

**Board of Governors
of the
Pennsylvania State System of Higher Education**

Meeting Minutes

140th Meeting
Thursday, October 23, 2008
Boardroom, First Floor
Administration Building
2986 North Second Street
Harrisburg, PA 17110-1201

9:00 a.m.

ATTENDING

Board of Governors:

Representative Matthew E. Baker
Mr. John M. Brinjac (designee for Governor Edward G. Rendell)
Mr. Larry Brink
Ms. Jessica Carson
Ms. Marie Conley Lammando
Mr. Paul S. Dlugolecki
Representative Michael K. Hanna
Senator Vincent J. Hughes
Mr. Kenneth M. Jarin (*Chair*)
Mr. Ryan Jerico
Mr. Kim E. Lyttle
Mr. C.R. "Chuck" Pennoni
Mr. Guido M. Pichini
Mr. Aaron A. Walton

Ms. Donna Cooper (designee for Secretary Gerald L. Zahorchak), Mr. Daniel P. Elby and Ms. Christine J. Toretta Olson were absent.

Office of the Chancellor:

Jacqueline Barnett, Esquire
Mr. James S. Dillon
Dr. Peter H. Garland
Mr. Thomas M. Krapsho

Also in attendance for participation or in support of Committee and Board activities from the Office of the Chancellor: Pamela L. Brand, Ginger S. Coleman, Steven R. Dupes, Rita C. Frealing-Shultz, Luis R. Garcia, Audrey J. Guistwhite, Kathleen M. Howley, Lois M. Johnson,

Kenneth D. Marshall, Jeffrey K. McCloud, James D. Moran, Michael A. Mottola, Donald B. Passmore, Georgia K. Prell, Lisa A. Sanno, Angela C. Smith-Aumen, Dean A. Weber, Bonnie R. Westhafer and Eric J. Zeglen.

University Presidents in attendance: Angelo Armenti, Jr., Tony Atwater, Jeremy D. Brown, F. Javier Cevallos, Robert J. Dillman, Joseph P. Grunenwald, Michelle R. Howard-Vital, Linda L. Lamwers, Maravene S. Loeschke, Francine G. McNairy, Keith T. Miller, William N. Ruud, Robert M. Smith and David L. Soltz.

Chairman Jarin called the meeting to order at 9:10 a.m. Attendance taken at the direction of the Chairman established that a quorum of the Board was present.

The Pledge of Allegiance was recited by those in attendance.

APPROVAL OF THE MINUTES OF THE JULY 17, 2008 MEETING

Chairman Jarin noted that the minutes of the **JULY 17, 2008** meeting were distributed prior to the meeting. The Chairman moved **THAT THE MINUTES OF THE JULY 17, 2008 MEETING BE APPROVED**. The motion passed unanimously.

REMARKS OF THE CHAIR

Chairman Jarin welcomed fellow Board members, University Presidents, staff and guests to the Board of Governors' meeting. Chairman Jarin announced that Board Member Senator James J. Rhoades passed away on Saturday, October 18 after being injured in an automobile accident on the previous evening. Senator Rhoades was a seven term State Senator for the 29th District of Northeastern Pennsylvania. He also served as Chairman of the Education Committee and was a member of the Appropriations, Transportation, Law and Justice, Environmental Resources and Energy Committees. In addition to this Board, Senator Rhoades served on the State Board of Education. Senator Rhoades will be recognized with a memorial resolution later in the meeting.

Chairman Jarin noted that the state Senate confirmed three student government presidents to serve on the Board of Governors of the Pennsylvania State System of Higher Education (PASSHE). Ryan Jerico, a senior majoring in science and technology with a minor in leadership studies at California University of Pennsylvania; Jessica Carson, a senior majoring in anthropology and sociology with a minor in Asian studies at Indiana University of Pennsylvania (IUP); and Larry Brink, a senior majoring in finance at Slippery Rock University of Pennsylvania.

Chairman Jarin stated that this is our first meeting since the change in world financial markets. Determining the implications for PASSHE specifically or for higher education generally is difficult. At this time each year, we project our budgetary needs for the year beginning July 1, 2009, and decide what we will request for appropriations from the General Assembly. He noted that we must be mindful of what our students and prospective students

can afford at the same time understanding the resources that must be put into their education to ensure that their education has value and meaning to the economy of Pennsylvania and beyond. Our actions today will likely be reviewed in the months to come as information becomes available on what the economy will look like for the following year.

Chairman Jarin reported about the campus smoking ban that has been put into place to provide a much healthier environment for the students, faculty, staff and visitors. Many expressions of support have been received, and the Governor as well as others support the smoking ban. The Board applauds and strongly encourages campuses to continue their assertive education campaigns and their smoking cessation programs. As we move forward with campus-based enforcement, such education and health programs will become even more important and should continue to be the focus. He stated the importance of maintaining good relations with the various boroughs, townships and cities on which the campuses are located.

The Chairman reported that as a result of the Executive Session meeting, one item was added to the Human Resources agenda. Human Resources Chair Marie Conley Lammando will present the item as part of her committee report.

Chairman Jarin reported that since the July Board meeting, the Human Resources Committee met in Executive Session to evaluate the performance of university presidents. The Finance, Administration, and Facilities Committee and the Audit Committee held workshops on October 2 and 8, respectively. The Chairman reported that the Board met in Executive Session from 9:25 a.m. to 12:25 p.m. this morning.

Chairman Jarin called on Chancellor John Cavanaugh for his report.

REPORT OF THE CHANCELLOR

Chancellor Cavanaugh welcomed those in attendance and provided a special welcome to the three new student Board members, Ryan Jerico, Jessica Carson and Larry Brink.

The Chancellor stated that much has occurred since the July Board meeting. He offered comments on accomplishments, activities and meetings that are taking place. He has visited eleven campuses, meeting with the presidents and staff members, and plans to visit the remaining three in the next few weeks. In addition, he has been busy meeting with legislators and their staff, Mayor Stephen Reed, City of Harrisburg, Mayor Michael Nutter, City of Philadelphia, Council of Trustees' Chairs, PA Association of Council of Trustees, APSCUF leadership, business and industry leaders, the Association of School Board Administrators, and the PA League of Cities and Municipalities.

The Chancellor reported that PASSHE universities have a record enrollment of 112,597 students this year. PASSHE is the largest provider of higher education in the Commonwealth. Students are receiving a high quality education at an affordable tuition cost. He also stated that minority enrollment is at an all-time high with 13,064 minority students or 11.6 percent of the total student enrollment.

Chancellor Cavanaugh announced that Art Stephens was recently named Special Assistant to the Chancellor for Information Technology. He stated that searches are underway for a Vice Chancellor for Human Resources and Labor Relations and for a Vice Chancellor for External Relations.

The Chancellor reported that several taskforces will be formed by year end: APSCUF's task force on class size; Indiana University's taskforce to explore expanding doctoral programs with sister universities; and, a taskforce to review performance indicators, outcome assessment measures and performance funding.

Chancellor Cavanaugh's written report to the Board is attached (Attachment #1). The report includes highlights of university accomplishments, fundraising grants and awards, student and faculty achievements, and university and community partnerships.

PUBLIC COMMENTS

Mr. Michael Bodinsky, Executive Director, Office and Professional Employees International Union (OPEIU), addressed the Board expressing concern over the RFP to outsource staff at Edinboro University's Gearing Health and Welfare Center. The accredited outpatient facility has served the area and university for 35 years and is staffed by physicians, nurses and medical staff. OPEIU filed an Unfair Labor Act.

COMMITTEE REPORTS WITH RELATED ACTIONS

A. Academic and Student Affairs Committee

Mr. Walton presented the report on behalf of the Academic and Student Affairs Committee. The Committee reviewed two information items: the Voluntary System of Accountability; and, an update on PASSHE University Enrollments for Fall 2008.

Two universities provided presentations: the Mansfieldians, twelve singers from the Concert Choir at Mansfield University performed several choral selections. The group specializes in vocal jazz, madrigals, and chamber music and have won national and international awards; and, West Chester University, an active participant in the movement to promote environmental sustainability across American college and university campuses, outlined the university's multi-faceted, strategic commitment to sustainability.

The Committee has two items to recommend to the Board for approval.

Mr. Walton asked the Board to consider the following motions as one vote.

Mr. Walton moved **THAT THE BOARD OF GOVERNORS:**

APPROVE THE MASTER OF ARTS DEGREE PROGRAM IN ORGANIZATIONAL LEADERSHIP AT MANSFIELD UNIVERSITY OF PENNSYLVANIA.

APPROVE THE BACHELOR OF SCIENCE DEGREE PROGRAM IN ALLIED HEALTH TECHNOLOGIES AT MILLERSVILLE UNIVERSITY OF PENNSYLVANIA.

The motions passed unanimously.

B. Advancement Committee

Mr. Lyttle presented the report on behalf of the Advancement Committee. The Committee received information on recent legislative activity and related issues, and an update on the Pennsylvania Association of Councils of Trustees (PACT) most recent activities.

There were no action items to report.

C. Audit Committee

Mr. Pichini presented the report on behalf of the Audit Committee. The Committee reviewed the Internal Review Group's 2007-08 Annual Report and approved the 2008-09 Internal Review Group's Annual Work Plan and proposed budget and staffing.

D. Finance, Administration, and Facilities Committee

Mr. Pennoni presented the report on behalf of the Finance, Administration, and Facilities Committee. The Committee reviewed one information item. Mr. Pichini noted that the Committee has nine items to recommend to the Board for approval.

Mr. Pichini moved **THAT THE BOARD OF GOVERNORS REQUIRE PASSHE ENTITIES TO HOLD IN RESERVE 4.25% OF ITS 2008/09 EDUCATIONAL AND GENERAL APPROPRIATIONS, IN ACCORDANCE WITH THE FOLLOWING SCHEDULE, AND APPROVE THE RETURN OF THESE FUNDS TO THE COMMONWEALTH OF PENNSYLVANIA IF GOVERNOR EDWARD G. RENDELL DEEMS IT NECESSARY FOR THE COMMONWEALTH'S BUDGET STABILITY (Attachment #2).**

Bloomsburg	\$1,615,541
California	1,568,093
Cheyney	679,916
Clarion	1,219,575
East Stroudsburg	1,151,963
Edinboro	1,256,735
Indiana	2,728,264
Kutztown	1,812,322
Lock Haven	1,018,229
Mansfield	842,916
Millersville	1,644,681
Shippensburg	1,436,807
Slippery Rock	1,660,346
West Chester	2,349,333
McKeever Environmental Learning Center	15,654
Office of the Chancellor	126,758
Dixon University Center	59,500
Total	\$21,186,633

The motion passed unanimously.

Mr. Pennoni moved **THAT THE BOARD OF GOVERNORS APPROVE THE ATTACHED EDUCATIONAL AND GENERAL OPERATING BUDGETS FOR PASSHE ENTITIES FOR FISCAL YEAR 2008/09 (Attachment #3).** The motion passed unanimously.

Mr. Pennoni moved **THAT THE BOARD OF GOVERNORS APPROVE THE FOLLOWING 2009/10 APPROPRIATIONS REQUEST (Attachment #4):**

EDUCATIONAL AND GENERAL	TO BE DETERMINED
PROGRAM INITIATIVES	\$22,538,000
PERFORMANCE FUNDING	\$10,538,000
INFORMATION TECHNOLOGY	\$5,000,000
ECONOMIC DEVELOPMENT	\$5,000,000
EDUCATOR EXCELLENCE	\$2,000,000
DIVERSITY AND EQUAL OPPORTUNITY	\$2,200,000
MCKEEVER ENVIRONMENTAL LEARNING CENTER.....	\$580,000
PENNSYLVANIA CENTER FOR ENVIRONMENTAL EDUCATION .	\$380,000

AND, THAT THE BOARD OF GOVERNORS APPROVE CONTINUATION OF A PERFORMANCE FUNDING POOL FOR 2009/10 EQUAL TO 8% OF THE E&G APPROPRIATION. The motion passed unanimously.

Mr. Pennoni moved **THAT THE BOARD OF GOVERNORS APPROVE THE FISCAL YEAR 2008/09 CAPITAL SPENDING PLAN AND SUBMISSION OF THE LISTS OF PROJECTS FOR LEGISLATIVE AUTHORIZATION (Attachment #5).** The motion passed unanimously.

Mr. Pennoni asked the Board to consider the following motions together.

Mr. Pennoni moved **THAT THE BOARD OF GOVERNORS:
APPROVE CLARION UNIVERSITY'S ACQUISITION OF THE PROPERTIES AT 957 AND
961 CORBETT STREET, CLARION, PENNSYLVANIA.**

**APPROVE EAST STROUDSBURG UNIVERSITY'S ACQUISITION OF THE PROPERTY AT 81
SMITH STREET, EAST STROUDSBURG, PENNSYLVANIA.**

The motions passed unanimously.

Mr. Pennoni asked the Board to consider the following motions as a group.

Mr. Pennoni moved **THAT THE BOARD OF GOVERNORS:**

**APPROVE LOCK HAVEN UNIVERSITY'S REQUEST TO BOND FINANCE A GESA PROJECT
ESTIMATED AT \$10.3 MILLION.**

**APPROVE MANSFIELD UNIVERSITY'S REQUEST TO BOND FINANCE A GESA PROJECT
ESTIMATED AT \$7.2 MILLION.**

**APPROVE MILLERSVILLE UNIVERSITY'S REQUEST TO BOND FINANCE A GESA
PROJECT ESTIMATED AT \$1.9 MILLION.**

The motions passed unanimously.

E. Human Resources Committee

Ms. Conley Lammando presented the report on behalf of the Human Resources Committee. The Committee has one item to recommend to the Board for approval.

Ms. Conley Lammando moved **THAT THE BOARD OF GOVERNORS, HAVING
EVALUATED THE UNIVERSITY PRESIDENTS AND HAVING ACCEPTED A POSITIVE
RECOMMENDATION FROM THE RESPECTIVE UNIVERSITY COUNCILS OF TRUSTEES IN
ACCORDANCE WITH BOARD POLICY, EXTENDS THE CONTRACTS THROUGH JUNE 30,
2011, FOR DAVID L. SOLTZ, ANGELO ARMENTI JR., MICHELLE R. HOWARD-VITAL,
JOSEPH P. GRUNENWALD, ROBERT J. DILLMAN, JEREMY D. BROWN, TONY ATWATER,
F. JAVIER CEVALLOS, KEITH T. MILLER, MARAVENE S. LOESCHKE, FRANCINE G.
MCNAIRY, WILLIAM N. RUUD AND ROBERT M. SMITH.** The motion passed
unanimously.

F. Information Technology

Mr. Dlugolecki presented the report on behalf of the Committee. The Committee has one item to recommend to the Board for approval.

Mr. Dlugolecki moved **THAT THE BOARD OF GOVERNORS APPROVE THE STUDENT INFORMATION SYSTEM STRATEGY PROPOSED BY CHANCELLOR CAVANAUGH AND PASSHE UNIVERSITY PRESIDENTS AND THAT QUARTERLY REPORTS BE MADE TO THE INFORMATION TECHNOLOGY COMMITTEE AND THE BOARD OF GOVERNORS RELATIVE TO THE TECHNICAL AND FINANCIAL PROGRESS OF THE INITIATIVE.** The motion passed unanimously.

G. Executive Committee

Chairman Jarin presented the report on behalf of the Executive Committee. The Committee has one item for Board approval.

Chairman Jarin moved **THAT THE BOARD OF GOVERNORS RESCIND THE FOLLOWING POLICIES.**

1984-04-A, Research and External Data Requests
1986-05, Planning
1988-02, Affirmative Action Prospectus
1989-03, Smoking in State System Buildings and Facilities
1990-05, Revolving Instructional Equipment Reimbursement Program
1993-02-A, Commonwealth Professor, Researcher, or Administrator
1999-03, Performance Indicators

The motion passed unanimously.

BOARD ACTION

Chairman Jarin moved **THAT IN THE ABSENCE OF A QUORUM OF THE BOARD, THE BOARD OF GOVERNORS AUTHORIZES THE EXECUTIVE COMMITTEE TO APPROVE THE APPOINTMENT OF A PRESIDENT FOR WEST CHESTER UNIVERSITY OF PENNSYLVANIA.** The motion passed unanimously.

Chairman Jarin moved **THAT THE BOARD OF GOVERNORS APPROVE THE STANDING COMMITTEE ASSIGNMENTS AS SHOWN IN THE STANDING COMMITTEE ASSIGNMENTS DOCUMENT DISTRIBUTED AT THE QUARTERLY BOARD MEETING, EFFECTIVE OCTOBER 23, 2008 (Attachment #6).** The motion passed unanimously.

Chairman Jarin read into the record a resolution honoring Senator James J. Rhoades. Chairman Jarin moved **THAT THE BOARD OF GOVERNORS APPROVE THE RESOLUTION (Attachment #7).** The motion passed unanimously.

ANNOUNCEMENT

Chairman Jarin announced that the next quarterly Board of Governors' meeting is scheduled for January 14-15, 2009.

ADJOURNMENT

There being no further items of business to come before the Board, the Chairman adjourned the meeting at 2:05 p.m.

ATTEST:

Peter H. Garland
Secretary to the Board

Attachment #1



Highlights from the Pennsylvania State System of Higher Education (PASSHE) October 23, 2008

University Accomplishments and Other Noteworthy Activities

Bloomsburg University of Pennsylvania's bachelor's and master's degree programs in exercise science have been accredited by the Commission on Accreditation of Allied Health Education Programs. BU's bachelor's program is one of only 12 programs in the nation to be accredited at the undergraduate level and the master's program is one of only four programs accredited at the graduate level. Each program has been accredited for five years. The university's electronics engineering technology program also recently received full accreditation from the Accreditation Board for Engineering Technology (ABET). Other BU programs accredited by ABET are health physics and computer science. The audiologist assistant master's program has been recognized by the American Registry of Radiologic Technologists (ARRT). The organization, which administers certifying examinations to graduates, determined the university's Master of Science program is in compliance with ARRT recognition criteria through July 31, 2011. The recognition means that BU graduates are automatically eligible for the certifying exams critical to careers in the field.

California University of Pennsylvania's state-of-the-art residence halls are featured in *Green Community*, a yearlong exhibition at the National Building Museum in Washington, D.C. Cal U is the only university showcased in the exhibition, which illustrates how communities large and small are changing their global impact. The exhibition spotlights the six residence halls on Cal U's lower campus, which are heated and cooled with an environmentally friendly geothermal energy system. *Green Community* will be on display through October 29, 2009, at the museum located in the Penn Quarter district. **California and Slippery Rock**

Universities of Pennsylvania are included among 212 schools from 11 states in the "Best in the Northeast" section in PrincetonReview.com's Best Colleges Region by Region and are profiled in the book, "The Best Northeastern Colleges: 2009 Edition."

Cheyney University of Pennsylvania inaugurated Dr. Michelle Howard-Vital as its 11th president on October 10. Included among the inaugural activities was the opening of the Cheyney University Student Art Exhibit, "RESTORATION." Cheyney is the oldest historically Black institution of higher education in America.

Clarion University of Pennsylvania's women's basketball program was honored as a Women's Basketball Coaches Association (WBCA) NCAA Division II Academic Top 25 program. Clarion's team grade -point average during the 2007-08 season was 3.42, the best among Pennsylvania State Athletic Conference (PSAC) schools and the 16th best in the nation in Division II.

East Stroudsburg University of Pennsylvania's hotel, restaurant and tourism management program has been accredited by the Accreditation Commission for Programs on Hospitality Administration (ACPHA) following a rigorous evaluation process. Accreditation assures students of the quality of an academic program while helping the department focus on maintaining standards and looking for ways to improve. The university dedicated its new Science and Technology Center on September 26. The new \$41 million facility houses five academic departments – biology, chemistry, computer science and security, mathematics and physics. It includes 17 teaching laboratories, nine research laboratories, 5,000 square feet of other laboratory space, nine classrooms, a planetarium, a 200-seat auditorium, a rooftop observatory, a large reception area and faculty offices. Plans also call for a museum of natural history to be added in the near future.

Edinboro University of Pennsylvania has broken ground on a new \$5 million building that will house its Speech, Language & Hearing and Nursing departments. The two-story, 25,000 square-foot facility will be constructed to meet the specific clinical and laboratory needs of the two departments. Construction is expected to be completed by March 2010. The university also has started work on what will be the largest free-standing, air-supported, domed facility in the region, named for alumnus Mike S. Zafirovski, who donated \$1.5 million toward the project. Zafirovski, the chief executive officer of Nortel, is a 1975 graduate who captained the men's swimming and soccer teams while lettering seven times.

Indiana University of Pennsylvania's community counseling and school counseling master's degree programs have received two-year accreditation from the Council for Accreditation of Counseling and Related Educational Programs. The two programs are offered through IUP's Department of Counseling. IUP has been included in the 2009 edition of The Princeton Review's, "Best 368 Colleges." The book is compiled through interviews with 120,000 college students from across the nation. There are 130 four-year accredited colleges and universities in the state and 2,343 throughout the nation. It is the eighth consecutive year that IUP has been selected for the annual guidebook. The university cut the ribbon last month on its newly renovated Performing Arts Center. The \$12 million project included extensive renovations of Fisher Auditorium and Waller Hall and joined the two buildings with a 20,000-square-foot addition and grand atrium lobby.

Kutztown University of Pennsylvania's Advising Center for Undeclared Students in the Department of Advisement has received a commendation from the Middle States Evaluation Team for its Academic Jeopardy Program. The university's Act 101 program in the Department of Academic Enrichment also was cited for its success rate in working with at-risk students. The \$31 million renovation of the Sharadin Visual Arts Building at Kutztown is expected to be completed in December. The project, which includes a 54,000 square-foot addition, will consolidate all of the university's visual arts programs into one building.

Lock Haven University of Pennsylvania has opened a new art gallery in the lower level of Bentley Hall. The new Bentley Art Gallery provides an additional venue to showcase the work of students, the university art collection and the work of visiting artists. It also will provide a learning environment for students to study the dynamics of exhibition and gallery management.

Mansfield University of Pennsylvania's baccalaureate nursing program has been granted continuing accreditation and its master's program, initial accreditation, by the National League for Nursing Accrediting Commission (NLNAC). The BSN program received full continuing accreditation for eight years and the MSN program received full initial accreditation for five years. The post-master's certificate in nursing education program also has been approved by NLNAC. The program gives nurses who already hold master's degrees in nursing the opportunity to gain the expertise necessary to be effective nurse educators. Graduates will be able to design curricula based on current knowledge of nursing, teaching techniques and learning theory. They will be able to effectively evaluate students, courses and programs, as well as to participate in accreditation procedures.

Millersville, Shippensburg, West Chester and Bloomsburg Universities of Pennsylvania all ranked in the upper tier among master's level universities in the northern region of the United States in the latest rankings by U.S. News & World Report. Millersville and Shippensburg tied for 58th in the rankings, while West Chester ranked 69th and Bloomsburg, 81st.

Shippensburg University of Pennsylvania's John L. Grove College of Business has been ranked among the best business schools in the nation for the third year in a row by The Princeton Review. The College, with a focus on the MBA program, is included in the 2009 edition of the Review's *"Best 296 Business Schools,"* an annual guide to business schools. The financial planning program has been recertified by the Certified Financial Planner Board of Standards. Completing the certified coursework is a needed step for any student who wants to become a financial advisor. Certification renewal is required annually to ensure the program is current on course offerings, faculty and information required for the CFP exam. The university has formally opened the newly renovated and expanded Dauphin Humanities Center. The \$9 million project included a complete renovation of the existing building and construction of a 4,600-square-foot addition. The building houses several academic departments, classrooms and the Office of the Dean of the College of Arts and Sciences. President Dr. William N. Ruud has been appointed to the Mayor's Commission on Literacy for the City of Harrisburg. The commission is charged with improving the literacy level of the general citizenry, improving workforce capacity with better literacy skills and promoting cooperation among literacy service providers.

Slippery Rock University of Pennsylvania broke ground earlier this month on \$1.3 million in renovations to 12 acres of campus to be used for intramural sports activities. The project is being funded by Campus Recreation and will include the creation of multi-purpose recreation sports fields that will be used for flag football, soccer, softball and Ultimate Frisbee. Four fields will have lights. More than 4,500 SRU students participate in organized intramural sports.

West Chester University of Pennsylvania's programs in sports medicine and communicative disorders have received continuing accreditation from their respective national organizations. Both programs are part of the university's College of Health Sciences.

Fundraising, Grants and Other Awards

Bloomsburg University of Pennsylvania has been awarded a four-year, \$780,000 grant to improve services and results for deaf and hard of hearing children by educating students in audiology. Specifically, the funds will be used to train audiologists to help students in kindergarten through high school achieve academic success, to recruit doctoral students from underrepresented populations and to conduct an ongoing review to ensure the quality of the university's doctoral program.

California University of Pennsylvania has received a \$954,000 grant from the U.S. Department of Defense for the third phase of its Robotics Curriculum contract, a multi-year project designed to meet the demand for military and civilian workers skilled in robotics engineering technology. Ultimately, the project aims to develop coordinated high school, associate degree and baccalaureate programs that will prepare students for careers as technicians, technologists and engineers in robotics and mechatronics. Cal U. is working with Carnegie Mellon University on the project. The university has received a \$50,000 scholarship grant from the William T. Morris Foundation that will benefit 15 theater and dance students during the 2008-2009 academic year. Established in 1937 and located in Westport, Conn., the foundation is a private philanthropic organization that supports the arts, education, health care and quality-of-life organizations.

Cheyney University of Pennsylvania will receive up to \$480,000 from the Friends Fiduciary Corporation to support of the Humphreys Hall Restoration Project and the Richard Humphreys Scholarship endowment to benefit CU students. The "Friends Fiduciary Challenge" will match every \$2 raised by Cheyney with \$1, up to a total of \$250,000 for the restoration of Humphreys Hall. The organization also will provide \$230,000 to enhance the Humphreys Scholarship endowment. The university also has been awarded a \$149,512 grant by the National Science Foundation to help support its efforts to gain accreditation for the university's chemistry program. The project, under the direction of Dr. Warren Gooden, professor of science and allied health, and Dr. Adedoyin M. Adeyiga, associate professor of science and health and the 2007-08 Lindback Distinguished Teacher of the Year, is designed to equip the chemistry program with all of the necessary instrumentation to teach students, to conduct productive research and to pursue American Chemical Society accreditation.

East Stroudsburg University of Pennsylvania has received a \$9,075 "Quality of Life" grant from the Christopher and Dana Reeve Foundation. Funding from the grant will make

possible the purchase of equipment designed to enable the delivery of instruction from the classroom into the homes of the severely disabled.

A faculty-driven initiative at **Edinboro University of Pennsylvania** has led to the creation of the Visiting Artist and Speaker Endowment, valued at more than \$100,000. The endowment, which is the culmination of nine years of work, was led by 11 Art Department faculty members and the Dean of the School of Liberal Arts.

Indiana University of Pennsylvania has received a \$300,000 gift from the PNC Foundation to help fund the construction of the Kovalchick Convention and Athletic Center. The planned \$44 million facility will include a 4,000- to 6,000-seat arena, administrative offices for IUP's John P. Murtha Institute for Homeland Security, athletic department administration offices and state-of-the-art conferencing facilities.

Kutztown University of Pennsylvania will receive a four-year, \$431,508 grant to develop additional strategies and programs to help reduce the incidence of high-risk alcohol related behaviors among students. The university already offers AlcohoLEDU for College, a web-based alcohol education course designed to assist new students in managing their transition to college life by reducing the temptations to engage in high-risk behaviors. More than 70 percent of this year's incoming freshman class successfully completed the program.

Lock Haven University of Pennsylvania has received a \$900,000 grant from the state Department of Education to expand its physician assistant program into Charles Cole Memorial Hospital in Coudersport and the Dixon University Center in Harrisburg. Pending approval by the appropriate regulatory and accrediting agencies, the university expects to welcome its first class at both locations in May 2010. The university also has received a \$599,908 scholarship grant from the National Science Foundation in support of a project titled "Nanoscience Scholars," and an \$85,400 grant from the U.S. Department of Education for a project joining faculty from several universities to improve the preparation of teachers to work effectively with at-risk students.

Millersville University of Pennsylvania's School of Science and Mathematics has received a \$584,980 grant from the National Science Foundation for a project titled, "Building the Future: Improving Recruitment and Retention of Underrepresented and Financially Disadvantaged Science and Math Students." Biology professor Dr. LaVern Whisenton-Davidson will direct the initiative. Professor Dr. Mark Snyder also was awarded an \$80,000 industrial technology equipment grant through the International Corrugated Packaging Foundation (ICPF). Half of the matching funds were specified for the acquisition of an 8'x6' sample maker/cutting plotter table designed specifically for the creation of corrugated container and display prototypes. The remaining funds will be used to purchase additional equipment to support new packaging-related curriculum initiatives within the graphic communication program.

Slippery Rock University of Pennsylvania will receive an \$850,000 grant from the U.S. Department of Health and Human Services to become the charter institution for the expansion of the "I Can Do It, You Can Do It" program, which partners college student mentors with children and adults with disabilities for weekly physical activity sessions. The university's program was selected to be the model for launching nine new "I Can Do It" programs at schools and community centers across the country. The university's new graduate program in adapted physical activity has received a four-year, \$773,990 grant

from the U.S. Department of Education/Office of Special Education Programs to support 11 graduate students a year with full-tuition scholarships. SRU's program prepares graduates to help people with disabilities lead healthier, more active lives.

West Chester University of Pennsylvania has received a total of \$1.5 million from various donors to name the new theater in the School of Music and Performing Arts Center for recently retired President Dr. Madeleine Wing Adler.

University and Community Partnerships

Bloomsburg University of Pennsylvania has received a \$95,000 expansion grant from the state Department of Community and Economic Development to continue its Workforce Leadership 2+2+2 program in computer forensics. BU has joined with Columbia-Montour Area Vocational-Technical School, Northumberland County Area Vocational-Technical School and the North Schuylkill School District and Luzerne County Community College to develop a program that allows students to begin studying computer forensics at their high school and to continue their studies at LCCC and then at Bloomsburg to earn an undergraduate degree.

Clarion University of Pennsylvania has signed a partnership agreement with Sanda University in Shanghai, China. Under the agreement, which will take effect in Fall 2009, Sanda undergraduate and graduate students will matriculate at Clarion; Sanda students with an associate degree will be able to complete a bachelor's degree at Clarion; and Sanda exchange students will receive four weeks or one semester of intensive English instruction at Clarion. Clarion University faculty and graduate students may participate in an exchange program by teaching English at Sanda and Sanda faculty and graduate students will participate in exchange programs to teach Chinese at Clarion.

Student and Faculty Recognition

Cheyney University of Pennsylvania alumnus LeRoy McCarthy won the Silver Award from the Philadelphia International Film Festival for his documentary titled "Liberty, Friends, and the Pursuit of Education." McCarthy wrote, produced and directed the documentary, which shows the history of the African American journey in Philadelphia through the growth of Cheyney University, founded in 1837 as the Institute for Coloured Youth.

Clarion University of Pennsylvania associate professor of history Dr. Todd Pfannestiel has been named to a three-year term on the Board of Directors of the Pennsylvania Humanities Council (PHC). He is one of five new appointees to the 18-member board. Over the last three decades, the PHC has been a leader in making the humanities accessible to every Pennsylvanian. Dr. Pfannestiel has worked with the PHC before as a speaker for its Commonwealth Speaker Series and as an external consultant for PHC's evaluation by the National Endowment for the Humanities. Recent graduate Megan Laskowski became the first student to win a Telly Award, which recognizes the best local, regional and cable television commercials and programs, as well as the finest video and film productions and work created for the Web. Laskowski created a film to promote the university's Honor's

Program. The 28th Annual Telly Awards received more than 14,000 entries from all 50 states and five continents.

Edinboro University of Pennsylvania graduate Dave Filoni made his film directorial debut with the animated “Star Wars: The Clone Wars,” which grossed \$25 million in its first 10 days. Filoni graduated from Edinboro in May 1996 with a Bachelor of Fine Arts degree in animation and got his start in animation as an assistant director on the Fox television program “King of the Hill.”

Kutztown University of Pennsylvania's field hockey coach Betty Wesner recently recorded her 300th victory as a head coach. Wesner, in her 29th season, has an overall record of 300-216-15. She is the 21st field hockey coach in NCAA history – and only the fifth in Division II – to reach the 300-win plateau.

Lock Haven University of Pennsylvania's chapter of the Phi Kappa Phi honor society was featured in the 2008 awards issue of the Phi Kappa Phi journal, *Forum*. The article focused on the LHU chapter's literacy program which, with support from Borders book store, helps build school libraries and encourages students at local elementary schools to read more.

Mansfield University of Pennsylvania professor Denise Seigart is serving a fellowship at Charles Sturt University in Australia conducting research on school-based health care. She then will travel in the spring to Mipissing University in Canada to continue her research. Music professor Kenneth Sarch's arrangement of three movements of Ben Franklin's *Quartet for String Orchestra* has been published by Ludwig Masters Music Publications. Armed with a faculty development grant from MU, Sarch researched Franklin's composition at the Philadelphia Free Public Library before working on his arrangement. When the arrangement was finished, Sarch and an MU student string quartet were invited to perform the work at the opening of a new wing of the Rare Books Library in Harrisburg.

Millersville University of Pennsylvania's student chapter of the American Meteorological Society (AMS) has been awarded Chapter of the Year by the AMS Council, the highest achievable award given by the national society each year. Established in 1986, the chapter is “widely recognized as one of the top undergraduate meteorology programs in the nation,” said AMS president Jim Kurdzo.

The Millersville chapter of the AMS received this prestigious award for the second year in a row, only the second chapter in the country to do so. MU elementary and early childhood education professor Dr. Lesley Colabucci has been appointed to the Intellectual Freedom Committee of the American Library Association's Young Adult Library Service Association. This two-year appointment involves advising librarians and teachers of available services and support for resisting local pressure and community action designed to impair the rights of adolescent readers.

West Chester University of Pennsylvania student Andrew Lowy won the National Student Dramaturgy Award at the Kennedy Center American College Theatre Festival sponsored by the Literary Managers and Dramaturgy Association. Lowy is a third-year theater/dance major. Dr. Margaret Ottley, an associate professor in WCU's Department of Kinesiology, was one of two sports psychologists assigned to the U.S. Olympic track and field team during the Summer Olympic Games held in August in Beijing, China.

Attachment #2



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

September 19, 2008

Dr. John C. Cavanaugh
Chancellor
Pennsylvania State System of Higher Education
2986 North Second St.
Harrisburg, PA 17110

Dear Dr. Cavanaugh:

On Tuesday I directed commonwealth agencies to reduce spending, eliminate out-of-state travel and fill vacancies only in the rarest of occasions. I took this action in response to clear indications that Pennsylvania is beginning to experience the weakness seen in the national economy over the past several months. Our unemployment rate, which has been at or below the national average for 65 of the past 67 months, rose to 5.4 percent in July. Revenue collections through August are 3.3 percent less than we had projected.

To ensure that the commonwealth's budget remains in balance, we need to reduce spending now. To that end, I directed agencies under my jurisdiction to identify 4.25 percent of discretionary spending in their 2008-09 budgets that can be held in reserve. I asked agencies that provide public safety to reduce their budgets by 2 percent; those agencies providing health and education services were given smaller percentage targets to meet. These reductions, along with the restrictions on hiring and out-of-state travel, are expected to produce savings of \$200 million this fiscal year.

I do not take this action lightly, especially since my administration has already gone to great lengths to constrain the growth of the commonwealth's administrative spending over the last six years. With this year's enacted budget, administrative spending is only 1.7 percent higher – in real dollars – than it was when I took office. The \$200 million I directed agencies to identify will no doubt be realized in large measure by further reducing administrative spending, which will make it even more challenging for our agencies to do the excellent work they do each day.

September 19, 2008
Page 2

I am writing to you today to ask you to make the same sacrifices our commonwealth agencies are making. I would like you to review your current-year budget and freeze spending in your organization by 4.25 percent. I realize this is no simple task; any cuts in spending will inevitably affect deserving programs and services that benefit the commonwealth and its residents. If our revenue picture brightens in the months ahead we will notify you and I hope we can free up some of the money held in reserve.

These are difficult economic times for our commonwealth and for the nation, and difficult times call for an extraordinary response. Please let me know by September 26 how you will meet this goal. Thank you for participating in this joint effort to keep the commonwealth's budget stable during this period of economic uncertainty.

Sincerely,

Edward G. Rendell

Edward G. Rendell
Governor

cc: Honorable Mary A. Soderberg



**Educational and General Operating Budget Summaries
for Pennsylvania State System of Higher Education Entities**

Fiscal Year 2008/09 Highlights

Revenue/Sources

Tuition—The Board of Governors approved a 3.5% tuition rate increase for fiscal year 2008/09. This rate increase, combined with an average enrollment growth of approximately 1.3%, is resulting in overall tuition revenue increases of 4.6%. University-specific enrollment projections are provided on each page.

Fees—The Universities' Councils of Trustees set institution-based student fee rates. Student fees include mandatory fees charged to all students, such as instructional support fees, activity fees, and health center fees, as well as optional fees charged to students for specific services or privileges, such as parking fees. On average, University-based mandatory fee revenue increased 5.4% in 2008/09. Also included in this revenue category is the Technology Tuition Fee, which increased 3.4%, as determined by the Board of Governors. Fee revenue increases vary by University depending upon changes in institutional fee structures and enrollment.

State Appropriation—In 2008/09, PASSHE received a 3.0% increase in its Educational and General (E&G) appropriation. The E&G appropriation is allocated to Universities through two methods: 94% is distributed through PASSHE's allocation formula, and the remaining 6% is distributed based upon performance. Performance funding provided through the Program Initiatives line item, totaling \$10.0 million, is excluded from E&G budget summaries since these funds are reserved for one-time library and accreditation investments and are incorporated in PASSHE's line item request.

All Other Revenue—Included in this category are unrestricted gifts, contracts and grants, investment income, educational fees for noncredit activity, parking and library fines, and other miscellaneous revenue sources. Activities generating these revenues vary widely by University and often tend to be nonrecurring. Most Universities do not anticipate increases and/or continuation of certain miscellaneous revenue sources until these revenues are received, but also limit expenditures supported by these specific revenue streams in their budget estimates.

Use of Carryforward Fund Balance—From time to time, some Universities may have the opportunity, either through greater than anticipated enrollment/revenue growth or through disciplined multi-year planning, to set aside revenues for future year activities. This is represented by a negative number in Use of Carryforward Fund Balance. When a University is using funds carried forward from a previous year, a positive number will appear on this line. This practice is an exceptional management tool allowing Universities to anticipate and fund large one-time purchases and multi-year projects. Typical initiatives funded in this manner tend to include new academic programs, major equipment purchases and upgrades, facilities improvements, and transitions through demographic changes.

Fiscal Year 2008/09 Highlights

Expenditures/Transfers

Compensation—For 88% of PASSHE's employees, compensation rates are specified within eight different collective bargaining agreements. Employee benefits allow multiple choices for health care and retirement programs. Each University's mix of employees among bargaining units, the benefits choices they make, and their years of service result in varying increases in personnel costs. In addition, some Universities have made minor changes to the number of employees within each unit that they expect to fund in each year, as reflected at the bottom of each page. Universities budget compensation expenses based upon anticipated filled positions, taking into consideration retirements, anticipated vacancies, and regular annual turnover in employee complement.

Salaries and Wages—Fiscal year 2008/09 represents the second year of new contracts with most bargaining units and incorporates various combinations of increment and general pay increases, including the residual impact of January 2008 pay increases. The 2008/09 fiscal impact of these increases ranges from 1.5% to 3.3%. Coupled with these compensation increases are changes to University-budgeted complement to support enrollment increases, accreditation requirements, and efficiency and productivity concerns. These changes in complement, coupled with compensation increases, result in an average salary and wage increase of 4.0%.

Benefits—Health care rate changes for 2008/09 range from a 0.3% decrease in PASSHE's employee hospitalization to a PEBTF health care rate increase of 15.6%. The State Employees' Retirement System rates, in which almost half of PASSHE employees participate, increased approximately 0.3%. In addition, salary and complement increases result in corresponding increases in retirement and social security expenditures. In total, employee benefits expenses are increasing 10.0%.

Services and Supplies—Expenditures in this category support all the day-to-day University operations, including professional services; teaching, office, and custodial supplies; travel; subscriptions and memberships; utilities; postage; student aid expenditures; and leases. Costs in several commodity areas were contained through System-wide strategically sourced procurements. In addition, Universities routinely purchase products and services from Commonwealth contracts to reduce costs. During 2008/09, utility rates are anticipated to increase an average of 7.0%; in total, service and supply expenditures increase 3.8%. Some of these increases are one-time activities associated with designated fund sources.

Capital Expenditures and Transfers—Included in this category are purchases of items, such as equipment, furniture, and library materials, as well as land and building improvements that have a useful life that is depreciated over time. PASSHE budgets these expenditures on a cash basis, rather than budgeting depreciation. University transfers generally fund physical plant expenditures and debt. Some transfers may reflect a commitment for future projects. University transfers can vary widely from year to year. Final bond purchases for AFRP made in July 2008, along with other recently issued debt, will increase debt service by approximately \$2.5 million annually System-wide.

Fiscal Year 2009/10 Highlights

Revenue/Sources

The Universities are instructed to submit unbalanced budgets for the request year. Universities are provided instructions with which to develop their 2009/10 budget requests, which include anticipated increases in salaries, benefits, and other cost categories. University expenditure estimates and projections for University-based revenue sources are used to determine PASSHE's budget request parameters. Since no assumptions have been made concerning increases in state appropriations and tuition rates, University budget summaries reflect the required additional revenue necessary to balance each University's budget.

Tuition—Increases in tuition revenue reflect the impact of enrollment increases, with an average increase of 1.0%. No tuition rate increase has been assumed at this time.

Fees—Included in this category are the Technology Tuition Fee, which is established by the Board of Governors, and all University-based student fees. The Universities' Councils of Trustees set student fee rates each spring. Although some mandatory fee increases are anticipated, instructional support and technology tuition fee increases occur in concert with the general tuition rate.

State Appropriation—No E&G appropriation increase has been incorporated at this time; each University's 2009/10 appropriation is the same as its 2008/09 appropriation. Although each University's allocation of the E&G appropriation will change based upon the allocation formula and performance funding results, no adjustments have been made to anticipate the impact of those changes.

All Other Revenue—As in 2008/09, most Universities do not anticipate increases and/or continuation of certain miscellaneous revenue sources until these revenues are received. In addition, they limit expenditures supported by these specific revenue streams in their budget estimates.

Use of Carryforward Fund Balance—Some Universities have identified carryforward funds to support large one-time purchases and multi-year projects. Typical initiatives funded in this manner tend to include new academic programs, major equipment purchases and upgrades, facilities improvements, and transitions through demographic changes.

Fiscal Year 2009/10 Highlights

Expenditures/Transfers

Compensation—Some Universities have made minor changes to the number of employees within each unit that they expect to fund in each year. However, any overall increase in total budgeted complement for a University is funded by increased tuition and fee revenue associated with enrollment growth.

Salaries and Wages—Salary increases vary by bargaining unit, based upon the existing agreements. Compensation includes a combination of increment and general pay increases. The 2009/10 fiscal impact of these increases ranges from 4.1% to 5.4%. Overall, a 4.9% increase in salaries and wages is anticipated, based upon these assumptions.

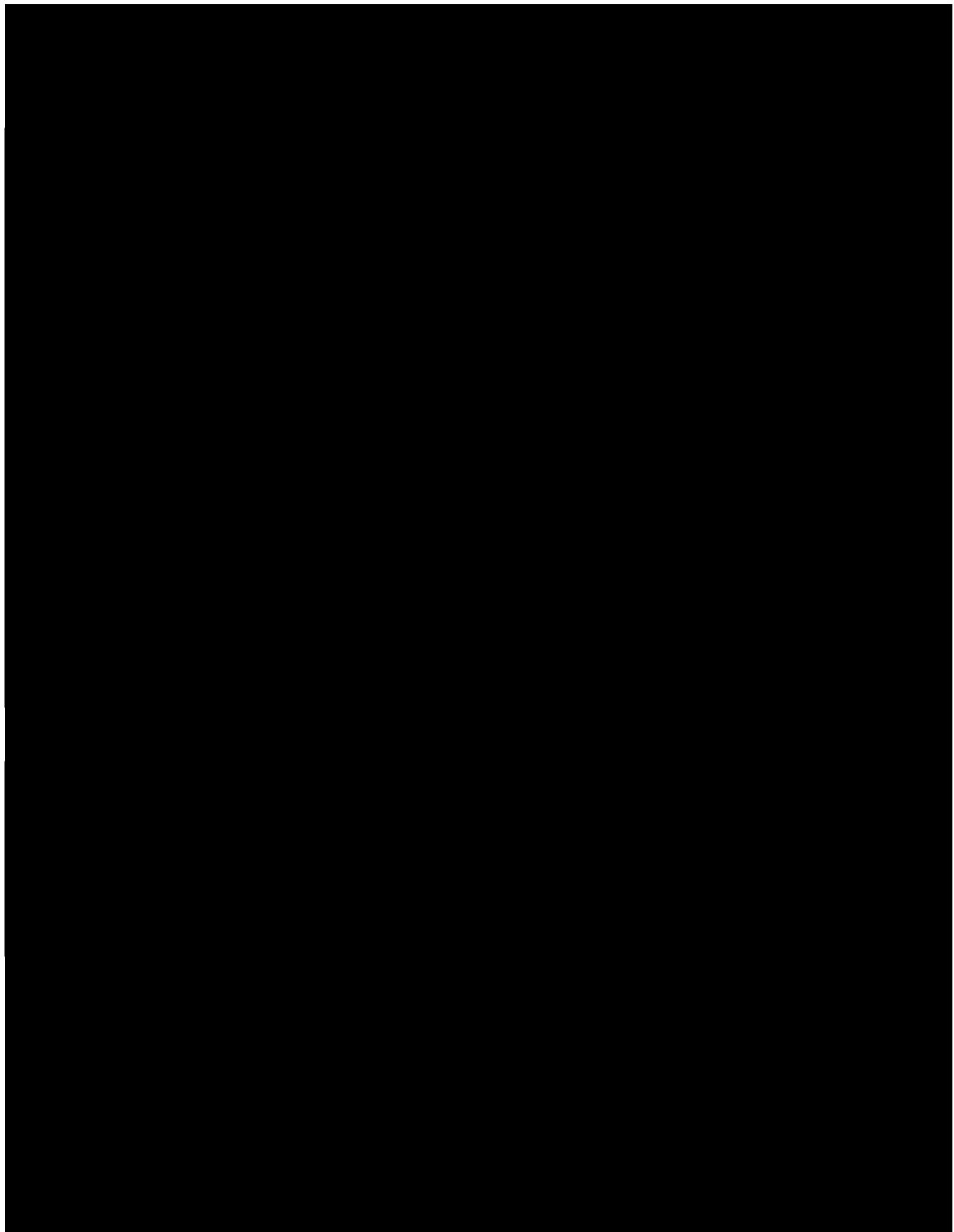
Benefits—Preliminary health care rate changes for 2009/10 include increases in PASSHE's various health care options for faculty, coaches, and management of 10.0%. The Commonwealth's PEBTF combined health care rates are to increase 9.1%. Retirement rates remain constant, although retirement and social security costs increase as salaries and wages increase. Overall, a 7.5% increase in benefits costs is anticipated based upon these rate assumptions.

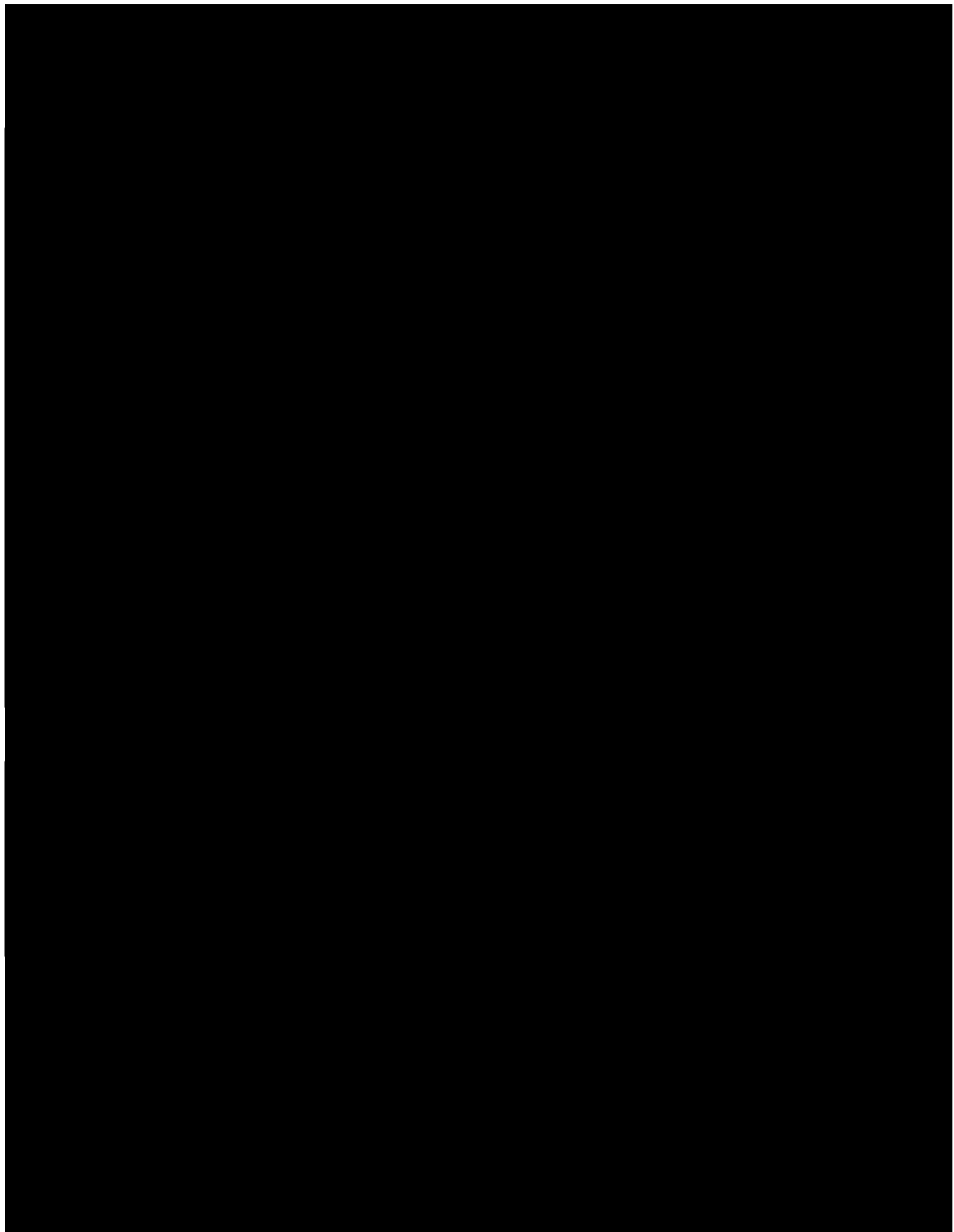
Services and Supplies—For 2009/10, library materials are anticipated to increase 10.0% and utility rate increases average 7.0%. Some will be higher, as four Universities and the Office of the Chancellor will experience increases of 15% to 20% in this fiscal year caused by the expiration of electrical rate caps on December 31, 2009. All other costs are estimated, on average, to stay well below an estimated CPI increase of 3.4%, although University estimates vary.

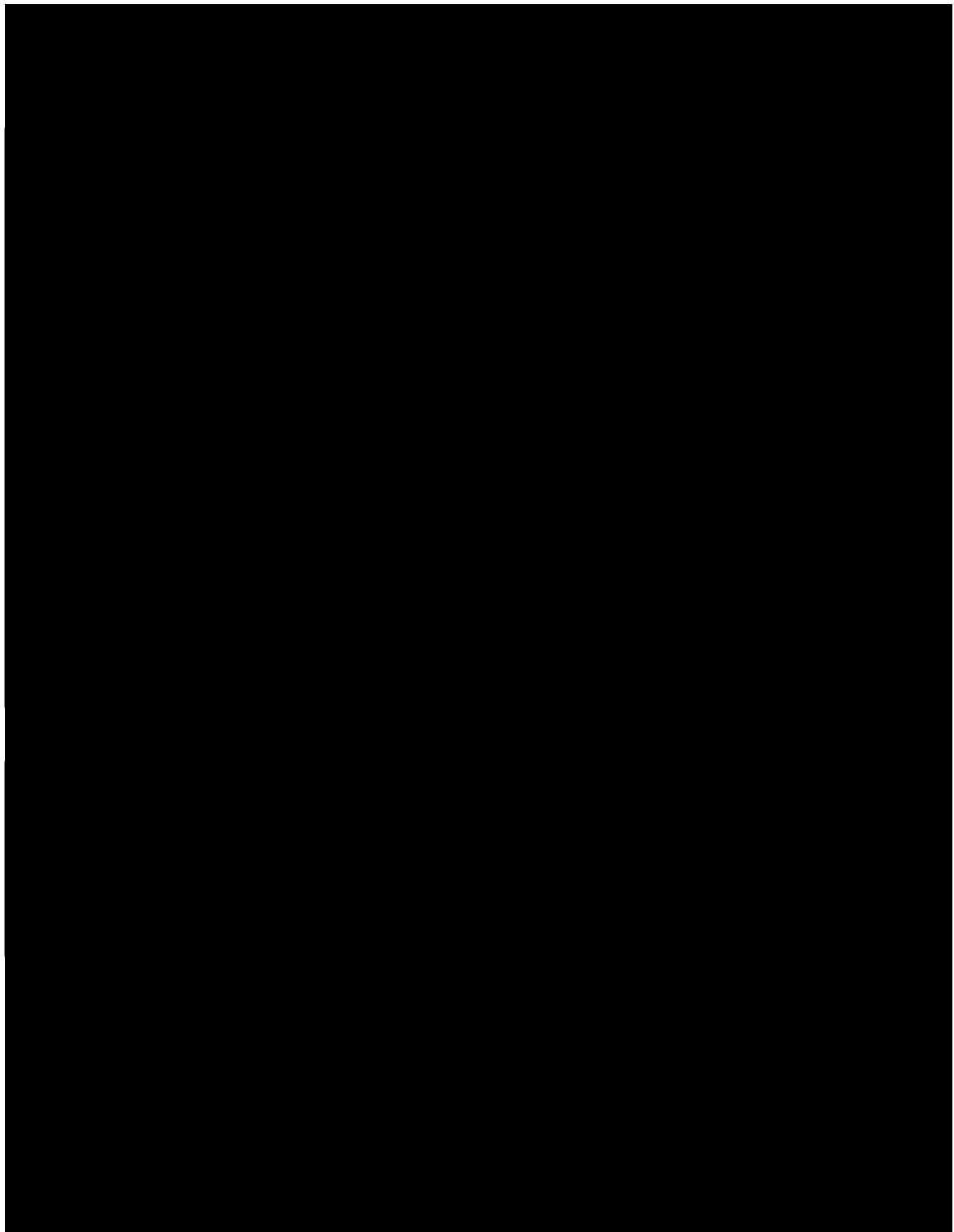
Capital Expenditures and Transfers—Capital Expenditures may increase or decrease, depending upon the level of one-time equipment purchases in each year. Library material costs for every University include a 10.0% increase to keep pace with inflation for these goods. Increases in transfers reflect an increase in the debt service associated with the Academic Facilities Renovation Program (AFRP), which began in 1996. Through this program, PASSHE has bond-financed specific facilities renovation projects, to be repaid from operating funds, as a match to state capital funding. Most of these facilities projects are near completion. Recently issued debt, which includes AFRP, will increase debt service by approximately \$0.7 million System-wide. Other increases in the investment in life cycle renewal of E&G facilities and infrastructure are also incorporated. These increases are offset partially by reductions of one-time facilities initiatives undertaken in 2008/09.

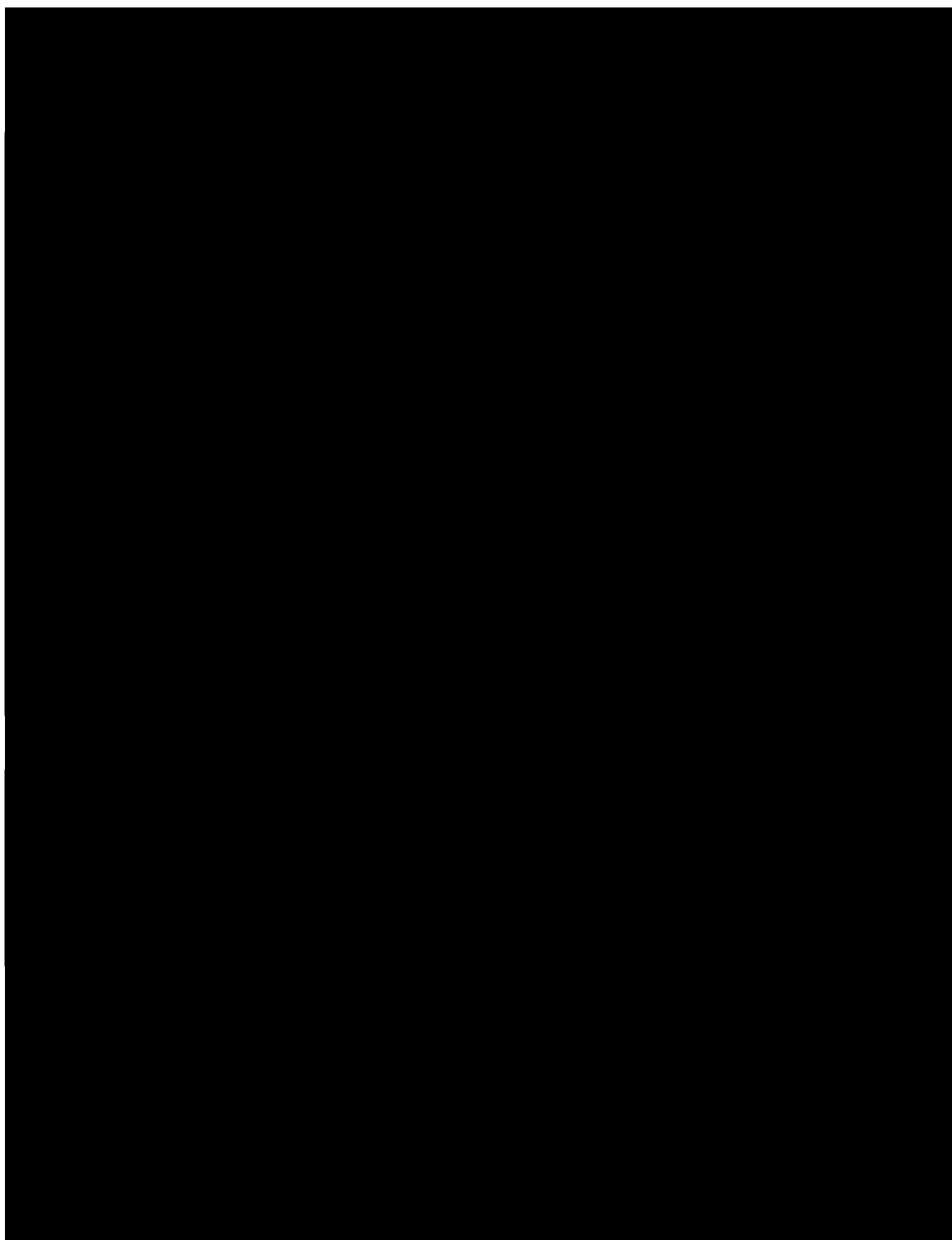
Revenue/Sources Less Expenditures/Transfers—Universities were instructed to submit unbalanced budgets for 2009/10 since no tuition or appropriation increases were assumed. Each University's ending balance reflects a negative number, representing the amount of additional revenue needed to balance the budget.

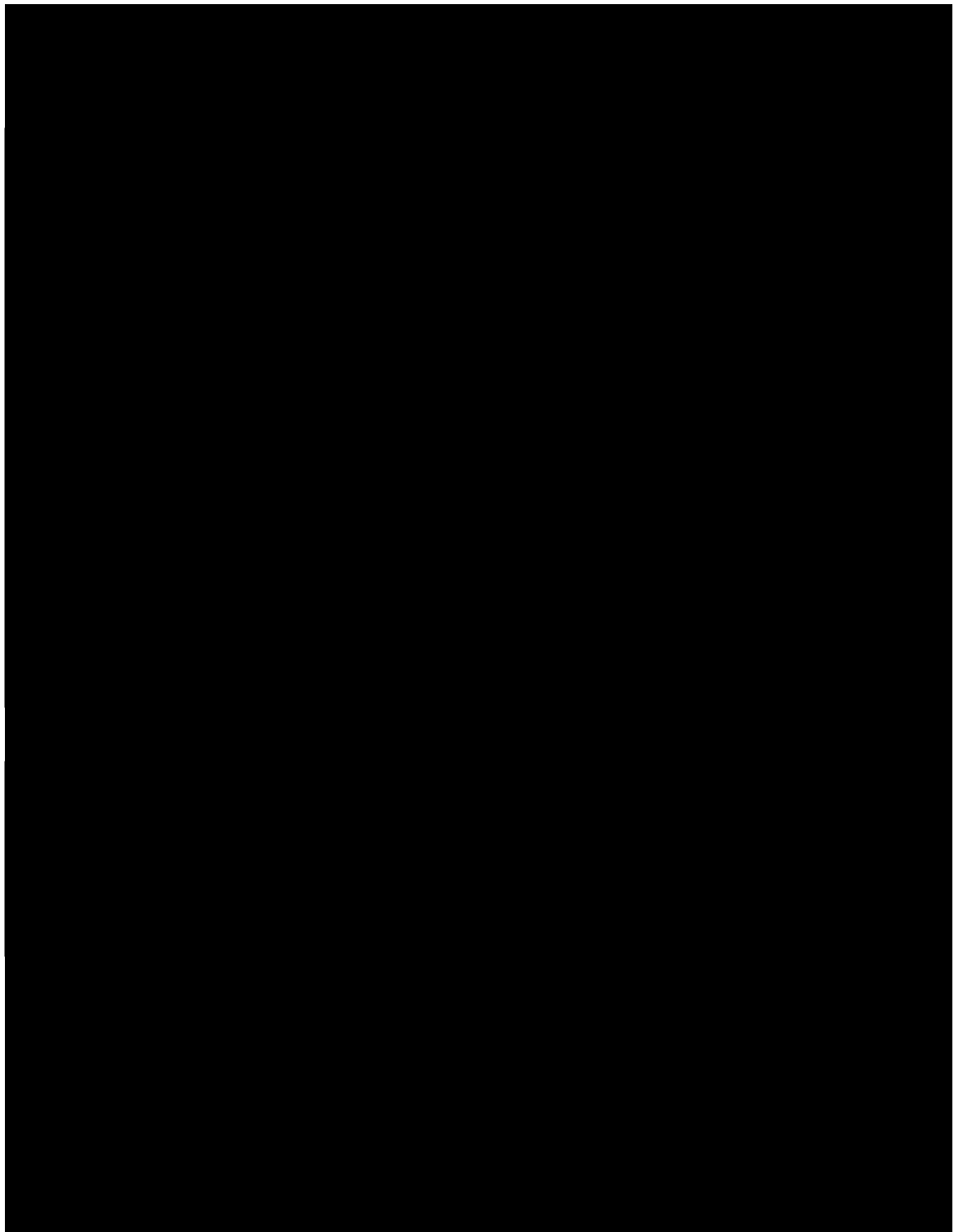


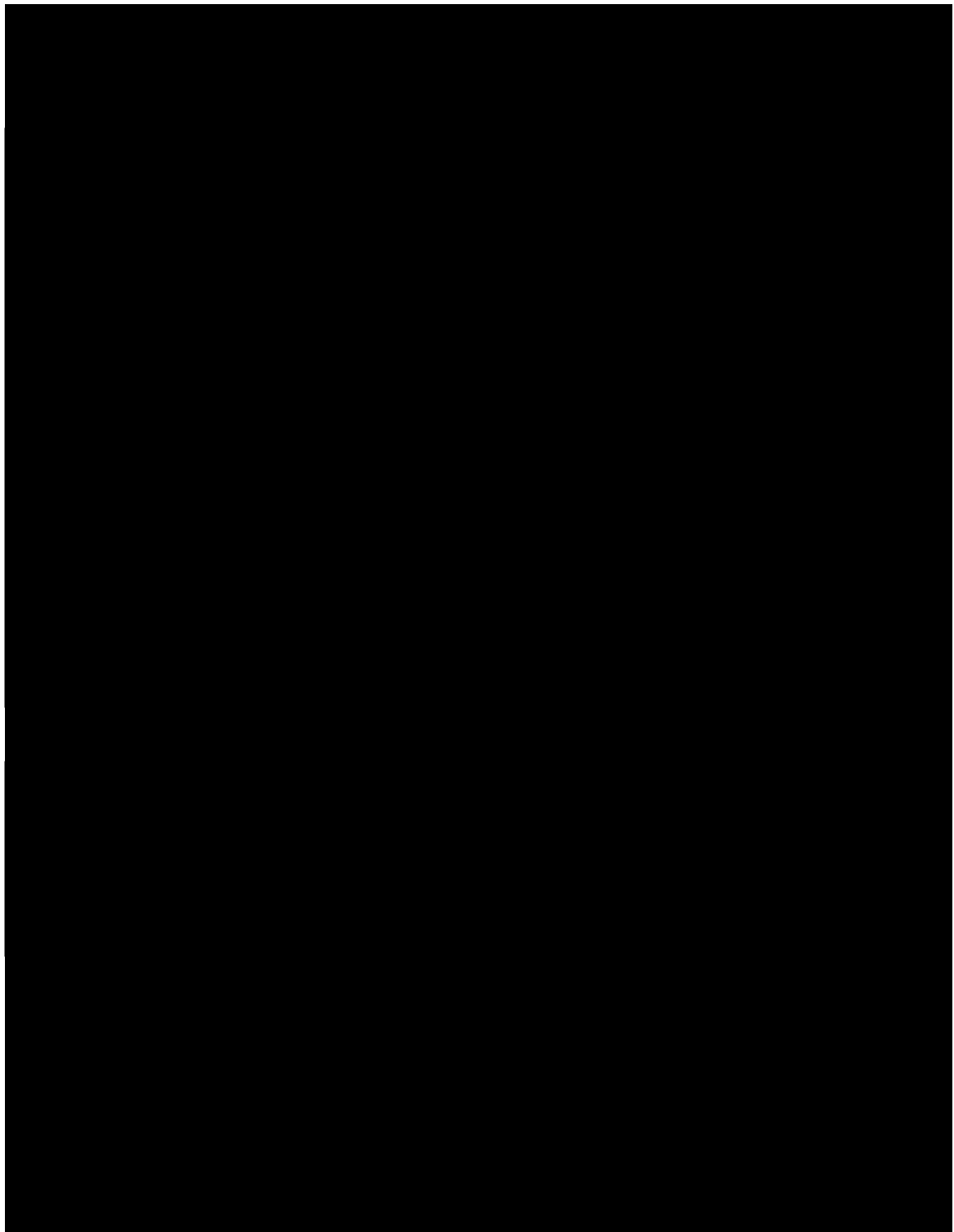


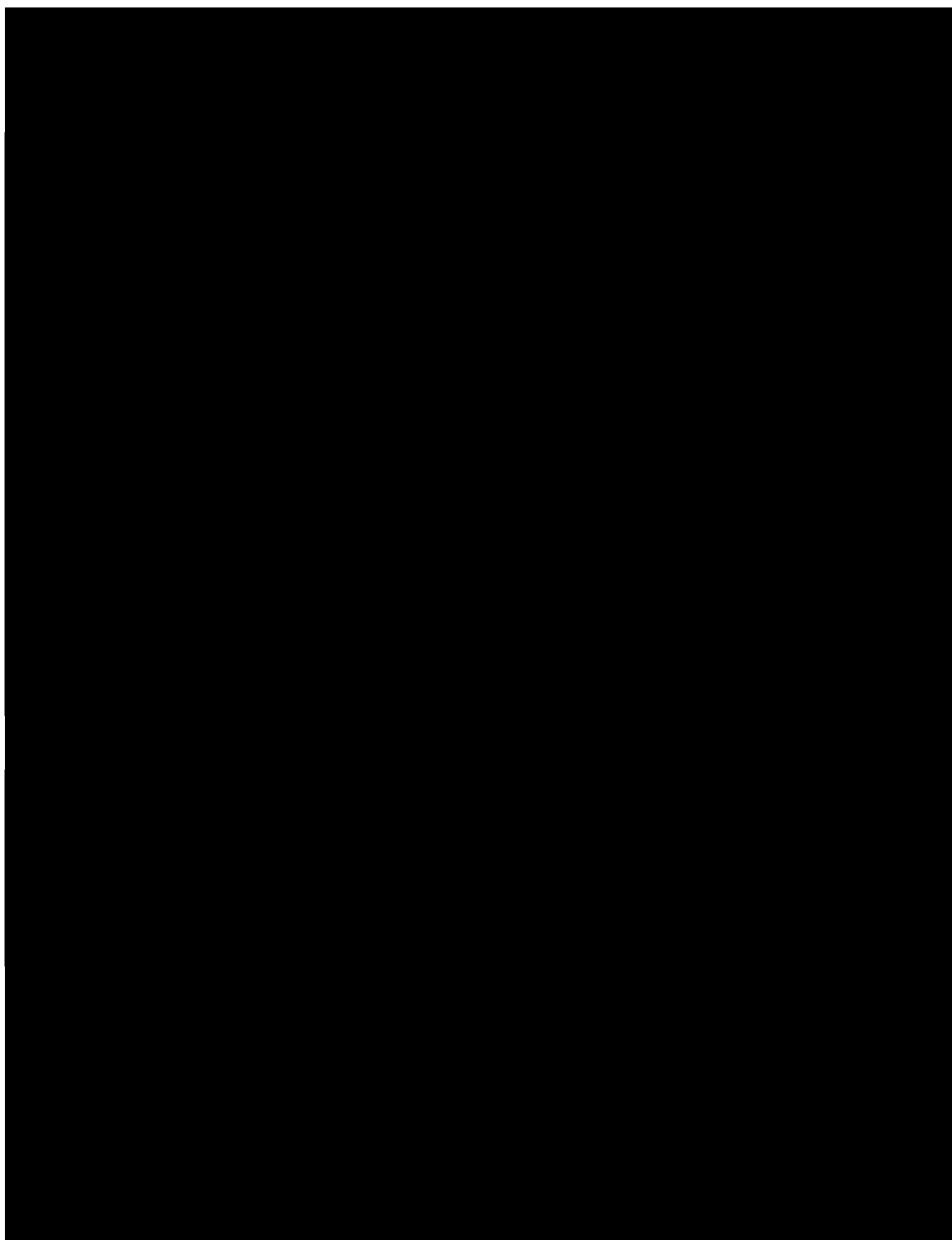


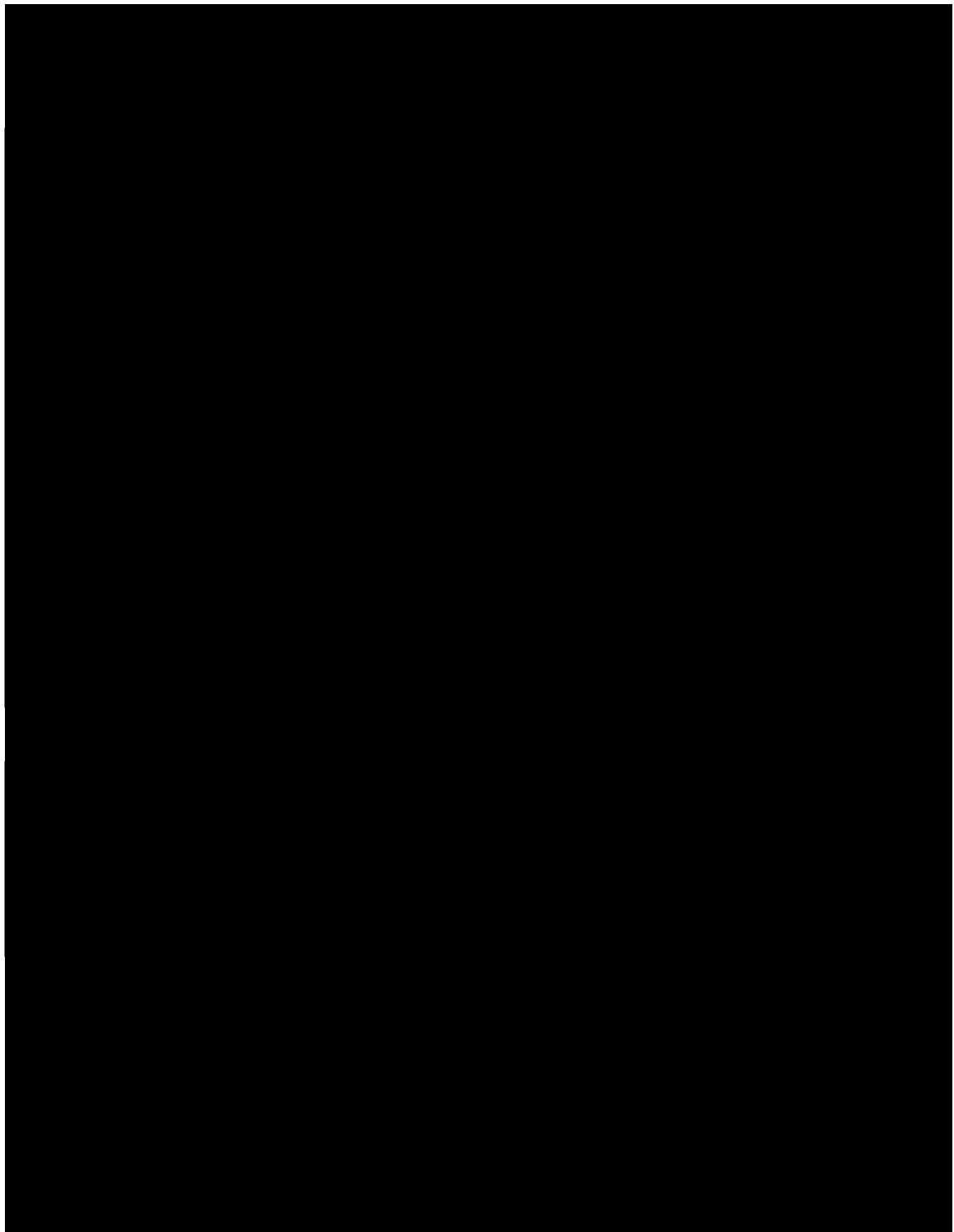


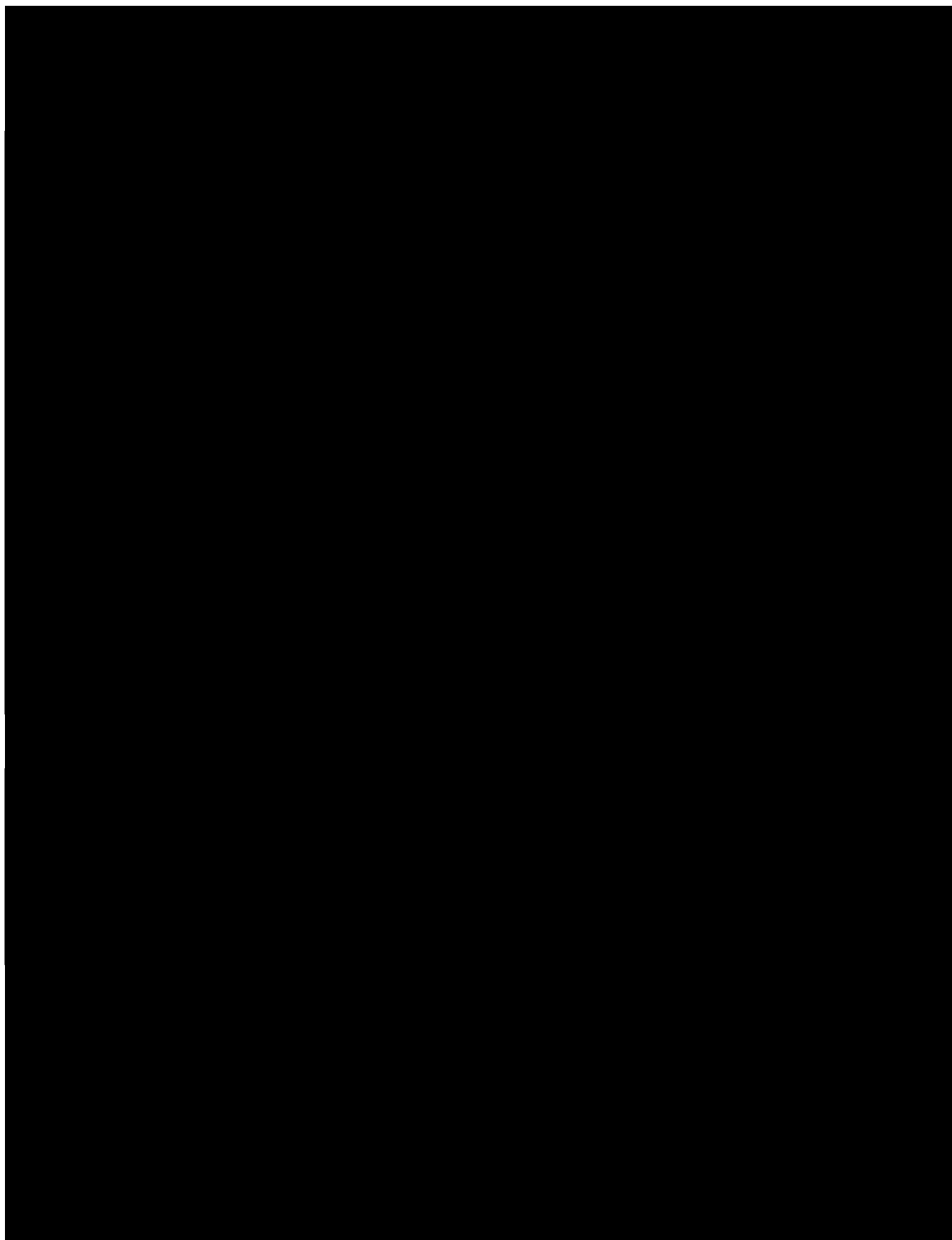


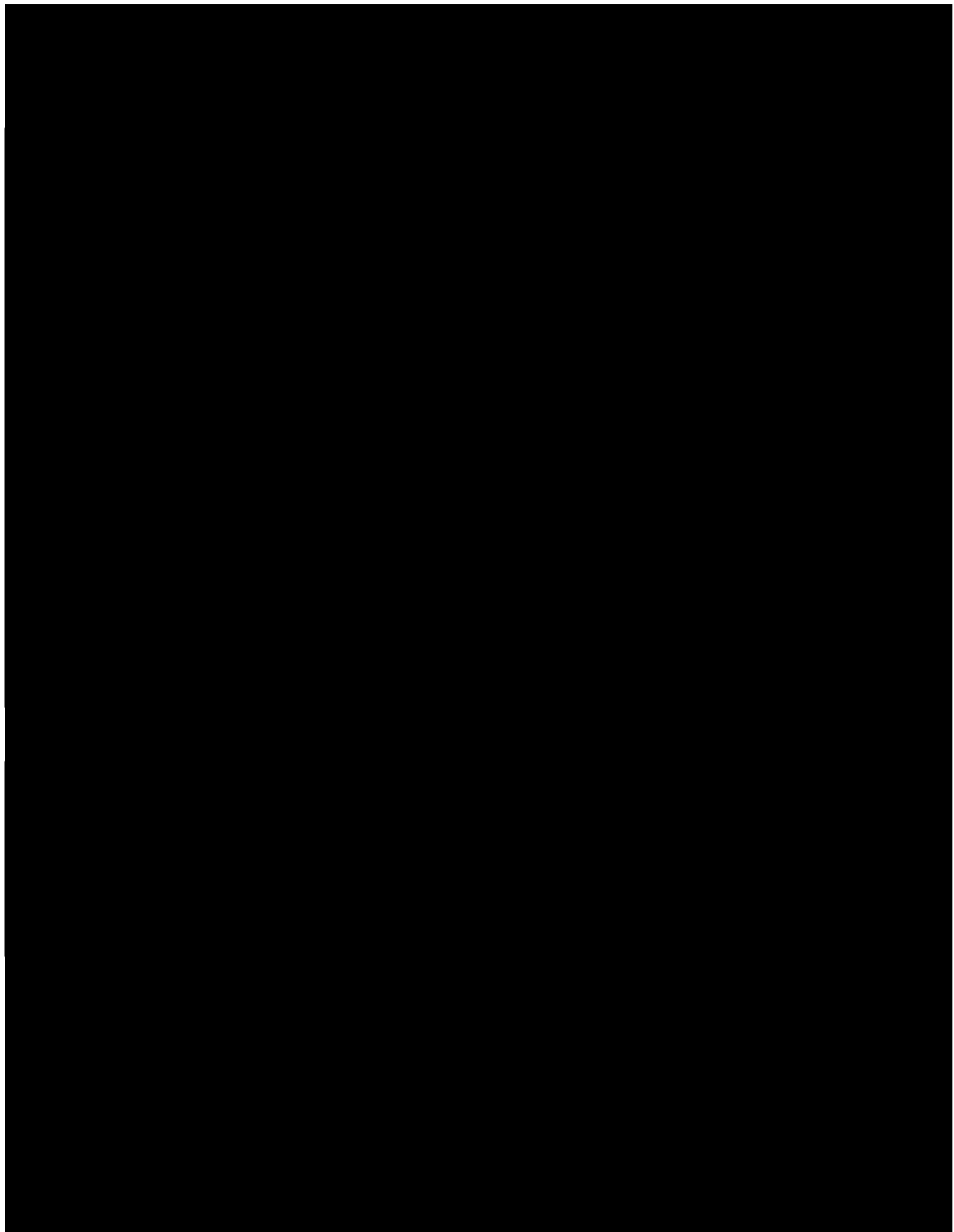


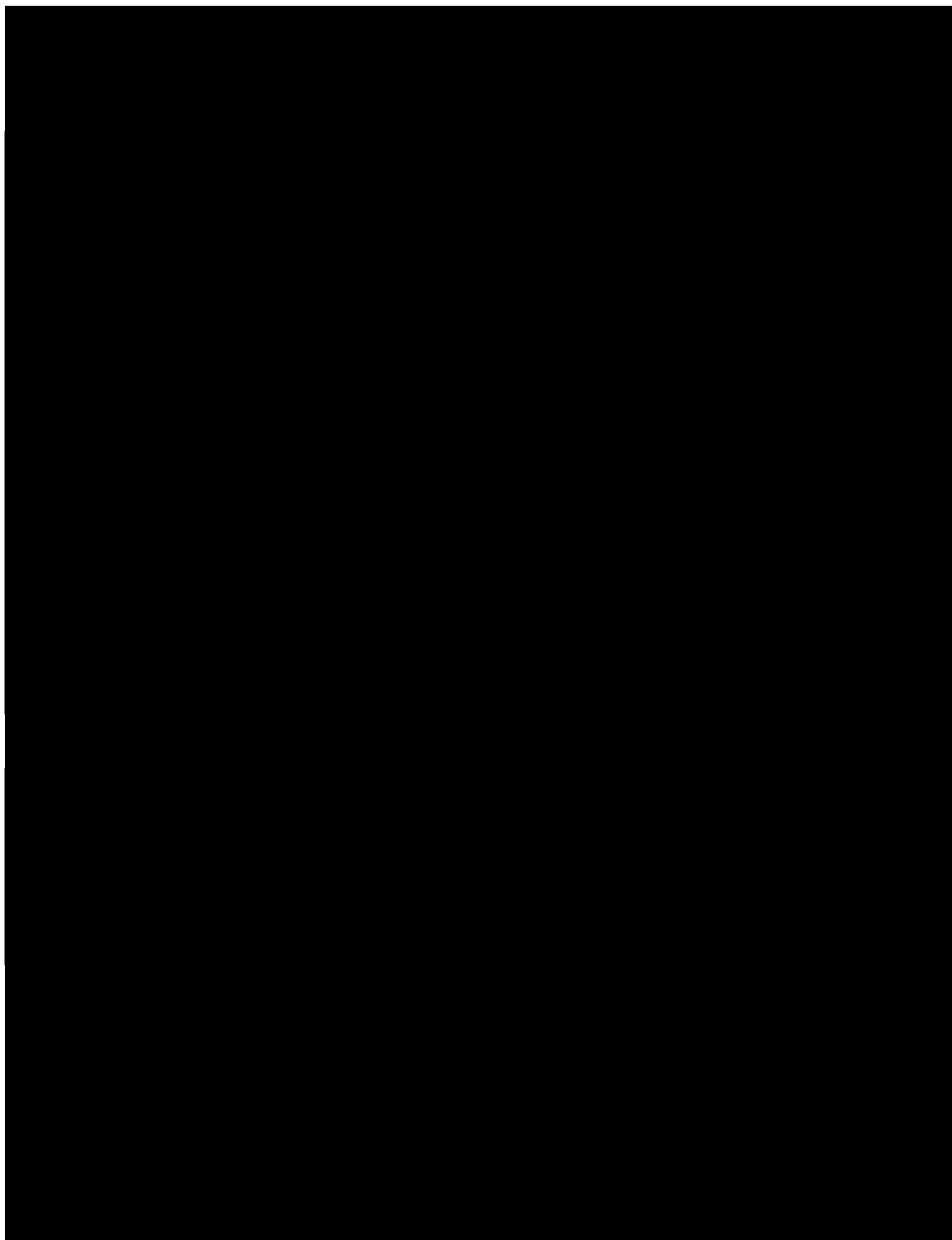


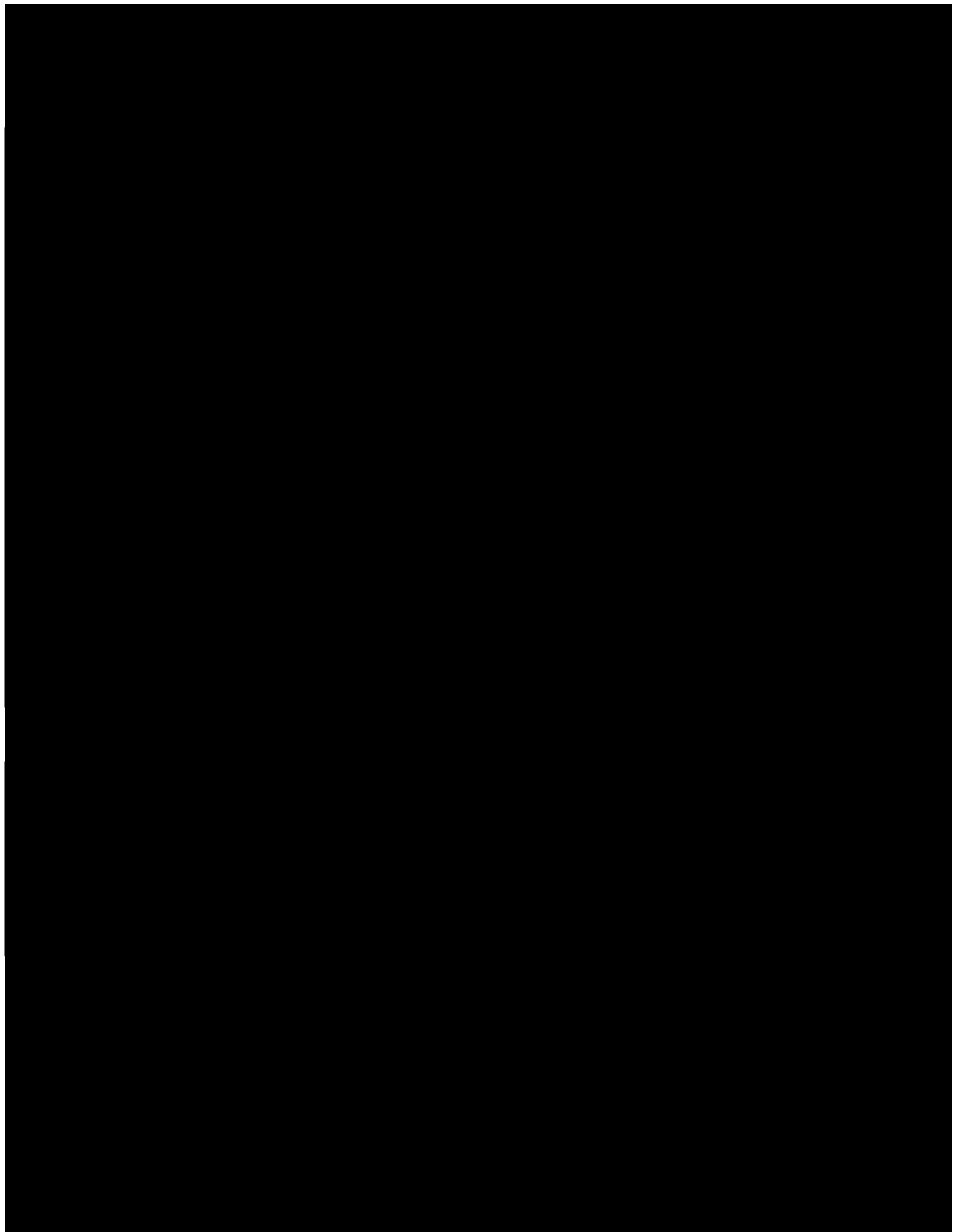


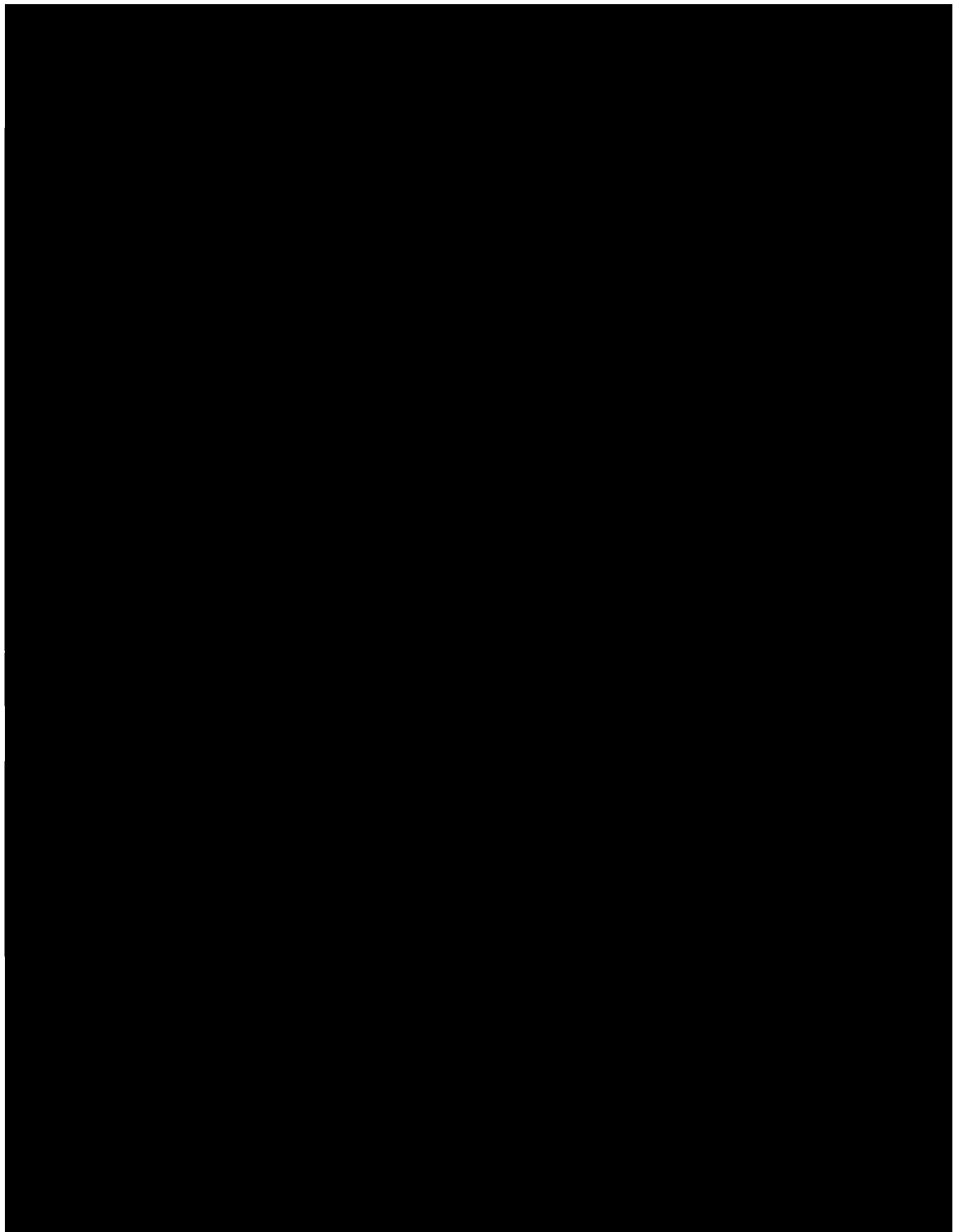


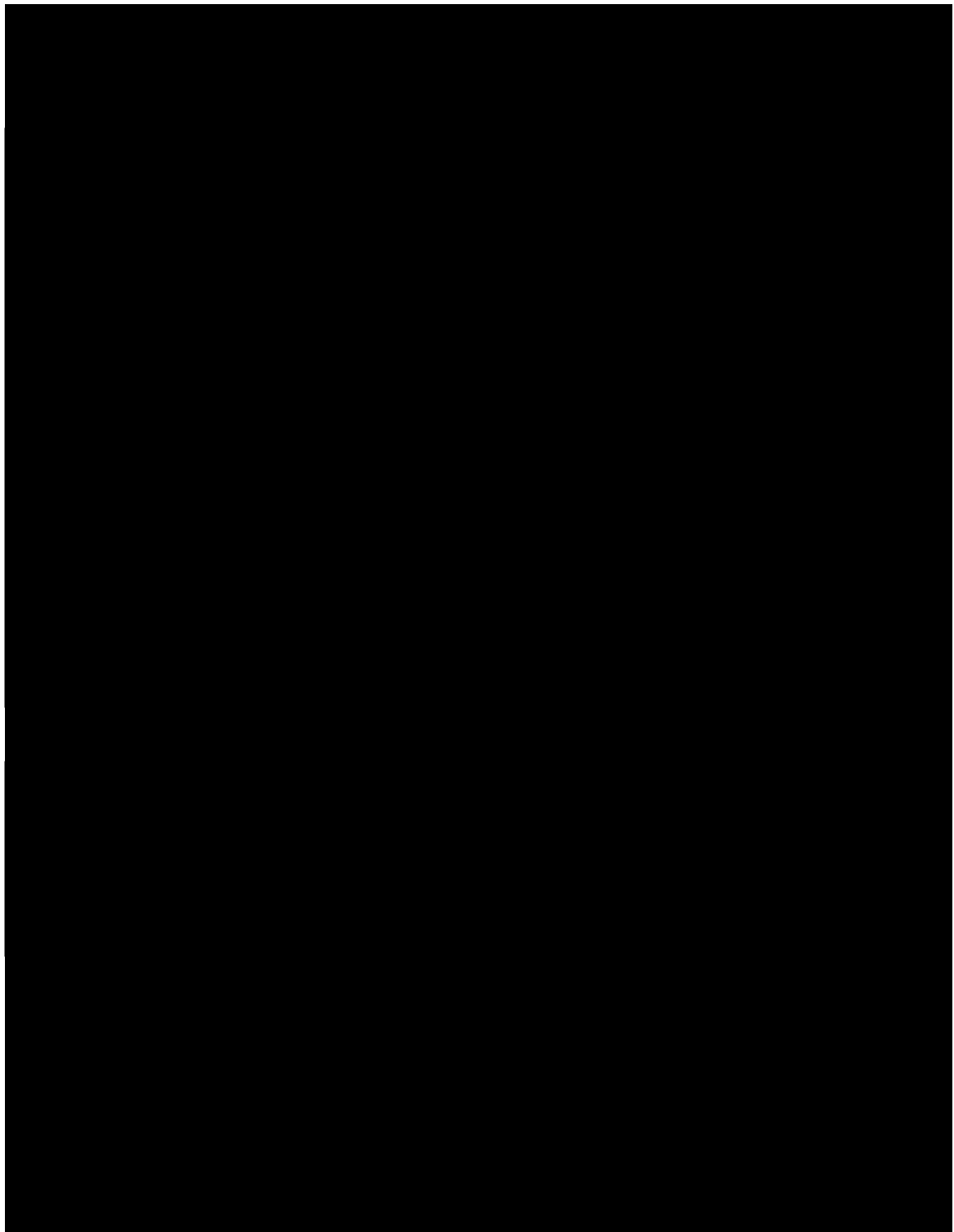












Board of Governors Budget Request Summary

Other Programs Administered by the Office of the Chancellor in FY 2008/09

Programs Funded from the Educational & General Appropriation	Appropriation
System Reserve*	\$215,000
Dixon University Center Academic Programs (5.92 FTE Employees)	\$1,400,000
Faculty Professional Development	\$150,000
Tenure-Track Professional Development	\$50,000
SCUPA Professional Development	\$75,000

Programs Funded from Other State Appropriations	Appropriation
Diversity and Equal Opportunity (0.40 FTE Employees)	
Recruitment of the Disadvantaged	\$446,000
Affirmative Action	\$1,152,000
Information Systems Integration (SyTEC 64.24 FTE Employees)	\$5,000,000
Economic Development (0.20 FTE Employees)	\$1,868,000
Educator Excellence (1.00 FTE Employees)	\$1,210,000
Cheyney Revitalization	\$500,000

Pennsylvania Academy for the Profession of Teaching and Learning (8.65 FTE Employees)

The Pennsylvania Academy for the Profession of Teaching and Learning oversees the State System's programs and efforts that involve K-12 education in the Commonwealth and is funded by federal and state grants. The largest grant administered by the Academy is GEAR UP—\$18 million received by the Academy over six years.

Consolidated University Operations (45.44 FTE Employees)

Also administered by the Office of the Chancellor are the following operations located in Harrisburg and funded by the Universities and the Office of the Chancellor: Office of Payroll Services, Payroll Accounting, Office of System Human Resources, Labor Relations, Construction Support Office, Internal Review Group, University Legal Office, Treasury Accounting, Keystone Library Network, Articulation, Distance Education, Blackboard, The Harrisburg Internship Semester, SSHenet, and Information Security. The costs associated with these services are reflected within the University budgets. In addition, the Office of the Chancellor manages 20.56 FTE employees for site management and administrative services that support all programs administered by the Office of the Chancellor.

*System Reserve fund balance is required to be replenished to \$1.5 million annually.

Overview of Proposed Educational and General Appropriation

October 22, 2008

Educational and General Appropriation..... To Be Determined

PASSHE's 2009/10 operating budget provides for increases in basic operating costs while increasing its ability to address the work force needs of the Commonwealth in the areas of science and technology. The System's budget is developed based upon University budgets submitted in adherence to specific guidelines.

The following basic adjustments are reflected in the 2009/10 E&G budget, as presented in Table 1.

Enrollment Growth—In keeping with the demographic projections of the Commonwealth, it is estimated that PASSHE's enrollment will increase 1.0%. Universities anticipating enrollment increases have limited the costs associated with serving these additional students within their 2009/10 budget estimates. Increased tuition and fee revenue associated with this enrollment increase is anticipated at \$9.0 million.

Employee Salaries—PASSHE has collective bargaining agreements in place for all of its unions, which provide guidance for 2008/09 and 2009/10 compensation increases. In 2009/10, most employees will receive an increment increase and a general pay increase, contributing an estimated increase in employee salaries and wages of \$33.8 million, or 4.6%.

Employee Benefits—Beginning January 2009, employees enrolled in PASSHE's health care will have the ability to enroll in Healthy U, the System's wellness program. Although total enrollment in this new program is not yet known, early participation indicates higher than average enrollment for similar programs in the first year. Those employees who do not participate in the wellness program will pay a larger portion of their health care premiums. PASSHE projects the employer share of health care costs to increase an average of 10.0% for next year based upon a combination of national trends, PASSHE's employee health care experience, and preliminary participation in the wellness program. The Commonwealth's PEBTF health care rates are projected to increase 9.1%. The employer contribution rate for the State Employees' Retirement System is projected to remain constant at 3.3% of salaries, in accordance with Commonwealth guidelines. Overall, employee benefits expenditures are expected to increase \$19.1 million, or 7.2%.

Utilities—Growth in natural gas, coal, and oil prices has slowed in recent months; however, four Universities and the Office of the Chancellor will experience a significant increase in electricity rates due to the expiration of the rate caps on December 31, 2009. Therefore, PASSHE's 2009/10 utility costs reflect an increase of \$2.5 million, or 6.7%, to address anticipated rate increases and additions to University square footage. Rate increases are partially offset by energy conservation efforts derived, in part, through the use of energy savings corporations (ESCOs).

All Other Basic Operating Expenditures—Anticipated expenditures for services, supplies, and materials are increasing approximately at the rate of inflation, currently estimated by the Congressional Budget Office to be 3.4%. The cost of purchasing library materials is expected to increase approximately 10.0%, based upon national trends. Cost estimates associated with several commodity and service categories are minimized through the use of strategic sourcing contracts, which combine the purchasing power of PASSHE's Universities to obtain optimal pricing on services, supplies, and equipment. In total, non-compensation expenditures are estimated to increase \$11.6 million, or 3.3%.

In addition to these basic adjustments, the 2009/10 operating budget incorporates costs necessary to improve PASSHE's ability to address the needs of the Commonwealth in the areas of science, mathematics, health, technology, and the environment.

Throughout this decade, PASSHE's operating budgets have been developed to address minimal, mandatory cost increases while building upon increased efficiencies and cost containment initiatives. Since fiscal year 2000/01, PASSHE University budgets have generated over \$175 million in base budget cost savings, cost avoidance, and reallocations as new revenues from appropriations and tuition rate increases have fallen short of base budget funding requirements. During this time period—within existing resources through reallocations—PASSHE Universities have developed new and expanded science, mathematics, health, technology, and environment programs in response to changing Commonwealth needs and student interests. Evidence of these efforts includes:

- Science and Technology degrees increased by 35.5% from 2001/02 to 2006/07. Within that, health sciences degrees have doubled, and mathematics degrees have grown by over 50%. Since 2000, physical science degrees have increased by 183% and biological/environmental degrees by 67%.
- Nursing degrees have grown by nearly 50%; physical therapy degrees have grown by 39%.
- Thirty-six new degree programs have been developed in health, science, mathematics, and technology-related areas since 2001/02. A total of 126 other programs have been discontinued.
- To accommodate new programs and ensure quality, new or renovated science and technology facilities have been completed at Bloomsburg, California, East Stroudsburg, Kutztown, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester Universities. Additional facilities are under construction or in design. No new funding was provided for equipping or maintaining these facilities.
- New science, mathematics, health, technology, and environment programs are requiring significant new investments in technology, equipment, and library resources. Some of the technology tuition fee revenues are meeting this challenge. Through the Keystone Library Network, PASSHE Universities are midway through a three-year plan to add to science, health, and technology-related journals and online databases necessary to support program expansion.
- Significant capital investment is being made in the Marine Science Consortium at Wallops Island, Virginia, which positions PASSHE Universities to become significant partners with NASA and provide a variety of capstone experiences for students

studying science, mathematics, health, technology, and the environment throughout the System.

As a result of increasing science, mathematics, technology, and health programs and strengthening business programs, PASSHE Universities are in a better position to participate in Keystone Innovation Zones (eight Universities); small business development centers (five Universities); and business incubators (six Universities). To ensure continuing student access to affordable programs in science, mathematics, health, technology, and the environment, additional investment in PASSHE is necessary. Other public Pennsylvania universities with strong programs in these areas charge at least double PASSHE's tuition; some charge even more for program-specific tuition and fees.

System Universities have lost the budget flexibility to continue to build programs solely by reallocating resources. Additional educational and general funding is necessary to better address the needs of the Commonwealth in the areas of science, mathematics, health, technology, and the environment. PASSHE will undertake new and enhanced efforts that will be specifically targeted at (a) developing professional science master's degrees to meet the needs of industry for science-based managers and entrepreneurs; (b) providing funds for Universities to purchase industry-standard scientific equipment to enhance the preparation of students for science-based or health-related careers; (c) providing access to degrees in technical fields (both associate's and bachelor's degrees) in underserved areas of the Commonwealth to meet work force demands; (d) increasing outreach efforts to serve specific technical training needs of labor and industry in selected areas of the state, especially related to emerging industries, including alternative energy; and (e) providing access to advanced science and mathematics expertise and courses to underserved high schools across the Commonwealth.

To support these efforts, an additional \$12.0 million has been included in PASSHE's 2009/10 operating budget. These additional costs have been built into all expenditure categories in Table 1.

These combined adjustments result in an overall 2009/10 E&G operating budget of \$1.4 billion, an increase of \$76.5 million, or 5.6%. Increases in University revenue sources, primarily due to enrollment increases, will generate \$11.4 million in new revenue, resulting in a funding requirement of \$65.2 million. The Board of Governors will determine the E&G appropriation and tuition rate increases to be incorporated into PASSHE's appropriations request.

Table 1

Pennsylvania State System of Higher Education
FY 2009/10 Educational and General Budget Summary

Educational & General Budget		Budget Request	Dollar Change	Percent Change
Revenue/Sources	FY 2008/09	FY 2009/10		
Tuition	\$672,369,795	\$680,118,871	\$7,749,076	1.2%
Fees	\$113,829,174	\$115,108,383	\$1,279,209	1.1%
State Appropriation	\$498,509,000	\$498,509,000	\$0	0.0%
All Other Revenue	\$73,724,476	\$75,344,368	\$1,619,892	2.2%
Use of Carryforward Fund Balance	\$217,363	\$922,329	\$704,966	0.0%
Total Revenue/Sources	\$1,358,649,808	\$1,370,002,952	\$11,353,144	0.8%
Expenditures and Transfers				
<u>Compensation Summary:</u>				
Salaries & Wages	\$738,029,277	\$774,562,194	\$36,532,917	5.0%
Benefits	\$266,468,685	\$286,529,690	\$20,061,006	7.5%
Subtotal, Compensation	\$1,004,497,962	\$1,061,091,884	\$56,593,922	5.6%
Utilities	\$37,814,792	\$40,348,184	\$2,533,392	6.7%
Services & Supplies	\$231,629,970	\$244,719,562	\$13,089,592	5.7%
Capital Expenditures & Transfers	\$84,707,084	\$89,005,973	\$4,298,889	5.1%
Subtotal, Noncompensation	\$354,151,846	\$374,073,719	\$19,921,873	5.6%
Total Expenditures and Transfers	\$1,358,649,808	\$1,435,165,603	\$76,515,795	5.6%
	\$269,444,762			
Revenue/Sources less Expenditures/Transfers	\$0	(\$65,162,651)		

Annualized FTE Enrollment		Budget Request	Change	Percent Change
	FY 2008/09	FY 2009/10		
Resident Undergraduate	83,029.71	83,693.75	664.04	0.8%
Nonresident Undergraduate	9,316.42	9,455.69	139.27	1.5%
Resident Graduate	10,132.42	10,329.08	196.66	1.9%
Nonresident Graduate	2,200.81	2,249.11	48.30	2.2%
Total FTE Enrollment	104,679.36	105,727.63	1,048.27	1.0%

Overview of Proposed Special Purpose Appropriations

October 22–23, 2008

Program Initiatives Line Item..... \$22,538,000

Performance Funding..... \$10,538,000

The Board of Governors has rewarded performance at PASSHE Universities for the last nine years. In 2008/09, the performance funding program was funded with \$29.9 million from the E&G appropriation and \$10.0 million from the Program Initiatives line item, for a total of \$39.9 million, equivalent to 8% of the E&G appropriation. PASSHE is committed to continuing performance funding at this level in 2009/10, partially through the use of \$10.5 million in this line item.

Information Technology \$5,000,000

PASSHE continues to enhance the System-wide integrated administrative system that is used to maximize efficiency of administrative processing (i.e., procurement, budget, accounting, human resources management, and payroll) and to support decision support requirements at all 14 Universities and the Office of the Chancellor. The resulting data from administrative processes are used with a robust data warehouse system for PASSHE and University reporting and data analysis. Continued funding for this project is necessary to support implementation of additional functionality, upgrades to the administrative application and required hardware, and disaster recovery.

Economic Development \$5,000,000

PASSHE Universities are key partners for state and regional economic development. Their mission-based contribution to economic development is increasing human capital for tangible productivity and income benefits and creating intellectual wealth for commercialization potential. The Governor's Economic Stimulus Package has established programs to support collaboration among businesses and institutions of higher education, such as Keystone Innovation Zones (KIZs). Eight PASSHE Universities are already partnering with KIZs. Additionally, Small Business Development Centers (SBDCs) are located at five PASSHE Universities, and business incubators have been established at six Universities. Continued funding of economic development initiatives will enhance PASSHE's partnerships with state and local communities to increase economic and community development throughout the regions of the Commonwealth. These initiatives include entrepreneurial programs, business incubators, business and community infrastructure support, internship opportunities, work force development, and technology transfer.

Educator Excellence..... \$2,000,000

The Educator Excellence component of the Program Initiatives line item builds upon the strengths of PASSHE Universities, the Pennsylvania Academy for the

Profession of Teaching and Learning, and the Labor Education Institute. This funding will continue efforts to improve the quality of school administrators and teachers at all levels with particular emphasis on (1) enhancing the quality of preparation for PK-8 educators; (2) improving preparation of education students for the PRAXIS test; (3) increasing the number of qualified teachers and other professionals for urban school districts; (4) increasing the number and quality of science and mathematics teachers; (5) enhancing the skills of current teachers and administrators through professional development; and (6) increasing the diversity of the teacher work force.

Other Line Items

Diversity and Equal Opportunity.....\$2,200,000

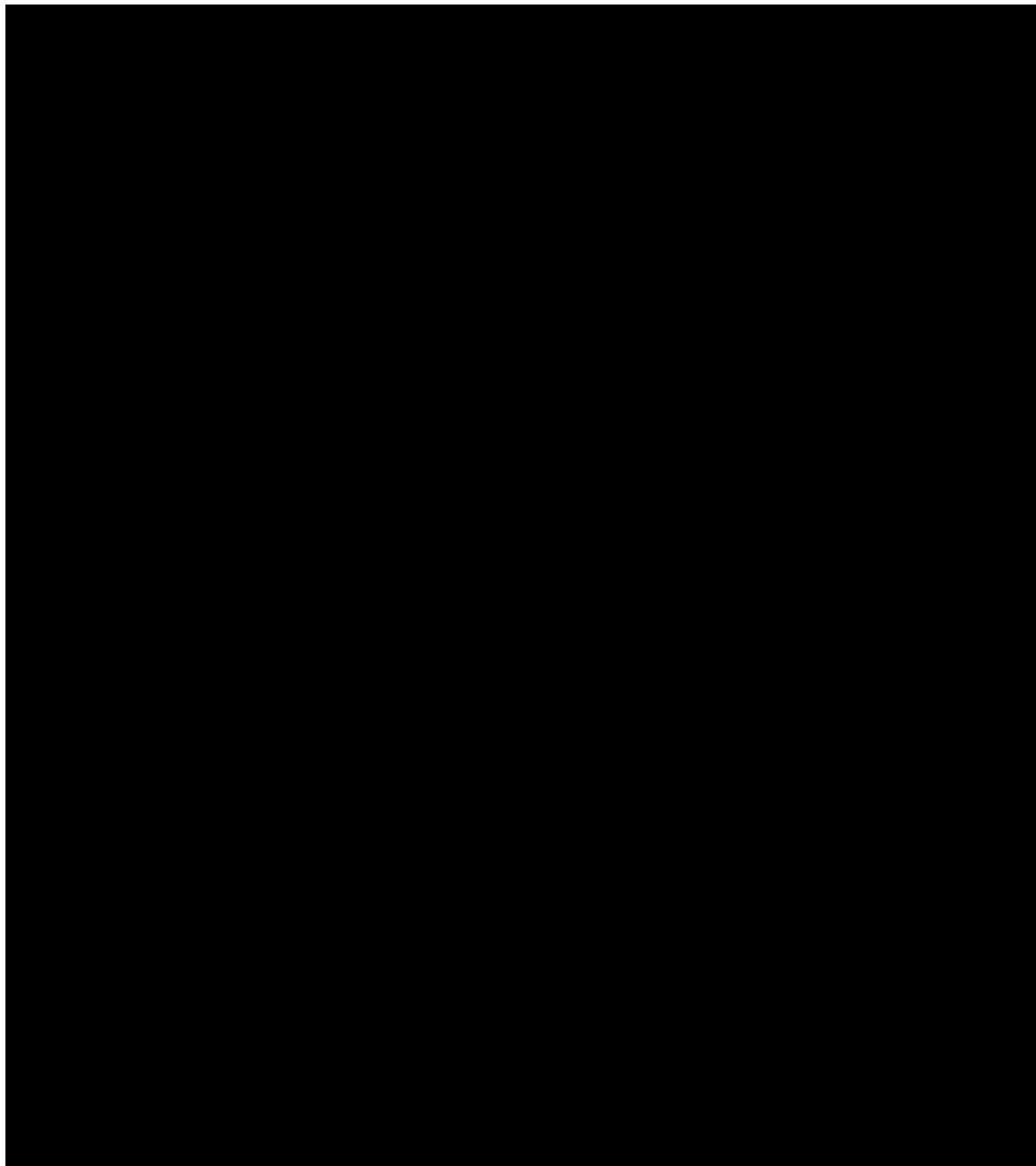
This \$2.2 million request continues vital System-wide initiatives designed to achieve and promote diversity by serving the educational needs of historically underrepresented minority student, faculty, and staff populations. These initiatives include programs that (1) expand the nationally acclaimed R. Benjamin Wiley Partnership Program; (2) enhance joint recruitment activities conducted by admissions personnel; (3) serve students who require necessary accommodations under the Americans with Disabilities Act; (4) add value to campus climate and retention initiatives, including support for the Frederick Douglass Institute Collaborative; and (5) enhance the professional development of women and minority faculty.

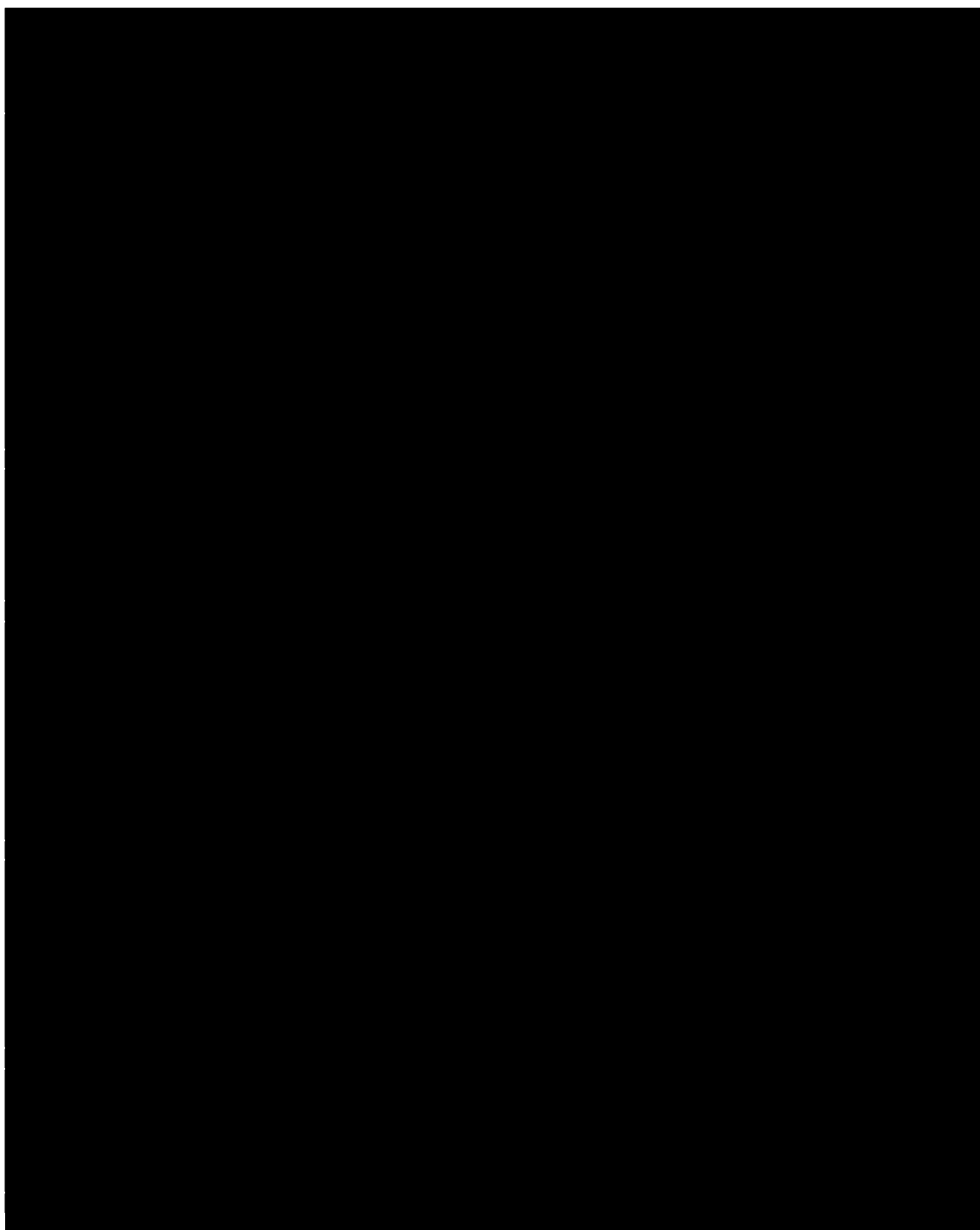
McKeever Environmental Learning Center \$580,000

The Commonwealth created the McKeever Environmental Learning Center in 1974 to assist citizens of all ages in becoming better stewards of the earth's resources. The environmental education programs offered by the McKeever Center meet the needs of students from preschool through, and beyond, college and provide student interns with valuable teaching experience while working in an outdoor setting. The McKeever Center is located on 205 acres in Mercer County and administered by Slippery Rock University of Pennsylvania. This request of \$580,000 provides full funding for operation of the Center in fiscal year 2009/10.

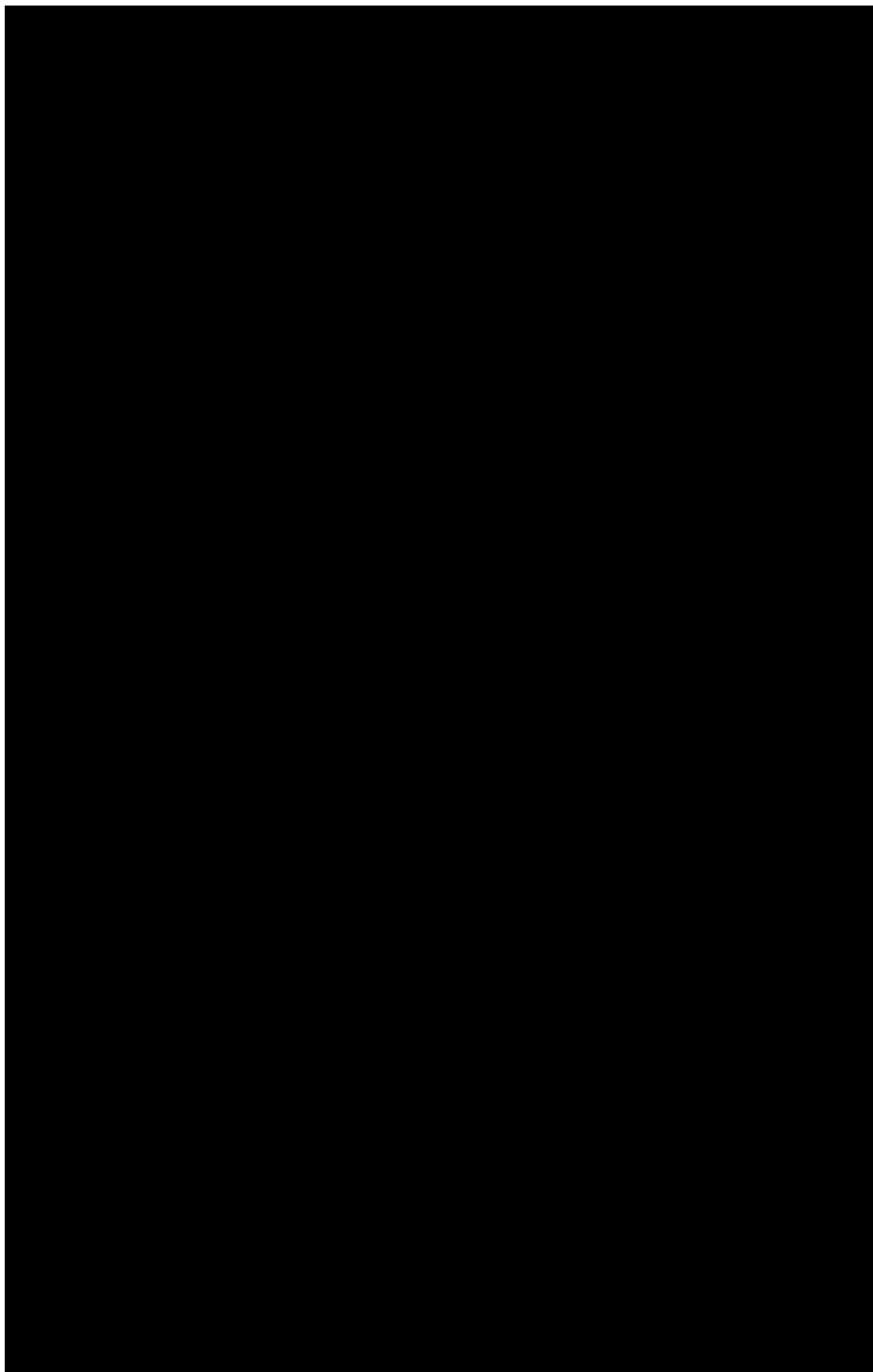
Pennsylvania Center for Environmental Education \$380,000

The Pennsylvania Center for Environmental Education, located at Slippery Rock University of Pennsylvania, had been funded by the Commonwealth for several years through the Department of Environmental Protection. In 2007/08, funding for this Center was appropriated directly to PASSHE. This request of \$380,000 provides a 4.7% increase to support the Center's ongoing operations in fiscal year 2009/10.











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**Memorial Resolution
for
Senator James J. Rhoades**

WHEREAS, members of the Board of Governors of the Pennsylvania State System of Higher Education have with sorrow, learned of the recent and untimely death of our friend and colleague, Senator James J. Rhoades; and

WHEREAS, Senator Rhoades was a lifelong advocate for students of all ages, beginning his professional career as a teacher and coach at Pottsville and Mahanoy City high schools and later serving as principal of Mahanoy Area Junior High School for nine years; and

WHEREAS, Senator Rhoades was first elected to the Pennsylvania Senate in 1980 and subsequently was re-elected by his constituents for six additional terms; and

WHEREAS, Senator Rhoades was a leader in the Pennsylvania Senate, serving as chair of the Senate Education Committee and as a member of the Appropriations, Transportation, Law and Justice and Environmental Resources and Energy committees, and as a member of the Pennsylvania State Board of Education; and

WHEREAS, Senator Rhoades was appointed to the Board of Governors by then Senate President Pro Tempore Robert C. Jubelirer in 2001, and has served on numerous committees, most recently Academic and Student Affairs and Advancement, providing insightful and thoughtful ideas to the Board;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Governors of the Pennsylvania State System of Higher Education expresses its deepest sympathy to Senator Rhoades' wife, Mary Edith, and to the couple's three children and seven grandchildren, on this sad occasion; and

BE IT FURTHER RESOLVED, that the members of the Board of Governors convey their deep admiration for all Senator Rhoades achieved during the course of a lifetime career dedicated to public service, especially to the education of the young people of Pennsylvania.

Unanimously adopted by the Board
October 23, 2008

Kenneth M. Jarin, Chairman