

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES  
APPROPRIATIONS COMMITTEE HEARING  
BUDGET HEARING

STATE CAPITOL  
MAJORITY CAUCUS ROOM  
HARRISBURG, PENNSYLVANIA

TUESDAY, FEBRUARY 26, 2008, 9:00 A.M.

VOLUME I OF VI

PRESENTATION BY STATE-RELATED UNIVERSITIES  
PENN STATE, UNIVERSITY OF PITTSBURGH,  
TEMPLE UNIVERSITY, AND LINCOLN UNIVERSITY

BEFORE:

HONORABLE DWIGHT EVANS, CHAIRMAN  
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN  
HONORABLE STEPHEN E. BARRAR  
HONORABLE STEVEN W. CAPPELLI  
HONORABLE H. SCOTT CONKLIN  
HONORABLE CRAIG A. DALLY  
HONORABLE GORDON R. DENLINGER  
HONORABLE BRIAN ELLIS  
HONORABLE DAN B. FRANKEL  
HONORABLE JOHN T. GALLOWAY  
HONORABLE WILLIAM F. KELLER  
HONORABLE TIM MAHONEY  
HONORABLE KATHY M. MANDERINO  
HONORABLE FRED McILHATTAN  
HONORABLE DAVID R. MILLARD  
HONORABLE RON MILLER  
HONORABLE JOHN MYERS  
HONORABLE CHERELLE PARKER  
HONORABLE JOSEPH A. PETRARCA  
HONORABLE SCOTT A. PETRI  
HONORABLE SEAN M. RAMALEY

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BEFORE: (cont'd.)  
HONORABLE DAVE REED  
HONORABLE DOUGLAS G. REICHLEY  
HONORABLE DANTE SANTONI, JR.  
HONORABLE MARIO M. SCAVELLO  
HONORABLE JOSHUA D. SHAPIRO  
HONORABLE JOHN SIPTROTH  
HONORABLE MATTHEW SMITH  
HONORABLE KATIE TRUE  
HONORABLE GREGORY S. VITALI  
HONORABLE DON WALKO  
HONORABLE JAKE WHEATLEY, JR.

ALSO PRESENT:  
MIRIAM FOX  
EDWARD NOLAN

JEAN M. DAVIS, REPORTER  
NOTARY PUBLIC

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1           CHAIRMAN EVANS: The hour of 9 o'clock  
2 having arrived, I would like to reconvene the House  
3 Appropriations Committee hearing.

4           The individuals that we have before us today  
5 are the Chancellors of the State-related universities  
6 of the Commonwealth of Pennsylvania, who will not  
7 make a presentation. We will go right into questions  
8 directly related to their various organizations and  
9 the recommendations that the Governor has made in  
10 terms of the amount of dollars that should go to each  
11 of those organizations.

12           I think most of you know the game plan.  
13 Members get a chance to ask questions of you  
14 directly.

15           What I would like to do for the sake of the  
16 record is have you introduce yourselves for the  
17 purposes of the court reporter so she can take the  
18 information down.

19           So I'll start with the President of Lincoln  
20 University.

21           PRESIDENT NELSON: Ivory Nelson, President  
22 of Lincoln University.

23           CHANCELLOR NORDENBERG: Mark Nordenberg,  
24 Chancellor of the University of Pittsburgh.

25           PRESIDENT SPANIER: Graham Spanier,

1 President of Penn State University.

2 VICE PRESIDENT WAGNER: Anthony Wagner,  
3 Senior Vice President for Finance, Chief Financial  
4 Officer, and Treasurer of Temple University.

5 CHAIRMAN EVANS: Okay. Thank you.

6 I'd like to lead off with this question and  
7 we'll go down the line.

8 You know, sometimes I wonder how long I've  
9 been doing this, and I know the number one issue  
10 that you raise generally -- especially when you got  
11 Lynn Herman over there. Is that Lynn Herman over  
12 there? The one and only. Lynn and I were elected  
13 together. He's probably doing much better now that  
14 he left.

15 There's life outside politics, huh, Lynn?

16 MR. HERMAN: There is.

17 CHAIRMAN EVANS: I looked at the  
18 recommendation that the Governor has made relating to  
19 each one of your organizations, and always my  
20 question is, when those recommendations are made,  
21 what would it take to affect the tuition aspect  
22 relating to the students?

23 Because our concern -- and I've been around  
24 from the days of Governor Casey when he tried to  
25 challenge block grant and whatever, but it seems like

1 we are moving more and more where we're squeezing the  
2 middle class not having accessibility to higher ed.  
3 And we know people need to have accessibility to  
4 higher ed.

5 I know the recommendation is, you say it is  
6 like very minimal. From what I understand, some of  
7 you have most talked about 7 percent or whatever, and  
8 then even when you say the 7 percent, you say that,  
9 you know, you still think there needs to be a tuition  
10 increase.

11 How do we realistically -- and I know things  
12 go up every year, so I'm not expecting that you can  
13 do it without some sort of increase -- but is there a  
14 magic number that will achieve the element of  
15 affecting that tuition increase?

16 So that's a question that I'm just really  
17 concerned with, because I know, at least in my case,  
18 you just get to a point where you feel like, what  
19 difference does it make in terms of what we recommend  
20 or what we give, because at the end of the day, it  
21 doesn't seem like it will ever affect the tuition  
22 issue.

23 And that's the number one issue that you  
24 hear from parents, is the question about  
25 accessibility to higher ed and exactly what does it

1 take?

2 So, Dr. Nelson, do you want to start from  
3 Lincoln and go down the table?

4 PRESIDENT NELSON: Well, the first thing is  
5 that you can't do this in one year. If you say, give  
6 me enough money to stop a tuition increase for this  
7 particular year, in those forces, maybe I can do  
8 this.

9 But you have got to take into consideration  
10 the fact that if you do a 10-year run on, say,  
11 Lincoln University for example, 2000-2001 and look at  
12 2007-2008, there's only \$844,000 difference in over  
13 that 10-year period. And then you take in turn in  
14 looking at, okay, the Governor recommends \$207,000 --  
15 \$207,000 -- for this coming year.

16 Now, you know, there is no way that you  
17 cannot effect some sort of tuition increase, because  
18 1 year, maybe, but you have got to take into  
19 consideration all of the things that we've had to do  
20 during this same period of time in terms of raising  
21 tuition, cutting back on various and sundry items.

22 And, you know, just a simple thing, like  
23 health-care costs. I got a bill for next year -- a  
24 16-percent increase on health-care costs. And I'm  
25 sure my colleagues can come up with many other

1 examples of this.

2           So it has to be a long-term, consistent  
3 application of some sort of process by which you take  
4 a look at the whole spectrum of items and come up  
5 with a funding mechanism for that rather than trying  
6 to satisfy, you know, one year, not doing anything  
7 the next year, trying to satisfy the next year. So  
8 there has to be some sort of consistent mechanism.

9           CHAIRMAN EVANS: Thank you.

10           CHANCELLOR NORDENBERG: In using the  
11 Governor's budget recommendation as a starting point,  
12 if you look at the first few paragraphs, it's very  
13 encouraging statements about the relative strength of  
14 the Pennsylvania economy compared to the economies of  
15 some of the other States.

16           And when you look at the bottom line with  
17 4.2-percent growth projected for the budget overall,  
18 that seems consistent. When you then look at the  
19 recommended appropriations for higher education,  
20 it's very clear that we have not emerged as a  
21 priority.

22           For the University of Pittsburgh, our  
23 recommended increase would be 1.2 percent in a year  
24 when inflation is increasing by 4.1 percent, when the  
25 overall growth of the Commonwealth's budget as



1 recommended would be 4.2 percent.

2           And to go back to President Nelson's point,  
3 we still are trying to dig our way out of the hole  
4 that was created in 2002, 2003, and 2004 when the  
5 State-related universities endured a series of  
6 freezes and budget cuts that were unusual even within  
7 the higher education sector.

8           And I think as we have come to Harrisburg  
9 each year, we have said, let's try to get back to  
10 where we were. Let's take some reasonable steps. We  
11 know we can't bite all of this off in a single year,  
12 but we really have not made much progress.

13           The University of Pittsburgh, if you took  
14 our 2001 appropriation and you simply advanced it by  
15 the CPI -- not the Higher Education Price Index,  
16 which is higher -- we're about \$30 million behind  
17 where we were at the beginning of the decade.  
18 Obviously, that has an impact on the tuition.

19           And again, when you look at the  
20 recommendations for this year, it would seem as if  
21 the Commonwealth really has abandoned even an attempt  
22 to move forward and to deal with this problem in a  
23 way that would benefit our students, that would  
24 benefit the communities that we call home, and that  
25 also would benefit the Commonwealth through economic

1 development when you look at the broad range of  
2 responsibilities that we now shoulder.

3           PRESIDENT SPANIER: You have raised what is  
4 perhaps the single most important issue facing higher  
5 education in Pennsylvania today. It's the access and  
6 affordability that we provide for students. And the  
7 budget recommendation of the Governor is completely  
8 inadequate for addressing that problem for us.

9           For Penn State, the Governor has recommended  
10 an appropriation increase which is a fraction of  
11 1 percent. That is the total recommended increase  
12 for our university. And as we've said many times in  
13 these hearings, the principal way in which  
14 undergraduate education is funded at our institutions  
15 is through tuition and legislative appropriation.  
16 And if the appropriation is a fraction of 1 percent,  
17 if the appropriation doesn't even come close to the  
18 increases in the rest of the State budget or even  
19 come close to inflation, it has to put the burden on  
20 the tuition side of the equation.

21           And as you increase tuition beyond  
22 inflationary levels, you make it difficult for some  
23 people to consider coming to college. And for those  
24 who do have financial need, it puts a greater burden  
25 on the loan side.

1           So the average debt now at our university  
2 for a student who is graduating is about \$26,000 a  
3 year. Some people might not find that surmountable,  
4 but if you come from a poor family, that sounds like  
5 an awful lot of money.

6           So we're very concerned about this balance  
7 between tuition and legislative appropriation. And  
8 as Chancellor Nordenberg has pointed out, if you go  
9 back and look at what's happened to our universities  
10 over the course of this decade, we are digging deeper  
11 and deeper into the hole on this and putting more of  
12 the burden on the side of tuition.

13           I know it is the number one concern of  
14 Penn State's Board of Trustees, and that's why I  
15 think it is so important in this Appropriations  
16 hearing for us to focus on the needs of our  
17 institution, because we are talking here really about  
18 the future -- the future workers of our State, the  
19 economy and the future, it's translation into  
20 economic development, into human development and to  
21 social and cultural development.

22           This is an extremely important topic for us,  
23 and I appreciate you raising the issue.

24           VICE PRESIDENT WAGNER: Mr. Chairman,  
25 Temple's average debt is just slightly higher than

1 Penn State's. It's about \$27,000 a year for our  
2 graduates. The last 2 years, our tuition increases  
3 have been 5.9 percent, and at the proposed level that  
4 the Governor is recommending, we would be probably in  
5 that ballpark again.

6 So from a demand point of view, I think the  
7 demand at Temple is going to continue to be strong,  
8 but it certainly is a burden on our students. And  
9 when you look at what's happening in the credit  
10 markets and access to, you know, guaranteed loans  
11 being even more difficult because of, you know,  
12 global financial issues, it's a real concern. You  
13 know, accessibility for our students is very much a  
14 concern for Temple and for its board.

15 CHAIRMAN EVANS: You have talked from your  
16 perspective, but let me kind of talk from my  
17 perspective regarding what we face, and then we'll  
18 see if we can help this conversation move forward a  
19 little bit.

20 The proposed budget that the Governor has  
21 put forward, the overall spin number is about 4.2.  
22 On education, he's talking about like 6 percent on a  
23 basic ed increase, and then you're in the ballpark of  
24 like 1, something like 1 percent on that ballpark  
25 depending on where you are.

1           I think the challenge has been for us -- the  
2 challenge has been for us, and when I say "us," I'm  
3 talking about all of us, no matter what party you're  
4 from or wherever you're from -- is to figure out, how  
5 do we make the kinds of investments that, President  
6 Nelson, you said from the long term, and get the  
7 outcome that we're looking for and exactly what do we  
8 do.

9           And I think that it's not been easy. I  
10 mean, it's really not been easy, because I just  
11 described -- I mean, you know, the question is you  
12 either need some additional revenue, which nobody  
13 ever wants to talk about, or you either cut or you  
14 either reshift priorities. I mean, that's basically  
15 what you're going to do.

16           You're either going to get additional  
17 revenue, which that seems like that's not ever on the  
18 table, first; and then secondly, you either change  
19 priorities -- and even if you change priorities,  
20 obviously, like in your budget, there's certain  
21 things you've got to pay for. You've got to pay for  
22 prisons, right? You've got to pay for health care.  
23 You've got to pay for medical assistance. You have  
24 to pay for basic education. Those things you have to  
25 pay for.

1           And unfortunately, sort of to your point,  
2   President Spanier, you're right; unfortunately,  
3   higher ed does seem to fall at the bottom of the  
4   rung, even though we should be investing more rather  
5   than less.

6           And as Mr. Wagner said, we have PHEAA coming  
7   to us today at 3:30, and you're right, they have a  
8   credit crunch, which is not their fault, but which is  
9   affecting everything. And here we are again,  
10   virtually in the same position that we have been for  
11   so many years. And, I mean, you may not say it, but  
12   I don't know if you all dread coming here every year  
13   and thinking, well, does anything really change?

14           PRESIDENT SPANIER: We love it.

15           CHAIRMAN EVANS: Since we are in a day and  
16   age where my good friend, Jake Wheatley, that we  
17   should have change that we can believe in. And If  
18   we're going to have change that we can believe in,  
19   it's one thing to talk about it, it's another thing  
20   as to how do we make this happen?

21           And I've never heard Presidents or  
22   Chancellors of universities say, you know -- you tell  
23   us what the needs are, but I have never known you  
24   publicly to stand up and tell us where you think we  
25   should go get this money from.

1           And I'm not blaming you, I mean, because  
2 I--- Let me say something. I've been supportive of  
3 additional money, and I was looking at Penn State's  
4 piece here over the last 10 years, and you're  
5 correct. I mean, under a Democrat or Republican  
6 Governor, Democrat or Republican Legislature, it's  
7 like virtually been the same. It's not been like  
8 there's anything fundamentally different.

9           So I'm going to start with you, President,  
10 since you said you've all been discussing it at the  
11 board level. What are the things that you all are  
12 discussing, you know, one thing internally for Penn  
13 State, but what have you been discussing about what  
14 you think does need to be done?

15           PRESIDENT SPANIER: Well, we've had several  
16 discussions in our board of trustees about this  
17 difficult balance that we have.

18           Our board would say that what we have to  
19 have as a constant, at the very least, is the quality  
20 of the institution. So we don't want to erode the  
21 quality of the education that we provide our  
22 students.

23           We're always looking for cost savings. So  
24 over this period, the last decade or so, we've  
25 reallocated internally about \$150 million. We've

1 taken cuts, efficiencies, looked for opportunities to  
2 save funds, and that helps us out. That goes back  
3 in.

4 But at the same time we want to maintain  
5 quality, our trustees would say the university has to  
6 remain competitive. So there are certain things that  
7 we have to keep up with -- salary increases.  
8 President Nelson mentioned the double-digit increases  
9 we have had ever since I've been President of  
10 Penn State, 13 years now, in health-care costs every  
11 year.

12 So what we find ourselves doing in the end  
13 is cutting our own budgets internally, but then  
14 trying to keep tuition as low as possible given the  
15 realities of the legislative appropriation.

16 The Governor's budget recommendation for  
17 Penn State this year, just to give you an example,  
18 would pay for 5 months of the utility cost increase  
19 at Penn State. That would take the entire increase  
20 the Governor has recommended in our appropriation.  
21 It wouldn't even pay for a whole year's utility cost  
22 increase, and that's one of only 100 or 200  
23 significant items in our budget, bills that have to  
24 be paid. So it forces us into this dilemma that we  
25 all face about the balance between how we set tuition



1 in light of those realities.

2 We have a growing number of unfunded  
3 mandates. Even our budget on the utilities area  
4 relates to legislation and policy matters within the  
5 State on the cost of utilities -- regulation,  
6 deregulation, and so on.

7 So we are kind of at the end of the food  
8 chain, that whatever is happening out there in the  
9 world, whether it's public safety issues -- we all  
10 have our own public safety costs -- health insurance  
11 issues -- we are a very people-oriented business, so  
12 a lot of our costs are tied up in salaries and  
13 employee benefits such as health care -- whatever is  
14 out there in our State, in our society, has ripples  
15 into our budget, and unfortunately, more and more of  
16 the burden has fallen on the tuition side.

17 At Penn State right now, just to put it into  
18 perspective, less than 10 percent, closer to 9  
19 percent, of the university's overall budget comes  
20 from legislative appropriation.

21 So this is our dilemma in short, and I'm  
22 very mindful of all of it.

23 CHAIRMAN EVANS: You said 10 percent?

24 PRESIDENT SPANIER: Right.

25 CHAIRMAN EVANS: So that number has

1 declined? Well, do you recall, in your 13 years,  
2 what was the highest percentage that came from the  
3 General Assembly?

4 PRESIDENT SPANIER: When I started as  
5 President of Penn State, giving you a round number,  
6 it was about 20 percent. It's been declining at  
7 about 1 percent a year.

8 CHAIRMAN EVANS: So it was 20 percent when  
9 you started.

10 PRESIDENT SPANIER: Yes.

11 CHAIRMAN EVANS: And now has declined down  
12 to---

13 PRESIDENT SPANIER: ---to about 9 percent.

14 The percentage declines each year are now  
15 actually getting smaller. It's a statistical  
16 phenomenon. As you start getting closer to zero, you  
17 can't keep cutting it at 1 percent.

18 But that's our reality, and so all of us  
19 here, we're in this dilemma every year. We do not  
20 like to come here and whine, because we do understand  
21 that we are one small part of the State budget.

22 We were looking the other day in my  
23 conference room at the State budget, which is about  
24 3 inches thick, and one of my colleagues pointed out  
25 that we are three lines in that budget out of

1 hundreds of thousands of numbers. So we  
2 understand.

3 But we're here as advocates for higher  
4 education, which is an important part of this State  
5 and a key to the future. So we want to put our best  
6 foot forward, and then we know, you know, we'll twist  
7 your arm as hard as we can, but we know that in the  
8 end you'll do what you have to do.

9 CHANCELLOR NORDENBERG: You know, I have---

10 CHAIRMAN EVANS: Do you have the same  
11 percentage?

12 CHANCELLOR NORDENBERG: I have a longer  
13 sense of history, and that is, when I joined the Pitt  
14 faculty as a faculty member 30 years ago, the State  
15 appropriation represented more than 30 percent of our  
16 budget.

17 When Graham and I moved into our current  
18 positions in the same summer, the Commonwealth  
19 represented about 20 percent of our budget, and today  
20 we're down to about 11 percent. So there has been a  
21 dramatic decline over the course of many years and  
22 over the course of many Administrations, as you  
23 indicated.

24 I want to say, to respond to your first  
25 comment, that I think most of us actually do

1 appreciate having the opportunity to come up and to  
2 talk about our institutions once a year. And we do  
3 actually appreciate the competing demands that you  
4 have on a limited resource base and don't envy the  
5 decisions that you need to make.

6           And whether you appreciate it or not, all of  
7 us are trying to do our part to make your job  
8 somewhat easier, whether that is through cost-cutting  
9 and responsible budgeting or whether it's through the  
10 private fundraising that we're doing, though donors  
11 are a lot like tuition-paying students and  
12 tuition-paying parents. They would like to feel as  
13 if they are in a partnership where the State also is  
14 providing appropriate levels of support for the  
15 State-related universities.

16           And because I don't know all of the  
17 pressures that you face, I don't have a solution to  
18 offer for you today, but one of the things that we do  
19 is we look at what's happening in other States, and  
20 most other States are saying, if we want to be  
21 successful in the 21st century knowledge-based  
22 economy, we've got to be investing in our  
23 universities.

24           And so I look just across the border at New  
25 York, and I see that the Governor put together a

1 commission that came back and they said, we want to  
2 create a \$3 billion research fund to support  
3 university research, not just because we love our  
4 universities but because that's the work that's going  
5 to generate the ideas and the processes and the  
6 products that are going to shape the future of  
7 New York. We ought to be supporting the hiring of  
8 2,000 new faculty members in the public universities  
9 of New York, because that's what the competition  
10 requires. We ought to be creating a low-interest  
11 loan fund that will help offset some of the tuition  
12 pressures that students and their families are  
13 facing. We ought to enter into multi-year compacts  
14 with our universities so that they have the ability  
15 to plan on funding streams and manage those dollars  
16 so that they are used to the greatest effect.

17           And I don't know whether New York is so  
18 markedly different than Pennsylvania that we're  
19 talking about a 1-percent base budget increase and  
20 they're talking about really making their  
21 universities a priority because they judge that's in  
22 their State's best interest. So I think that's the  
23 kind of frustration that we feel.

24           PRESIDENT NELSON: I happened to be at the  
25 PHEAA summit Thursday, and I was frightened. And why

1 was I frightened? Well, if you take a look at the  
2 population that Lincoln serves, you know, when my  
3 colleagues talk about the debt load of their --  
4 actually, the poorer you are, the larger the debt  
5 load is. And if you think about the young people  
6 graduating from Lincoln University, they're in a  
7 higher debt load than the persons graduating from  
8 Pitt or Penn or somewhere.

9           So when we were told that the credit market  
10 was not buying the loans, the first thing I thought  
11 about was, what would happen if all of a sudden, come  
12 August, a ton of our young people apply for loans and  
13 they are not there? That's how scary it could be,  
14 when you consider I have a population of about 2,400  
15 young people, and most of them have two loans. So  
16 I'm financing about 4,000 loans. That translates  
17 into about \$25 million a year.

18           So without that, Lincoln University, with 95  
19 percent of its students on financial aid, if someone  
20 suddenly said that the loan capability of these young  
21 people, they cannot make these loans, then we are in  
22 dire straits.

23           Concomitantly, if you look at what the loan  
24 industry is saying, it's saying that not only are we  
25 going to cut back on loans, but if you happen to be

1 with a certain credit score, families who have those  
2 credit scores will now not be able to sign those  
3 loans for their kids to get.

4 Now, I'm not saying this to suggest to any  
5 of you that this is the scenario that will play out,  
6 but thinking about it gives me goose bumps.

7 As we were talking about the percent of  
8 funding from the Commonwealth as it relates to  
9 Lincoln, when I arrived at Lincoln, about a third of  
10 its budget came from the Commonwealth. Now we are  
11 down to about 20 percent of our budget.

12 Now, one of the most difficult periods I've  
13 had at Lincoln -- and I've had quite a few of them --  
14 but one of the most difficult ones was in the year --  
15 let's see here -- I think '03-04 when we had to do  
16 something unthinkable, and that was, we had to  
17 increase our tuition by 14.1 percent on a population  
18 where 65 percent of these young people come from  
19 single-parent families with an average income of  
20 \$40,000.

21 So I would say, you know, as we all know,  
22 that higher education is the end of all the end and  
23 it is the thing that makes America work. So we have  
24 to figure out a way somehow in this scheme of things  
25 to really come to grips with the fact that, you know,

1 I'm a small number in the State-relateds, but if  
2 you look at the numbers, the State-relateds teach  
3 146,000 students. That's more than the State System  
4 does.

5           And so we have to come to grips that no  
6 matter what part of the system that you're in, it's  
7 important for this State and this Commonwealth to  
8 say, look, we must provide the wherewithal and the  
9 assistance in order to educate our populace, because  
10 an uneducated populace is not what any of us would  
11 like to have.

12           So my thing would be that somehow we have  
13 got to develop some sort of comprehensive, real  
14 comprehensive plan about what it is that we need to  
15 do and what we want to do. And just like my  
16 colleague, Chancellor Nordenberg, was talking about,  
17 other States are doing it, and they're doing some  
18 very creative things.

19           Take, for example, the State of Texas. Now,  
20 this may not have anything directly to do with the  
21 appropriations, but I do think it has some bearing on  
22 it.

23           The State of Texas said, we're going to  
24 define what our high schools should do in order to  
25 break this back of having these young people come out



1 of our public school system and going into the  
2 college system where one out of every three kids who  
3 enter the college system have to have some form of  
4 remediation, and they've decided to do that.

5 And one of the things, having worked in  
6 Texas and having worked in the State of Washington  
7 and having testified in front of many legislators as  
8 it relates to higher education, one of the things  
9 that makes it difficult for me here in the State of  
10 Pennsylvania is the fact that we are not coordinated  
11 enough; we don't have that apex that says, this is  
12 what we want and this is how we define it and this is  
13 how we all work together to make this occur.

14 And we must get to that if we're going to  
15 talk about higher education in this State, we must,  
16 because each year coming up and talking about what  
17 are the tuition levels going to be, a few dollars  
18 here and a few dollars here, that is not going to do  
19 anything. All we are doing is postponing the  
20 inevitable, and the inevitable out there is somebody  
21 somewhere who is going to have to say, look, we can  
22 no longer go down this track.

23 And so your question is a very germane one  
24 in the sense that we need to somehow figure out how  
25 we come together and to really define what it is we

1 mean by the higher education system in this State.

2 VICE PRESIDENT WAGNER: Mr. Chairman, as  
3 someone who has done two tours of duty in the  
4 Governor's Budget Office, I am acutely aware of the  
5 calculus that you face with respect to the General  
6 Fund budget in the fact that the Commonwealth is  
7 locked in an embrace with the Federal government with  
8 respect to Medicaid.

9 And every year, you know, the discretionary  
10 resources that sort of organically are provided seem  
11 to disproportionately get gobbled up by the Medicaid  
12 program. And to a very significant degree, that's  
13 beyond your control. That starts with the Federal  
14 government; that starts with reform of a health-care  
15 system that is broken.

16 You know, we are acutely aware of that at  
17 Penn State, because we operate a health system in  
18 North Philadelphia that is the de facto, you know,  
19 public hospital -- of Temple.

20 PRESIDENT NELSON: That's all right though.  
21 We understand. We're all in it together.

22 VICE PRESIDENT WAGNER: So, you know, what  
23 we need to do is we need to think about where the  
24 opportunities might lie.

25 I think that the good news is that folks are

1 talking about economic stimulus in both Harrisburg  
2 and in Washington, because, you know, I think that  
3 you've got institutions in front of you that can play  
4 an incredibly important role in helping to stimulate  
5 the economy in Pennsylvania.

6 We've got a \$350 million construction  
7 program going on at Temple right now. The new  
8 medical school is a 500,000-square-foot facility,  
9 seven floors of research, which will add a lot of  
10 jobs to North Philadelphia.

11 One of the ways---

12 CHAIRMAN EVANS: Can you tell me, about how  
13 much is the Commonwealth of Pennsylvania putting into  
14 the medical school?

15 VICE PRESIDENT WAGNER: About a third; about  
16 a third of that \$350 million.

17 CHAIRMAN EVANS: For projects, right?

18 VICE PRESIDENT WAGNER: Well, no, these are  
19 the public improvement dollars.

20 CHAIRMAN EVANS: Yeah; but I just want you  
21 to say it a little louder for when I do the  
22 development bill and I run it through.

23 VICE PRESIDENT WAGNER: We can use money.  
24 We can match that money.

25 One of the things that, you know, we are

1 ready, willing, and able to do at Temple is we're  
2 willing to match Commonwealth dollars to do projects,  
3 you know, to do things that are important for us by  
4 way of research, by way of other academic facilities.  
5 But also, more importantly, it will stimulate the  
6 economy in Philadelphia and in southeastern  
7 Pennsylvania and in Pennsylvania.

8 That's something that you can do right now.  
9 That is an opportunity that we have. And, you know,  
10 we do understand that with respect to Medicaid,  
11 you're in a real bind.

12 CHAIRMAN EVANS: Let me say this: I thank  
13 you, Tony, for especially saying what you said,  
14 because you've been on both sides. I mean, you've  
15 been in the Budget Office. I think you did some  
16 things with PICA and other things.

17 And you said something that we've been  
18 having a little debate this week about how much is  
19 enough debt? We had Global Insight here this week.  
20 We had the State Treasurer here. You know, we had  
21 these people all talking about the issue about  
22 debt.

23 So what I hear you saying -- I'm not putting  
24 words in your mouth -- even if there are certain  
25 things that we maybe can't do, and, President Nelson,

1 even though I heard you say 10 years, but the  
2 Commonwealth did, what, almost \$100 million in  
3 capital, right?

4 PRESIDENT NELSON: Right.

5 CHAIRMAN EVANS: That's counted on the  
6 accounting scales somewhere, right?

7 PRESIDENT NELSON: Oh, sure.

8 CHAIRMAN EVANS: Okay. I just wanted to  
9 ask.

10 So every time the Commonwealth does capital,  
11 right, even though it may not -- you count that,  
12 right? You all count what they do. And I think that  
13 is important to realize, because even though  
14 something may not come directly in the budget -- and  
15 I didn't get Tony to say it, but since he led into  
16 that -- the Governor has put an economic stimulus  
17 proposal in there. He has talked about this  
18 \$750 million, which is a bill on the agenda -- when  
19 we come back, we're going to vote it -- where he  
20 talks about there are projects that are shovel-ready  
21 between here and 250. And even my good friend, Gib  
22 Armstrong, said -- I'm quoting Gib -- even Gib said  
23 that the market is ripe for borrowing at a  
24 low-interest rate, so we can do it.

25 So what I'm saying to you is, even though we

1 may not be able to do the direct subsidies as you  
2 describe, you cannot tell me that the capital  
3 investments that have come in have not also been  
4 beneficial to you in terms of the things that we  
5 do.

6 I mean, I just didn't hear the  
7 capital-benefit aspect of anything. Does anybody  
8 want to talk a little bit about the capital benefit  
9 here?

10 PRESIDENT SPANIER: We are all grateful for  
11 the capital investments. Those are very important to  
12 us. We have all been, our universities have been  
13 around a long time, and we have millions of square  
14 feet of space that have to be renovated, replaced,  
15 deferred maintenance, and, of course, we're growing  
16 in our student numbers and in our research  
17 programs.

18 But there are two kinds of capital  
19 investments that have occurred in our universities.  
20 One is an allocated amount that is a little more  
21 formulaic that is in the budget than we can generally  
22 count on, more or less, in the given year. There are  
23 then occasionally special projects that the Governor  
24 is able to fund.

25 The amount of money that we can plan on that

1 has historically been in the budget has not changed  
2 in my 13 years. This is the capital budget. This is  
3 another area where we, all together, have tried to  
4 have discussions with folks here in Harrisburg to try  
5 to get that number elevated.

6           It used to be that it was very rare for the  
7 university to incur debt on its capital projects,  
8 except for dormitories or things in the self-support  
9 area. But it was very rare for us to just go out and  
10 borrow the money for an academic building. We have  
11 to do that now, and it contributes to putting a  
12 burden on the tuition side. Because if you take  
13 those 13 years that I've been here and exactly the  
14 same dollar amount which is being allocated for our  
15 capital facilities, the buying power of that,  
16 especially against the super-inflationary forces  
17 that have been operating in the construction  
18 industry, have made it impossible to keep up in that  
19 area.

20           Also, we had a Budget Secretary along the  
21 way, frankly, who decided that we had to include in  
22 that amount all of the equipment and the furnishings  
23 and the fitting out of the building, so it even  
24 represents a cut in the actual dollar amount.

25           That's an area that does need some attention

1 and discussion. It's not something we typically talk  
2 about in our Appropriations hearings, but it's a very  
3 important area for us.

4 CHAIRMAN EVANS: But the reason I think it  
5 should be talked about in your appropriations area is  
6 because we just don't talk about the operating side,  
7 we talk about capital. We talk about both. And what  
8 I don't think we have ever done with this General  
9 Assembly, working in conjunction with the Governor,  
10 is had this kind of broad-based discussion about if  
11 we can't do something one way, maybe we can do  
12 something another way, which is pressure off of your  
13 budget.

14 I mean, we just have to think a little  
15 different, because at the end of the day, this is not  
16 our money, it's the taxpayers' money, and that is  
17 where the money comes from, and obviously we don't  
18 want to put any more additional burden on individuals  
19 or businesses. We are trying to strike a balance  
20 between having economic growth in the Commonwealth of  
21 Pennsylvania. We must have economic growth, we must  
22 have investment, but we cannot make it so  
23 noncompetitive for the State that individuals don't  
24 grow and businesses don't grow.

25 So it's a delicate balance that we face, and



1 I think the Governor in his economic stimulus -- and  
2 I didn't say it; Tony kind of led in. I didn't write  
3 the script for him, but, you know, he put out the  
4 economic stimulus program. We're trying to get that  
5 program moved, because we do think something needs to  
6 happen with the infrastructure.

7 And we look, at least I look at higher ed as  
8 part of the infrastructure of this State. As much as  
9 we talk about bridges and roads, I don't see Lincoln,  
10 Penn State, Temple, or the University of Pitt moving  
11 down South or offshore, right? I don't think any of  
12 you are moving offshore and I don't think any of you  
13 are moving down South.

14 So you're like the roads and the bridges.  
15 That's what you're like. You're like the roads and  
16 the bridges, except you deal with human capital. You  
17 deal with human capital, and we've got to do it all.

18 So it is not easy. And I'm not minimizing  
19 the proposed recommendation the Governor has made.  
20 I'm not minimizing it. When I talk to my good friend  
21 right here, and he is my good friend, he and I will  
22 have to work together to figure this out. And we're  
23 going to have to do that; we're going to have to work  
24 together, you know, to come to some kind of common  
25 denominator.

1           I think we all agree there's no such thing  
2 as a Democrat or Republican aspect when it comes down  
3 to higher ed. I was just listening to some of my  
4 colleagues up in the room this morning who were  
5 talking about their kids who go to the State System  
6 and the importance of them going to the State System.  
7 I think we have a good location to go.

8           So I wanted just to start this conversation,  
9 and I look at this more as a conversation than  
10 questions and answers with you, because it helps me.  
11 And I get a chance to talk to the Chairman. I'm  
12 going to be counting on him a lot this year; he knows  
13 that.

14           It's your turn, Mr. Chairman.

15           CHAIRMAN CIVERA: Thank you.

16           Let me start out by saying this: You  
17 certainly got the Chairman's attention with  
18 RCAP.

19           Let me just say this. First of all, I  
20 think, on both sides of the aisle, that we're very  
21 sincerely proud of what you do in Pennsylvania and  
22 how you educate our students and with our  
23 State-related universities and our State System.  
24 It's something that, you know, it's just not in  
25 Pennsylvania. You can go to another State, the

1 University of Pittsburgh, Penn State, and it just  
2 goes on and on. So as legislators we are, without a  
3 doubt, very proud of what we do and what you do for  
4 us.

5           Unfortunately, sometimes when you run into  
6 situations of money and you look at the diversity of  
7 how money should be spent and how money should be  
8 directed, that's when the controversy starts.

9           Basically, our budget in Pennsylvania in the  
10 last couple of years has been a lean budget. It's  
11 been a budget to a point where the taxpayers in this  
12 new session, the reform message that was sent to us  
13 was that you need to stop doing business as usual in  
14 Harrisburg and you need to start to change how you  
15 deal with the people's business and how you spend  
16 basically our tax dollars.

17           Last year was a situation where we then took  
18 a different approach in how we looked at the big  
19 3-inch book, that budget, and exactly what we were  
20 going to spend and what we needed to spend to get the  
21 job done.

22           So when you go into an atmosphere of that  
23 nature, you're then put into a position where  
24 universities, State-related and whatever is in the  
25 General Fund budget, that everybody takes a little

1 bit of a back-step. Unfortunately, what I've heard  
2 here this morning is that this back-step has been  
3 going on for some years.

4 You know, we try in a very sincere way,  
5 because you are the people that educate our society,  
6 and we are very indebted to that and we thank you for  
7 that. And at the same time, we are in a situation  
8 where we have the constituent base that we have to  
9 answer to.

10 So when the Chairman asked some direct  
11 questions and when you look at whatever  
12 Administration, whether it be the Republican  
13 Administration or a Democrat Administration, in how  
14 they approach to satisfy you, there have been  
15 different approaches where you have been satisfied,  
16 there have been approaches where you have not been  
17 that satisfied. But you're doing the job for  
18 Pennsylvanians, and we appreciate that.

19 Let me ask you a question, and this is a  
20 question that always comes to my mind because,  
21 out-of-State tuitions, people that come from out of  
22 State into Pennsylvania, those tuitions for those  
23 individual students, are they treated the same as  
24 in-State or is in-State less? Because I always get  
25 thrown out to me, well, the State of Delaware does

1 this and this one does this, and you look at  
2 different States, and, you know, I need to say and  
3 have something on the record as far as how that's  
4 handled. If somebody can give me some type of an  
5 idea.

6 PRESIDENT NELSON: Our out-of-State tuition  
7 is higher than our in-State tuition by a significant  
8 amount.

9 CHAIRMAN CIVERA: By what percentage points  
10 is it higher, would you say?

11 PRESIDENT NELSON: Tuition fees --  
12 undergraduate, in-State, is \$8,224 for this year;  
13 out-of-State is \$12,654.

14 CHANCELLOR NORDENBERG: Yeah; for us, too,  
15 the tuition rates vary from program to program. But  
16 you could say that out-of-State tuition is about or  
17 nearly twice what in-State tuition is.

18 PRESIDENT SPANIER: At Penn State, at our  
19 Commonwealth campuses around the State, the ratio  
20 would be the same. It's very similar to what  
21 President Nelson mentioned. At the University Park  
22 Campus, it's greater. It's about double in round  
23 numbers, double the tuition out-of-State compared to  
24 in-State.

25 VICE PRESIDENT WAGNER: The same is true at

1 Temple.

2 CHAIRMAN CIVERA: Okay.

3 And you touched on this at the end of your  
4 conversation with what's going on with PHEAA and  
5 what's going on with the loan market, not only in  
6 Pennsylvania but throughout the entire country. And  
7 I am very concerned about this, because there's not a  
8 doubt in my mind that it will have a direct impact on  
9 the student loans, the student grants.

10 Could you give me a little more detail?  
11 Because of this black cloud that's looming over us --  
12 and it is -- how are you basically really going to  
13 deal with this? Give us some ideas.

14 PRESIDENT SPANIER: Well, Penn State is  
15 PHEAA's single largest customer. Of course, we have  
16 90,000 students. Sixty percent of our students have  
17 loans. About 78 percent of all of our students have  
18 financial assistance of one kind or another.

19 Penn State has been very loyal to PHEAA, so  
20 to speak. We've had a very close working  
21 relationship with them, and, of course, we hope that  
22 will continue.

23 But with the circumstances evolving in the  
24 financial markets -- and I understand PHEAA tomorrow  
25 is planning to make some further announcements beyond

1 the press conference that they had last week -- we  
2 have had to start discussions at Penn State to  
3 protect our tens of thousands of students who have  
4 loans as to how we're going to deal with their  
5 situation.

6 We cannot go into this coming year and find  
7 out that tens of thousands of students do not have  
8 the same availability of loans as they have had in  
9 the past. So we have to look at the typical array of  
10 possibilities -- private lending, lending through  
11 PHEAA, the Federal Direct Loan Program.

12 I have no idea how it will sort out at this  
13 time, but we share your concerns, very much so.

14 CHANCELLOR NORDENBERG: We, too, are heavily  
15 dependent upon PHEAA and its programs. And as a  
16 recipient of a PHEAA grant myself many years ago, I  
17 feel a personal sense of connection to the agency and  
18 what it has done for countless students over an  
19 extended period of time.

20 Like President Spanier, we're trying to plan  
21 for the problems that may lie down the road for our  
22 students. But I also think it's fair to say that  
23 PHEAA deserves some credit for getting out in front  
24 of this problem now in trying to raise the issues and  
25 marshal support for allies in crafting a solution

1 pretty early in the game. And obviously we've  
2 participated in their summit and look forward to  
3 working with them as they push ahead.

4 PRESIDENT NELSON: You know, to answer that  
5 really true, I haven't the foggiest notion of how we  
6 will handle the problem, because we do not have an  
7 excessive endowment that we could fall back on. We  
8 will be discussing direct lending and other forms of  
9 possibilities.

10 The interesting thing about one of the  
11 things that PHEAA discussed in its summit is that the  
12 State Grant Program, which is directly affected to  
13 Pennsylvanians, will be cut. You provide a certain  
14 amount of dollars to their program, and their  
15 interest earnings also provide a certain amount of  
16 dollars based on -- the cursory remark was that about  
17 90 percent of the State Grant Program that will be in  
18 operation this coming year. So that's already -- I  
19 don't know how much of an effect it will have, but  
20 that's already an effect that's out there.

21 So it is really something that needs to be  
22 discussed in a detailed way, because I imagine,  
23 looking at the population of which I serve, we  
24 already have difficulty with the young people being  
25 able to get a secured Plus Loan, because when you add



1 up -- if you look at the population I serve, by the  
2 time you add up the Pell Grant and the first loan and  
3 the second loan, you still have a little bit left.  
4 I'm talking about Pennsylvania students. And with  
5 that State Grant even, that brings the dollars up so  
6 that they will be able to pay for all of that tuition  
7 and fees. So the State Grant is also an important  
8 feature of this program.

9 VICE PRESIDENT WAGNER: From all sources,  
10 Temple students do upwards of \$300 million in loans.  
11 So to the extent that there is a higher proportion of  
12 those loans that aren't subsidized, the cost of  
13 capital for our students will be more expensive, and  
14 that will increase the amount of average debt that  
15 they end up with.

16 CHAIRMAN CIVERA: Mr. Chairman, that's all I  
17 have. Thank you.

18 CHAIRMAN EVANS: Representative Dan Frankel.

19 REPRESENTATIVE FRANKEL: Thank you, Mr.  
20 Chairman.

21 Good morning to all the Presidents and  
22 Chancellor Nordenberg.

23 I'm not going to take much time, because I  
24 think my Chairman really covered a lot of ground and  
25 so did Chairman Civera, but I do think that we have

1 to recognize, first of all, that all of you -- and  
2 I'm most familiar with the University of Pittsburgh,  
3 because I am fortunate enough to be a Commonwealth  
4 trustee -- have done an extraordinary job in our  
5 Commonwealth with our students and our communities,  
6 and ultimately, you have done a lot with less from  
7 us.

8           And it is disturbing, I think, as we sit  
9 here every year and see what is essentially a  
10 disinvestment in our State-related educational  
11 institutions. To say that, you know, every year we  
12 are not even going to meet half of the cost-of-living  
13 index is just -- I think we are not doing our job at  
14 the end of the day. And ultimately when we talk  
15 about increasing taxes, we are increasing taxes on  
16 Pennsylvania students and their families who have to  
17 pay tuition increases that you are really forced to  
18 do.

19           So, I mean, I think we really need to be  
20 more responsive ultimately. And as you have noted,  
21 when you look around our neighboring States that are  
22 increasing their investments in their State Systems,  
23 their State universities, in many cases in double  
24 digits, you know, five, six, seven times what we're  
25 doing in Pennsylvania, we need to change something.

1           But let me ask you each to maybe highlight  
2 very briefly, because I know this has gone very long  
3 and others want to talk, about some of the things  
4 that you might want to highlight about your own  
5 institutions and what you've done.

6           I know particularly in the city of  
7 Pittsburgh, the major successes and infusion of  
8 research dollars, the expansion of researchers, what  
9 we have done in terms of the quality of education,  
10 even in these difficult circumstances with respect to  
11 the State appropriation, has been a major economic  
12 stimulus for our community at the University of  
13 Pittsburgh. Maybe each of you could comment in terms  
14 of what you have been doing, and I heard a little  
15 bit about it from Temple, about some of your  
16 successes.

17           PRESIDENT NELSON: Thank you, sir.

18           Well, one of the successes that I'm most  
19 proud of is when you take a look at our graduate  
20 demographics, 25 percent of all the young people who  
21 graduate from Lincoln University are in the sciences,  
22 something that you wouldn't predict would happen for  
23 the population that we serve. So that's just one  
24 little feature of what we are doing.

25           Also, we view ourselves as part of the

1 economic well-being of where we are located, in the  
2 southwestern part of the State. While we may be  
3 small, you know, we pump about \$150 million worth of  
4 goods and services through the turnover of dollars in  
5 that area. We have about 500 or 600 -- we have about  
6 500 employees. So we feel that we are genuinely part  
7 of the economic well-being of the county where we are  
8 located.

9           And another real important thing, 56 percent  
10 of our graduates stay in this area, stay in  
11 Pennsylvania. So we know that we are good for the  
12 Commonwealth.

13           VICE PRESIDENT WAGNER: This fall, we at  
14 Temple enrolled the largest class that we've had in  
15 decades. Temple's enrollment is now over 36,000, and  
16 we've had incredibly strong demand, and that's a  
17 great thing for the university and for North  
18 Philadelphia.

19           One of the things that Temple has been  
20 doing to help itself is we are in the middle of a  
21 \$350 million campaign in which we've already -- we  
22 set a goal of raising \$60 million for scholarships --  
23 we've already raised \$63 million.

24           You might have seen in the paper that we  
25 had an anonymous donation several weeks ago of

1 \$5 million. One morning we opened the mail, and  
2 there were two checks, two registered checks,  
3 certified checks, one for \$4 million that was for  
4 scholarships and one for a million dollars that we're  
5 going to use to endow the operating cost of the  
6 refurbished Baptist Temple.

7           We've raised \$60 million for facilities so  
8 that we can augment the generous contributions that  
9 the State provides. So Temple is in the middle of a  
10 capital campaign that is, you know, part of us  
11 recognizing that, you know, Harrisburg isn't going to  
12 solve all of our problems and we have to work to  
13 solve some of our own.

14           We know all of the other institutions are  
15 actually ahead of us in this regard and we're playing  
16 a bit of catch-up, but we can do that, and I think  
17 it's going to be a great success for us as we raise  
18 these private dollars.

19           PRESIDENT SPANIER: I think one of the great  
20 things that's happened at Penn State and for  
21 Pennsylvania is that our university is now the most  
22 popular university in the United States. We're  
23 receiving over 100,000 applications for admission.

24           But how does our success translate into what  
25 helps Pennsylvania? And there I would point to our

1 approximately \$700 million of research expenditures.  
2 These funds come largely from grants and contracts  
3 from the Federal government, from private industry,  
4 and elsewhere.

5           And this translates into discoveries, into  
6 jobs. Penn State has about 41,000 employees. We're  
7 one of the largest employers in Pennsylvania. We  
8 have a massive contribution to the State's economy,  
9 to our economic development.

10           And there's one area of the budget that I  
11 would like to point out where there are potentially  
12 some serious implications. One of the reasons why  
13 we are talking about only a fraction of 1 percent of  
14 an increase from the Governor's budget proposal for  
15 Penn State is because of his recommendation that we  
16 cut 2 percent from the agricultural research and  
17 2 percent from the cooperative extension and  
18 2 percent from the Pennsylvania College of Technology  
19 budget.

20           I know this is a question that would have  
21 come up if I weren't bringing it up. This is  
22 inexplicable to me. This is 6 years in a row that  
23 the Governor has recommended no increase or a budget  
24 cut in these vital aspects of what is happening at  
25 Penn State and in the Commonwealth of Pennsylvania.

1 I don't understand it. This is another 50 jobs lost  
2 just on these agricultural line items.

3 If there were a new company coming into  
4 Pennsylvania that could create 50 new jobs, I think  
5 we would be stumbling over ourselves to try to get  
6 that enterprise up and running. Here we have one of  
7 the great assets that this State has ever known and  
8 we're cutting, cutting, cutting. I don't understand  
9 it.

10 One of the priorities that we hear about  
11 when we visit Harrisburg is that this State wants to  
12 be a leader in energy and in biofuels. Where on  
13 earth do you think the knowledge base and the  
14 technological know-how is going to come from in  
15 biofuels if it's not Penn State University? I have  
16 news for you: It doesn't exist anywhere else. This  
17 is our great strength. We're one of the leaders in  
18 the world in this area, and we are going to cut  
19 50 positions out of what we do? It doesn't make any  
20 sense to us, and it's what is contributing to this  
21 problem.

22 Oh, I can understand that you would debate  
23 whether it's an increase of this percent or that  
24 percent and how it fits into the other priorities,  
25 but why in a time when the State is doing pretty well

1 -- everything considered -- would we actually cut  
2 these three line items in Penn State's budget?

3           If there is anything I can point to that  
4 merits an increase well above inflation and/or an  
5 investment that I promise you would pay off, it would  
6 be precisely in these three line items that are  
7 targeted for cuts.

8           CHANCELLOR NORDENBERG: And really, if I  
9 could pick up on President Spanier's concluding  
10 theme, I think that is the reaction that each of us  
11 has felt when we have looked at the level of  
12 recommended increase to our basic appropriation as  
13 well, that very often we are here and we're talking  
14 about whether something ought to be a percent or two  
15 more. But when you pick up a budget recommendation  
16 and the recommended increase is in the range of  
17 1 percent, you begin to feel as if you're not really  
18 even in the game.

19           And when you do get into the line items,  
20 though we do not have the large line items of the  
21 type to which President Spanier referred, when you  
22 look at our rural education outreach, it was slashed  
23 by more than 12 percent. Teens at risk for suicide  
24 was held flat. The line item for disadvantaged  
25 students was held flat. It was an unusual picking



1 and choosing, I thought, in selecting those areas of  
2 the budget that were going to be treated in an even  
3 more disadvantageous way.

4 But I would like to return to Representative  
5 Frankel's question to say, we're glad you're on our  
6 board. I'm pleased we have identical ties on today.  
7 And I also appreciate the fact that you really gave  
8 us the chance to talk about this other mission,  
9 because for three of us at least, we are the public  
10 research universities in the Commonwealth, and it is  
11 the research that we do that really distinguishes us  
12 from all of the other institutions of higher  
13 education within Pennsylvania.

14 And as you know, the University of  
15 Pittsburgh has moved through a period where, in terms  
16 of National Institutes of Health support, I think  
17 there is no university in history that has increased  
18 the level of funding being brought into Pennsylvania  
19 to support important work and jobs in Pennsylvania  
20 than the University of Pittsburgh has done.

21 We currently rank sixth in terms of NIH  
22 funding nationally. We've got our sight set on  
23 number four. Those are dollars that obviously are a  
24 reflection of institutional stature. They are  
25 dollars that support local jobs. The \$600 million

1 plus that we expend on research every year supports  
2 directly and indirectly about 18,000 jobs in western  
3 Pennsylvania. That's just through our research  
4 mission.

5 But they also are dollars that will make a  
6 difference in broader ways in the lives of the people  
7 in the Commonwealth and in more distant locations.  
8 We are the university that gave the world the Salk  
9 polio vaccine. We are the university that developed  
10 most of the surgical techniques and drug therapies  
11 that made organ transplantation possible.

12 Just in the last month, the Harvard Medical  
13 School identified, as one of the top health-news  
14 stories of 2007, the development by two Pitt  
15 researchers of a compound that permits the detection  
16 of Alzheimer's disease before there are symptoms,  
17 which opens the door to preventive treatments.

18 And another Pitt research team identified an  
19 unknown virus and linked it to the most aggressive  
20 form of skin cancer. In all of the world today,  
21 there are seven viruses that have been identified as  
22 cancer-causing viruses, and two of them have come  
23 from this same research team at the University of  
24 Pittsburgh.

25 And so even as we're talking about

1 education, which is our most basic mission, most of  
2 us are really shouldering significant  
3 responsibilities of another type and I think are  
4 really adding to the stature of the Commonwealth of  
5 Pennsylvania by the things that we're achieving  
6 through our research work.

7           REPRESENTATIVE FRANKEL: I want to thank  
8 you. I think you all make a very compelling case  
9 for, I think, hopefully on a bipartisan basis, our  
10 taking a look at this and saying that we can't not  
11 play the important role that we should be playing by  
12 making additional investments, because the leverage  
13 that we're seeing in terms of the quality of  
14 education you're providing, the research, the  
15 economic development in our communities, the service  
16 you provide to Pennsylvania students and their  
17 families, we ought to be doing better than 1.2  
18 percent.

19           Thank you very much.

20           CHAIRMAN EVANS: Representative Scott Petri.

21           REPRESENTATIVE PETRI: Thank you, Mr.  
22 Chairman.

23           I guess I would summarize the last hour's  
24 conversation with my greatest concern as surprise --  
25 surprised for the students and their families,

1 especially those who have already made commitments to  
2 universities and colleges because of this national  
3 credit crunch.

4           And I think that many of them, especially  
5 those who are located in Pennsylvania who may be  
6 looking to go out of State, may be very shocked to  
7 find that their budgets aren't going to be quite  
8 where they are.

9           And I think as a State and as universities,  
10 we can react to the circumstance if given time. The  
11 particular problem we have here is that we really  
12 don't have the time to react for this year in a way  
13 that we all feel comfortable with.

14           So I share your concerns with regard to this  
15 national credit crunch that has hit PHEAA and other  
16 lenders.

17           I want to direct your attention, though, to  
18 a specific area. The House Liquor Committee is  
19 considering legislation which would mandate  
20 additional education and take a part of the  
21 universities' and colleges' curriculums and mandate  
22 to you what you would do.

23           And I would like your comments as to what  
24 you think your role is in dealing with the youth that  
25 we have of all socioeconomic backgrounds that are

1 having trouble, whether it be mental health services,  
2 counseling, drug and alcohol, or severe crimes of  
3 violence.

4 We know that we read the newspapers about  
5 Virginia Tech and Northern Illinois, but there are  
6 incidents that we all know of that occur every day in  
7 our junior highs, high schools, and colleges.

8 And specifically, if you could just briefly  
9 comment on whether, assuming you receive no money to  
10 do it, whether you should be mandated to provide  
11 additional drug and mental health, drug and alcohol  
12 treatment in particular, but any other mental health  
13 services.

14 PRESIDENT NELSON: I would hope that you  
15 would not mandate. We are all concerned about the  
16 issues that you raised, and we do everything possible  
17 to counsel our young people and to provide services  
18 for them. But when you mandate, that's more dollars;  
19 that's more costs, and right now we are sitting here  
20 talking about 1.5 percent or less.

21 And so while the intent of what you're  
22 asking for is a good thing for us to be done, the  
23 question is, where should it be done? And, you know,  
24 it brings up another interesting thing that I'm sure  
25 has been on a lot of folks' minds but not talked

1 about.

2           The incidents that have happened at the  
3 various universities over the past years have cost us  
4 a lot of dollars. For example, at Lincoln  
5 University, I mean, we've had to do a number of  
6 things to anticipate whether or not, if we have an  
7 event, how we would handle it. And we've had to beef  
8 up our security. We've had to do various things.  
9 Those things are not in the budget. And I'm sure my  
10 colleagues here have had to do many things, like add  
11 more police force, surveillance, you name it.

12           So we would urge you that while this is an  
13 important issue and it's something that we could  
14 consider, that you not mandate it, and it may be  
15 something that, you know, we will work with it within  
16 the system that we have.

17           CHANCELLOR NORDENBERG: Well, obviously  
18 I would agree in principle with President Nelson's  
19 response to the question about unfunded mandates.

20           And let me also say that each of us, I  
21 think, is making significant additional investments,  
22 both in terms of security and in terms of the  
23 educational programs and the counseling services that  
24 do have an impact on security issues.

25           The costs always are more significant when

1 you are located in a city. The University of  
2 Pittsburgh is located in a city that has had  
3 financial challenges of its own. We opened up a new  
4 public safety facility in the Oakland area of  
5 Pittsburgh a year or so ago. It is the principal  
6 policing presence within an area that is the third  
7 busiest commercial district in the Commonwealth of  
8 Pennsylvania. So those are the kinds of costs that  
9 we are incurring, even in the face of limited  
10 increases in support.

11 I also would say, from what I know of the  
12 institutions represented here, that we probably are  
13 viewed as leaders in terms of the counseling,  
14 education, and mental health services that we  
15 provide.

16 The national survey of changing demands on  
17 university counseling centers that is done every year  
18 is done by the professional who used to direct our  
19 counseling center and who now continues with that  
20 work even in retirement.

21 We've had wonderful experiences, I would  
22 say, cooperating with the State in developing and  
23 offering programs. The Liquor Control Board, for  
24 example, through its educational initiatives, has  
25 been a welcome partner for us. And we prefer to

1 continue on that basis, partnering, rather than being  
2 directed to do things without support.

3 PRESIDENT SPANIER: Well, a funded mandate  
4 would be quite a new and remarkable experience. I  
5 might support it just so I could say it happened once  
6 in my career. But seriously, no, we do not need a  
7 mandate on this topic.

8 Binge drinking, the excessive consumption of  
9 alcohol, is one of the great problems facing American  
10 higher education today. About one-third of our  
11 students come to us from high school as experienced  
12 binge drinkers. This is not a problem that was  
13 invented on college campuses. People are starting at  
14 younger ages, and we inherit it from the moment many  
15 of our students arrive. And then for some students,  
16 it becomes exacerbated during their college years,  
17 and of course we have to contend with it.

18 And we do. We have a very broad array of  
19 programs already. Certainly at Penn State, we have a  
20 joint commission with the community that surrounds  
21 us. It is co-chaired by the mayor and by one of the  
22 Vice Presidents at the university.

23 We have a broad array of alternative  
24 activities for students to try to provide  
25 opportunities for them to have fun without alcohol.



1 We have extensive counseling and intervention  
2 services through our health center and through our  
3 Center for Counseling and Psychological Services. We  
4 have broad educational programs.

5 Our students actually get a letter from me  
6 after they're admitted and before they arrive at Penn  
7 State where we tell them, don't come here if you  
8 think, you know, this is what it's about. We'll  
9 refund their deposit. We don't want students to come  
10 thinking that college life is about a drinking  
11 experience. We know it is a part of college life for  
12 a lot of students, and we try to deal with it in  
13 many, many ways.

14 And we have a great partnership with the  
15 Liquor Control Board and with the enforcement folks.  
16 So that is actually working very well, and I am very  
17 supportive of their efforts. I want to encourage  
18 them.

19 But, no, we don't really need, at least at  
20 the universities I'm familiar with, any more  
21 encouragement in this area. We are painfully aware  
22 of the challenges already.

23 VICE PRESIDENT WAGNER: I agree, and at  
24 Temple, we have been very proactive in educating our  
25 students and providing, you know, what I would call

1 preventative-type services.

2           In addition, you know, we have very strong  
3 sanctions for students who are found responsible for  
4 abusing alcohol and having problems with that.

5           With respect to the broader safety issues,  
6 Temple has the fifth largest police force in  
7 Pennsylvania. We have 130 sworn officers. We have  
8 over 300 other security personnel.

9           If you come to Temple, you will find that we  
10 turn nighttime into day. We light our campus in an  
11 extraordinary way with stadium lighting on campus,  
12 and even is some of the residential communities that  
13 are nearby where our students live off-campus.

14           We work very, very closely with the  
15 Philadelphia Police Department. We actually have a  
16 zone around Temple where if a 9-1-1 call happens, it  
17 goes both to Temple dispatch and to the Philadelphia  
18 Police Department. So you often will see both Temple  
19 police and Philadelphia police working together.

20           We have community relations where we work  
21 very closely with our local community, you know, to  
22 build a very strong connection. So that's a critical  
23 part of how we deal with the edges of our campus.

24           And the Vice President for Operations at  
25 Temple and the Director of Campus Safety are both

1 former Philadelphia policemen. So there's a very  
2 comprehensive program.

3 With respect to the Virginia Tech and  
4 Northern Illinois-type situations, we have already  
5 implemented, working with a vendor, MIR3. I think  
6 that's the same vendor that the University of  
7 Pennsylvania uses -- an emergency notification  
8 system.

9 We ran a test of that system several weeks  
10 ago, where our students sign up. Every one of our  
11 students and faculty and staff will immediately get  
12 an e-mail if something happens, because they are all  
13 on our e-mail system. And then students can also  
14 sign up to receive other forms of notification -- a  
15 text message, a voice mail -- whatever they feel most  
16 comfortable with in terms of an emergency that will  
17 be the best way to connect with them.

18 So the issues that you bring up are very  
19 important. I agree that we don't need mandates,  
20 but we are very proactively dealing with these  
21 issues.

22 REPRESENTATIVE PETRI: Thank you, Mr.  
23 Chairman.

24 CHAIRMAN EVANS: Representative Jake  
25 Wheatley.

1           REPRESENTATIVE WHEATLEY: Thank you, Mr.  
2 Chairman.

3           Good morning, Chancellor and Presidents.

4           Let me first begin by echoing most of what  
5 my colleagues had said earlier. I definitely  
6 appreciate the work and the mission that many of your  
7 institutions are doing, because I do see you as the  
8 shepherds and stewards of our future leaders, quite  
9 frankly, in this Commonwealth and throughout the  
10 world.

11           And with that being said, I have a  
12 particular interest. I've always made this claim  
13 that I'm a Democrat who would open up, if I had  
14 control of the pocketbook, would open up the  
15 pocketbook and spend as much as we needed for  
16 quality, high education for all of our citizenry in  
17 this Commonwealth, because there's no larger  
18 investment that I think brings the return necessary  
19 to keep us moving forward than the investment in  
20 education, be it basic education or higher education  
21 or vo-tech education. All of it is necessary, and it  
22 should be highly invested in and it should be a  
23 priority for all of us.

24           So with that said, I think going back to  
25 where Chairman Evans was kind of taking us, down this

1 dialogue of budgets and all other types of demands on  
2 a budget.

3 Over the last 2 years now, I've been trying  
4 to think through what's our coordinated effort of a  
5 system between early childhood and higher ed and how  
6 we invest in it. So I think it was Dr. Nelson who  
7 spoke about a different State who had a coordinated  
8 effort and asked, where is Pennsylvania's coordinated  
9 effort?

10 And I'm saying all this to get to this  
11 point, this question: If you all can share with me  
12 your perspective on what a coordinated effort could  
13 look like in Pennsylvania. And, in fact, I know over  
14 the last 5 years with the Governor coming in and him  
15 investing heavily in early childhood education as a  
16 way to try to turn around some of our educational  
17 challenges in the Commonwealth, how that will have  
18 some long-term implications to the types of students  
19 who possibly come on your campuses, because, quite  
20 frankly, I believe many institutions are taking care  
21 of problems that they should not be, meaning we're  
22 investing higher education dollars in trying to  
23 remediate something that our basic ed system should  
24 have handled, or we're spending higher ed dollars to  
25 take care of some situations that, quite frankly,

1 shouldn't be there.

2           So how would you suggest a start to a  
3 coordinated effort to really invest dollars in a  
4 system that makes sense from pre-K to post-doctorate?

5           VICE PRESIDENT WAGNER: Representative  
6 Wheatley, at Temple, we have a very comprehensive  
7 investment with the local public schools in  
8 Philadelphia, and so a very quick answer to your  
9 question is, if you could help us leverage that  
10 investment.

11           We have four local schools that are  
12 partnership schools to Temple. Beyond that, our  
13 students that are studying to become teachers have an  
14 array of programs where they are in the public  
15 schools helping to prepare Philadelphia students so  
16 that they will be ready for a Temple education.

17           So there are a broad array of ways that  
18 Temple is already engaged in the local public schools  
19 in Philadelphia, and it's an investment that we're  
20 making and that you certainly could help us leverage.  
21 That would be a kind of very shovel-ready, if you'll  
22 have it, investment that you could make.

23           In addition to that, I think Temple has been  
24 a leader in trying to provide multiple points of  
25 entry to our institution. We've really been a leader

1 in articulation agreements. We have articulation  
2 agreements with all of the local community colleges,  
3 the Philadelphia Community College, the colleges in  
4 the suburbs, and we really work to help, you know,  
5 kids that at some point belong at Temple but maybe  
6 they need to start someplace else.

7           So we work with the community colleges to  
8 have programs that really focus on what these kids  
9 need to do to be ready to go to Temple, to be ready  
10 for a research 1 institution type of education.

11           So those are a couple of ways that we  
12 already have strong integration, and, you know, the  
13 Commonwealth could certainly participate in helping  
14 us to strengthen that. They would be, you know,  
15 investments that I think would be well worth all our  
16 while.

17           CHANCELLOR NORDENBERG: Let me kind of begin  
18 at home, if I can, and say that for starters, the  
19 role that is played by the four institutions at this  
20 table within the higher education community is, I  
21 think, quite well understood.

22           Lincoln has a special important mission that  
23 we always have thought should be adequately funded,  
24 and the three public universities do have a  
25 distinctive mission within Pennsylvania. We're

1 expected to provide high quality undergraduate  
2 education, we're supposed to be the leaders in  
3 providing graduate and professional education to  
4 the citizens of the Commonwealth, and we're supposed  
5 to make contributions through our programs of  
6 research.

7           So first, I do think that there is something  
8 about which almost all of us could agree. What I  
9 particularly like about your question is that often  
10 you come into a hearing like this one and you begin  
11 to feel that because of limited resources, you're  
12 actually pitted against other parts of the  
13 educational process, and I can say I don't want to be  
14 in that position.

15           I really do believe that early childhood  
16 education makes a difference, that younger children  
17 ought to be afforded the opportunity to go to safe,  
18 high-quality elementary and middle and high schools,  
19 that not everyone needs to go to college, and that we  
20 ought to have strong vocational-education programs.

21           There ought to be strong community college  
22 programs that give students a chance either to earn a  
23 2-year degree that is valuable and stop or to use  
24 that as the starting point for a more extended  
25 experience in higher education.



1           I don't know what the answer is,  
2 Representative Wheatley, but I think you've really  
3 put your finger on a critical issue, that we should  
4 be looking at the process from beginning to end and  
5 rationalizing some of the choices that we make,  
6 recognizing that they aren't unrelated choices at  
7 all.

8           PRESIDENT SPANIER: I'll just add briefly  
9 that my own academic field relates to children,  
10 youth, and families. And I won't repeat what I sent  
11 to many of you in a letter this past year about  
12 issues of early childhood and elementary education in  
13 relation to some legislation you're considering, but  
14 from a higher education perspective, this is an  
15 extremely important area. We have a very great stake  
16 in this issue.

17           First of all, we train all of the  
18 preschool-, elementary-, secondary-school teachers.  
19 They come out of our institutions, and they are out  
20 there on the front lines. We provide a lot of the  
21 continuing education in-service programs. They come  
22 back to our institutions for their graduate degrees.  
23 Those are becoming principals and superintendents who  
24 come back and get degrees from our institution. And  
25 of course we then inherit the collective outcome of

1 what happens in these settings as they come to our  
2 universities.

3           So we have a tremendous stake, and what I  
4 would say about it is that it is very important for  
5 us, and I think we can be a part of the solution.  
6 Maybe we're not a part of the problem so much as  
7 there are opportunities there. If we can get  
8 involved in greater collaboration and you can help us  
9 open the doors to make that a little easier, we will  
10 be there, because it's a great area of interest to  
11 us.

12           REPRESENTATIVE WHEATLEY: Sure.

13           PRESIDENT NELSON: Well, in my discussions,  
14 as you look at the issue and the problem as I see it  
15 in terms of coordination, that the way the system is  
16 structured, there is no clear-cut definition, for  
17 example, as I see it and understand it, for what it  
18 takes to enter our colleges and universities in the  
19 sense that our public school systems are all  
20 independent in terms of the way they define  
21 themselves. And I think in the case of Lincoln  
22 University in terms of the young people who come to  
23 us, we have a developmental program, no doubt about  
24 it.

25           Now, why do we have a developmental program?

1 It's because the young people that come to us are not  
2 prepared in mathematics, some of them are not  
3 prepared in reading, and it's a fact of life.

4 Now, why are they not prepared? The schools  
5 that they're coming from, they are not provided with  
6 those courses. You can probably count the small  
7 number of young people who come to Lincoln University  
8 who have had the opportunity for AP courses,  
9 advanced-placement-type courses.

10 So when I start talking about coordination,  
11 it is talking about how do we maximize the use of our  
12 resources in saying, okay, here's what it takes to  
13 prepare yourself to have entry into our colleges and  
14 universities.

15 Some States have it such that you can have  
16 early entry. I came from a State, before I came  
17 here, in which you could enter the higher education  
18 system at grade 10, and we had young people  
19 graduating from high school at the same time as  
20 receiving a year or 2 years from a community college  
21 or from a major institution if it was located near  
22 them.

23 So as I look at Pennsylvania, and I know and  
24 understand the independence, you know, of the State  
25 in how it's higher education system developed, and so

1 when you start talking about how we maximize the use  
2 of resources, that we could better define to tell  
3 young people, this is what it takes; this is  
4 demanding. And I'm pleased, for example, about 3  
5 weeks ago the State Board of Education began to say,  
6 these are some of the things that you need in order  
7 to go further and matriculate, which is a good thing.

8           So I think that we need to participate in a  
9 conversation that says, here's what it really takes,  
10 and define those. And I'm not talking about  
11 high-stakes tests. A lot of folks immediately say,  
12 well, what you're saying is that we're going to test  
13 this, test this, test this. That is not what I'm  
14 after.

15           What I'm trying to define is a set of  
16 standards in such a way that it's an easy access to  
17 access either the systems at any point in time and  
18 that it would be cost effective to the State in terms  
19 of supporting and financing it.

20           REPRESENTATIVE WHEATLEY: And I want to  
21 thank each of you gentlemen for your responses. And  
22 because of the interests of time and I know there's  
23 other people who want to ask questions, I'm going to  
24 submit questions to you all for your responses back.

25           But I will say -- and I've been on this, and

1 it's not all of my idea; I'm kind of piggybacking off  
2 of Chairman Evans years ago in his idea of trying to  
3 look at different departments and really take an  
4 in-depth analysis of what they do and how they do it.

5 I want to focus in on education and really  
6 figure out a way for us to bring -- because I think  
7 the dual enrollment and the investment that the  
8 Governor has made in early childhood and what he's  
9 trying to do to strengthen basic education, I think  
10 that's a great thing. I do believe we need to give  
11 higher ed more support, but it should be a broader  
12 part of a mix of what we're trying to establish.

13 And not all higher education institutions  
14 are the same, in my opinion, so they don't  
15 necessarily all require the same types of investments  
16 in the same types of ways, and we should have a way  
17 to differentiate.

18 And in the future, I know that private  
19 institutions are private, but if they receive public  
20 tax dollars, we should have an opportunity to talk to  
21 them in the same setting to bring them also into this  
22 coordinated plan of how we allocate public dollars to  
23 maximize what we want out of the education system.

24 So I will be submitting questions and look  
25 forward to working with you gentlemen in the future.

1           Thank you, Mr. Chairman.

2           CHANCELLOR NORDENBERG: May I make one other  
3 point, Mr. Chairman? And it really ties into  
4 Representative Wheatley's question in a different  
5 way.

6           Probably not as a result of any planning but  
7 instead as the product of individual institutions  
8 viewing their responsibilities and their  
9 opportunities in different ways, when you look at the  
10 three public research universities in Pennsylvania,  
11 you really have a terrific mix without a great deal  
12 of overlap.

13           I mean, particularly now that we don't play  
14 each other in football or men's basketball, I don't  
15 really consider Penn State and Pitt to be  
16 competitors. But in a broader sense, I never did.

17           You know, I always thought that Pennsylvania  
18 was lucky to have two high-quality institutions that  
19 were far more complimentary than they were  
20 competitive in terms of what they offered as  
21 educational institutions and as research centers, and  
22 I do feel the same way about Temple.

23           So there are some parts of the system where  
24 missions have been rationalized through one process  
25 or another in ways that I think has positioned

1 Pennsylvania to receive the best of what we each have  
2 to offer.

3 CHAIRMAN EVANS: Representative Dave  
4 Millard.

5 REPRESENTATIVE MILLARD: Thank you, Mr.  
6 Chairman.

7 President Spanier, I would like to follow-up  
8 a little bit in particular with you on the  
9 agricultural research funding.

10 PRESIDENT SPANIER: Yes.

11 REPRESENTATIVE MILLARD: Now, I know what  
12 you stated, that it's been cut a couple percentage  
13 points each year for a couple of years here.

14 Now, just recently, this last Sunday as a  
15 matter of fact, on 60 Minutes -- I don't know if you  
16 saw it or not -- they talked about colony collapse  
17 with the honeybees, and I'm not quite sure what  
18 involvement Penn State has with doing some research  
19 concerning that. But I do know that you have done  
20 some research along that line, and I also know that  
21 you have research involving the Ornamental Conifer,  
22 which is the Christmas trees.

23 Now, if we take these two items in  
24 particular, you realize what a broad area  
25 Pennsylvania covers, and I'd like to know the direct

1 result, the direct impact, that this budget cut will  
2 have on these two areas. And I think that this will  
3 pretty well portray on a broader scale the fact that  
4 Pennsylvania's number one industry is agriculture and  
5 related.

6 PRESIDENT SPANIER: Well, thank you.

7 We do have a very strong and direct  
8 involvement in the honeybee issue. In fact, as I  
9 think back over the past year, there may have been  
10 more news stories in this country on that topic than  
11 anything else related to Penn State.

12 It's been quite remarkable, and there's been  
13 a lot of interest in it. I never had any idea of the  
14 ripple effects and the consequences that a disruption  
15 in an area like that could have.

16 So yes, we have many of the experts dealing  
17 with topics like that. And, you know, this year it's  
18 honeybees, but every year there is another  
19 agricultural-related problem that pops up that has  
20 tremendous consequences for the economy of  
21 Pennsylvania. It may be a virus. It may be a  
22 disease. It might have something to do with water  
23 quality, avian flu, West Nile virus.

24 You can go down a list of things, and there  
25 is an ebb and flow of what challenges there are in



1 health-related areas and in agricultural  
2 production-related areas. And when those things  
3 happen, everyone turns to the College of Agricultural  
4 Sciences at Penn State and says, we need to solve  
5 that problem right now.

6           Some of the issues are national, but a lot  
7 of them are very regional because of different soils  
8 and what the agricultural commodities are. It may be  
9 something that just affects Pennsylvania or it might  
10 be a particular region within Pennsylvania. It might  
11 relate to an interruption in the food supply.

12           So you can't just throw money at a  
13 particular problem in a given year; you have to have  
14 the infrastructure to be able to deal with whatever  
15 pops up. And this is driving us crazy. These  
16 proposals and actual cuts that we have in some years  
17 from our cooperative extension in agricultural  
18 research services are very important. We have to  
19 keep the research going. We have to keep the  
20 expertise there.

21           And for those of you who are not as familiar  
22 with the cooperative extension side, the cooperative  
23 extension is the single most significant outreach arm  
24 of our university. We have employees in every single  
25 county of Pennsylvania, all 67 counties.

1           Cooperative extension goes back to the  
2 passage of the Smith-Lever Act in the United States  
3 Congress. This Commonwealth signed on in perpetuity  
4 to have a certain understanding with the Federal  
5 government in a partnership between the Federal  
6 government, the State government, and county  
7 government, and that partnership works pretty well.

8           The counties of Pennsylvania, despite their  
9 serious economic challenges, have consistently  
10 stepped up to do their share of this three-part  
11 arrangement. The State is the place where we're  
12 falling a little short right now and have in the past  
13 decade.

14           So, you know, we're not asking for the moon  
15 here. We're just asking to continue our commitment  
16 to treat our cooperative extension services, this  
17 important outreach arm of the university, and to  
18 treat our agricultural research service in a manner  
19 that's fitting and appropriate to the needs of  
20 Pennsylvania.

21           So again, we're not asking for the moon.  
22 We're asking for a continued appropriate investment  
23 in those areas. Cutting the budget or giving us an  
24 increase that doesn't even begin to keep up with  
25 inflation just keeps eroding the whole picture for

1 us.

2 It sounds like you're an advocate for us,  
3 and we appreciate that.

4 REPRESENTATIVE MILLARD: Well, and I  
5 appreciate your response there, because you've just  
6 highlighted exactly my feelings on it, that research  
7 in agriculture truly is an investment in our future.  
8 It affects all of us, whether it's on our dinner  
9 table or some business that might be in our  
10 communities or throughout the Commonwealth that has  
11 the domino effect to generate additional dollars in  
12 the economy, whether it's economic development or  
13 market penetration, market innovation, all of those  
14 types of things.

15 PRESIDENT SPANIER: You know, cooperative  
16 extension, we're approaching 100 years of cooperative  
17 extension existing in this country. It's in every  
18 State. And there are very few inventions in the  
19 history of America that have changed our country and  
20 it's economy and the service to the people and have  
21 demonstrated how county governments and State  
22 government and the Federal government can work  
23 together.

24 It's been one of the remarkable things that  
25 has occurred, not only in higher education but in our

1 country generally, and it would be a shame if in any  
2 one particular decade we somehow left all of that  
3 behind.

4 REPRESENTATIVE MILLARD: Well, thank you for  
5 your response, and certainly we'll be offering  
6 without a shadow of a doubt amendments to restore  
7 these much needed dollars for research in  
8 Pennsylvania.

9 Thank you, Mr. Chairman.

10 CHAIRMAN EVANS: We have a potential college  
11 professor here. He wants to give up his career as a  
12 Legislator; it will probably pay more money --  
13 Representative Tom Tangretti, who has his class here.

14 Does he mark on a curve? I just want to ask  
15 that. I just want to ask that question. I want to  
16 ask it on public TV, does he mark on a curve? I'm  
17 trying to get him some more students for his class.

18 Representative Scott Conklin. Scott, Penn  
19 State's own representative.

20 REPRESENTATIVE CONKLIN: Thank you, Mr.  
21 Chairman.

22 I just want to thank the students for  
23 coming. You can see what an excellent way that we do  
24 run the government, asking these hard-hitting  
25 questions, so I want to thank you all for coming.

1           But most of all, I want to thank the  
2 gentlemen for coming. I feel like we're becoming old  
3 friends over the last year.

4           The Chancellor from Lincoln, your remedial  
5 education has impressed me very much.

6           The Chancellor from Pittsburgh, please tell  
7 Chief Delaney I was very impressed with your new  
8 system you put in place where you can lock down the  
9 doors.

10           Tony, I hate to call you Tony, but I still  
11 remember when we met in '96 in the halls of Penn  
12 State, and, of course, Dr. Spanier.

13           I'm going to put my questions basically  
14 toward Dr. Spanier, but the rest of you could please  
15 join in.

16           We've talked a lot in the State, especially  
17 over the last few months, about economic stimulus  
18 packages to stimulate the economy, to get money back  
19 into the economy. And I just want to bring up, we've  
20 talked a little bit about the RCAP funding that we're  
21 talking about.

22           If you and some of your colleagues could be  
23 specific on some of the things that could go to  
24 shovel today, that you could have up and going by the  
25 end of the year, which we all know those dollars we

1 put into a university community probably comes back  
2 five- to tenfold, because all that money stays.  
3 That's one.

4 Two is especially to Dr. Spanier. We were  
5 talking a little bit about the biofuels, and as you  
6 know, I am very interested in that, working with the  
7 folks within Penn State and other universities. If  
8 you could just specify just one program that you're  
9 doing right now that's very important for the  
10 biofuels industry.

11 And most of all, what do you find more  
12 challenging, going to Spain running with the bulls or  
13 spending an afternoon with us?

14 PRESIDENT SPANIER: They're roughly  
15 equivalent.

16 Well, I think there are certainly three of  
17 our institutions that have medical schools and either  
18 oversee, own, operate, or are affiliated with  
19 academic health enterprises. So one of the areas  
20 where you could help us very greatly, I think, is in  
21 facilities and programs that relate to the  
22 significant challenges that we have in health and  
23 medical research.

24 In our case, we're in the process of putting  
25 up a new cancer center in Hershey, and behind that

1 will be a children's hospital. And funding  
2 facilities like this is very costly, and any help we  
3 can get from the State, any investment, of course,  
4 would be greatly appreciated.

5 In Penn State's case, we have special  
6 expertise in areas such as materials science,  
7 nanotechnology, and in some of our areas of  
8 agriculture that relate to biofuels. A lot of these  
9 disciplines, it's important to point out here, I  
10 think, have great overlap.

11 We will soon be embarking on a new materials  
12 science building which will be attached to a  
13 life-sciences building, and these are highly  
14 interdisciplinary and will involve faculty members  
15 from many different departments. These are very  
16 expensive facilities because of the laboratories that  
17 are required, and it's very hard for us to do these  
18 things on our own.

19 There have been debates for a couple of  
20 years now about the Salk Fund, and I don't fully  
21 understand all the political sensitivities around  
22 that, but that's an area that would benefit  
23 universities. It would benefit Penn State if that  
24 went through. If there were alternatives, that would  
25 be great, but I know that's one thing that's still, I

1 think, hanging out there.

2 But there are other ways in which the  
3 research we do will contribute to economic  
4 development, and I would point to areas like  
5 biofuels, using agricultural products, agricultural  
6 waste, to contribute to energy solutions. But that  
7 is an area where we need to bring in even more  
8 scientists. We need to have modern laboratories and  
9 facilities for them.

10 And these folks work very closely with a  
11 broad array of people in areas of life sciences, who  
12 in turn work with people in the areas of materials  
13 science, where we are ranked by most everybody as the  
14 top program in the country.

15 There are many areas of science out there  
16 that will lead to economic enhancements and  
17 developments for Pennsylvania if we can make the  
18 investment. And the investment is often in  
19 facilities, because you can't do 21st century science  
20 in 50- or 100-year-old facilities. You have to keep  
21 up with the latest equipment. You have to have  
22 laboratories that can handle the complexities, and  
23 you need new space as you bring in more faculty.

24 The faculty themselves will generate most of  
25 the funding they need to do their research. They



1 will compete for Federal grants and contracts to do  
2 their work. But we have to put the buildings up for  
3 them to give them a place to do that work.

4 VICE PRESIDENT WAGNER: Representative  
5 Conklin, at Temple we have shovel-ready projects.

6 Our medical school building, which is 11  
7 floors, it's almost 500,000 square feet, it's coming  
8 out of the ground as we speak and will be ready in  
9 2009.

10 We have two floors in that building that are  
11 going to be shelved. We're building the extra two  
12 floors, but we won't have them fitted out just simply  
13 because it's not in the budget. So, you know, we  
14 could absolutely move on that front immediately.

15 In addition to that, we have in a very  
16 conceptual stage a research building that would  
17 be probably in the neighborhood of about 500,000  
18 square feet, probably somewhere in the neighborhood  
19 of a \$150 million project. As I said, it's very much  
20 in the conceptual stage.

21 But one of the opportunities that we have at  
22 Temple that's going to be coming up in the  
23 foreseeable future is that over 50 percent of our  
24 full-time faculty is 56 years of age or older. So we  
25 are going to be doing a tremendous amount of

1 recruiting over the next few years. We've already  
2 brought in 200 new faculty in the last 4 years.

3 So one of the things that our new faculty  
4 will really be focused on is research. So we have an  
5 opportunity to really have a transformational agenda,  
6 and the Commonwealth providing support for these  
7 research-related facilities would be a tremendous  
8 benefit for Temple.

9 CHANCELLOR NORDENBERG: Since the Chairman  
10 indulged me and let me extend my last answer, let me  
11 make this one very brief.

12 We have just completed a new 10-year,  
13 billion-dollar-plus facilities plan that will guide  
14 our investments over the course of the next decade.

15 Included in that plan are facilities in the  
16 health sciences, the physical sciences, the life  
17 sciences, in engineering. So we, too, do have  
18 projects that are ready to go and that would make  
19 very worthwhile targets for investments.

20 REPRESENTATIVE CONKLIN: Thank you, Mr.  
21 Chairman.

22 I just wanted to -- the reason I brought  
23 that question up, I just wanted to show how important  
24 it is, when we're doing the economic stimulus, how  
25 important it is not only to be able to give the

1 universities the types of increases they need, but  
2 also that capital budget, how important it is to the  
3 community and the universities to be able to do those  
4 types of projects.

5 Thank you all very much.

6 CHAIRMAN EVANS: Representative Gordon  
7 Denlinger. Did I get that right?

8 REPRESENTATIVE DENLINGER: Very well done.

9 Thank you, Mr. Chairman.

10 Good morning. Thank you for being with us  
11 today.

12 First a comment and then a few questions. I  
13 appreciate Representative Millard raising the issue  
14 of research funding, and I want to share that I  
15 really do believe it's disingenuous of this Governor  
16 to publicly call this General Assembly into special  
17 session to deal with issues related to energy and  
18 energy independence and then to cut the research  
19 lines on those issues.

20 I think we share across the aisle an  
21 appreciation for the importance of energy  
22 independence, of concerns about the environment as it  
23 relates to climate change, and the development of  
24 alternative fuels. It's the direction that we need  
25 to look at, but then to cut the very lines for the

1 institutions that can help to lead us to those places  
2 I think is unfortunate and, again, disingenuous.

3 I do need to ask a question particularly  
4 directed to President Spanier, if I may, and frankly,  
5 it pains me a little to need to ask this question,  
6 but I feel that I do.

7 It relates to an upcoming event that's been  
8 reported in the Centre Daily Times. It's reported  
9 that Mayor Bill Welch of State College will be  
10 presiding over a same-sex commitment ceremony for six  
11 couples to be held at the Robeson Center Student  
12 Union Building.

13 It's also reported on their Web site, as  
14 accurate or as inaccurate as that may be, that it  
15 will cost several thousand dollars to hold the  
16 ceremony and that the College of Health and Human  
17 Development in the university is a listed sponsor of  
18 that event.

19 My questions are these: Is the College of  
20 Health and Human Development in fact using some of  
21 our appropriation line, which is taxpayer dollars, to  
22 help hold this ceremony?

23 Secondly, if they are, does that same  
24 college also contribute to heterosexual commitment  
25 ceremonies?

1           And I think to put a more broad point on it,  
2 do you as the President of that fine institution  
3 realize some of the concerns that that raises among  
4 members of this committee and the General Assembly as  
5 a whole and really citizens all across the State? Do  
6 you understand the questions that are raised about  
7 this type of thing?

8           PRESIDENT SPANIER: Well, I think I can put  
9 your mind at ease. I don't know a lot about this  
10 event. I just read about it in the paper, as you  
11 did.

12           I just learned a little bit about it. It's  
13 actually sponsored by a student organization, by a  
14 graduate student organization, not by the university  
15 per se.

16           We have about 700 student organizations at  
17 the university. They do not typically check in with  
18 me as they plan their events. And they are allowed,  
19 of course, a wide latitude to engage in the kinds of  
20 activities that they wish.

21           I have learned that there are no taxpayer  
22 dollars, there are no tuition dollars being used. A  
23 private gift has been made by a philanthropist to  
24 support the costs of the event.

25           REPRESENTATIVE DENLINGER: That answer is

1 greatly appreciated. Thank you.

2 CHAIRMAN EVANS: Lincoln University's  
3 representative, Representative Cherelle Parker.

4 REPRESENTATIVE PARKER: Thank you, Mr.  
5 Chairman.

6 And to our Chancellor and to our Presidents,  
7 good morning and thank you for being here.

8 I want to echo some of the comments made  
9 during the intros by some of my colleagues before for  
10 a slightly different reason.

11 Now, you know, nationwide with many of our  
12 private and Ivy League institutions, the Office of  
13 Development is a pseudonym for the Office of  
14 Admissions, and what we've seen is that for many, if  
15 you are not a product of a home environment and/or  
16 parents whereupon you can make a significant  
17 contribution to a university's endowment, despite the  
18 strength of the muscle in between your ears and your  
19 academic accomplishments, you could possibly be  
20 denied admission into one of those institutions.

21 And so with that in mind, the work that our  
22 State institutions and State-related institutions do  
23 is of great value, because without you, when I think  
24 about rural Pennsylvania and many of our urban  
25 regions, we would have no lifeline.

1           With that in mind, I want to first start by  
2 just mentioning that recently some of my colleagues  
3 have had the opportunity to meet with some of our  
4 Commissioners from various departments, and one of  
5 the things we've been having a discussion about is  
6 the composition of Pennsylvania's workforce in  
7 government.

8           We think about our State institutions and  
9 our State-related institutions, and the question  
10 we've asked about six different Secretaries is, with  
11 the talent pool that we have here in Pennsylvania  
12 among our State and State-related institutions, how  
13 many of the departments using a coordinated approach  
14 actually go to our institutions and have an  
15 aggressive recruitment strategy to test whether it be  
16 for civil service, whether it be for testing the  
17 Auditor General's Office or the Treasurer's Office --  
18 and I'll try to get to Lincoln or Penn State, if I  
19 can -- but is there some sort of structure in order,  
20 in place, to do that?

21           And I do have two questions in particular  
22 for you, Dr. Nelson, as it relates to energy  
23 independence and our focus on alternative energy.  
24 When I think about that workforce, I'm looking at  
25 these numbers that you've presented from Lincoln, and

1 I'm watching you seated with these three dynamic  
2 research-based institutions, but I'm thinking about  
3 our focus on energy independence and alternative  
4 energy, and I'm saying, what does the workforce look  
5 like?

6           And I'm thinking about your numbers and  
7 Lincoln's numbers: 40 percent or more of women  
8 graduating with degrees in physics; second in the  
9 nation, African-Americans with degrees in the  
10 physical sciences. Are we preparing a workforce  
11 right here in Pennsylvania that is diverse who can  
12 actually serve as the workforce for those  
13 opportunities?

14           PRESIDENT NELSON: Well, we think we are.  
15 Like I said, 56 percent of our graduates reside or  
16 stay in the Pennsylvania area, and we think that we  
17 provide the opportunities to develop. And we also  
18 think that the young people that come to us, we  
19 provide them with the wherewithal so that they can  
20 are successful.

21           The difficulty, of course, is that our job  
22 is a little bit, or much more difficult in the sense  
23 that the young people who come to us have some  
24 disadvantages that we definitely have to take care  
25 of, and we do. And we work very hard at it, and it



1 is expensive in doing so.

2 But we think that we are not an  
3 open-admissions institution by no stretch of the  
4 imagination, but we do give people the opportunity to  
5 take some time and to work and develop the skills  
6 that they may not have accomplished while they were  
7 in school.

8 And so our workforce, for example, we have a  
9 very diverse faculty and staff on our campus that our  
10 young people work toward. We are a small institution  
11 with 2,400 students. About 200 of them are  
12 international. We represent 32 countries on our  
13 campus, so a significant number of our kids study  
14 abroad. So we think that we have the experiences and  
15 the opportunities for all our young people to really  
16 prepare themselves for the work world.

17 VICE PRESIDENT WAGNER: We have about  
18 230,000 living alumni that we can actually attach an  
19 address to, and over half of those living alumni work  
20 and live in the Philadelphia area. So, you know,  
21 Temple is a very important part of providing the  
22 teachers and the doctors and the lawyers and the  
23 scientists that live and work in the Philadelphia  
24 area.

25 With respect to diversity in a more general

1 sense, I think that the story that we have to tell at  
2 Temple is very remarkable. We have recruited 200 new  
3 faculty, as I mentioned earlier, in the last 4 years.  
4 Over 40 percent of those with the programs that we've  
5 put in place to recruit are minorities.

6 And that's especially significant given the  
7 fact, as I mentioned earlier, that over 50 percent of  
8 our faculty are 56 years or older. So over the next  
9 several years, we will recruit a tremendous number of  
10 new faculty to Temple. And we have programs in place  
11 to assure that the faculty that we recruit mirrors  
12 the diversity of our students.

13 Right now currently, we have 18 percent of  
14 our full-time faculty who are minorities.  
15 Forty-eight percent of our non-faculty full-time  
16 workforce -- 48 percent -- are minorities. And in  
17 our Admissions Office, you know, where we are  
18 successful in recruiting over 30 percent of our  
19 students who are minorities, our staff is heavily  
20 minority. It's over two-thirds minority. So we  
21 really practice what we preach in our hiring, and  
22 it's reflective of an incredibly diverse university.

23 As I think you might know, U.S. News and  
24 World Report called Temple University "Diversity U,"  
25 because they rated us the most diverse campus in the

1 nation.

2 REPRESENTATIVE PARKER: And this is my final  
3 question, Mr. Chair.

4 Dr. Nelson, I heard from Temple about the  
5 work it was doing in helping with economic  
6 development in North Philadelphia, some of the great  
7 work that Pitt and Penn State were doing.

8 I did not hear you mention anything about  
9 the unique relationship that Lincoln University has  
10 with the Barnes Foundation, the trustees' decision to  
11 support its move to Philadelphia. And do you have  
12 any numbers associated with the possible revenue that  
13 will be generated, not just for Philadelphia but for  
14 the Commonwealth, due to international visitors  
15 visiting the Barnes?

16 PRESIDENT NELSON: Representative Parker,  
17 you know, one of the things about the Barnes  
18 Foundation relationship is the most misunderstood  
19 issue between Lincoln University and the Barnes. We  
20 have settled our issues with the Barnes, and we are  
21 working very well with the Barnes.

22 Additionally, we have established an art  
23 program in conjunction with the Barnes where students  
24 will enroll in Lincoln University and study at the  
25 Barnes Foundation.

1           In terms of the revenues and the issue of  
2 moving to Philadelphia, in our discussions, we, as I  
3 like to say, we have no dog in that hut in terms of,  
4 we now nominate 5 of the 15 trustees for the  
5 foundation, and it's working very well.

6           Our relationships are very strong together.  
7 We have support. The Executive Director and the  
8 President of the Barnes and I are very good friends,  
9 and we are working to make sure that this art program  
10 that we have developed be one of the best art  
11 programs in the world.

12           So the move to Philadelphia, we did not  
13 participate one way or the other in that  
14 decisionmaking process.

15           REPRESENTATIVE PARKER: Thank you, Mr.  
16 Chairman.

17           CHAIRMAN EVANS: Representative Dally.

18           REPRESENTATIVE DALLY: Thank you, Mr.  
19 Chairman.

20           Good morning, gentlemen.

21           I also share concerns that were mentioned by  
22 other members earlier as far as the cuts to ag  
23 research and extension at the Pennsylvania College of  
24 Technology and at Pitt the rural education outreach.

25           You know, I think it was said earlier about

1 we're not doing a good job in terms of higher  
2 education. I think there has to be a caveat to that  
3 in the sense of what we're talking about today are  
4 the Governor's spending priorities and not that of  
5 the Legislature. While they may mesh in certain  
6 instances, and in many cases they do, I think that  
7 what we're talking about today, especially in the  
8 area of these cuts, is really the Governor's  
9 priorities or lack of priorities in those areas.

10 But, Chancellor Nordenberg, if you could  
11 tell me a little bit about the rural education  
12 outreach and what impact that 12-percent cut is going  
13 to have for that program.

14 CHANCELLOR NORDENBERG: The rural education  
15 outreach line principally supports programs that are  
16 offered through our University of Pittsburgh Bradford  
17 Campus, which serves, roughly speaking, an area of  
18 the Commonwealth that is about the size of  
19 Connecticut but, as you know, is not populated like  
20 that State is, which presents a range of issues.

21 Those dollars support both degree programs  
22 offered in other locations throughout that area of  
23 the Commonwealth and more specialized non-degree  
24 offerings. They also support cooperative curricula  
25 offerings between the Titusville and the Bradford

1 campuses.

2           And really, when you're in that part of the  
3 State, which is a beautiful part of the State -- my  
4 wife is from there, so I need to say that publicly --  
5 you do recognize that there are people who are  
6 deserving of the services who could not receive these  
7 educational programs conveniently without the support  
8 of this program, and so it was surprising to me to  
9 see that relatively small line item slated for a  
10 12-percent cut.

11           REPRESENTATIVE DALLY: And I would also like  
12 to mention -- and I know the folks from Penn State  
13 and Pitt are aware of this -- but in previous budget  
14 cycles, these line items, the same line items, have  
15 been cut consistently by the Governor, and the  
16 Legislature has stepped up and not only restored  
17 those but also provided for a small increase. So  
18 hopefully that is what can occur again in this budget  
19 cycle.

20           I heard a couple of comments from the panel  
21 in terms of the proposed Jonas Salk Legacy Fund. We  
22 talked about that last budget cycle, and it's still  
23 an issue that's alive here in Harrisburg.

24           I have expressed concerns about that in  
25 terms of taking research dollars and moving them to

1 bricks and mortar. Perhaps I could just get a brief  
2 comment from each of you in terms of that fund, if it  
3 affects your institution.

4 CHANCELLOR NORDENBERG: Maybe I should lead  
5 off, because ironically, though I represent the  
6 University of Jonas Salk, we did have significant  
7 reservations about the program, principally because  
8 it did not involve new dollars and because it would  
9 convert dollars now directed to the more direct  
10 support of research to bricks and mortar.

11 As the plan evolved and as the legislation  
12 changed, it was recrafted in ways that we at Pitt  
13 thought could meet our needs, which tend not to be  
14 brick and mortar in that area right now, while also  
15 meeting some of the needs of the other institutions  
16 within the Commonwealth. And so we have been  
17 supportive of the bill in its present form.

18 REPRESENTATIVE DALLY: Okay.

19 PRESIDENT SPANIER: For us, we have been  
20 supportive. There's always been a trade-off here,  
21 the potential of long-term flow for the support of  
22 research versus a more up-front investment in  
23 facilities.

24 We are betting on our faculty to have the  
25 ability over the long run to bring in, externally,

1 funding to support their research. But for us, the  
2 greater need has been an up-front investment in the  
3 facilities.

4 So working under the assumption and the hope  
5 that Penn State would see some significant part of  
6 this funding, we would rather make that investment in  
7 our facilities, which are inadequate for the purposes  
8 necessary right now, to then be able to bring in the  
9 faculty who will do the kinds of work at a high  
10 enough level of quality that they will be able to  
11 compete nationally for the funding. And this will  
12 just benefit Penn State and the Commonwealth more  
13 broadly down the road.

14 VICE PRESIDENT WAGNER: With the faculty  
15 hiring trends that I've mentioned, we need these  
16 facilities at Temple. And, you know, currently  
17 the formula part of the CURE program nets us about  
18 \$2.5 million a year.

19 So there's a trade-off there. We understand  
20 that if we would opt into this, that that funding  
21 would continue for some period of time. Down the  
22 road, it's a little bit less certain. But we do need  
23 to make the investment in the facilities so that we  
24 can continue to transform research at Temple.

25 REPRESENTATIVE DALLY: Okay.



1           And Lincoln would be involved, I assume.

2           PRESIDENT NELSON: No involvement.

3           REPRESENTATIVE DALLY: Last week we heard  
4 from the Attorney General's Office, from Attorney  
5 General Corbett, and he had expressed concern about  
6 securitizing that revenue stream because of the  
7 uncertainty of the revenue stream, you know, given  
8 what's happening with, you know, tobacco cessation  
9 programs and the like. So okay; I appreciate those  
10 comments.

11           And my final question pertains to 4-year  
12 graduation rates. Perhaps you could give the  
13 committee an update as to where each of the  
14 institutions stand in that regard, and why don't we  
15 start with Lincoln, if you're ready.

16           PRESIDENT NELSON: We calculate our  
17 graduation rates in 6 years. This is the way that  
18 the standard has been, and our current graduation  
19 rate is around -- let's see here -- the 6-year  
20 graduation rate is 43 percent.

21           CHANCELLOR NORDENBERG: You're going to need  
22 to give me a minute.

23           REPRESENTATIVE DALLY: That's fine. Take  
24 your time; take your time.

25           PRESIDENT SPANIER: I have our data here.

1           Just a couple of bits of information. The  
2 average length of time between matriculation and  
3 graduation at Penn State is 4.2 years. That's  
4 actually one of the lowest in the country. It might  
5 be the lowest among public universities. So our  
6 students are making very good progress toward  
7 graduation.

8           That number has actually come down a little  
9 bit in recent years. I suspect it has to do with the  
10 rising cost of an education and the parents telling  
11 their kids, no, I don't think you are going to stay  
12 another semester; you're going to have your course  
13 load and finish on time.

14           REPRESENTATIVE DALLY: Is that true from the  
15 group over there?

16           PRESIDENT SPANIER: But the overall  
17 graduation rates at Penn State for our University  
18 Park Campus are 84 percent, which is also at or near  
19 the top among public universities in the country.  
20 Considering that the rates are lower at our  
21 Commonwealth campuses, you get a blended number  
22 that's lower than that.

23           But with the data that you would typically  
24 see shared by the Department of Education and by the  
25 NCAA, we're at 84 percent, which is a very good rate

1 and, frankly, reflects the very strong quality of the  
2 students coming into the university, their  
3 preparation and then the advising and support they  
4 get on campus.

5 CHANCELLOR NORDENBERG: Our 4-year  
6 graduation rate is a bit over 57 percent, and our  
7 5-year graduation rate is about 75 percent. And  
8 though I don't have comparative numbers in front of  
9 me, that is a significant increase over the numbers  
10 that we were discussing when we first began meeting a  
11 dozen years ago.

12 REPRESENTATIVE DALLY: Thank you.

13 VICE PRESIDENT WAGNER: Temple's 6-year rate  
14 is just about at 60 percent, and that reflects a very  
15 positive trend. And it's also significantly higher  
16 than the urban universities that we would most likely  
17 be compared with.

18 In addition, as I mentioned earlier, our  
19 enrollments have grown significantly, over 20 percent  
20 in the last decade. And not only have we had growing  
21 enrollments, but the quality of our applicants,  
22 referenced by their high school grade-point averages  
23 and their SAT scores, has gone up as well. So that's  
24 a very positive trend.

25 REPRESENTATIVE DALLY: Okay. Thank you.

1           Thank you very much, gentlemen, for your  
2 presence, and thank you, Mr. Chairman.

3           CHAIRMAN EVANS: Thank you.

4           Representative Santoni.

5           REPRESENTATIVE SANTONI: Thank you, Mr.  
6 Chairman.

7           Good morning. Thank you for being here.

8           You have a very difficult job, as we all  
9 know. To provide the quality education that you do  
10 at the lowest possible cost is quite a challenge, so  
11 thank you for your leadership there.

12           I have a specific question to President  
13 Spanier. Chairman Civera had asked the question at  
14 the very beginning of the time with you about  
15 in-State and out-of-State tuition and the significant  
16 break that in-State students get.

17           But it was brought to my attention that the  
18 law school, the Penn State Law School at Dickinson,  
19 is the only public university law school in the  
20 United States that does not provide in-State tuition  
21 rates to its residents.

22           Pitt, for instance, for in-State residents,  
23 \$22,700; out-of-State, \$31,000, a little over  
24 \$31,000. Temple, \$15,200 in-State; \$26,500  
25 approximately for out-of-State students. Undergrad

1 programs at Penn State do provide that differential,  
2 roughly \$10,000, \$11,000 dollars less for in-State  
3 students.

4 I was just wondering why that is and if the  
5 university is thinking about addressing that  
6 inequity?

7 PRESIDENT SPANIER: Well, the history goes  
8 back to 1996-97 when the plan evolved to bring the  
9 Dickinson School of Law as a part of Penn State.

10 At that time, actually there was some  
11 concern within the Legislature that we treat the law  
12 school as a separate cost center and that this not be  
13 seen as a burden on the rest of the university  
14 financially.

15 We have honored that and continue to treat  
16 the law school as a separate cost center, and they  
17 basically operate on a system where their revenues  
18 and expenditures have to match up. And they, of  
19 course, are principally tuition driven, as they were  
20 before and they continue to be now.

21 Penn State, of course, at the undergraduate  
22 level but also at the graduate level has differential  
23 in-State and out-of-State tuitions. We would be  
24 quite willing to bring the law school under that kind  
25 of scenario, but the cost of doing that would be

1 approximately \$7 million. That's the infusion that  
2 would be required into our appropriation to bring the  
3 Dickinson School of Law into the same proportion and  
4 the same financial structure as other academic  
5 programs in the university.

6 The last thing we would want to do is to  
7 implement something like this and to put the burden  
8 on our undergraduate students. That would be the  
9 only other potential revenue stream if we did not  
10 receive that from the Legislature.

11 So if you go back more than a decade, the  
12 Legislature said, well, we're supportive of this  
13 happening, this structural and this conceptual  
14 change, but we're not ready to put any money into it.  
15 If you are willing to do so now, we would gladly  
16 accept it, and we would absolutely put into place  
17 that tuition differential that would be equivalent to  
18 the rest of our graduate programs.

19 REPRESENTATIVE SANTONI: Okay. Well, I  
20 appreciate that, and hopefully we can address that  
21 inequity. I think it's important that we are fair to  
22 all students at Penn State, whatever grad line of  
23 studies they take, whether it's law or medicine or  
24 whatever it is.

25 PRESIDENT SPANIER: Let me just add, and I

1 want to be clear, it would be welcomed. There's no  
2 question that if we did that, it would increase the  
3 flow of applicants from within State. It would make  
4 admission to the Dickinson School of Law more  
5 attractive, because at the tuition level that we have  
6 now they could go to any out-of-State law school, and  
7 there's really no incentive to come to our law school  
8 from a financial standpoint.

9           Of course, we still have quite a large  
10 number of in-State students, but it would be  
11 advantageous to us and to Pennsylvania if we could do  
12 that.

13           REPRESENTATIVE SANTONI: Thank you.

14           And I just have one very quick comment  
15 that's not related to my questioning of Dr. Spanier,  
16 but it is related to a lot of the comments that I've  
17 been hearing from some of my colleagues critical of  
18 some of the appropriations from the Governor's  
19 Office.

20           And I know that that's certainly appropriate  
21 with the process that we have here, but as, you know,  
22 we're going to have amendments to put all the money  
23 back in to fund ag research, et cetera, I just want  
24 to make it clear that when that happens, I'm sure  
25 there will be a lot of support among the General

1 Assembly. But what I've experienced in my 16 years  
2 here is that right after that, the same group of  
3 people who put that amendment in are going to offer  
4 an amendment, you know, willy-nilly tax cuts,  
5 willy-nilly funding cuts, willy-nilly program cuts,  
6 and they're really talking out of both sides of their  
7 mouth.

8           So if you're critical of the Governor in  
9 providing the resources that you need, I would hope  
10 that you would also be critical of those legislators  
11 or group of legislators that advocate those huge  
12 spending cuts that would devastate education as much  
13 or more than any other agency in the Commonwealth.

14           Thank you, Mr. Chairman.

15           CHAIRMAN EVANS: Representative John Myers.

16           REPRESENTATIVE MYERS: Thank you, Mr.  
17 Chairman.

18           Good morning, gentlemen.

19           Let me start off by self-disclosure. I'm a  
20 graduate of Lincoln University, and as a result of  
21 that, my critical thinking skills have been enhanced  
22 greatly, and let me tell you in which way.

23           I have a passion for agricultural research.  
24 Now, Lincoln is in an agricultural community, and  
25 agricultural research, as it relates to biomass



1 energy -- see, I don't think people really understand  
2 the width and the breadth of what we are talking  
3 about.

4 I mean, this is a brand-new industry. I  
5 mean, this is like before there were computers, and  
6 it is going to produce so many resources. We're  
7 talking about doing away with oil -- no more oil --  
8 and creating our own fuel substance, trillions and  
9 trillions and trillions of dollars.

10 And, you know, as my colleague just said,  
11 you know, some of this money is going to be put back,  
12 because how can you build a world-class global  
13 economy, a global industry, without the research?

14 Now, I have a couple questions that I don't  
15 expect you all to answer. Now, I'm just going to run  
16 them off, and maybe you can, you know, give me  
17 something in writing.

18 What is the menu of energy crops that we're  
19 talking about that can produce the cellulose that we  
20 need to refine in the fuel?

21 Where do we harvest these energy crops?

22 Do we have enough land mass available to do  
23 it?

24 After we plant it and harvest it, how do we  
25 process it? Does it have to be cut into wood chips?

1 Does the cellulose have to be taken out like when  
2 you're making paper? I mean, what is the process  
3 going to look like?

4 And this is something that I know is a part  
5 of what Lincoln is talking about, training their  
6 students to be scientists. This brand-new industry  
7 is demanding that we create a workforce.

8 Now, when we talk about a workforce, what  
9 are the categories of jobs that are going to be  
10 created? Are they white-collar jobs? blue  
11 collar-jobs? green color jobs? What kinds of jobs  
12 are we talking about creating?

13 And then as it relates to Temple and the  
14 city of Philadelphia, as I see, it's the refining  
15 process. Some of those old manufacturing plants  
16 might be where some of this cellulose fuel can be  
17 refined.

18 And then the transporting of it. I mean,  
19 how is it processed? I mean, do you move it by an  
20 oil truck? Do you move it by a flatbed truck? Does  
21 that create more drivers? I mean, you know, what is  
22 that whole part of that industry going to look like?

23 And then the research part of it, in  
24 agricultural research. What types of cellulose plant  
25 material can produce the level of fuel that's

1 affordable so that we can replace oil? You're  
2 talking about switchgrass and wood chips and  
3 agriculture. I mean, which one of them work?

4 And then what about the seasonal impact of  
5 that? And what about crop rotation? I mean, you  
6 know, all of these issues that have to be figured out  
7 in order for us to produce 10 billion tons of biomass  
8 feedstock.

9 And to say that we're not going to fund  
10 these kinds of projects that are going to have this  
11 universal impact on all our research universities  
12 doesn't make sense to me.

13 And then how do we get it so that at a  
14 retail and wholesale level the prices are affordable,  
15 so we aren't paying \$4 a gallon and we are paying  
16 \$1.25?

17 I'm almost done. I tell you, that's that  
18 Lincoln stuff. You know what I mean?

19 The only other two things that I think that  
20 we need to think about -- and I know Penn State is  
21 looking into this -- right now, we don't even have  
22 one cellulose refinery. We have, you know, the  
23 corn-based stuff, ethanol, you know, but ethanol is  
24 going to be old school.

25 So again, I want to go back to the point

1 about the technology, the education, and the  
2 workforce. I mean, to me, we need to be putting as  
3 much money into this as we possibly can.

4 I want to repeat my point. We're talking  
5 about replacing oil with fossil fuel. We're talking  
6 about replacing it and growing it here in  
7 Pennsylvania. I mean, could you imagine 30 years ago  
8 talking about a computer program? Nobody knew what  
9 they were. Program designers; nobody even knew what  
10 it was. We were using television tubes.

11 This is a brand-new industry, and I just  
12 want to make it clear and on the record that for us  
13 to reduce a commitment to fund this new industry that  
14 we all were talking about we wanted to see, so we can  
15 cut our independence on, you know, people calling  
16 them enemy countries, the axles of evil, whatever you  
17 want to call it, imagine this here: We got Lincoln  
18 University, University of Penn, the University of  
19 Pitt, Penn State, Temple University, creating this  
20 industry -- hundreds of thousands of jobs, trillions  
21 of dollars.

22 So if you all could answer that for me.

23 CHAIRMAN EVANS: In 1 minute.

24 PRESIDENT SPANIER: Well, yeah; we're going  
25 to have you up to give a seminar to our agricultural

1 faculty.

2           You're really right on target with  
3 everything you're saying. We have faculty members  
4 working on all of those different issues that you  
5 have raised. And what I would like to offer -- and  
6 our governmental affairs folks will be very happy to  
7 facilitate this -- is to actually put on a seminar  
8 here in Harrisburg.

9           REPRESENTATIVE MYERS: Okay.

10           PRESIDENT SPANIER: We'll bring down some of  
11 our key faculty members. And for those who are  
12 interested, we can outline what's happening in this  
13 field, what the possibilities are, what are the  
14 answers to some of those questions where the  
15 investments need to be made.

16           Now let me point out, because I know there's  
17 a bit of a critical tone about the cuts in the  
18 cooperative extension and the agricultural research  
19 budget, but I do want to say that Dennis Yablonsky  
20 and the Department of Community and Economic  
21 Development have been very supportive of these kinds  
22 of collaborative efforts with us at Penn State to  
23 make some investments in this area.

24           So it's not as if the current Administration  
25 is unaware or unsupportive in this area. I think the

1 cuts in those line items, I don't know how they  
2 figure into this, and I hope that will be  
3 corrected.

4 But otherwise, I think it's very high on  
5 their agenda, and certainly through Community and  
6 Economic Development, they've taken note of these  
7 possibilities. But I know there's great and growing  
8 interest in this, and we will be very willing to come  
9 to do this.

10 Also, our staff folks have pointed out that  
11 the Energy Subcommittee under the leadership of  
12 Representative John Yudichak is coming to Penn State  
13 on Wednesday, and that particular subcommittee is  
14 getting a whole briefing on this as well. But we can  
15 also bring the presentation here.

16 REPRESENTATIVE MYERS: Thank you, Mr.  
17 Chairman.

18 And just in closing, Dr. Nelson, thanks for  
19 a great education.

20 CHAIRMAN EVANS: Thank you, Representative  
21 Myers.

22 Since the President of Penn State brought it  
23 up, the Secretary of the Department of Community  
24 Affairs will be here this afternoon at 2 o'clock. So  
25 I think it would be a perfect opportunity---

1           PRESIDENT SPANIER: Tell him I said  
2 something nice.

3           CHAIRMAN EVANS: He's probably seeing you  
4 right now with Professor Myers, and, Dr. Spanier, you  
5 all can get together on that.

6           I want to, one, thank all of you, the  
7 Chancellor and the Presidents, for presenting to this  
8 General Assembly. What we tried to do over the last  
9 2 1/2 hours is to make this more of a discussion.

10           And I assure you, I was just talking to  
11 Chairman Mario Civera about how we have to do it  
12 different. And I know you have heard that before,  
13 but I really do believe we are going to try to do  
14 this different.

15           It takes a lot of work, because, you know,  
16 it's like a lot of culture change to change the DNA  
17 of this process. It takes a lot of work to do that,  
18 but I'm very optimistic that we will be able to  
19 figure out something. I can't tell you what. It  
20 depends on the nature of the negotiations. So I  
21 know, speaking for Mario, that we are going to try to  
22 work it out.

23           So again, I want to sincerely thank all four  
24 of you for coming before the House Appropriations  
25 Committee meeting at this time.

1           We have in 5 minutes, only 5 minutes -- at  
2 11:30, I want to start back again -- I have the State  
3 System of Higher Ed at 11:30. So I'd like to start  
4 then.

5           This is recessed until 11:30. Thank you  
6 very much.

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8           (The hearing adjourned at 11:25 a.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

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Jean M. Davis, Reporter  
Notary Public