

**HOUSE EDUCATION COMMITTEE HEARING
SEPTEMBER 17, 2024
STATEMENT BY DR. MICHAEL WADE SMITH
SENIOR VICE PRESIDENT AND CHIEF OF STAFF, PENN STATE UNIVERSITY**

Thank you for the opportunity to host each of you today at Penn State University and discuss college affordability, funding for higher education institutions, and the significant impact state funding has on Penn State, our students and their families, and citizens across the commonwealth.

As Pennsylvania's flagship public research university, and its sole land-grant institution, we impact the lives of the state's citizens through our three-part mission of teaching, research and service, and we do so in large part because of our rich history of partnership with the commonwealth. As partners for nearly 170 years, the commonwealth's investment in Penn State is truly felt statewide — from the thousands of Pennsylvania resident undergraduates who benefit from the University's discounted in-state tuition rate to the research-based programs, services and knowledge offered by Penn State Agricultural Research and Extension, to the top-quality care provided by Penn State Health.

Penn State recently conducted an independent economic impact study that demonstrates investing in Penn State is a good investment for Pennsylvania. Penn State's \$12.1 billion economic impact supports and sustains 81,278 jobs throughout the state. For every \$1 in state appropriations received, Penn State returns \$15.77 to the state's economy and directly returns \$1.71 in tax revenue.

Like other public universities, Penn State faces inflation-driven cost increases, changing demographics in Pennsylvania, increased competition from out-of-state institutions, and state funding that has remained essentially unchanged since the early 2000s. Despite these headwinds, Penn State and our contributions to the state remain as strong as ever, as evidenced by our recent impact study.

The need to adapt to challenges and this changing landscape has required the University to make significant changes, under our guiding principle of ensuring student success. Every decision we make is through the lens of what is best for our students and their success during their time at Penn State and beyond.

When legislation establishing the land grant system was signed into law in 1862 by President Abraham Lincoln, the mission was to have learning more widely disseminated and to give working-class Americans their first chance at a college education. Penn State is continuously guided by its land grant mission as it creates budgets and sets tuition for University Park and all Commonwealth Campus students. Our goal is to deliver the highest quality educational experience in an affordable and accessible manner for students of all backgrounds and means. This means a focus over the past decade to reduce the total cost of a degree, decrease the rate of student borrowing, promote the success of need-based students, and decrease attrition due to finances.

We've adopted a two-year budget to enhance budget predictability for our students and families and for us as an institution. This model aligns strategic allocation of resources to the students that we serve and continues to put access and affordability at the forefront of decision-making. Over the last year, Penn State continued to make great strides in reducing the deficit within the

Education and General budget. After originally projecting a \$140 million deficit (excluding Penn College) for the 2022-23 fiscal year, Penn State's Board of Trustees approved a balanced budget for fiscal year 2025-26.

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

Despite this investment in our students, state appropriations remain below the 2007-08 high watermark funding level. The General Support appropriation both offsets the cost of tuition for Pennsylvania residents and supplements the University's efforts to address access and affordability. Commonwealth support enables the University to provide in-state tuition savings of an average of \$15,800 for 42,000 Pennsylvania resident students and their families. We significantly amplify the state's investment to make Penn State more affordable and accessible for the working families of Pennsylvania.

Additionally, we have increased our central funding used for student financial aid by \$5 million, bringing Penn State's total investment in student aid to more than \$455 million for 2025-26.

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

Relatedly, Penn State supported and was pleased to see the Grow PA Scholarship Grant Program signed into law this year, offering grants of up to \$5,000 per year for in-state students who attend college in Pennsylvania, pursue a degree in a high-demand industry, and agree to live and work in that industry in Pennsylvania after graduation. This is an important tool that will make education more affordable for students pursuing careers here in Pennsylvania.

It is also noteworthy that nearly 20% of Penn State's out-of-state and international students choose to stay in Pennsylvania after completing their degrees. These students start companies, enrich established businesses, and contribute to their communities as taxpayers, volunteers, and citizens.

Despite our statewide footprint and the fact that we've seen substantial increases in enrollment over the past 50 years, there has been no corresponding increase in state funding to keep pace. Penn State's funding per in-state student ranks far below the national average and last among the commonwealth's public universities — a disparity placing significant pressure on our tuition rates and overall budget.

For our education mission, Penn State received \$242.096 million in Fiscal Year 2024-25. Divided evenly among our 42,000 Pennsylvania resident undergraduate students (as of Fall 2023), the

University received approximately \$5,789 per student. To match the per-student funding levels of Pennsylvania's other public universities, who receive between \$3,700 and \$4,700 more per-student, an additional \$156 million in General Support funding would need to be appropriated. Recognizing such an increase would be difficult to achieve in one year, Penn State is proposing a \$30 million increase in its FY 2025-26 general support appropriation as an incremental step to close the funding gap.

Penn State's requested appropriation would be in addition to any funds awarded to the University as part of the state's forthcoming performance-based funding model, which is expected to be enacted for the 2025-26 funding cycle after the state's new Performance-Based Funding Council determines specific criteria.

Penn State is grateful that the Pennsylvania General Assembly and the Governor's administration enacted legislation to implement a performance-based funding model, and we are eager to work with the Performance-Based Funding Council to create a simple, transparent, and comprehensive funding model that acknowledges each institution's distinctive mission and structure to ensure a fair evaluation.

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

Penn State's appropriations request, if approved and coupled with new state support from a robust and fair performance-based funding system, will strengthen our work to keep a Penn State education accessible and affordable for all Pennsylvanians and prepare our students to fill critical needs in the state's workforce.

We look forward to engaging in discussions with elected leaders in Harrisburg over the next nine months — including conversations around the state's first performance-based funding model — until a final appropriation is set in 2025.

Since 1855, Penn State and the Commonwealth have partnered to benefit families and communities across Pennsylvania. Penn State's educational programs, research, and outreach will continue to make measurable and meaningful differences in the economic development of our communities, from local to global levels. Strengthened by our partnership with the Commonwealth, Penn State can drive job creation, economic development, and student career success all while ensuring that a Penn State education is within reach financially for Pennsylvania students with the ability and desire to attend.

Our partnership has been mutually beneficial, and Pennsylvania would not be the same without it.

Thank you.