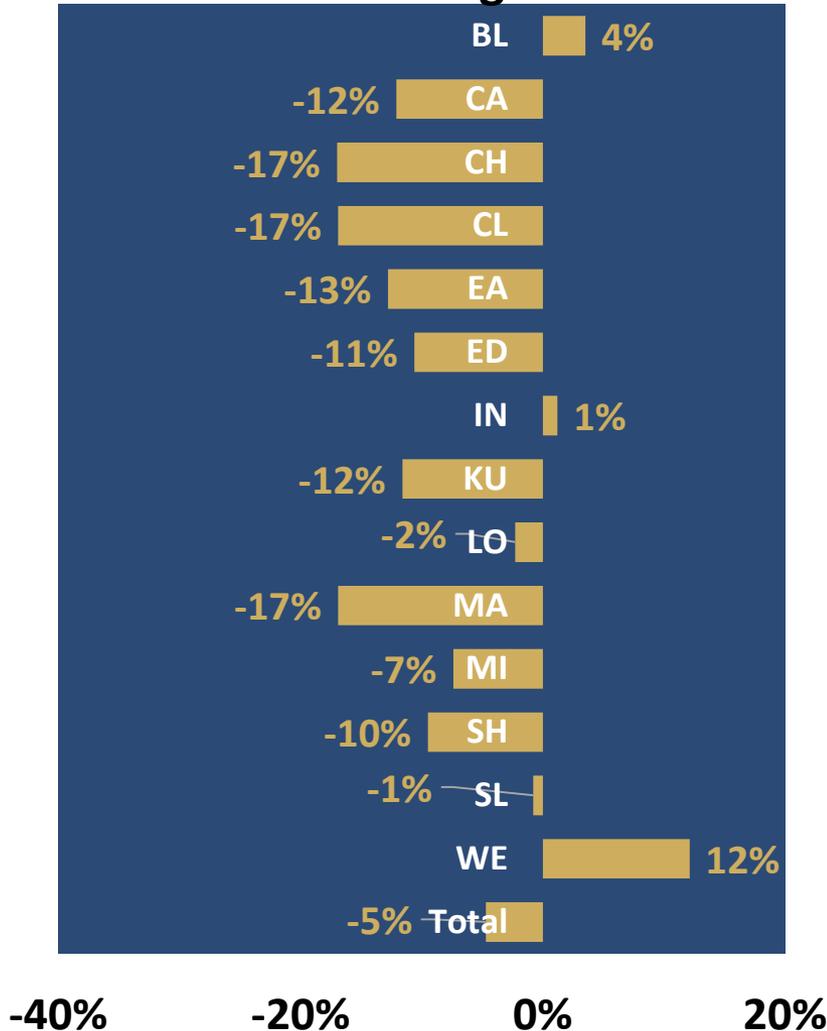


# Change in Enrollment

2009/10 – 2013/14

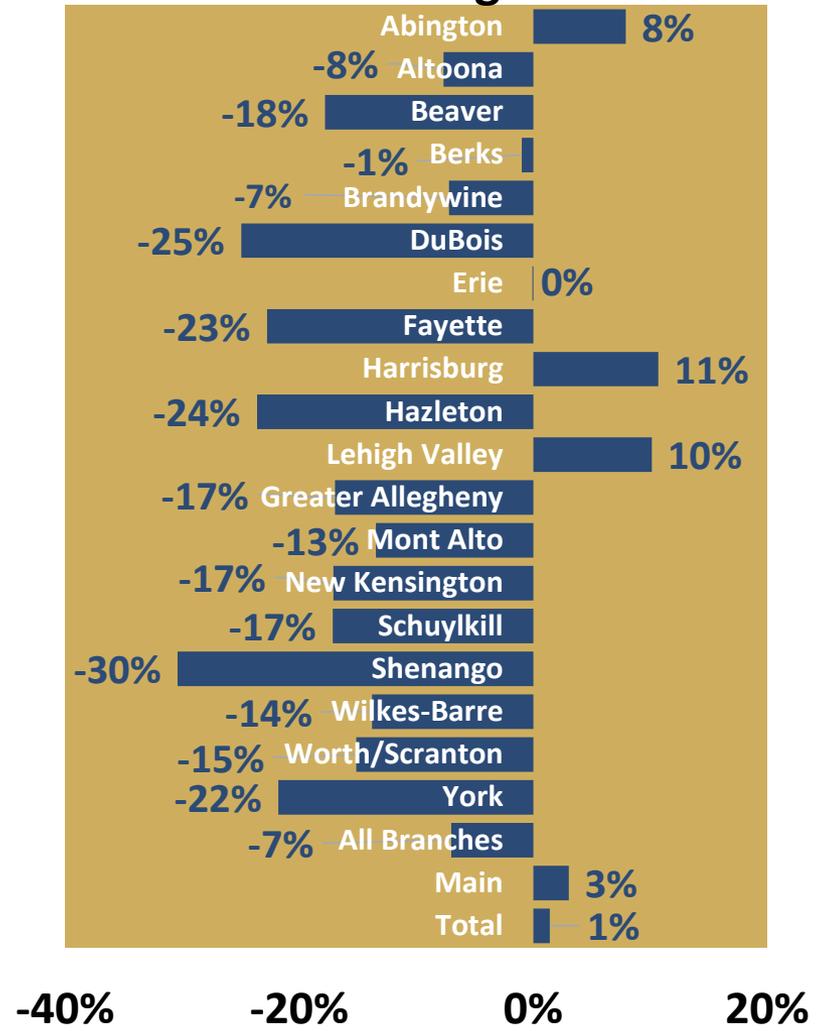
## State System Universities

% Change



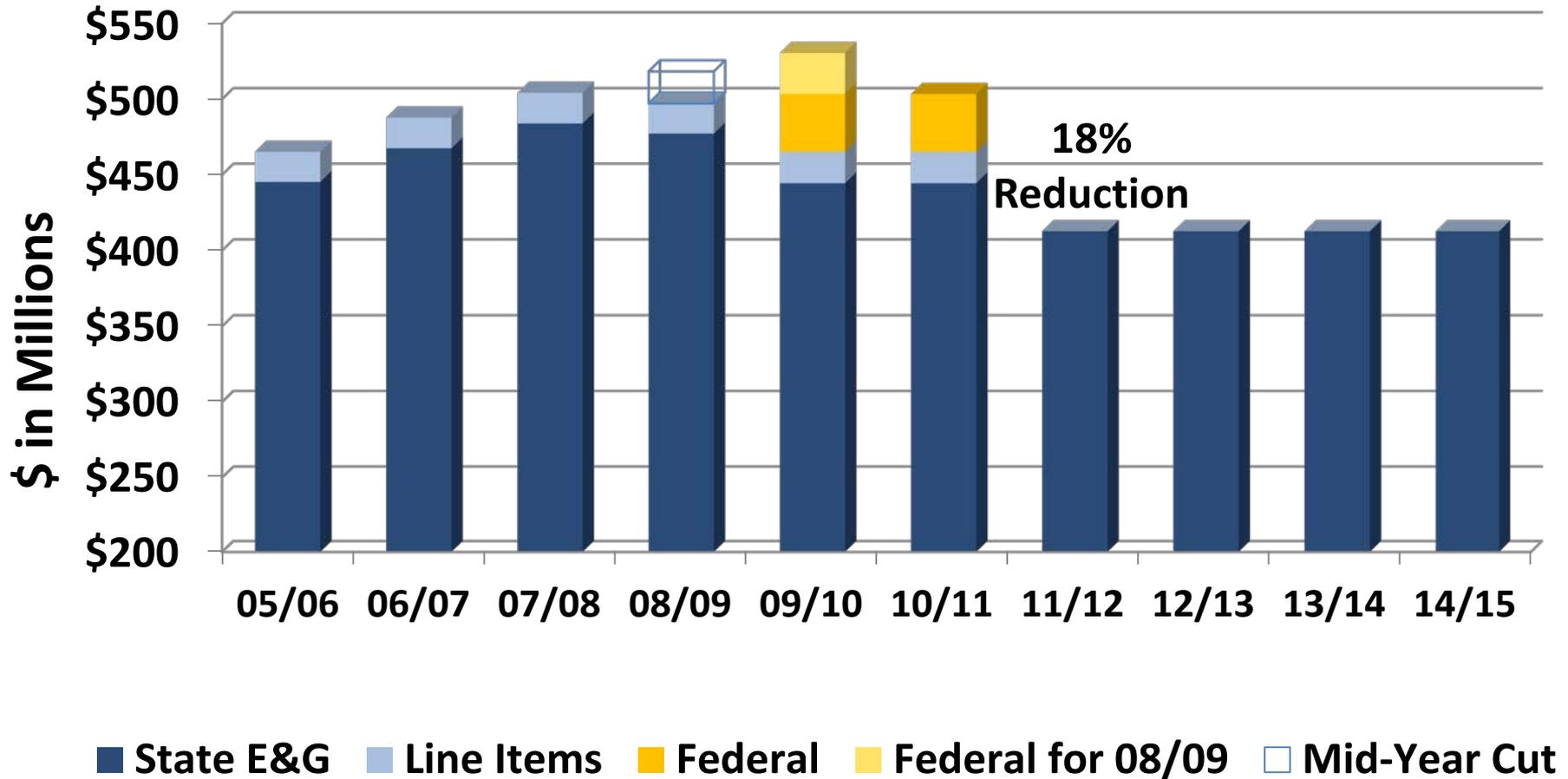
## Penn State Campuses

% Change



# State Appropriations

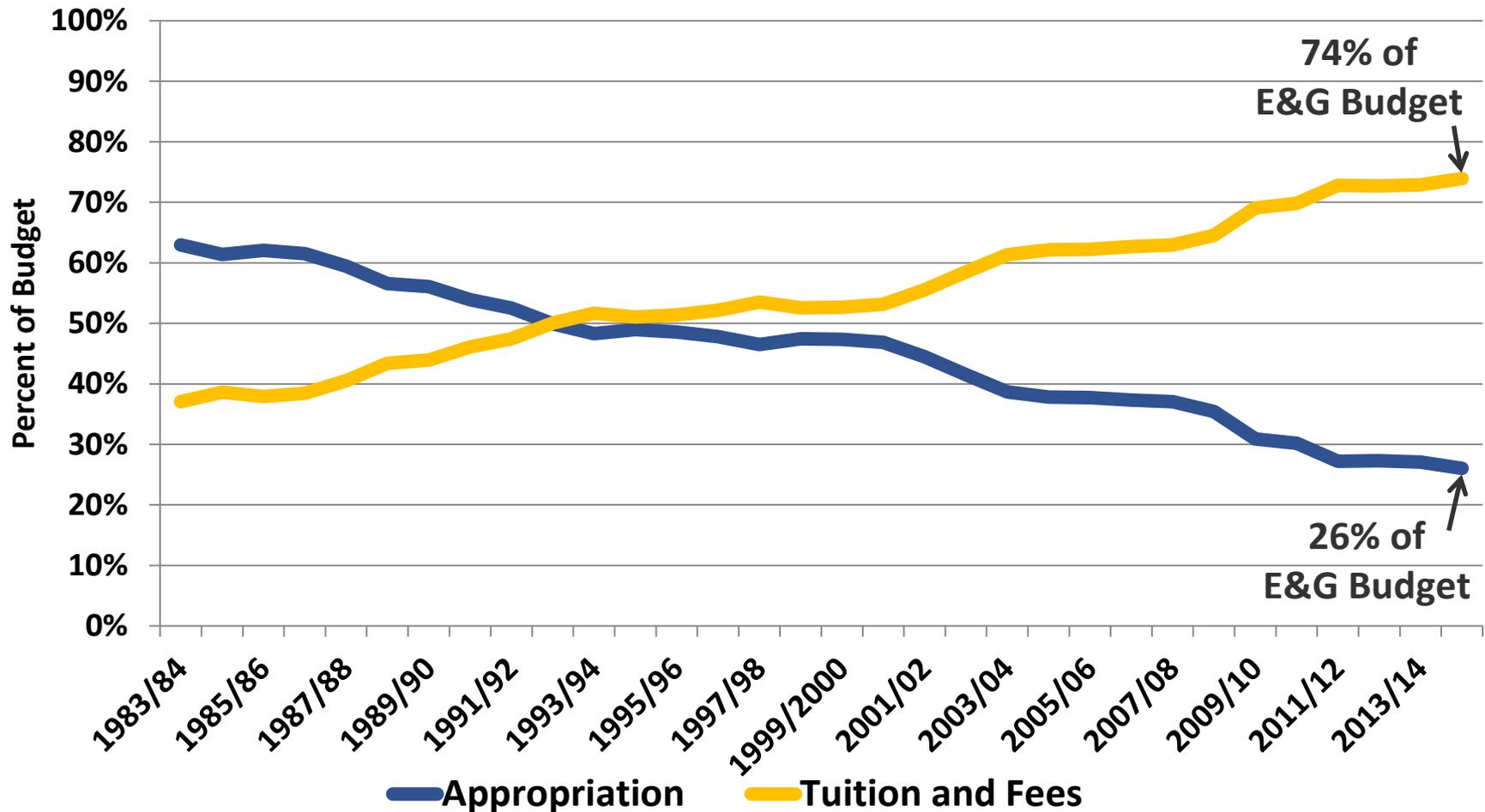
## *Recent Funding History*



# E&G Funding Sources

1983/84 – 2014/15

## PASSHE E&G Appropriation vs. Tuition and Fees\*



\*Includes all other miscellaneous revenue sources



# Student Price/Ability to Pay

**Tuition, Fees,  
Room and Board**  
*(2014/15 Average Rates)*

**National: \$18,943**

**System: \$18,868**

**Penn State\*: \$28,022**

**Student Debt**

*(2012/13 Graduates)*

**Pennsylvania Average:  
\$32,528**

**Ranks 3<sup>rd</sup> nationally  
U.S. Average: \$28,400**

**System Average:  
\$29,815**

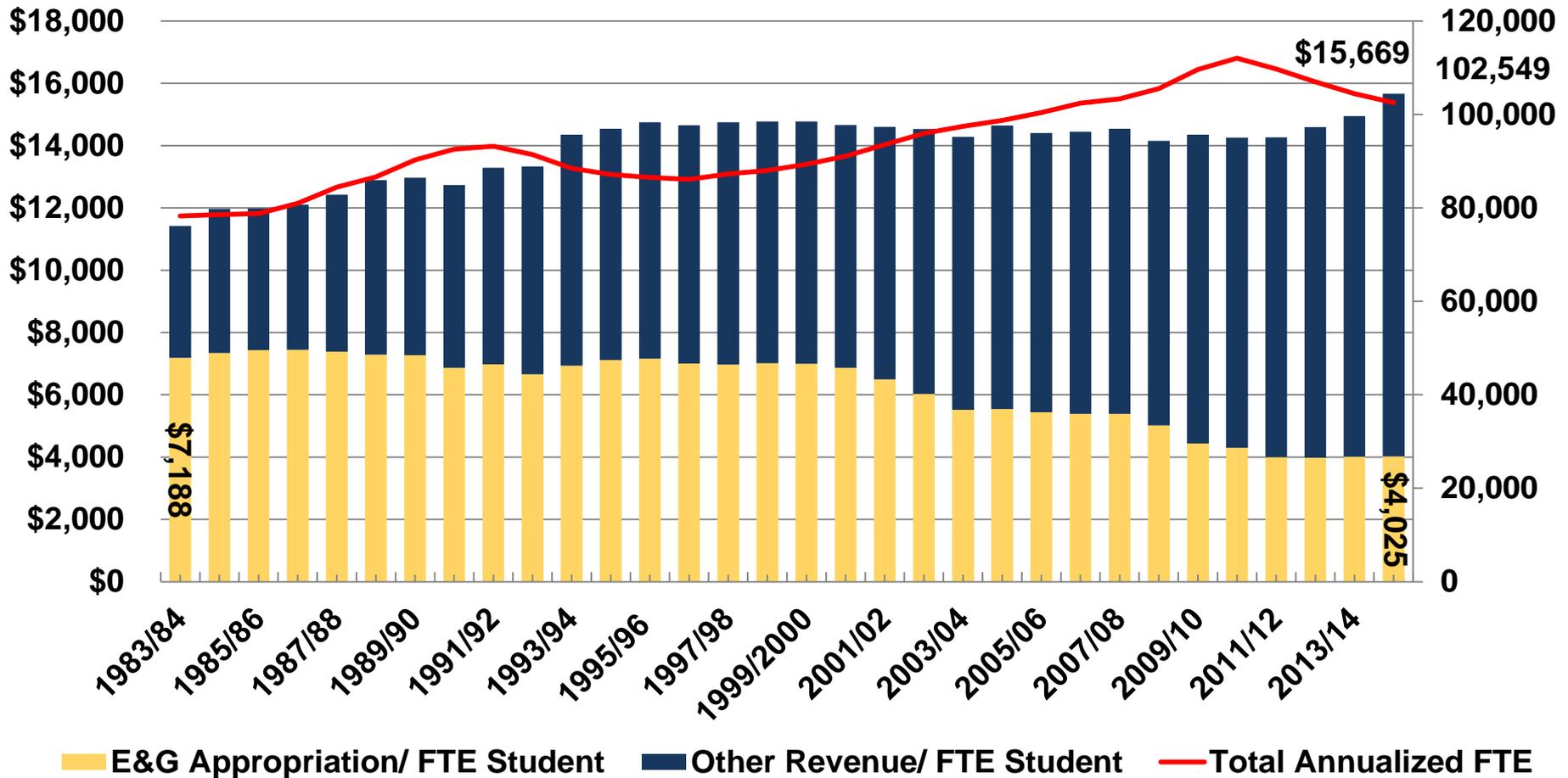
**80% Graduate with Debt**

*\*Typical Rates for Lower Division, Main Campus*

# Funding and Enrollment History

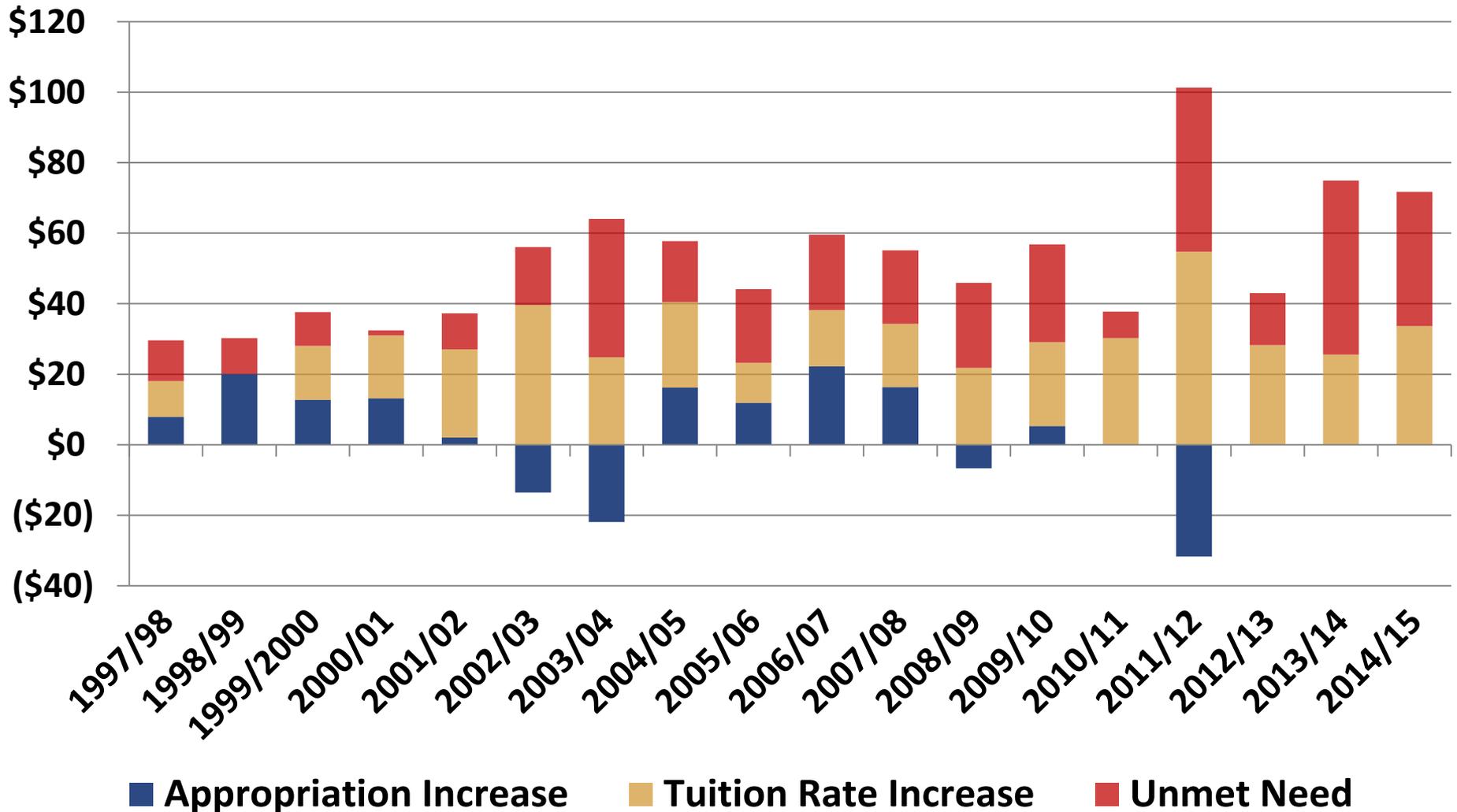
*Per FTE Student*

**1983/84 through 2014/15 (estimated)**  
**Adjusted for Inflation—In 2014/15 Dollars**



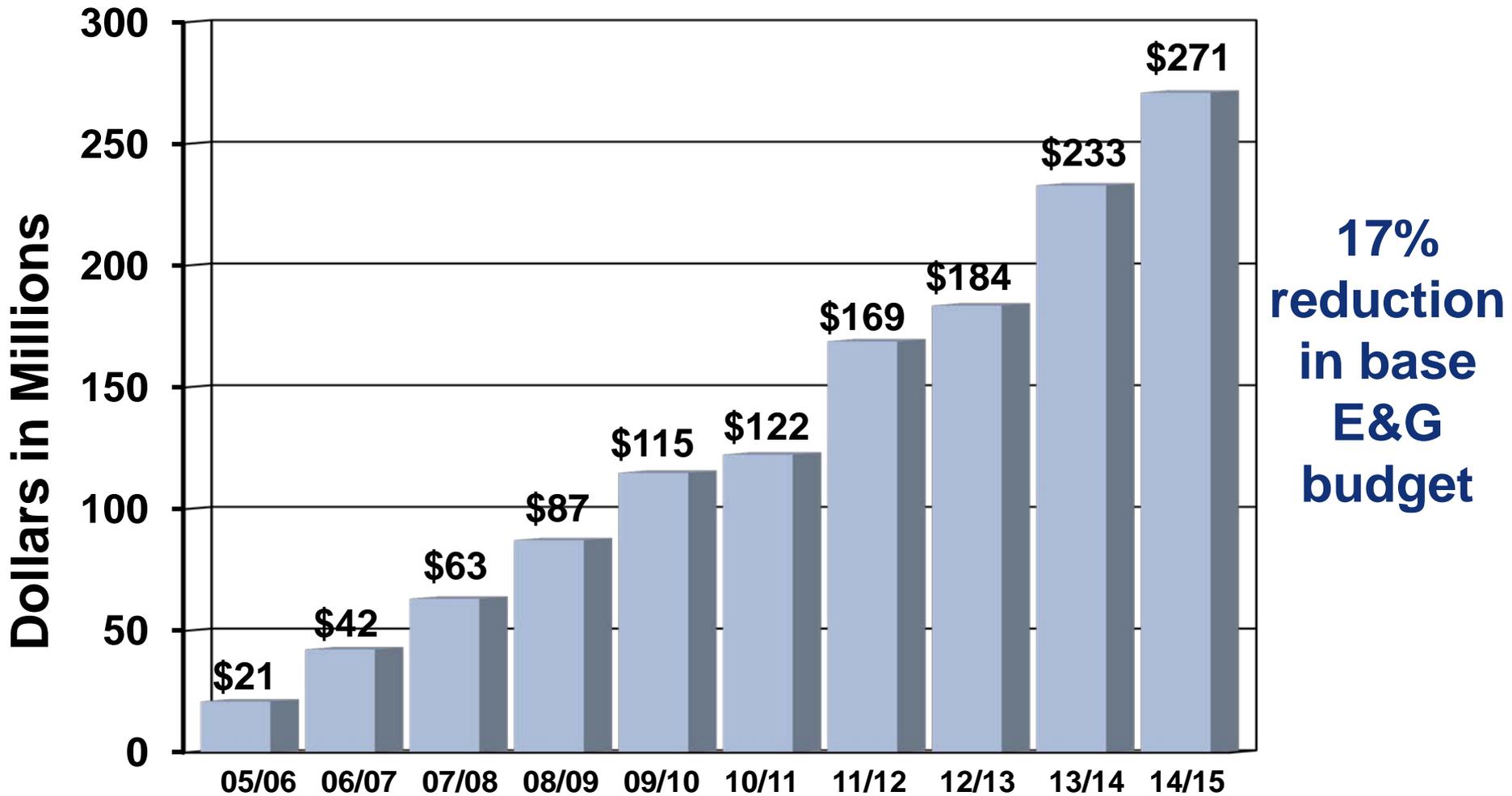
# E&G Budget Request vs. Funding

*Dollars in Millions*



# Cost Savings/Avoidance

*10-year Cumulative*



# Academic Program Alignment: Academic Years 2009/10 to 2013/14

**92 new  
programs**

new majors  
approved by Board;  
and new minors,  
certificates, or  
letters of  
completions

**98  
programs  
were  
reorganized**

**184  
programs  
were placed  
into  
moratorium**

# Academic Program Alignment System Student Enrollment by Program

## Undergraduate Fall Headcount

Disciplinary Field	2009	2014	Change
STEM-H	21,097	24,426	16%
Business Mgmt.	13,396	14,847	11%
Education	11,563	7,307	-37%
Social Sciences	6,449	5,661	-12%
Psychology	4,683	5,289	13%
Parks/Recreation	5,353	5,118	-4%
Visual/Performing Arts	5,577	4,505	-19%
Protective Services	2,973	3,637	22%
Communications	3,437	3,628	6%
English/Letters	4,101	3,330	-19%
<b>System Total</b>	<b>100,361</b>	<b>95,804</b>	<b>-5%</b>

## Graduate Fall Headcount

Disciplinary Field	2009	2014	Change
STEM-H	2,291	2,619	14%
Education	6,724	4,358	-35%
Business Mgmt.	1,114	1,199	8%
Public Admin	607	1,062	75%
Parks/Recreation	885	1,051	19%
Psychology	728	783	8%
English/Letters	637	473	-26%
Library Science	779	425	-45%
Social Sciences	429	241	-44%
Visual/Performing Arts	336	232	-31%
<b>System Total</b>	<b>16,574</b>	<b>13,802</b>	<b>-17%</b>



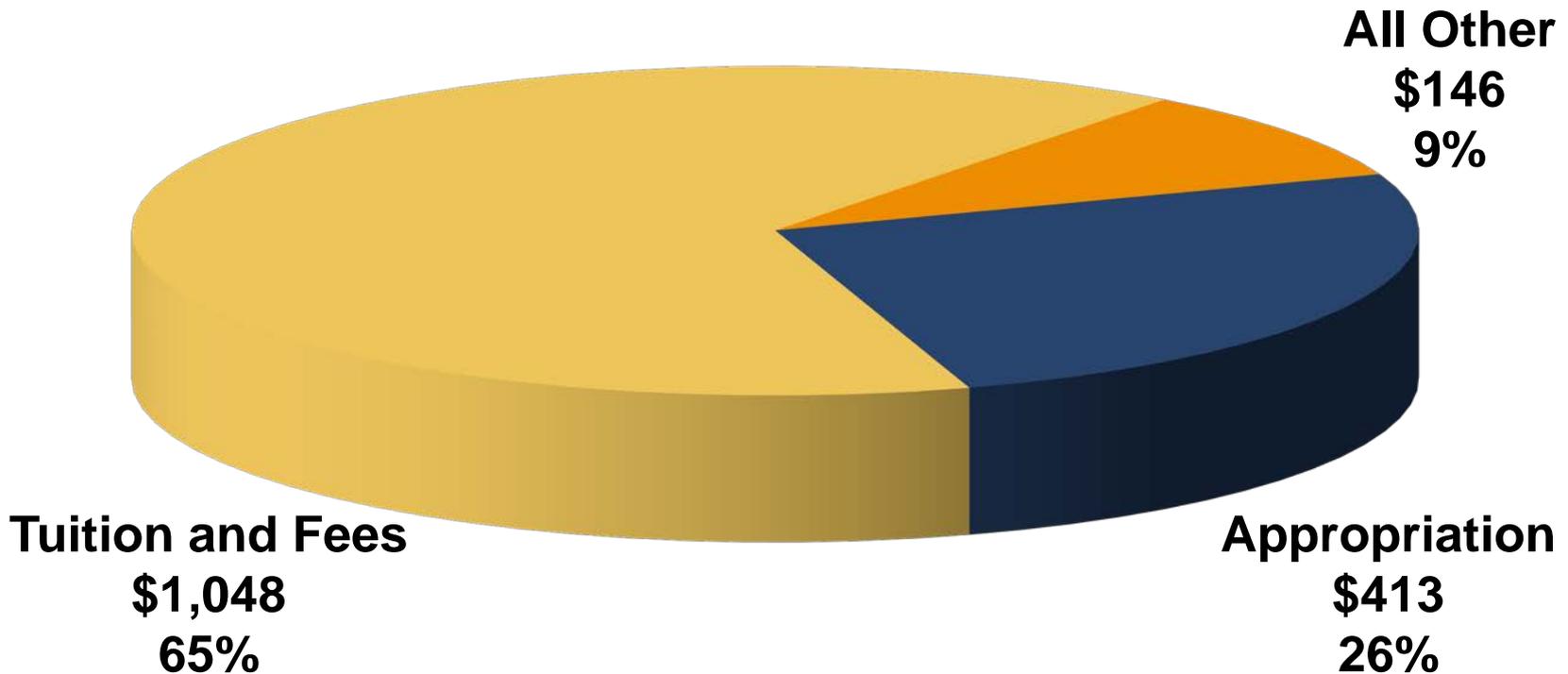
# 2015/16 Budget Request

As Approved by Board of Governors| October 2014



# 2014/15 E&G Revenue and Sources

*(Dollars in Millions)*



**E&G Budget**  
**\$1,607**

# 2015/16 Revenue Assumptions

## Enrollment Expectations

- **2015/16 enrollment estimates should be consistent with university's enrollment trends**

## Revenue

- **State Appropriations – no change in System's funding; phased formula implementation**
- **Tuition – no rate change; adjust for enrollment**
- **Use of Carryforward – for one-time purposes or as a transitional step toward structural changes**

# FTE Enrollment by University

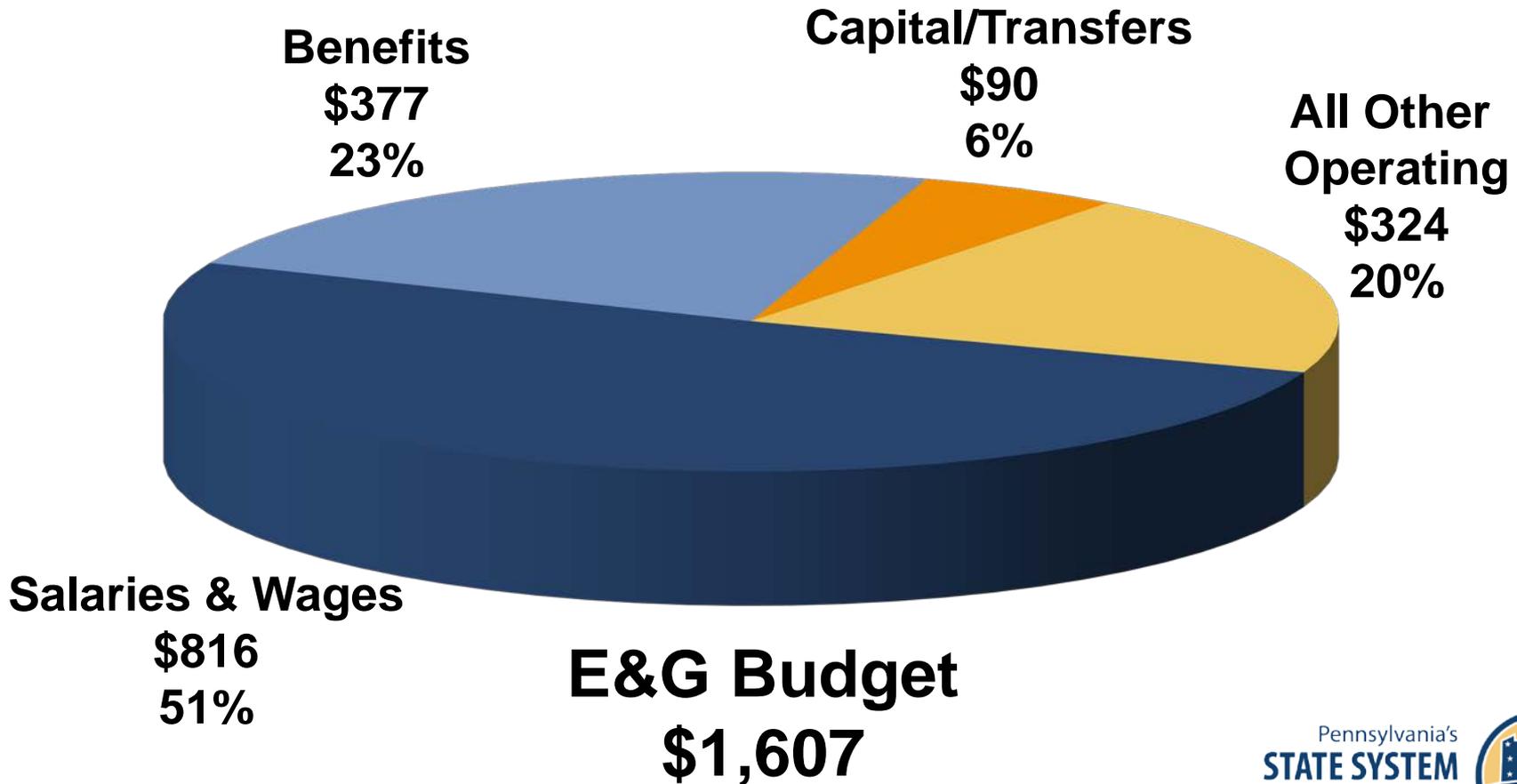
## *Projections for 2014/15 and 2015/16*

University	2013/14	2014/15	2015/16	14/15 vs. 13/14	% Change	15/16 vs. 14/15	% Change
Bloomsburg	9,633	9,560	9,567	(73)	-0.8%	6	0.1%
California	7,816	7,643	7,341	(173)	-2.2%	(302)	-4.0%
Cheyney	1,179	900	1,000	(279)	-23.7%	100	11.1%
Clarion	5,406	5,102	5,102	(304)	-5.6%	0	0.0%
East Stroudsburg	6,123	6,222	6,222	99	1.6%	0	0.0%
Edinboro	6,087	6,061	6,061	(26)	-0.4%	0	0.0%
Indiana	13,797	13,464	13,277	(333)	-2.4%	(187)	-1.4%
Kutztown	8,843	8,516	8,320	(327)	-3.7%	(196)	-2.3%
Lock Haven	5,117	4,756	4,468	(361)	-7.0%	(288)	-6.1%
Mansfield	2,731	2,540	2,323	(191)	-7.0%	(217)	-8.5%
Millersville	7,516	7,528	7,530	13	0.2%	2	0.0%
Shippensburg	6,869	6,793	6,793	(75)	-1.1%	0	0.0%
Slippery Rock	8,549	8,584	8,581	35	0.4%	(3)	0.0%
West Chester	14,793	14,878	15,101	85	0.6%	222	1.5%
<b>System Total</b>	<b>104,459</b>	<b>102,549</b>	<b>101,687</b>	<b>(1,910)</b>	<b>-1.8%</b>	<b>(862)</b>	<b>-0.8%</b>



# 2014/15 E&G Expenditures and Uses

*(Dollars in Millions)*





# 2015/16 Cost Drivers

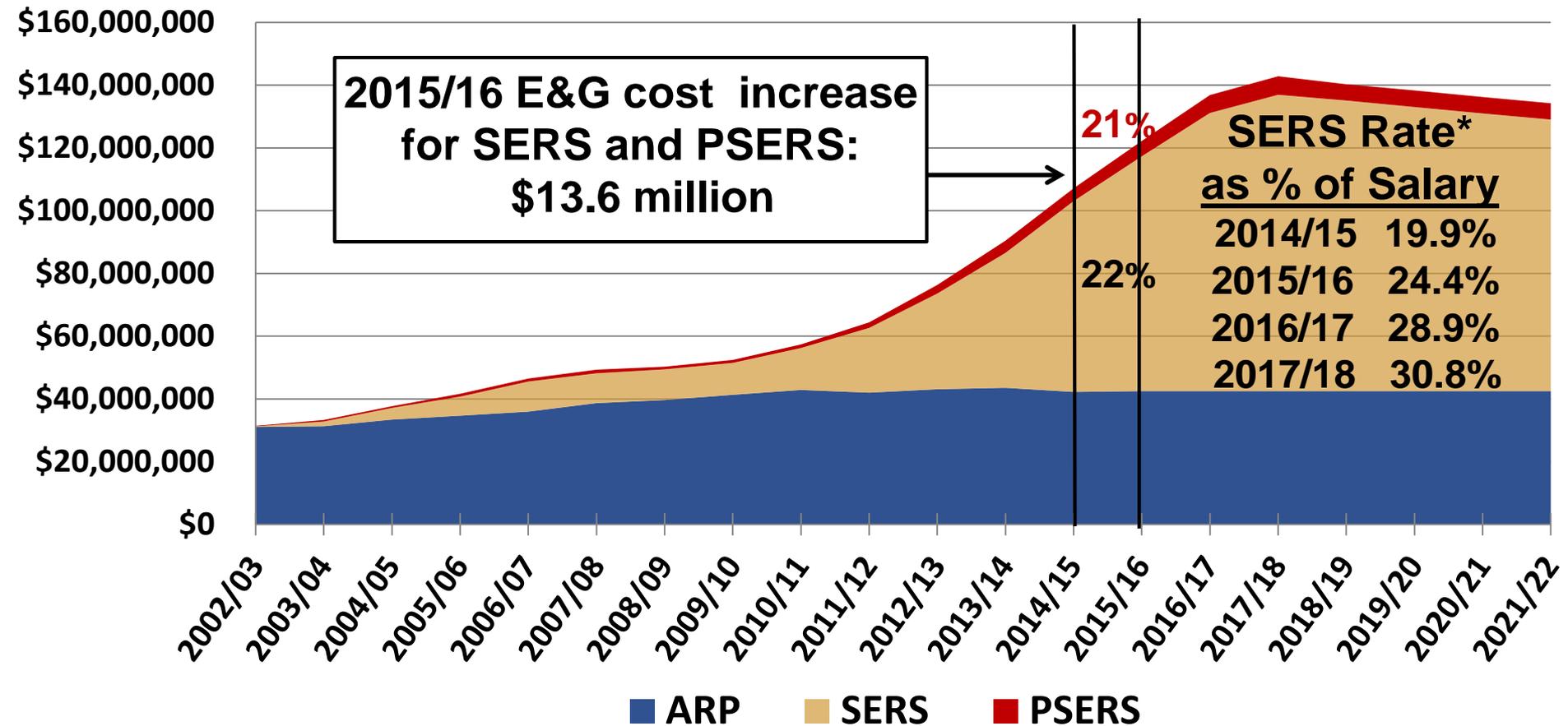
Expenditure Categories	Percent Increase	\$ in Millions
<b>Salary Adjustments</b>	<b>Unknown</b>	
<b>Employee and Retiree Health Care*</b>	<b>9%</b>	<b>\$16.5</b>
<b>Retirement*</b>	<b>14%</b>	<b>\$13.8</b>
<i>Most Common Pension Rate Change</i>	<b>22%</b>	
<b>Consumer Price Index</b>	<b>2.1%</b>	

***Stable complement—The System has 800 fewer permanent employees today than 5 years ago (fall 2009)***

***\*Varies by program.***

# Projected Retirement Costs

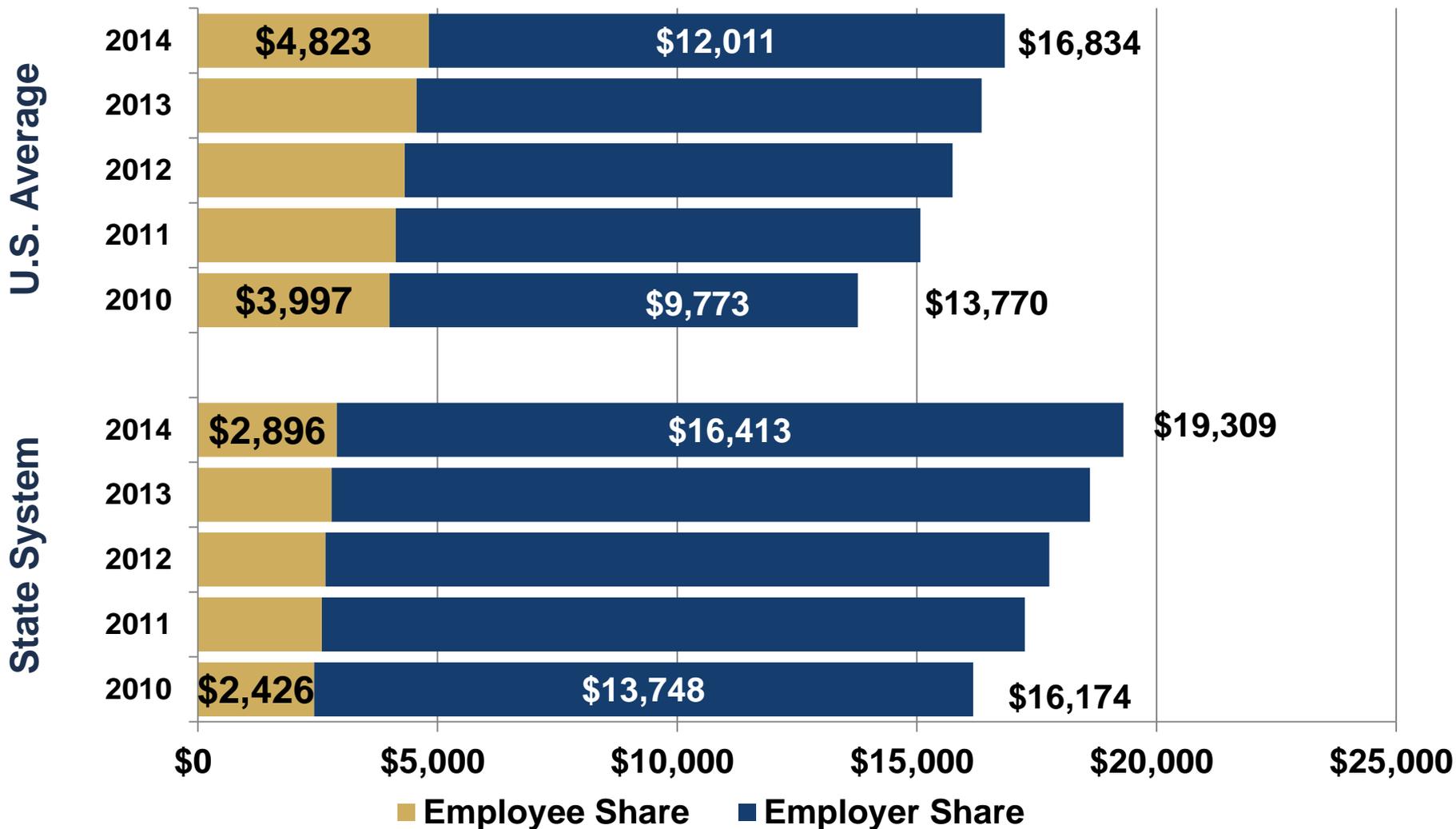
2015/16 Total: \$121 million; E&G: \$112 million



\*Most Common Rate for System Employees

# Health Care Premiums

## *Family Coverage, Average Annual*



Source of U.S. data: Kaiser Family Foundation, Employer Health Benefits 2014 Annual Survey.  
 PASSHE Data is based on PPO plan premiums and assumes wellness plan participation.

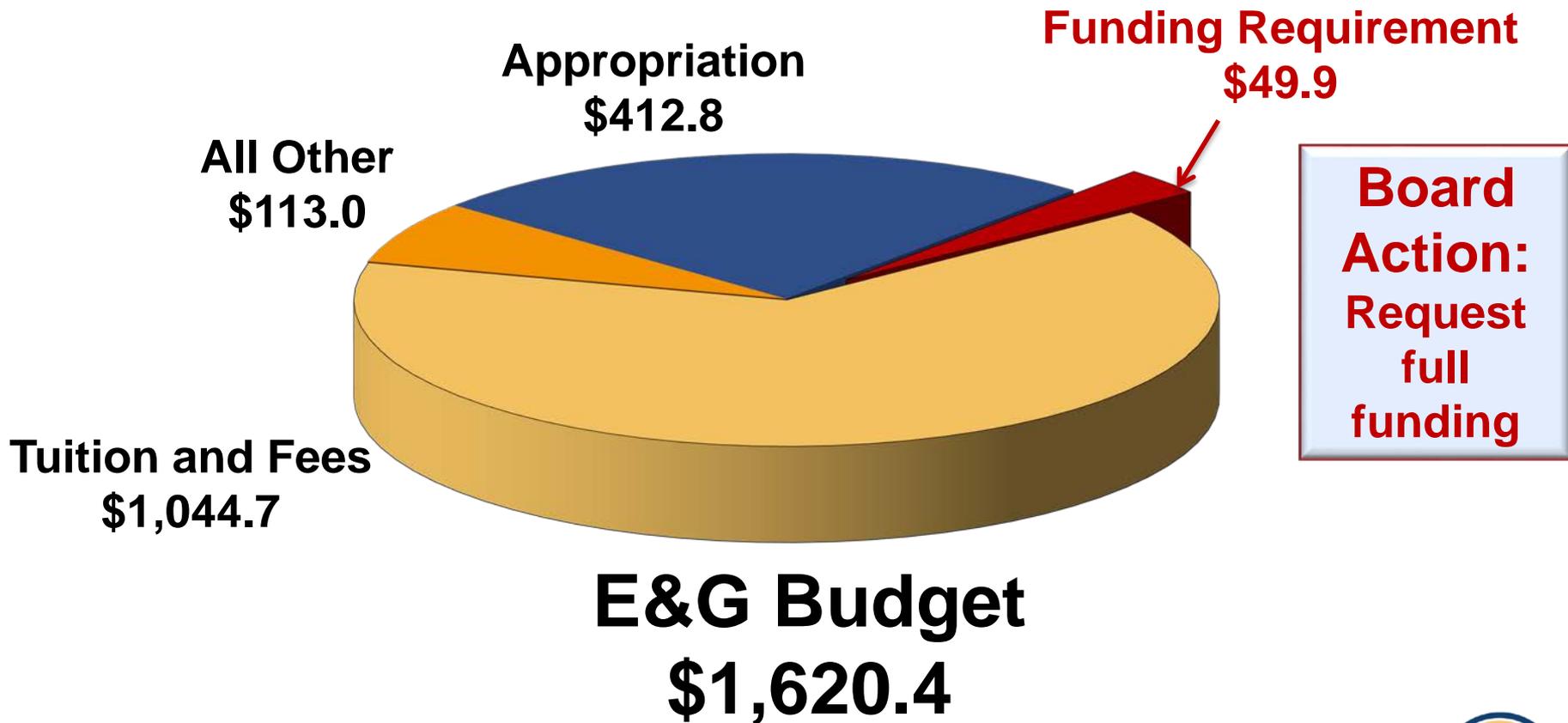
# E&G Budget *(Dollars in Millions)*

<b>Educational and General Budget</b>	<b>Percent</b>			<b>Dollar</b>		<b>Percent</b>
<b>Revenue/Sources</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>	<b>Change</b>	<b>FY 2015/16</b>	<b>Change</b>	<b>Change</b>
Tuition	\$845.0	\$856.0	1.3%	\$853.1	(\$2.9)	-0.3%
Fees	182.6	192.0	5.1%	191.6	(\$0.3)	-0.2%
State Appropriation	412.8	412.8	0.0%	412.8	(\$0.0)	0.0%
Transition Funds	0.0	0.0	n/a	0.0	\$0.0	n/a
All Other Revenue	83.0	71.7	-13.5%	71.2	(\$0.6)	-0.8%
Planned Use of Carryforward	n/a	74.4	n/a	41.8	(\$32.5)	-43.8%
<b>Total Revenue/Sources</b>	<b>\$1,523.3</b>	<b>\$1,606.9</b>	<b>5.5%</b>	<b>\$1,570.5</b>	<b>(\$36.4)</b>	<b>-2.3%</b>
<b>Expenditures and Transfers</b>						
Compensation Summary:						
Salaries and Wages	\$787.3	\$816.5	3.7%	\$813.5	(\$3.0)	-0.4%
Benefits	344.4	377.0	9.5%	406.9	\$29.9	7.9%
Subtotal, Compensation	\$1,131.7	\$1,193.6	5.5%	\$1,220.5	\$26.9	2.3%
Student Financial Aid	34.1	39.2	14.8%	39.7	\$0.5	1.2%
Utilities	33.6	34.7	3.1%	35.3	\$0.7	2.0%
Other Services and Supplies	228.3	249.7	9.4%	244.9	(\$4.8)	-1.9%
Subtotal, All Services and Supplies	\$296.1	\$323.6	9.3%	\$319.9	(\$3.7)	-1.1%
Capital Expenditures and Transfers	109.6	89.7	-18.2%	80.0	(\$9.7)	-10.8%
<b>Total Expenditures and Transfers</b>	<b>\$1,537.5</b>	<b>\$1,606.9</b>	<b>4.5%</b>	<b>\$1,620.4</b>	<b>\$13.5</b>	<b>0.8%</b>
<b>Revenue/Sources Less Expenditures/Transfers</b>						
	(\$14.2)	\$0.0		(\$49.9)		



# 2015/16 E&G Revenue and Sources

(Dollars in Millions)



*Note: Other includes miscellaneous revenue and use of carryforward. Numbers may not add due to rounding.*



# Governor's Budget

- **\$45.3 million appropriation increase**  
In 2015/16 and 2016/17
- **Freeze tuition**
- **Sales tax on student fees and books**
- **3.9% General Fund Increase**  
2014/15: 28.9 billion  
2015/16: 30.0 billion



# General Fund Projections\*

*Independent Fiscal Office, November 2014*

**\$ in Millions**

	2014/15	2015/16	2016/17	2017/18
Beginning Balance**	81			
Available Revenue***	28,700	29,023	29,897	30,836
Expenditures	<u>(29,027)</u>	<u>(30,777)</u>	<u>(32,079)</u>	<u>(32,280)</u>
Current Year Balance	(327)	(1,754)	(2,182)	(2,444)
Lapses and Supplementals	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>
Ending Balance	(171)	(1,679)	(2,107)	(2,369)

\*Based on the extension of current law and policies.

\*\*Beginning balance omitted for FY 2015/16 and thereafter.

\*\*\*Available revenues are net of refunds.

# Recent Funding History

## *with Enrollment*

	Total Appropriations	\$ Change	% Change
2004/05	\$453.6	\$18.8	4.3%
2005/06	465.2	11.6	2.6%
2006/07	487.9	22.7	4.9%
2007/08	504.2	16.4	3.4%
2008/09	497.2	(7.1)	-1.4%
2009/10	530.4	33.3	6.7%
2010/11	503.4	(27.1)	-5.1%
2011/12	412.8	(90.6)	-18.0%
2012/13	412.8	-	0.0%
2013/14	412.8	-	0.0%
2014/15	412.8	-	0.0%

Tuition Rate*	\$ Change	% Change
\$4,810	\$212	4.6%
4,906	96	2.0%
5,038	132	2.7%
5,177	139	2.8%
5,358	181	3.5%
5,554	196	3.7%
5,804	250	4.5%
6,240	436	7.5%
6,428	188	3.0%
6,622	194	3.0%
6,820	198	3.0%

FTE Enrollment	% Change
98,735	1.3%
100,390	1.7%
102,443	2.0%
103,359	0.9%
105,566	2.1%
109,637	3.9%
112,030	2.2%
109,741	-2.0%
106,977	-2.5%
104,459	-2.4%
102,549	-1.8%

*Note: 2009/10 and 2010/11 include federal ARRA SFSF appropriations*

*\*Full-time In-state Undergraduate*



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