

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

EDUCATION SUBCOMMITTEE ON HIGHER EDUCATION  
APPROPRIATIONS SUBCOMMITTEE ON EDUCATION  
JOINT PUBLIC HEARING

MAIN CAPITOL  
ROOM 140  
HARRISBURG, PENNSYLVANIA

MONDAY, OCTOBER 4, 2021  
9:00 A.M.

PRESENTATION ON  
HIGHER EDUCATION FUNDING

BEFORE:

HONORABLE JESSE TOPPER, SUBCOMMITTEE MAJORITY CHAIRMAN  
(EDUCATION)  
HONORABLE NATALIE MIHALEK, SUBCOMMITTEE MAJORITY  
CHAIRWOMAN (APPROPRIATIONS)  
HONORABLE MAUREEN MADDEN, SUBCOMMITTEE MINORITY  
CHAIRWOMAN (EDUCATION)  
HONORABLE STEPHEN KINSEY, SUBCOMMITTEE MINORITY  
CHAIRMAN (APPROPRIATIONS)  
HONORABLE LEE JAMES  
HONORABLE ANDREW LEWIS  
HONORABLE MICHAEL PUSKARIC  
HONORABLE CHRISTOPHER QUINN  
HONORABLE TIM TWARDZIK  
HONORABLE DAVID ZIMMERMAN  
HONORABLE CURT SONNEY - EX OFFICIO  
HONORABLE MARK LONGIETTI - EX OFFICIO  
HONORABLE JOE WEBSTER

OTHER ATTENDEES

HONORABLE BARBARA GLEIM  
HONORABLE ROBERT MERCURI  
HONORABLE MEGHAN SCHROEDER  
HONORABLE JIM STRUZZI  
HONORABLE MARY ISAACSON

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*Pennsylvania House Of Representatives  
Commonwealth of Pennsylvania*

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SUBMITTED WRITTEN TESTIMONY

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(See submitted written testimony and handouts online.)

## P R O C E E D I N G S

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MAJORITY CHAIRMAN TOPPER: Ready?

Well, good morning. Thank you. I know Monday mornings are not always the easiest here in the Capitol as everybody's coming in, but I do appreciate the attendance this morning. We're looking forward to this informational hearing before the Subcommittee on Higher Education of the Education Committee, as well as the Subcommittee on Education for the Appropriations Committee. I'm really looking forward to hearing our testifiers.

Sometimes when we get in the chaos of budget season and that's when we're trying to put a lot of numbers and figures and ideas together in a lot of different issues. So Chairman Mihalek and I felt that it would be prudent to start that discussion a little sooner than budget hearings this year. We hope to have several of these informational hearings as we move forward as we examine funding of higher education here in the Commonwealth.

First, I'd like our Subcommittee Members of each committee to introduce themselves, and then I'll also recognize other Members who have joined us this morning. So if we could start to my left. If you are a Subcommittee Member of the Education or the Appropriations Committee on

1 this particular Subcommittee, if you could please introduce  
2 yourself and the district you're from, starting with Chris.

3 REPRESENTATIVE QUINN: Good morning. I'm State  
4 Representative Chris Quinn from Delaware County.

5 REPRESENTATIVE JAMES: Representative Lee James  
6 from Venango County and parts of Butler.

7 REPRESENTATIVE PUSKARIC: Representative Mike  
8 Puskaric, 39th Legislative District.

9 REPRESENTATIVE LEWIS: Good morning.  
10 Representative Andrew Lewis, 105th District, Dauphin  
11 County.

12 REPRESENTATIVE ZIMMERMAN: Representative Dave  
13 Zimmerman, northeast Lancaster County.

14 REPRESENTATIVE TWARDZIK: Representative Tim  
15 Twardzik from beautiful Schuylkill County.

16 REPRESENTATIVE WEBSTER: Good morning, everyone.  
17 I'm Joe Webster. I represent a portion of western  
18 Montgomery County, House District 150, and I'm here as part  
19 of the Appropriations Committee this morning.

20 MAJORITY CHAIRMAN TOPPER: Thank you very much.

21 We also have Members joining us: Representative  
22 Major, Representative Davanzo, Representative Eric Nelson,  
23 Representatives Struzzi, Mercuri, Representative Cook, and  
24 we also are pleased to be joined by Chairman Longietti of  
25 the Education Committee. And I better not forget

1 Representative Dunbar, who's a Member of Leadership, and  
2 also Chairman Curt Sonney has joined us for the Education  
3 Committee. So thank you as well.

4 Now we're going to introduce our co-chairs. The  
5 Chairwoman of the Subcommittee on Education for  
6 Appropriations, Representative Mihalek.

7 MAJORITY CHAIRMAN MIHALEK: I'm glad you made the  
8 correction and I didn't have to.

9 Good morning, everyone. Thank you all for being  
10 here. I know our primary duty, one of the main duties as  
11 legislators, is to make sure that we're being good stewards  
12 of taxpayer dollars. And being, you know, this 1.86  
13 billion dollars is quite a bit of those taxpayer dollars,  
14 we certainly want to make sure that there's accountability  
15 and transparency involved when we're talking about five  
16 cents of every dollar spent in Pennsylvania. So we're just  
17 going to take a deep dive into the numbers this morning, so  
18 we appreciate you all being here and being prepared for  
19 your testimony.

20 So thank you to Chairman Topper for assisting  
21 with putting all of this together. And thank you to all of  
22 you.

23 MAJORITY CHAIRMAN TOPPER: Thank you.

24 It's my pleasure to recognize from Philadelphia  
25 the Minority Chairman of the Appropriations Subcommittee on

1 Education, Representative Kinsey.

2 MINORITY CHAIRMAN KINSEY: Good morning. Also,  
3 Chairman Topper, I want to thank you for putting this  
4 hearing together. I also want to thank the testifiers in  
5 advance.

6 You know, as we talk about education and the  
7 importance of it, there's no doubt that through  
8 appropriations we look to spend wisely the taxpayers'  
9 dollars. And in one case, there's no doubt that spending  
10 this money towards education and educating the folks of our  
11 future is definitely a priority for me. So I want to say  
12 thank you to the Chairman and thank you again to the  
13 testifiers.

14 MAJORITY CHAIRMAN TOPPER: Thank you. And my  
15 counterpart on the Education Subcommittee, the Minority  
16 Chair, Representative Madden.

17 MINORITY CHAIRMAN MADDEN: Thank you, Mr.  
18 Chairman. And thank you for organizing this hearing.  
19 Thank you.

20 I'm going to join my colleague in thanking  
21 everyone in advance for coming here today and testifying  
22 and showing where those dollars are going.

23 We in Pennsylvania have a long, rich history of  
24 educating students in the Commonwealth. And students  
25 traditionally have come from other places to be educated

1 here in California. We have a large and rich education  
2 system. I'm a beneficiary of that system as someone who  
3 went back to school in my early 40s and earned my master's  
4 degree at Marywood University in Scranton, all as a single  
5 mother.

6 So how we spend those dollars, who we touch with  
7 those dollars, how we graduate students in the Commonwealth  
8 with a tiny little debt that doesn't equal the mortgage of  
9 a home and give them the quality education that they  
10 deserve is a really important topic. It's an important  
11 topic for me. Shortly before getting elected to the House,  
12 I was a professor at East Stroudsburg University and then  
13 before that Northampton Community College, both jobs I'm  
14 extremely proud of and were very rewarding.

15 Our declining investment no doubt has to be  
16 mentioned. We are in the bottom of appropriating education  
17 dollars in the Commonwealth. So I'm really interested in  
18 listening to your testimony, where the money is going, and  
19 how we can go back when we budget and see how we help you  
20 all to achieve that end of quality education without a  
21 tremendous amount of student debt.

22 Thank you so much.

23 MAJORITY CHAIRMAN TOPPER: Thank you,  
24 Representative.

25 And that is the focus of today's hearing. It

1 will be on the dollars appropriated by the State. That is  
2 what we're looking for. We know that all of these  
3 universities and institutions of higher education can talk  
4 about and break down a lot of different things within their  
5 budget. Specifically, today our focus is on the State  
6 dollars that are appropriated, how they're used, where they  
7 go, and questions surrounding them.

8 To kick off this hearing, we've invited Senator  
9 Ryan Aument, who used to be our colleague in the House, now  
10 is in the Senate. We welcome him back into this caucus  
11 room and would like him to make a few opening remarks  
12 concerning the Commission on Higher Education Funding.  
13 Senator Aument?

14 SENATOR AUMENT: Thank you, Chairman Topper. It  
15 is good to be back in this caucus room, and I wish to  
16 express my thanks to you for the invitation to attend this  
17 morning and provide opening testimony at this morning's  
18 Committee hearing.

19 I'd also like to thank each and every Member of  
20 this Committee for elevating an issue that is absolutely  
21 essential to our future if we're truly interested in  
22 building a stronger Pennsylvania where each and every  
23 resident has the opportunity to experience earned success  
24 and upward economic mobility here in Pennsylvania; if we  
25 are to expand educational opportunities and increase access

1 to higher education for our Pennsylvania students; if we  
2 are to retain talent and recruit new talent to come here to  
3 Pennsylvania to not only attend our outstanding  
4 institutions of higher education but they stay here, raise  
5 families here, experience economic opportunity in  
6 Pennsylvania, and involve themselves in the broader life of  
7 our communities.

8           As you know, Act 70 of 2019 was signed into law  
9 on July 2nd, 2019, providing for the establishment of the  
10 Higher Education Funding Commission. This bipartisan  
11 Commission, modeled off of the highly successful Basic  
12 Education Funding Commission, was formed for the purpose of  
13 reviewing and making recommendations related to higher  
14 education funding, affordability, effectiveness,  
15 administration, and operations. The Commission has been  
16 tasked to consider such topics as graduation and retention  
17 rates, student financial aid, job placement after  
18 graduation, entry-level wages, student loan debt, the  
19 overall goal of higher education, and the overall  
20 objectives of this General Assembly as we appropriate funds  
21 to support that system.

22           Now more than ever, it is critical that we find  
23 innovative approaches to increasing the affordability and  
24 accessibility to college in our Commonwealth.  
25 Additionally, it has been my intent to introduce into the

1 discussion performance-based metrics for higher education  
2 funding decisions as a way to hold institutions accountable  
3 for results.

4 I believe it is time to look at ways to better  
5 align our higher education system with the needs of  
6 Pennsylvania's economy. The Commission ought to consider  
7 if it is now time to shift our approach away from funding  
8 institutions to funding students and programs, prioritizing  
9 funding for those institutions that graduate students with  
10 degrees that are in high demand here in the Commonwealth.

11 The Higher Education Funding Commission began its  
12 work in late 2019, holding a series of hearings into the  
13 spring of 2020. And I look forward to the Commission  
14 continuing its work soon.

15 The conversation that you are having here today  
16 is most certainly consistent with and complementary to that  
17 work, and I thank you for your time today. And I look  
18 forward to hearing the testimony.

19 Thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN TOPPER: Thank you, Senator.

21 At this time, we're going to call upon our first  
22 panel, who is from the Pennsylvania Higher Education  
23 Assistance Agency. If you both would please rise and raise  
24 your right hand to be sworn in.

25 (Oath administered)

1 MAJORITY CHAIRMAN TOPPER: Thank you very much.  
2 And if you'd both please introduce yourself before we  
3 begin.

4 MR. HENCH: Thank you, Representative. Nathan  
5 Hench, Senior Vice President for Public Affairs at the  
6 Pennsylvania Higher Education Assistance Agency.

7 MS. MCCLOUD: Thank you, Representative.  
8 Elizabeth McCloud, Vice President for State Grant and  
9 Special Programs at the Pennsylvania Higher Education  
10 Assistance Agency.

11 MAJORITY CHAIRMAN TOPPER: Thank you both. And  
12 if you could both pull those microphones a little closer to  
13 you so that we can hear. In today's virtual world, I think  
14 we have some folks joining us so they can hear as well.

15 We'll just start off with a question. Senator  
16 Aument just mentioned and several Members have talked over  
17 the years about the idea of dollars following students and  
18 possibly setting up grant opportunities in terms of even  
19 our state-relateds having pots of money set aside. Could  
20 you talk a little bit about how it works now and what that  
21 would look like if those kind of measures were put into  
22 place in terms of your ability to handle those grants?

23 MR. HENCH: Specifically, Representative, are you  
24 talking about what we currently do for the Pennsylvania  
25 State Grant Program?

1 MAJORITY CHAIRMAN TOPPER: What you currently do  
2 and how that would look different if we expanded that  
3 model.

4 MR. HENCH: Okay. All right. Understood.

5 So within the materials that PHEAA has provided  
6 in advance to the Committee, there is an infographic. It's  
7 a rather large document. And if I could just sort of walk  
8 through our current processing, and I think that would be  
9 our current state for our flagship program, the  
10 Pennsylvania State Grant Program, in which the General  
11 Assembly generously appropriates \$310 million to that  
12 program currently.

13 So if you look on the left-hand side of the  
14 infographic, you'll see a green funnel. The first step  
15 that students need to do is complete the FAFSA form, which  
16 is the federal form that we use as a bedrock to start the  
17 financial aid process. We have roughly 575,000  
18 Pennsylvanians that complete that form every year. And I  
19 must say that this infographic is specific to the 2020-'21  
20 award year that just completed.

21 From there then, students, if they are seeking an  
22 undergraduate degree, they're invited to complete our state  
23 grant form, where we seek a few extra data points. And we  
24 have roughly 489,000 of the 575 that complete the state  
25 grant form. That number melts down because we have some

1 students that are maybe seeking a graduate degree that does  
2 not meet the qualifications for the State Grant Program.

3 From there, you'll see that it moves into a PHEAA  
4 PA state grant formula, which is overseen by the PHEAA  
5 Board of Directors, which is made of 16 legislators from  
6 the General Assembly and 4 appointees from the Governor's  
7 office. And from there, for this current '20-'21 year, we  
8 have funded 119,000 students.

9 And then in the middle of that chart really shows  
10 the school types where those students go to, the dollar  
11 amounts, the number of students, the maximum award, and the  
12 average award. And I know this is a lot of information,  
13 but we wanted to somehow graphically show it along with the  
14 data points for your digestion.

15 Once we have then confirmed that the student has  
16 showed up to the institution, whether virtually or in the  
17 classroom -- and we do that through a school  
18 certification -- PHEAA then disburses the funds to the  
19 institution and the institution applies those dollars to  
20 the students' tuition bill as a reduction.

21 So really what is unique about this situation is  
22 once the student has completed the FAFSA form, the state  
23 grant application form, they don't really need to do  
24 anything else other than they'll see the reduction on the  
25 tuition bill.

1           And I think for your second question,  
2 Representative, you were asking about if there was  
3 additional influx of dollars into PHEAA, would we be able  
4 to have those dollars tracked --

5           MAJORITY CHAIRMAN TOPPER: All right. So if the  
6 monies that we directly appropriate to universities were to  
7 come through PHEAA -- and that's a great deal of money,  
8 certainly a larger influx -- is that something that PHEAA  
9 would have the capability of handling currently or would  
10 there have to be structural changes to the programs  
11 themselves?

12           MR. HENCH: It depends on the parameters that the  
13 Committee wants to place around that, how much reporting,  
14 what are the criteria for the students. I would presume  
15 that you would want the students to be Pennsylvania  
16 residents attending those institutions. PHEAA certainly  
17 would have the capabilities to stand up a new program or  
18 use one of our existing programs in order to disburse those  
19 funds. It really would determine the requirements -- or  
20 the eligibility requirements, rather -- that the Committee  
21 or the policy-makers would want to place on those dollars.

22           MAJORITY CHAIRMAN TOPPER: Ms. McCloud, anything  
23 to add?

24           MS. MCCLOUD: I think what I would add to that is  
25 simply that we work closely with schools now within the

1 State Grant Program and the other programs we administer  
2 where the schools respond back to us to certify eligibility  
3 at a student level term by term before applying those funds  
4 to students' accounts where they've been charged for  
5 tuition and fees. And so we have a roadmap in place that  
6 we would be able to follow with any new program to continue  
7 to work with schools in a similar fashion.

8 MAJORITY CHAIRMAN TOPPER: Thank you.

9 We've also been joined by Representatives Gleim  
10 and Roae, so we want to mention that.

11 Next for questions, Ms. Mihalek.

12 MAJORITY CHAIRMAN MIHALEK: So I'm looking at the  
13 breakdown between public versus PASSHE versus state-related  
14 schools. Are these benchmarks? I'm looking at about  
15 39,000 recipients for a private school versus about 25,000  
16 for state-related. Is that a yearly average? Are these  
17 benchmarks that you're trying to hit, and if so, why is the  
18 number of private awards so significantly higher than the  
19 state-related?

20 MS. MCCLOUD: Sure. So these are rounded numbers  
21 of actual recipients from the most recently completed 2020-  
22 2021 award year. And the numbers that you see reflected  
23 there by sector are simply a reflection of the really  
24 robust postsecondary landscape here in Pennsylvania and how  
25 we have within -- for example, the PASSHE sector, we have

1 the PASSHE universities. In the four-year private sector,  
2 we have a fairly large number of four-year private schools  
3 located throughout the Commonwealth.

4 And so students who meet the need criteria and  
5 the other eligibility criteria within the State Grant  
6 Program, they're able to take that award with them to the  
7 school sector of their choice within the state. And the  
8 numbers you see here are simply a reflection of student  
9 choice during the 2020-'21 year in where they enrolled.

10 MAJORITY CHAIRMAN MIHALEK: Thank you.

11 MAJORITY CHAIRMAN TOPPER: Thank you.

12 Next for questions, the Chair recognizes Mr.  
13 Kinsey.

14 MINORITY CHAIRMAN KINSEY: Thank you, Mr.  
15 Chairman.

16 Mr. Hench, I want to go back to the question of  
17 capacity. Chairman Topper just asked if the money was  
18 directed to PHEAA as opposed to the schools, would you have  
19 the capacity to do it. This info document that you gave  
20 us, as you mentioned, reflects the year 2021. And in this  
21 document, 489,000 applicants I think applied for the  
22 grants, the PHEAA grants, and 119,000 students were awarded  
23 the grants. And that's for the year 2021.

24 As it relates to capacity, can you tell me, over  
25 the past five years or even beyond -- I'll say maybe within

1 a five-year range -- have we seen a higher capacity? And  
2 I'm thinking prior to COVID. So as we talk about capacity,  
3 what is the max capacity that PHEAA has had in regards to  
4 individuals who apply for the state grants? And likewise,  
5 I want to know what has been the lowest number over maybe  
6 the past five years of students that might have been  
7 awarded? Do you have that information with you?

8 MS. MCCLOUD: If you wouldn't mind if I respond  
9 to that --

10 MINORITY CHAIRMAN KINSEY: Sure. I'm sorry --

11 MS. MCCLOUD: -- question --

12 MINORITY CHAIRMAN KINSEY: -- Ms. McCloud. Sure.

13 MS. MCCLOUD: -- Representative Kinsey. Yeah.

14 So I can tell you that the most awards to  
15 students happened back in the 2011-'12 award year. And at  
16 that point, we had a little over 205,000 recipients within  
17 the State Grant Program. We did see a jump in the number  
18 of recipients when the Great Recession hit, and that number  
19 has declined in the years ever since then. The drop in  
20 recipients was accelerated these last couple of years with  
21 the pandemic. We're expecting to see it drop again for  
22 this current academic year that has just started.

23 But the drop in recipients is a reflection not  
24 just of the pandemic but also of the demographics in  
25 Pennsylvania. And it's something that we look at with the

1 PHEAA Board of Directors in looking at and setting a  
2 formula each year and trying to find a balance with the  
3 available resources to the program between having  
4 meaningful award sizes to the students who are showing need  
5 and balancing that with any time that we want to have an  
6 expansion to a larger pool of eligible students. And that  
7 process that we engage in year by year with the State Grant  
8 Program is something that definitely would translate to a  
9 larger or a newer program if there was additional funding  
10 made available to students attending some of these other  
11 institutions.

12 MINORITY CHAIRMAN KINSEY: Thank you for that,  
13 Ms. McCloud. So let me just be clear. With the  
14 Pennsylvania Higher Education Assistance Agency, those  
15 grants are only applied to students who reside in the State  
16 of Pennsylvania; is that correct?

17 MS. MCCLOUD: It is only Pennsylvania residents  
18 who are eligible. So they have to be meeting a domicile  
19 requirement to receive those funds. Yes.

20 MINORITY CHAIRMAN KINSEY: Great.

21 MAJORITY CHAIRMAN TOPPER: Chair thanks the  
22 gentleman and recognizes the gentleman from Lancaster, Mr.  
23 Zimmerman.

24 REPRESENTATIVE ZIMMERMAN: Thank you, Mr.  
25 Chairman.

1           Thanks for your testimony this morning. Just a  
2 question on -- at what point does a family actually income-  
3 out of the grant program for students?

4           MR. HENCH: I think Elizabeth probably has some  
5 specifics that she can speak to, but generally speaking,  
6 for the largest program, the PA State Grant Program, which  
7 we're mostly talking about today, a family of four  
8 generally starts to become ineligible when their family  
9 income is around 80,000 up to 110,000.

10           The Legislature a few years ago did create the  
11 Ready to Succeed Program. Also, some folks refer to it as  
12 the Middle Income Scholarship Program. And that's  
13 providing a grant up to \$2,000 for those families that  
14 start to become ineligible out of the State Grant Program.  
15 So that goes up to a family income of around 110,000.

16           REPRESENTATIVE ZIMMERMAN: And just to follow up  
17 to that, has that pretty much been the numbers for a while  
18 or has that changed? Has it changed in the last year, for  
19 example?

20           MS. MCCLOUD: The formula that's used draws upon  
21 the federal needs analysis formula, which derives something  
22 called an expected family contribution, which is a way of  
23 indexing the amount of need that students show. And that  
24 formula, the inputs in it do shift incrementally from year  
25 to year. So there are shifts over time. But by and large,

1 it's a similar pool of eligible students over recent years,  
2 I would say.

3 I would note that about 73 percent of the state  
4 grant awards currently go to students with family incomes  
5 of up to \$60,000. The specific amount of need that each  
6 student shows varies depending on some other factors than  
7 income such as the number of students in college within a  
8 household. And that's where you see this pool of eligible  
9 state grant recipients who may have higher family incomes  
10 if they have factors such as siblings in college at the  
11 same time.

12 REPRESENTATIVE ZIMMERMAN: Okay. Thank you.

13 Thank you, Mr. Chairman.

14 MAJORITY CHAIRMAN TOPPER: Chair thanks the  
15 gentleman and recognizes Chair Madden.

16 MINORITY CHAIRMAN MADDEN: Thank you, Mr.  
17 Chairman.

18 To the best of your knowledge, do you know -- do  
19 other states fund education the way we are, partly to the  
20 students, partly to the institutions? And what if a  
21 Pennsylvania student wants to attend school out of state?  
22 Do we have reciprocal agreements? Are they eligible?

23 MS. MCCLLOUD: Sure. So I'll start with the first  
24 part of your question, Representative Madden.

25 So I am aware of the State of Kentucky having a

1 program called the Kentucky Tuition Grant Program, which  
2 provides awards specifically to students attending private  
3 colleges in that state. That program does run on a first-  
4 come, first-served basis, so in my mind, that's not ideal.  
5 It doesn't meet student needs quite in the way that the  
6 Pennsylvania State Grant Program does, where we are able to  
7 fund every eligible student who applies by the deadline.

8 To answer the second part of your question  
9 related to awards to Pennsylvania students attending  
10 schools in other states, we do send some small amount of  
11 funding with students who are attending schools in states  
12 that are reciprocal with us. So what that means is, if a  
13 state is willing to send state grant dollars with their  
14 students attending Pennsylvania schools, then we will do  
15 the same for Pennsylvania students attending schools in  
16 those states. And those states are Ohio, West Virginia,  
17 District of Columbia, Delaware, Vermont, and Massachusetts.  
18 And they are reflected on this chart that was in the  
19 materials in the very bottom blue box of the center portion  
20 under "Out-of-State Awards." So you can see that it's a  
21 relatively small number of recipients and that the maximum  
22 award was \$770. So it's at a different awarding level than  
23 what is provided to students attending Pennsylvania  
24 institutions.

25 MINORITY CHAIRMAN MADDEN: Thank you so much.

1 And if I could follow with one more question, can you talk  
2 about some of the other programs that PHEAA has besides the  
3 State Grant Program?

4 MS. MCCLLOUD: Certainly. So Nathan mentioned  
5 earlier the Ready to Succeed Scholarship Program, which was  
6 put in place more recently and provides awards to more of a  
7 middle income population of students who are moving out of  
8 or just aren't eligible at all for awards through the State  
9 Grant Program. And with the Ready to Succeed Scholarship  
10 Program, it is a need-based program, but there's a merit  
11 component in there as well, so those recipients all have to  
12 have a GPA of a 3.25 or higher.

13 Another program that we administer for the  
14 Commonwealth that provides awards directly to students to  
15 help with their tuition cost is the Pennsylvania Targeted  
16 Industry Program. The Pennsylvania Targeted Industry  
17 Program was initially funded by PHEAA funds and has been  
18 funded through an appropriation over the last three years  
19 now, I believe. And it addresses the need for skilled  
20 workers in high-demand occupations around the Commonwealth;  
21 that is, students enrolled in programs that wouldn't be  
22 state grant eligible, so they're less than two years in  
23 length. And it's programs more along the lines of  
24 electricians, licensed practical nurses, welders, that type  
25 of thing.

1           So we're meeting the needs of employers across  
2 the Commonwealth in a variety of ways through a variety of  
3 programs that we are happy to administer for Pennsylvania.

4           MINORITY CHAIRMAN MADDEN: Thank you so much.

5           MAJORITY CHAIRMAN TOPPER: Thank you.

6           Next, the Chair recognizes Mr. James.

7           REPRESENTATIVE JAMES: Thank you, Chairman.

8 Thank you, representatives of PHEAA.

9           Believe it or not, a number of years ago, I  
10 benefited by some of your programs. And back then, \$800  
11 would have covered the whole semester. I went to school  
12 with Barney Rubble.

13           School districts all over the Commonwealth are  
14 hearing from manufacturers and other persons in the  
15 business world that we need students coming out of high  
16 school and college that are ready to go to work in these  
17 various manufacturing facilities. And that's not always  
18 been the case. Now, you have a program, PA-TIP, right?  
19 Pennsylvania Targeted Industry Program. And there is \$6  
20 million assigned to that -- appropriated to that. I'm  
21 wondering if you could give us all an update, please, on  
22 how the kids -- or for that matter adults who are  
23 benefiting by the program -- are doing in the program, and  
24 is it being successful? Are they finding jobs after  
25 graduation?

1 MS. MCCLOUD: Sure. I'll be happy to address  
2 that, Representative, and I appreciate your highlighting  
3 this program. This has been an important program helping  
4 Pennsylvania students in recent years.

5 For the most recently completed award year, the  
6 2020-'21 year, the average award that was received by  
7 recipients was just under \$3,700 for the year, and we had  
8 1,765 recipients. So we put that 6.3 million to good use.  
9 But what we have found with the PA -- we call it PA-TIP  
10 Program -- is that there are more potentially eligible  
11 students than we are able to fund with the existing  
12 appropriation. So in looking at the last award year, we  
13 are estimating that we would have needed about 8.65 million  
14 in an appropriation to fully fund all of the eligible  
15 students who applied for the program.

16 That program doesn't fund students at every  
17 program of study that's less than two years in length. It  
18 is specifically funding students at programs that feed  
19 high-demand occupations. And out of the recipients over  
20 the recent history of the program, 76 percent of the  
21 students who have received funds have graduated and 91  
22 percent of the graduates gained employment. So the  
23 outcomes have been strong. But we would need about 2.4  
24 million additional appropriation to be able to fully fund  
25 everyone who's currently applying within this program.

1           MR. HENCH: Representative, if I could just add  
2 on to that. It's a unique program that -- we have a great  
3 partnership with Labor and Industry where we do data shares  
4 with them to actually see if the graduates -- we track it  
5 through the schools to see if the graduates actually  
6 graduate. And then we also do a data share with L&I, thank  
7 you very much.

8           Thank you, Mr. Chairman.

9           MAJORITY CHAIRMAN TOPPER: Thank you very much.

10          We have also been joined by Representatives  
11 Keefer and Schroeder.

12          Thank you very much. At this time, we are going  
13 to have our Subcommittee Members be the one asking the  
14 questions due to the limited amount of time, and we  
15 certainly have a full agenda. However, in this one case,  
16 I'm also going to invite Representative Nelson to make a  
17 statement. He has legislation directly regarding PHEAA and  
18 specifically bringing you more into the fold. So I'd like  
19 to recognize Representative Nelson at this time, and then  
20 we will move on to our next panel.

21          REPRESENTATIVE NELSON: Thank you, Mr. Chair.

22          And thank you for your testimony. It's good to  
23 be seeing you. I know we've had a number of conversations.  
24 And today, one of the important policy questions as this  
25 Committee begins to struggle is, is it ethically

1 appropriate that Pennsylvania selects just three  
2 universities to receive \$580 million while other schools  
3 and students receive no monies at all? And personally I do  
4 share a bias. I have two students that attend Penn State.  
5 They are loving it there, on a path to success. And my  
6 wife graduated from Pitt.

7 But as we look at revising the policy to  
8 potentially empower families so that those students could  
9 select their educational direction, can you touch on what  
10 that field might look like if we expanded those limits to,  
11 let's say, 100,000 qualifying and 200,000 for the middle-  
12 class families and include those technical jobs, the TIP  
13 program that is so successful? What might that mean to a  
14 Pennsylvania resident really of any age that wants to  
15 pursue postsecondary education?

16 MR. HENCH: I think, Representative, if you're  
17 looking at providing additional funds -- much like  
18 Elizabeth was talking to -- to the PA-TIP program, we would  
19 certainly be able to spend funds up to the \$8 or \$9 million  
20 and fully fund all those students. And that's a unique  
21 program. And just to give another commercial that -- the  
22 Board really has direct control over and constantly  
23 monitoring what are those high-demand occupations, which  
24 they expanded to phlebotomists and health care workers,  
25 which was incredibly crucial during the pandemic.

1           And then in addition to that, the Ready to  
2 Succeed Program is also underfunded. I believe it needs  
3 approximately \$11 million roughly in order to fund those  
4 middle income.

5           If you would want to further expand the income  
6 threshold above \$110,000, if the Legislature would be  
7 willing to do so, PHEAA would be certainly capable of  
8 reaching higher income families. We could certainly run  
9 numbers on what that population might look like.

10           I don't know if that's answering all your  
11 questions or not.

12           REPRESENTATIVE NELSON: It starts to scratch that  
13 surface. Yes, indeed.

14           And if we were able to fund those programs,  
15 students attending any university, technical school,  
16 community college, and even our major universities would  
17 all be able to equally share in those taxpayer funds?

18           MR. HENCH: Yeah. For the Ready to Succeed  
19 Program, what you see in the middle -- the listing of  
20 school types in the middle of that infographic -- would  
21 benefit from -- all those school types would benefit. PA-  
22 TIP, though, is only for those programs that are less than  
23 two years in length. So you would have, you know, a  
24 different type of school type that would benefit from PA-  
25 TIP.

1           REPRESENTATIVE NELSON: All right. Thank you.  
2 Thank you very much.

3           Thank you, Mr. Chair.

4           MAJORITY CHAIRMAN TOPPER: Thank you.

5           And do you need to be a full-time student for the  
6 Ready to Succeed scholarships?

7           MS. MCCLOUD: No, you do not. You can be a part-  
8 time student and benefit with the Ready to Succeed  
9 Scholarship, just as with the Pennsylvania State Grant  
10 Program. Those two programs work in conjunction with each  
11 other. And so it's basically all of the same eligibility  
12 requirements that are in place for the State Grant Program  
13 with just that additional merit component for Ready to  
14 Succeed.

15           MAJORITY CHAIRMAN TOPPER: Thank you. Thank you  
16 both very much. I appreciate your testimony this morning.

17           And at this time, we will invite our next panel,  
18 which will involve our -- what we call here inside baseball  
19 our non-preferreds, who are state-related institutions. If  
20 you can make your way up. We set up three tables because  
21 we know we have plenty of testifiers, so as you can fill  
22 in -- we tried to give enough space here for everyone. We  
23 would appreciate that.

24           And just to take a moment to describe what we're  
25 about to focus on here in the hearing, if you've been to

1 appropriations hearings when we talk to our state-related  
2 institutions, we usually have chancellors, presidents  
3 testifying on a wide range of issues. If you'll notice,  
4 our testifiers today are truly focused on what we want to  
5 talk about, which is our funding models. These are the  
6 CFOs. These are -- I think we have a provost. We're  
7 talking and specifically asking questions relating to  
8 money. So as tempting as it might be to talk about Penn  
9 State football today, that is not what we're focused on.  
10 We will be focusing on the finances and specifically how  
11 our state dollars are used.

12 Does everybody have their seat? Looks like they  
13 do. If you would all please stand and raise your right  
14 hand to be sworn in.

15 (Oath administered)

16 MAJORITY CHAIRMAN TOPPER: You may be seated.

17 And if you could introduce yourself. We'll start  
18 to my left and work to my right, please.

19 MR. HOFFMAN: Hi. Good morning, Chairpersons.  
20 Andy Hoffman, Dean of the School of Veterinary Medicine,  
21 University of Pennsylvania.

22 MAJORITY CHAIRMAN TOPPER: Go ahead and make sure  
23 that green light's on.

24 MR. SCHIERI: There you go. Sorry about that.

25 MAJORITY CHAIRMAN TOPPER: Go ahead and introduce

1 yourself again, please.

2 MR. SCHIERI: Robert Schieri, CFO, University of  
3 Pennsylvania School of Vet Medicine.

4 MAJORITY CHAIRMAN TOPPER: Thank you.

5 MR. MARINO: David Marino, CFO of Temple  
6 University.

7 MR. SASTRY: Hari Sastry, CFO, University of  
8 Pittsburgh.

9 MR. GRADOWSKI: Chuck Gradowski, CFO of Lincoln  
10 University.

11 MR. JONES: Nick Jones, Provost, Penn State  
12 University, and I have responsibility for the education and  
13 general funds budget, which is why I'm here.

14 MAJORITY CHAIRMAN TOPPER: Thank you. Appreciate  
15 all of you being here to testify.

16 So I guess I'm going to -- we have multiple  
17 testifiers here, but a lot of you have similar positions  
18 within your universities. If there is a question that's  
19 asked and you feel your counterparts have basically  
20 answered the question in a way that relates to each one of  
21 your universities, don't feel obligated to answer each and  
22 every question. There will be questions that will be  
23 thrown out to the group, and sometimes it's first come,  
24 first served. If you have anything additional to add or  
25 something that is different for your specific institution,

1 then that would be a good time to possibly chime in as  
2 well.

3 First, I'll just open it up, though, for each of  
4 you to answer the general question, which is why we're  
5 here, which is -- you receive funding from many different  
6 avenues, many different ways, many different sources, but  
7 specifically the dollars that you receive from the General  
8 Assembly here in Harrisburg, if you could break down how  
9 those dollars are spent and why they're necessary to your  
10 institution. And we'll start from my left and work to my  
11 right. Thank you.

12 MR. HOFFMAN: Thank you, Chairman. I'm just  
13 going to briefly go over how we use our non-preferred  
14 appropriation, which is really focused on two major areas.  
15 One is providing professional education for veterinary  
16 medical students, and the other major area is providing  
17 services to the Commonwealth. And those services range  
18 everywhere from diagnostics to clinical services to  
19 groundbreaking research.

20 And so we funnel the non-preferred appropriation  
21 into the educational mission, as well as providing the  
22 services to the Commonwealth.

23 MR. MARINO: Temple University receives a very  
24 generous annual contribution from the General Assembly.  
25 From that, we get about 158 million dollars. We're able to

1 match that. That's really the beauty of this program. So  
2 that 158 million dollars generates about 300 million  
3 dollars of tuition discounts, and that's pretty consistent  
4 with my other colleagues from the other state institutions.

5 With that money, that allows us to provide a  
6 significant discount to PA residents. And that's all PA  
7 residents regardless of income, status, or economic status.  
8 We definitely got a unique piece of the product. If you're  
9 out of state, you pay about \$29,000 to attend Temple; if  
10 you're in-state, you pay about \$16,000. So that's a 45  
11 percent discount, again about half from the Commonwealth  
12 and about half from the institution.

13 So it really provides the affordability and the  
14 accessibility for all PA residents to attend a four-year  
15 accredited R1-designated institution that otherwise many of  
16 those students just would not have access to without that  
17 appropriation.

18 So with that, I definitely want to thank you for  
19 the generosity of your appropriation, which has been in  
20 place since 1965. Thank you.

21 MR. SASTRY: Thank you, Members.

22 My answer -- similarly, we also receive about 152  
23 million dollars in the Commonwealth appropriation, which we  
24 leverage to provide nearly 300 million dollars in an in-  
25 state tuition discount to Pennsylvania residents. Once

1 again, that is all Pennsylvania residents that might be  
2 attending the University of Pittsburgh. It is a leverage  
3 partnership, so the 152 million dollars is nearly increased  
4 by 40 percent just through what Pitt provides to get to  
5 that 300 million dollars. That money goes directly  
6 to -- dollar for dollar for an in-state discount to  
7 Pennsylvania students and then supports the educational  
8 mission of the University of Pittsburgh.

9 MR. GRADOWSKI: Lincoln University is a little  
10 bit of an exception to the rule over here. We use our  
11 state appropriation not only for discounting of our  
12 students, but we also need it for operations.

13 We use over half of the state appropriation for  
14 discounts and scholarships for our Pennsylvania students.  
15 We use about 2 to 3 million dollars of our money for  
16 additional faculty and faculty development. And the  
17 remainder of the money has definitely been going toward new  
18 technology at the university.

19 Thank you.

20 MR. JONES: At Penn State, the appropriation  
21 comes in several pieces. The largest is for the  
22 contribution to the education and general funds budget;  
23 that's about 242 million dollars. We also receive  
24 allocations for agricultural research and its extension and  
25 a contribution to the Pennsylvania College of Technology in

1 Williamsport.

2           We, like my colleagues' institutions, use our  
3 education and general funds budget to support the core  
4 educational mission of the university at 20 undergraduate  
5 campuses across the Commonwealth. The 242 million dollars  
6 is divided among around 45,000 Pennsylvania resident  
7 students, providing an effective contribution of around  
8 \$5,400 per student. Penn State more than doubles that  
9 contribution, leading to a tuition differential between in-  
10 state and out-of-state students of about \$13,000 per year.

11           That provides access to our students to a high-  
12 quality, research-intensive university experience that we  
13 believe is of very high quality and to students across the  
14 Commonwealth with entry points at 20 locations across  
15 Pennsylvania.

16           MAJORITY CHAIRMAN TOPPER: Thank you very much.

17           For questions, next the Chair recognizes Chair  
18 Mihalek.

19           MAJORITY CHAIRMAN MIHALEK: Thank you, Mr.  
20 Chairman.

21           And I guess I'll ask the question, and if you  
22 want to proceed left to right, if that's the way that we're  
23 going here.

24           So we talk a lot about the appropriation being  
25 used to discount in-state tuition for Pennsylvania

1 residents. What is the actual cost of education? If we're  
2 talking about a discount, is the cost to educate a student  
3 the true cost of the out-of-state tuition?

4 And I have a two-part question, so if you want to  
5 answer that one, and I'll get to part two.

6 MR. HOFFMAN: So let me just first clarify that  
7 the appropriation provides a \$10,000-a-year tuition  
8 discount to our in-state students in Pennsylvania. So if  
9 you're from Pennsylvania -- we have 130 students per class.  
10 We have about 40 or 50 students every year per class who  
11 receive that -- who are Pennsylvania residents who receive  
12 that discount. So if you're a young kid from Pennsylvania,  
13 want to be a veterinarian, you have this great opportunity  
14 to go to University of Pennsylvania and get a fairly  
15 substantial discount. So that's 184 students receiving  
16 that currently.

17 The tuition for in-state is about 49 and out-of-  
18 state is 59. The actual amount that students pay is about  
19 \$8,000 -- median about 8,000 less than each of those  
20 figures per year.

21 And so our goal is to minimize indebtedness. So  
22 we multiply the discount that the appropriation is  
23 providing between two and two-and-a-half fold by  
24 scholarships. So we have a fairly substantial scholarship  
25 program for both Pennsylvania residents and out-of-state

1 residents depending on their need.

2 So students end up with about 158,000 as a median  
3 and 183 as a mean indebtedness for four years of veterinary  
4 school education. And they're currently sitting at the  
5 middle of all 32 veterinary schools as far as indebtedness  
6 goes. That wouldn't be possible without the non-preferred  
7 appropriation and the discount rate to the Pennsylvania  
8 resident students.

9 MAJORITY CHAIRMAN MIHALEK: So just to follow up,  
10 that's --

11 MR. HOFFMAN: Yeah.

12 MAJORITY CHAIRMAN MIHALEK: -- a lot of numbers,  
13 and I appreciate that. We talk about it in terms of, I  
14 think, pre-K through 12 education --

15 MR. HOFFMAN: Yeah.

16 MAJORITY CHAIRMAN MIHALEK: -- and maybe not so  
17 much for our systems of higher ed. Do you know what it  
18 actually costs to educate those students compared to what  
19 they're paying and what we're discounting?

20 MR. HOFFMAN: Yeah. I mean -- I think -- I'm  
21 going to let Robert Schieri talk about that just a bit.  
22 But tuition itself is the third-highest revenue portion of  
23 our pie of school contributions to the budget.

24 So we're talking about four times the amount that  
25 tuition brings in is the cost of running the veterinary

1 school: providing the infrastructure, educational  
2 background, professional education, clinical rotations and  
3 experiences, accreditation, diagnostic services, everything  
4 that's needed to have an accredited vet school. About four  
5 times of the total amount of tuition coming into our  
6 school. And remember, the appropriation is providing a  
7 \$10,000-a-year discount to 184 students. That's a small  
8 part of the total amount of tuition.

9           So hopefully those numbers are clear. It takes  
10 about four times the amount of the tuition that we're  
11 getting to run the vet school in an accredited fashion.

12           MAJORITY CHAIRMAN MIHALEK: Okay. That's very  
13 helpful. And I'm a lawyer, so you have to say the numbers  
14 over and over again before it sinks in.

15           And while we're at this end of it, I'll just ask  
16 part two of my question. And it's no secret that there  
17 have been discussions over the past several years of what  
18 happens if the State doesn't appropriate this money. So  
19 what does that look like for your school if the State, for  
20 whatever reason, did not decide to appropriate the money?

21           MR. HOFFMAN: I think it's very important to  
22 understand the veterinary school, unlike perhaps  
23 undergraduate schools and other institutions, provides the  
24 Commonwealth with services. So the damage done to  
25 diagnostic services in the agricultural industry,

1 surveillance of foreign and domestic diseases, clinical  
2 services, accreditation, continuing education credits for  
3 our 2,000 veterinarians -- 70 percent of which are  
4 graduates in the school -- all would fall apart.

5           There really is no way for us to make the numbers  
6 work without this 32 million dollar non-preferred  
7 appropriation. And so I think if that goes away,  
8 then -- and as I said, much of it goes into the  
9 infrastructure of building an accredited professional  
10 veterinary school, which there's only 32 in the U.S. If  
11 that goes away, then many of the services go away.

12           We could imagine a model which would be  
13 catastrophic of an education distributed model, which is a  
14 lot like the private distributed model at schools that are  
15 coming into being now where we have no hospitals, we have  
16 no research footprint, we aren't innovating, and we would  
17 not be importing talented individuals into the State.

18           It's really important to remember that only about  
19 a third of our students are Pennsylvania residents, but 70%  
20 of the veterinarians in the State of Pennsylvania are our  
21 graduates. We are importing talent into a workforce that  
22 has terrible shortages right now.

23           So it's critical that we maintain not just a bare  
24 bones distributed education model of a veterinary school;  
25 we need to provide an R1 research university with great

1 diagnostic services that bolster up the agricultural  
2 industry, which is a 132 billion dollar industry. Without  
3 the PADLS, without the diagnostic system here -- the  
4 Pennsylvania diagnostic system, which we're integrally part  
5 of, which the appropriation supports, the livestock and  
6 poultry industry would have a very difficult time thwarting  
7 off domestic and foreign animal diseases. Just that alone,  
8 more or less providing productive, economically viable  
9 pathways forward for farmers.

10 So it would be catastrophic for the State as well  
11 as for students and for the workforce, veterinarians,  
12 veterinary nurses, and all paraprofessionals in the State.

13 MAJORITY CHAIRMAN MIHALEK: Thank you.

14 So I'll re-ask the question, just because it's  
15 been some time. So part one was, what does the actual cost  
16 to educate your students look like; and if the  
17 appropriation were not to come through for Temple --

18 MR. MARINO: Sure.

19 MAJORITY CHAIRMAN MIHALEK: -- what does that  
20 look like for the University?

21 MR. MARINO: If I could take the second part  
22 first, simply put, if the Commonwealth appropriation no  
23 longer existed at Penn State, Temple, Lincoln, we would be  
24 private institutions.

25 When you look at those three -- Pitt, Penn State,

1 and Temple -- we're three of the top 50 public institutions  
2 in the country. You pull those out, the only one left in  
3 Pennsylvania would be IUP; and in the most recent ranking,  
4 they were about 320th.

5 So this program provides that nationally ranked  
6 opportunity for students that otherwise would not have it.  
7 So the tuition rate would be closer to \$29,000 per student.

8 When you look at the demographics of our  
9 students -- we have about 40,000 students -- 68 percent of  
10 those in this most recent year are PA residents, so the  
11 majority. And that rate is consistent when you go across  
12 the state system. The majority of the folks we are  
13 educating are from Pennsylvania, and they're remaining in  
14 Pennsylvania, giving back to the Commonwealth.

15 Without it, I think we'd see a significant shift  
16 in demographics. I think the surrounding states would  
17 definitely go and grab our students. And I think it would  
18 be more of a benefit to private institutions. And to be  
19 honest with you, you know, it would probably be a grant  
20 under \$5,000 when you look at a private rate. It's not  
21 that much of a significant difference.

22 A real benefit of this program is the ability to  
23 match. With these three -- four institutions of the  
24 Commonwealth providing a significant match, that more than  
25 doubles that appropriation. So I think it would be big for

1 the private institutions and the surrounding areas because  
2 they would just discount their tuition more than the grants  
3 and bring those students over to the surrounding areas.

4 As far as cost to educate students, that's a  
5 difficult question. We are very aggressive -- Temple's  
6 demographics are a bit different than some of the other  
7 states. We don't have a lot of old money on our balance  
8 sheet. We rely on a little bit of margin and price it so  
9 we can pretty much run the operations on an annual basis.  
10 So that 29,000 is probably a pretty good estimate on what  
11 it costs to graduate students.

12 Tuition revenue, that's our lifeblood. Without  
13 it, we don't do much else. If you look at our financial  
14 statements, research is bottom line neutral at best. It's  
15 sponsored. It's really tuition which enables us to do what  
16 we do. Without the appropriation, it's a different  
17 landscape.

18 MAJORITY CHAIRMAN MIHALEK: Thank you.

19 Do you need me to repeat?

20 MR. SASTRY: No. Thank you.

21 I will also take the second part first, and I  
22 think -- I just want to add, not to repeat but just to add  
23 one piece -- is just looking at the impact to Pennsylvania  
24 students and families. For Pitt, that tuition, which is  
25 34,000 for out of state, is 19,000 for in-state students.

1 That's 15,000 more in tuition, 15,000 more in debt each  
2 year, which could add up to up to \$60,000 over the course  
3 of four years.

4 And losing a public -- a large public -- R1  
5 public institutions across the state, as mentioned, would  
6 really be devastating for the economy. We have 63 percent  
7 of our students currently from Pennsylvania; this is the  
8 highest number of both applications and first-year students  
9 we've ever had from in-state. So they certainly are  
10 supportive of the education that we provide and really want  
11 to come to Pitt.

12 The first part of your question on the cost of  
13 education, I think the out-of-state tuition is a pretty  
14 good proxy for the cost of tuition. It is likely somewhat  
15 a little bit below that just because we are able to provide  
16 some discounts for both out-of-state and in-state students,  
17 but that is a very good kind of guidepost for what is the  
18 cost of education for a student.

19 MAJORITY CHAIRMAN MIHALEK: Thank you.

20 MR. GRADOWSKI: Thank you. Again, as I said  
21 earlier, Lincoln University uses its state appropriation  
22 not only for aiding our Pennsylvania students, we also use  
23 it for operations. We are very tuition-driven; over 70  
24 percent of our revenue is coming from tuition and fees.

25 So to answer your -- again, we're all going to

1 the second part first. If we didn't have the  
2 appropriation, we would not be in existence. We definitely  
3 need this money to be able to operate. We operate on very  
4 tight margins, so this is very critical for us.

5 The first part of it -- again, our out-of-state  
6 tuition is about \$26,000; our in-state tuition's about 22.  
7 So again, we're working very diligently to be able to  
8 maintain our university and our operating budget.

9 MAJORITY CHAIRMAN MIHALEK: Yes. Thank you.

10 MR. JONES: I need to thank my colleagues for  
11 sitting to the right of me because they've actually said a  
12 lot of things already that I would just reiterate. But  
13 just a few additional points from the Penn State  
14 perspective.

15 It's a very simple question, but the answer is  
16 complex, as my colleagues have indicated. At University  
17 Park, our in-state tuition's about \$18,000 a year and out-  
18 of-state around 32. So there's the core margin on the  
19 surface. At our campus locations, where roughly in  
20 aggregate about 80 percent of the students are PA resident,  
21 the tuition structure is lower. It costs less in tuition  
22 to attend most of our campuses than it does University  
23 Park.

24 And then there's the financial aid aspect as  
25 well. What we're talking about is the sticker price

1 tuition. We work very hard to provide financial aid to our  
2 students through both general funds and from scholarships  
3 that are in our endowments.

4 I would say -- if you really pressed me for a  
5 number, I would echo the range that my colleagues were  
6 giving and say that we'd be in the mid to upper 20s, so  
7 closer to the out-of-state number, which again is highly  
8 discounted for students who are PA resident students.

9 MAJORITY CHAIRMAN MIHALEK: Thank you.

10 MAJORITY CHAIRMAN TOPPER: Thank you.

11 I know Mr. Zimmerman has a bill running out of  
12 another committee here in a few minutes, so we'll let him  
13 ask his next question.

14 REPRESENTATIVE ZIMMERMAN: Thank you, Mr.  
15 Chairman.

16 So my question revolves around funding. So what  
17 if the appropriations were funneled through PHEAA for these  
18 student grants? What does that actually do to your  
19 institution?

20 And as a follow-up or part of that same question,  
21 what if it was Pennsylvania students only? What does that  
22 look like for your institution? I'd just like to just hear  
23 what that might look like for each of you.

24 MR. HOFFMAN: The first part on PHEAA is an  
25 undergraduate source of funding. Is that --

1 REPRESENTATIVE ZIMMERMAN: Yeah.

2 MR. HOFFMAN: So as a professional school, we're  
3 not eligible for PHEAA. But I think that in the essence of  
4 the second part -- in the spirit of the second part of the  
5 question about if this entire non-preferred appropriation  
6 went to tuition subsidization, is that -- do I have that  
7 correct? Is that the --

8 REPRESENTATIVE ZIMMERMAN: Right.

9 MR. HOFFMAN: -- second part of the question?

10 REPRESENTATIVE ZIMMERMAN: Correct.

11 MR. HOFFMAN: Yeah. So I think the cost of  
12 education needs to be borne in part, as we know, by  
13 students and in part by the institution. And right now,  
14 the way that we build out our tuition, if the entire amount  
15 was awarded through our students, it would be highly  
16 counterproductive in terms of building out the  
17 infrastructure that is needed to provide an accredited  
18 veterinary medical education. It simply -- by diverting  
19 the funding directly to students, it wouldn't be feasible  
20 to develop the programs, meaning deliver clinical  
21 curriculum, retain all of the specialties and all of the  
22 faculty that are needed to teach those things, provide  
23 those opportunities for education, as well as  
24 administration, all the resources, financial counseling,  
25 mental health, and so forth.

1           So all of those go into the resources that we  
2 need to run a school. The appropriation provides on the  
3 educational arm, as well as subsidizing some clinical  
4 services as well for educational purposes -- the  
5 appropriation is needed for all of that. So if that was to  
6 go entirely to tuition, we wouldn't be able to provide an  
7 accredited veterinary medical education.

8           MR. MARINO: It's interesting. When you look at  
9 the -- and I'm going to use numbers again -- but the  
10 demographics, we're educating 25,000 PA residents; my  
11 counterparts at Pitt, about 25,000; Penn State, almost  
12 50,000. A hundred thousand students are going to those  
13 three institutions. That's about the same enrollment as  
14 the state system, as well as the community colleges.

15           So it would put a significant impact on those  
16 students. Our universities would look quite different.  
17 Everything we do at Temple University, we do through the  
18 lens of access and affordability. And every decision we  
19 make is around how does it impact those two items,  
20 specifically for PA residents.

21           When you look at our in-state tuition rates, they  
22 remain flat two of the past three years. If you go back  
23 six years, they've only increased 1.37 percent per year,  
24 just about keeping up with inflation/CPI.

25           So without the appropriation, it's a much

1 different landscape. And really where I see it impacting  
2 the students is around student debt, because again the  
3 match is so important to remember with these programs. Our  
4 157 turns into 310 million dollars. Without that  
5 partnership, if you're just giving a grant to a student,  
6 you no longer have the partnership with the institution;  
7 you just have a \$5,000 grant to the student. So you really  
8 lose a lot of additional compounding of value to the  
9 students.

10           And lower cost options exist, and they always  
11 have. Whether it's trade schools, community colleges, they  
12 are there. We have the articulation agreements -- the  
13 partnerships with the community colleges -- where we have  
14 students from I believe 14 of the 15 community colleges  
15 right now. So the programs exist to get students in at a  
16 lower rate and to bring them into the four-year accredited  
17 R1-designated institution.

18           Student debt -- I just want to mention this, but  
19 I'll get a chance later on. Student debt is significant.  
20 Pennsylvania right now, average student debt is \$39,000.  
21 That's the second highest rate in the country behind New  
22 Hampshire, and that's just a few hundred dollars higher.  
23 So how do we confront that? We use the appropriation, and  
24 we build out programs.

25           Something we've done -- I'm sure you're tired of

1 hearing about it -- is called Fly in 4. How do we give the  
2 students the tools they need and the programs they need to  
3 get out of school in four years? You stay a fifth year and  
4 a sixth year, it's about 80- to \$100,000 of cost. You have  
5 30,000 to 40,000 with room and board, and you have about  
6 \$50- to \$60,000 of lost income for that year where you  
7 could otherwise be working. So cutting out the fifth and  
8 sixth year are big for us.

9           Getting people in, giving them the tools they  
10 need to get out in four years, is something we take very  
11 seriously. And it's something that really the  
12 appropriation helps us to have those types of programs, for  
13 financial literacy and just general awareness that this is  
14 what you're getting into, for when you get out; are you  
15 going to be able to satisfy that debt or not? So we have a  
16 lot of programs, and part of that was through the  
17 appropriation that we could have those.

18           MR. SASTRY: Thank you, Representative.

19           One of the things I'll add to that is if all the  
20 dollars flow through the PHEAA funding, that is  
21 somewhere -- our average PHEAA student right now is about  
22 \$3,500 if they are coming to Pitt. They are getting a  
23 \$15,000 discount, the in-state students, from coming to  
24 Pitt. So the difference between the \$15,000 discount and  
25 the \$3,500 discount is significant. So I think that's the

1 biggest impact is to the student and families, that they  
2 would be getting a significantly smaller benefit if you go  
3 just through the PHEAA program.

4 The other thing I will say is our regional  
5 campuses at Johnstown, Greensburg, Titusville, and Bradford  
6 are much more price sensitive if you look at the  
7 competition that they are in the middle of. So any kind of  
8 change to that business model actually would impact them  
9 tremendously, potentially more than even our central campus  
10 in Pittsburgh.

11 MR. GRADOWSKI: Thank you. And again, we need to  
12 go back to the fact that I'm using almost 50 percent of my  
13 state appropriation for operations. So if Lincoln were to  
14 lose that money, it would be extremely difficult for us to  
15 (indiscernible - away from microphone) we really need that  
16 state appropriation coming through the state (indiscernible  
17 - away from microphone)

18 MR. JONES: The appropriation that we receive  
19 does enable us to provide a publicly funded higher  
20 education model with differential tuition, as my colleagues  
21 have described. The support of about \$5,500 per PA  
22 resident student we more than double, as you've heard  
23 before. We, too, have a rather complex campus structure.  
24 And those campuses for us too, like Pitt, offer different  
25 price entry points for students across the Commonwealth.

1 That model would certainly be challenged.

2 One thing that I worry about a lot is the out-of-  
3 state competition. We already face pretty formidable  
4 competition from out-of-state institutions like, dare I  
5 mention, the Ohio State University. And our ability to  
6 compete for PA resident students to stay in Pennsylvania,  
7 earn their degrees in Pennsylvania, and then ultimately  
8 stay in Pennsylvania to work and continue to  
9 contribute -- our ability to keep those students when  
10 places like Ohio State are so aggressively recruiting them  
11 would certainly be challenged.

12 REPRESENTATIVE ZIMMERMAN: Thanks to each one for  
13 your explanations. Appreciate it.

14 Thank you, Mr. Chairman.

15 MAJORITY CHAIRMAN TOPPER: Thank you.

16 So from what I'm hearing, it sounds like Penn Vet  
17 and Lincoln, you're using part of your appropriations to  
18 simply operate; that's part of your general operating  
19 budget. And Temple, Pitt, and Penn State, that money is  
20 going -- maybe Penn State a little different in the ag  
21 world -- but essentially that money is going specifically  
22 to tuition, nothing in a general fund account. Is that  
23 accurate from what I've heard so far?

24 MR. JONES: That's correct.

25 MAJORITY CHAIRMAN TOPPER: Okay.

1 MR. HOFFMAN: Can I respond?

2 MAJORITY CHAIRMAN TOPPER: Yes.

3 MR. HOFFMAN: I just want to add, operations are  
4 funded through non-preferred appropriations, but also keep  
5 in mind that Commonwealth services from Penn Vet are  
6 strongly supported through those appropriations. These are  
7 services that we provide every day: 184,000 samples from  
8 poultry last year, tens of thousands of field cases,  
9 hundreds of thousands of samples from swine, geographic  
10 information systems that monitor all the swine -- almost  
11 all the swine and poultry in the state.

12 So operations to run our school as an accredited  
13 veterinary medical school but as well a very important part  
14 of that (indiscernible) the salaries in particular, the  
15 personnel that run those services through the Commonwealth.

16 MAJORITY CHAIRMAN TOPPER: And I think again  
17 that's important for us as we break down specifically where  
18 our State dollars are going, what they're being used for at  
19 each institution. Not everyone is the same, and that's  
20 something that I'm hearing highlighted and I want to make  
21 sure we note.

22 Also, to note, we've been joined by  
23 Representatives Delloso and Isaacson.

24 And the next question will be Chairman Kinsey.

25 MINORITY CHAIRMAN KINSEY: Thank you, Mr.

1 Chairman.

2 I keep hearing the term "access and  
3 affordability." So I'm going to try to break this down,  
4 but I'm going to direct my question primarily to Penn State  
5 University, University of Pitt, and Temple University.

6 I was just trying to Google the number of -- the  
7 data of students who attend Pennsylvania colleges. And  
8 unfortunately, I'm in the majority caucus room so I can't  
9 get the -- the information's not coming through. But --

10 MAJORITY CHAIRMAN TOPPER: Listen, our wifi is  
11 just as slow for our phones. Trust me.

12 MINORITY CHAIRMAN KINSEY: All right.

13 MAJORITY CHAIRMAN TOPPER: That's not -- it's  
14 not --

15 MINORITY CHAIRMAN KINSEY: I wasn't sure what was  
16 going on there.

17 MAJORITY CHAIRMAN TOPPER: It's not anything  
18 nefarious, Steve.

19 MINORITY CHAIRMAN KINSEY: Okay. I appreciate  
20 that, Mr. Chairman.

21 Well, let me just tell you what I was able to  
22 pull up. It says, Pennsylvania college student population  
23 University Stats. It says there are 441,969 individuals  
24 who are Caucasians, 73,471 who are Black or African-  
25 American, 41,207 which are Asian, and 54,335 Hispanic

1 students in Pennsylvania colleges. So that's all across  
2 the State of Pennsylvania. And that's just according to  
3 what I could see thus far, so I'm quite sure there's a  
4 deeper dive that I'm just not able to get to.

5 So as we talk about accessibility and  
6 affordability, to me, as a legislator, that means  
7 recognizing that students come from a variety of  
8 backgrounds and not everyone has the same resources. And  
9 earlier we heard about -- PHEAA talked about the dollars  
10 that they give out to students, even though we didn't go  
11 into the demographics there as well.

12 But my question -- and again I want to direct  
13 this primarily to the University of Pitt, Penn State, and  
14 Temple University -- how are you ensuring that all  
15 Pennsylvanians can attend your institutions and that we're  
16 serving everyone? And as we look at how do you ensure that  
17 you have a diverse array of students in the student body?

18 And I'm hearing and I'm looking through some of  
19 your comments here, your testimonies, and I see the word  
20 tuition discount comes up pretty frequent with pretty much  
21 all the universities. I see no tuition increase has been  
22 shared with us as you presented. But as we talk about no  
23 tuition increase and tuition discounts, on the flip side,  
24 as a legislator, I'm also seeing an increase in poverty as  
25 well. So, I mean, is there a balancing act there that's

1 really taking place when you say that there's no tuition  
2 increase?

3           So I guess -- and this is the other part. I'm  
4 sorry. You know, I was talking to a colleague here, and my  
5 understanding is financial aid is given based on need. I  
6 had the opportunity to attend a state university; in fact,  
7 I went to West Chester University, Mr. Chancellor. West  
8 Chester University. Right. But also, aside from receiving  
9 financial aid, I played sports, so there was somewhat of a  
10 grant to help me out with sports. So my understanding is  
11 financial aid is pretty much based on need, and somebody  
12 can correct me if I'm wrong, and then the actual  
13 scholarships are primarily based on characteristics,  
14 whether or not an individual has an academic scholarship,  
15 maybe a music scholarship or an athletic scholarship.

16           So again, I want to talk about accessibility and  
17 affordability and how do we ensure that these  
18 universities, your universities are ensuring that we  
19 attract and support a diverse array of students that we  
20 represent here throughout the Commonwealth of Pennsylvania.  
21 And if you don't mind, I'll start with you, Mr. Jones from  
22 Penn State University.

23           MR. JONES: Thank you very much. I appreciate  
24 the question.

25           MINORITY CHAIRMAN KINSEY: I started on my right

1 this time. I heard you talk about the right, so I went to  
2 my right.

3 MR. JONES: I think it's my turn to --

4 MINORITY CHAIRMAN KINSEY: Okay.

5 MR. JONES: -- kick this off. Thank you very  
6 much.

7 It's a great question. I would begin by saying  
8 since Eric Barron came to Penn State in 2014 as President,  
9 this has been a very high priority for him. I arrived as  
10 Provost I think about 10 months before Eric became  
11 President. It's been a priority for me. And so over the  
12 last eight years or so, we have really focused on  
13 addressing issues of access and affordability. It's in our  
14 strategic plan. It's one of the President's priorities.  
15 He reports upon it to the Board of Trustees on a regular  
16 basis.

17 I would say that at Penn State -- and we've made  
18 some progress. In the last decade, our enrollment from  
19 traditionally under-represented groups has gone from the  
20 mid-teens, around 15, 16 percent, up to almost 24, 25  
21 percent now. So we've made some progress over that time  
22 period, and we remain committed to moving the needle  
23 further.

24 We approach this in a number of ways. One is  
25 just our structure, being one university geographically

1 distributed, offering undergraduate entry points at 20  
2 locations across the Commonwealth at different price  
3 points. So if you start at, for example, our Abington  
4 campus or our DuBois campus or Mont Alto campus, you will  
5 pay a lower tuition.

6           The second way we address this issue is through  
7 financial aid, and we have a number of financial aid  
8 programs. I'll just mention a few: the Provost's Awards;  
9 the Chancellor's Awards, which are given out at the campus  
10 level; and many others. And we're actually as we speak  
11 piloting some additional financial aid programs that are  
12 targeted at students who have need that emerges after they  
13 matriculate. So they may have -- maybe had to pull enough  
14 money together to attend their first year, but as they  
15 transition from first to second year, they run into  
16 financial difficulties. And we realize that that's a group  
17 that we need to target.

18           Just in terms of us being an attractive  
19 institution, we recognize that access to Penn State  
20 University can be seen as a high bar for many students, in  
21 fact such a high bar that people who have come from  
22 backgrounds where they don't necessarily have the  
23 confidence to think that they could succeed at Penn State  
24 simply don't apply. So one of the things that we've done  
25 recently is removed the requirement for students to submit

1 SAT scores as part of their application. And we've  
2 extended that for several more years, and we're looking  
3 very closely at the data. But we think that that lowers  
4 the barrier to entry. And almost immediately we have seen  
5 a difference in our application profile, and we are clearly  
6 attracting more students from traditionally under-  
7 represented backgrounds. So we think that that is moving  
8 in the right direction.

9           And if I may, I'll just personalize it. I  
10 happened to have lunch yesterday with a couple of African-  
11 American women, and I asked them if they could wave a magic  
12 wand, what's the one thing that they would change about  
13 Penn State. And one of these young women was very  
14 specific. She said last year she spent one day every week  
15 applying for scholarships so that she could afford to  
16 continue to attend Penn State.

17           So the need is real. It is something that we  
18 must continue to focus on, and we are certainly committed  
19 to do so.

20           MINORITY CHAIRMAN KINSEY: Great. Thank you for  
21 that.

22           Mr. Sastry?

23           MR. SASTRY: Thank you for the question. This is  
24 obviously a very important question, and it's something  
25 since I've been at Pitt has been a big focus.

1           We just completed our new strategic plan, and  
2 this has been one of the areas that we have looked at to  
3 how to bolster both the access and affordability across the  
4 spectrum including under-represented minorities.

5           And we -- two years ago, going on two years now,  
6 we actually had a restructuring of our financial aid  
7 program. It was the largest restructuring in the  
8 University's history with the Pitt Success Program, which  
9 both increased the number of incoming freshman from under-  
10 represented minorities but also helped with retention. We  
11 found that there were many people who would not continue  
12 their education, either between their first and second year  
13 or the second and third especially, because of the need  
14 that they had. And so we addressed that, and we're  
15 actually seeing retention rates improve dramatically  
16 because of those programs.

17           And then finally, even after graduation, we  
18 implemented a Panthers Forward Program, which allows  
19 students to get aid after they graduate with the one  
20 stipulation that they find a way to pay it back at some  
21 point in their careers.

22           And so that also, you know -- the financial aid  
23 both during education and after education has really helped  
24 support the under-represented minorities throughout the  
25 process.

1           Our current freshman class actually had a record  
2 number of under-represented minorities -- African-American  
3 and under-represented minorities in total -- double digit  
4 increases. And I'm sorry, I don't have the exact  
5 percentage in front of me, but we can get that to you.

6           MINORITY CHAIRMAN KINSEY: Great. Thank you.

7           Mr. Marino?

8           MR. MARINO: Representative Kinsey, great  
9 question. My team gets tired of me talking about access  
10 and affordability. It's in our mission statement, and  
11 again, it's in everything that we do.

12           We're at a little bit of an advantage on this  
13 question just given the diversity of our surrounding  
14 community. What we do is we partner with the community,  
15 and it really gives us some excellent diversity figures to  
16 point to. We're about 53 percent White/Caucasian and about  
17 47 percent other with the majority of those being African-  
18 American and Latino. So we're 53/47. We think we'll be  
19 50/50 within the next five years, so we do see a  
20 demographic shift and continuing to make those efforts to  
21 have that equal footing.

22           It's funny. One of the things I sometimes say  
23 with my team is, through all this diversity, we sometimes  
24 lack unity. So that's definitely something we need to work  
25 on from a collegial environment. But great diversity,

1 working on the unity piece of it, and hopefully that will  
2 follow.

3 MINORITY CHAIRMAN MADDEN: Mr. Marino, I'm  
4 familiar with Temple because, of course, I represent the  
5 City of Philadelphia. Penn State might have a campus right  
6 outside of Philadelphia, I believe, and I'm not sure about  
7 University of Pittsburgh, if you're --

8 MR. SASTRY: I think the closest one to  
9 Philadelphia is probably our Johnstown -- yeah. Or  
10 Bradford, sorry. Not close.

11 MINORITY CHAIRMAN KINSEY: That's not too close  
12 at all.

13 MR. SASTRY: Not close.

14 MINORITY CHAIRMAN KINSEY: Right.

15 MR. JONES: We have two.

16 MINORITY CHAIRMAN KINSEY: Right. You have two.

17 So Mr. Marino, let me go back. Temple is located  
18 right in the heart of --

19 MR. MARINO: North Philadelphia.

20 MINORITY CHAIRMAN KINSEY: -- North  
21 Philadelphia --

22 MR. MARINO: North Philadelphia --

23 MINORITY CHAIRMAN KINSEY: -- and you talk about  
24 the diversity of that community.

25 MR. MARINO: Yeah.

1           MINORITY CHAIRMAN KINSEY: So is that -- does  
2 Temple simply benefit by simply being situated there? Or  
3 is the University doing things to attract students  
4 who -- as we talk about accessibility and  
5 affordability -- who may not necessarily, let's say, live  
6 in that community. Because I know that community is  
7 primarily an African-American community.

8           MR. MARINO: Yes.

9           MINORITY CHAIRMAN KINSEY: So is that how Temple  
10 benefits? Or is it something that Temple --

11          MR. MARINO: Well, we definitely --

12          MINORITY CHAIRMAN KINSEY: -- University is doing  
13 to attract students of minority races?

14          MR. MARINO: A little bit of both. I mean,  
15 definitely you do benefit from being in a diverse community  
16 and population. But there's effort. We have a robust  
17 program within our acceptance process to go to the  
18 community colleges, the surrounding areas. We try to  
19 attract those students.

20                 Your other part of your question was around  
21 financial aid, and I'll have to look this one up because  
22 again it's a specific -- it's 82 percent of all full-time  
23 undergraduates are awarded aid and 63 percent are need-  
24 based aids. So we're really trying to find where that  
25 financial need is, and typically it's in diverse

1 populations in the inner-city communities, and offering  
2 those students with the opportunity to attend.

3           MINORITY CHAIRMAN KINSEY: I want to thank you  
4 all for your presentation. Thank you again.

5           Thank you, Mr. Chairman.

6           UNIDENTIFIED VOICE: Thank you.

7           MAJORITY CHAIRMAN TOPPER: Thank you.

8           And since my colleague and friend from  
9 Philadelphia opened the door talking about tuition, if you  
10 could just -- we'll go from right to left this time. If  
11 you could briefly say if you've increased tuition for this  
12 year as an institution and how that was affected -- or what  
13 goes into that decision in terms of the state dollars that  
14 you receive. Again, this hearing is focused on the state  
15 dollars.

16           So Penn State received x amount of dollars from  
17 the State. Does that impact a decision to increase or not  
18 increase tuition, and what was that decision for this year,  
19 please?

20           MR. JONES: Yes. It certainly does for us. When  
21 we put our annual budget together, it's a process that  
22 begins in early fall the year before the request is  
23 actually approved by the Board of Trustees and implemented.

24           We begin by looking at our expenses. You know,  
25 our expenses increase from year to year, as everybody's do.

1 Some of them are out of our control: utility costs, costs  
2 of benefits, contractually obligated salary increases, and  
3 so on. Some of them I would call discretionary. We can  
4 make a decision as to whether or not we are going to invest  
5 in infrastructure or give our employees salary increases.

6 We then turn our attention to cost savings. We  
7 look at all of those expenditures and ask ourselves, are  
8 there ways that we can drive those costs down in any way?  
9 And we usually do that in three different ways, two core.  
10 One through lump sum efforts, and I think this -- people  
11 here are aware of the effort last year that we went through  
12 to address the SERS prefunding issue. That led to overall  
13 savings for the University, with the help of this  
14 legislature, of \$60 million a year for the University,  
15 which ended up being about \$40 million for the E and G  
16 budget. So that was a definite plus.

17 At the other end of the spectrum, we do across-  
18 the-board savings requirements that we place on all of our  
19 units. We ask our units to reduce their expenditures by  
20 one, two, three percent. We've done that several times  
21 over the last few years.

22 Then we look at revenues. And we have three  
23 sources of revenue: the appropriation, tuition that comes  
24 from our students and their families, and then the other  
25 category, which is the largest proportion of that for us is

1 the indirect costs that come in on research grants and  
2 contracts that help pay for doing that research.

3 We always make it a priority to have the lowest  
4 tuition increase possible as a result of that process. And  
5 often at the end of it we come out with what we term  
6 "unidentified cost savings" as we go into each fiscal year  
7 to challenge ourselves as we go to implement the budget to  
8 reduce our cost base further so that we minimize the  
9 increase in tuition.

10 Over the last decade, the inflation-adjusted  
11 tuition to attend Penn State has actually gone down for  
12 Pennsylvania resident students, so we're very proud of  
13 that. Last year, we had zero tuition increase. This year,  
14 we had a two and a half percent increase.

15 MAJORITY CHAIRMAN TOPPER: And the reason I bring  
16 up -- you know, from a State standpoint, we hear from a lot  
17 of groups that we appropriate money to that come before us  
18 in appropriations hearings and they talk about, well, we're  
19 not exactly sure what we're getting from the State each  
20 year. So we have our budget vote, we appropriate the  
21 money, and then several weeks later we see a tuition  
22 increase from a Penn State or from a Pitt. But from what  
23 you're saying, those decisions are made and those  
24 discussions are had long before we have our budget  
25 discussion.

1           So if I hear that correctly, you're looking at  
2 maybe this year's appropriation and the stability of it and  
3 the long-term viability of it in your eyes in making next  
4 year's tuition decision. Is that fair?

5           MR. JONES: Absolutely. Yes, sir. I mean, the  
6 budgeting process is a continuous process. Once the Board  
7 of Trustees approves our operating budget at their July  
8 meeting, we then immediately go to work to prepare the  
9 budget for the subsequent year. And an important piece of  
10 that is considering what the anticipated appropriation from  
11 the Commonwealth will be. And the more appropriation we  
12 get, the more we're able to shield our students and their  
13 families from tuition increases. It's a very important  
14 part of our revenue.

15           MAJORITY CHAIRMAN TOPPER: Anybody else have  
16 anything to add on the tuition side of it?

17           MR. SASTRY: One thing I will just add is,  
18 similar to Penn State, we have a process that starts and  
19 takes -- it takes a few months. And we look at internal  
20 costs, revenues. The other thing we do look at is external  
21 factors: what's the value of the Pitt education, what are  
22 the competitive market factors out there? We will factor  
23 those in from time to time.

24           The cost savings aspect of it -- I will just add,  
25 similar to what Penn State does, we look at all of our cost

1 savings efforts in the current year, but then we are also  
2 often, in the last three years certainly, left with  
3 unidentified cost savings that we have to find a way to  
4 balance.

5           And we will assume a certain level -- as you  
6 mentioned, we will assume a certain level of appropriation  
7 going into that process to the extent that that -- it gets  
8 reduced. And that would mean a greater burden likely on  
9 the revenue sources, whether it's tuition or some other  
10 aspect. And then if it's -- obviously if it's an increase  
11 in that, we can shield the students a little bit more from  
12 any tuition increases.

13           MAJORITY CHAIRMAN TOPPER: And is two and a half  
14 percent, was that the increase for --

15           MR. SASTRY: Yes. So we held our tuition flat  
16 two of the last four years, but this past year was two and  
17 a half percent.

18           MR. GRADOWSKI: So Lincoln University has a  
19 guaranteed tuition program. So when a student comes to  
20 Lincoln, the tuition they pay the first year is the tuition  
21 they pay the entire four years they're in school. So there  
22 is no tuition increase that is passed on to anybody but the  
23 incoming freshmen as far as that's concerned. And I think  
24 we all go through a very similar process determining what  
25 we're going to be doing.

1           Last year, our increase was zero. This year,  
2 it's two and a half percent.

3           MAJORITY CHAIRMAN TOPPER: Thank you.

4           Mr. Marino?

5           MR. MARINO: At Temple University, we understand  
6 part of getting the appropriation is to really keep the in-  
7 state tuition rates as flat as possible. Two of the past  
8 three years, in-state tuition has been flat. We did raise  
9 two and a half percent this year, consistent with my  
10 colleagues.

11           But there's a chart in my testimony that I  
12 provided in advance which shows the in-state versus out-of-  
13 state changes. And if you go back the past six years, non-  
14 PA residents have had an increase four of the past six, and  
15 the in-state have been relatively flat during that six-year  
16 period. So to the extent we can raise outside, we do, just  
17 based on market-driven factors on our competition. But in-  
18 state we really take a closer look and understand our  
19 responsibility to keep the rate as flat as possible for in-  
20 state residents.

21           MAJORITY CHAIRMAN TOPPER: Anything from Penn Vet  
22 to add?

23           MR. SCHIERI: Just briefly. Pretty consistent  
24 with our colleagues -- I mean, we begin with looking at  
25 costs, faculty and staff salaries, and benefit rate changes

1 each year.

2           And I think in terms of applying support to  
3 balance the budget, it's a mixture of the  
4 appropriation -- we use about 60 percent of the  
5 appropriation to defray the cost of instruction, and that's  
6 been a pretty consistent trend over the years. In addition  
7 to that, we have a low sort of target rate for sustainable  
8 growth in tuition. This year was two and a half percent.  
9 The longer term goal remains 1.5 percent. And whatever  
10 funding gap remains is provided via institutional support.

11           So right now two and a half, longer term trend  
12 goal is 1.5.

13           MAJORITY CHAIRMAN TOPPER: If nothing else, we're  
14 very consistent. Two and a half percent.

15           Ms. Madden?

16           MINORITY CHAIRMAN MADDEN: Thank you, Mr.  
17 Chairman.

18           And thank you for the comprehensive and  
19 articulate answers to our questions.

20           So I'm just going to assume that it is extremely  
21 important to have predictable and stable funding for all of  
22 you as you prepare your budgets and see where your tuition  
23 is. And I would like to applaud Lincoln University for  
24 having that agreement where they don't raise tuition. We  
25 also have that at East Stroudsburg University. And so it

1 is extremely helpful for students.

2           And I just want to mention a comment that I  
3 thought of when my colleague Chairman Kinsey was speaking  
4 about diversity in our schools and what are we doing to  
5 recruit diversity. When I taught at East Stroudsburg  
6 University, the big thing we heard from our students is  
7 they would like to have staff and professors that reflect  
8 the diversity of the student body population. So something  
9 just to keep in mind.

10           But my question is more about -- we understand  
11 that tuition and fees are only a part of the cost of  
12 attendance. Some other costs can be challenging for  
13 students. And I'd like to know what you all are doing to  
14 address some of the struggles, the basic necessities of,  
15 you know, enough food to eat or being able to afford  
16 textbooks, those type of things that students who come to  
17 school heavily depending upon student aid. I know at East  
18 Stroudsburg University, we started a pantry -- a food  
19 pantry. So what are you all doing to address the needs of  
20 students beyond tuition?

21           MR. GRADOWSKI: I guess there's a couple of  
22 things that we're doing in regard to that. We also have a  
23 food pantry. Our hospitality vendor, our dining vendor,  
24 works hand-in-hand with that. So we're getting very good  
25 cooperation from our vendors and our students and the

1 faculty.

2           The other thing we have done is we have partnered  
3 with a vendor for books that basically is providing online  
4 electronic books to all of our students at a much, much  
5 reduced rate. The rate for a subscription into the program  
6 is only \$160. So again, that certainly helps our students  
7 in their ability to be able to get the books they need for  
8 their education.

9           Thank you.

10           MR. SASTRY: Over this past year, as COVID has  
11 certainly hit many students hard, we have actually been  
12 able to use a lot of the federal grants that we've received  
13 to target those who are most in need. So we have helped  
14 over 30,000 students over the course of three separate  
15 grants over the past year to make sure that we are  
16 addressing those who have the most need.

17           In addition, we have an emergency grant  
18 program -- a longstanding emergency grant program that is  
19 fairly low bar to apply. And the student advisors look at  
20 that and can make those emergency grants as needed on a  
21 one-time basis.

22           MINORITY CHAIRMAN MADDEN: Thank you.

23           MR. MARINO: Similar to the other institutions,  
24 we also have the food pantry. During the pandemic, we had  
25 students that had to get home. They had to get home quick.

1 So we had those emergency aid funds to help them get their  
2 airfare, get the other costs they needed, maybe to get out  
3 of a lease, whatever it may have been. Because it was a  
4 mass exodus on March 13th of 2020.

5 Similar to the University of Pittsburgh, the  
6 CARES, the CRCAA, the ARPA Programs, through those three  
7 programs, \$83.2 million back to students in emergency  
8 financial aid. In addition, we take a piece of our  
9 institutional portion and have pushed out over a million  
10 dollars to students as emergency aid.

11 So definitely top of mind, top priority for the  
12 University to make sure students in need have access to  
13 programs and/or funds for their needs.

14 MINORITY CHAIRMAN MADDEN: Thank you.

15 MR. JONES: I would just add that I really  
16 appreciate the question. We spent a lot of time talking  
17 about tuition and the importance of tuition, but as you've  
18 pointed out, it's really an issue of cost of attendance for  
19 many of our students. And they may be able to scrape  
20 together resources to cover the tuition, but then they  
21 don't have anything left to live on.

22 We're acutely aware of this, both at University  
23 Park and at many of our campus locations. So we've put a  
24 lot of effort into, on the academic side, investing in  
25 programs like open educational resources so students have

1 to pay less for textbooks. We're aggressively working with  
2 publishers to come up with more cost-effective approaches  
3 for students to acquire the educational materials they  
4 need.

5 We have a pantry that helps our students. We've  
6 integrated the pantry with the student farm, so we're  
7 trying to make sure that students have access to fresh  
8 produce as well.

9 The Student Emergency Fund -- and what was  
10 particularly gratifying this last 18 months during a very  
11 difficult period with COVID is many members of University  
12 leadership stepped up at the request of the President to  
13 invest their personal dollars in the Student Emergency  
14 Fund, and we got just a terrific response.

15 One other program I'll mention that we launched  
16 this year is -- across the Commonwealth at many of our  
17 campuses, we have unfilled residence halls. And they're  
18 partly unfilled because our students can't afford that cost  
19 on top of the tuition. And so, led by Sara Thorndike, our  
20 new CFO, we instituted a program this year to give grants  
21 for students specifically to enable them to live in  
22 residence halls. And I think that's been a very successful  
23 program and well-subscribed.

24 And finally, I would just say, this is frequently  
25 a focus for us in fundraising. And we just had a program

1 across -- a competitive program across the Big Ten called  
2 One Big Week. Some of you may have heard of it. And it  
3 was a competition among all Big Ten schools. I think in  
4 total across the Big Ten, it maybe raised about \$600,000 I  
5 think; and Penn State alone raised in excess of 200,000 of  
6 that \$600,000 total. And that's all to support students  
7 who have need.

8 MINORITY CHAIRMAN MADDEN: Thank you.

9 MAJORITY CHAIRMAN TOPPER: Thank you.

10 I was remiss. The Majority Leader,  
11 Representative Benninghoff, stopped by. And of all the  
12 people I missed, I missed the Majority Leader. So if you  
13 guys don't see any more Jesse Topper bills run for a while,  
14 you'll know why. But I thank Representative Benninghoff  
15 for stopping in.

16 Chairman Longietti?

17 REPRESENTATIVE LONGIETTI: Thank you, Mr.  
18 Chairman.

19 Thank you all. I want to focus on Pitt, Penn  
20 State, and Temple, because I think we've heard from Lincoln  
21 and Penn Vet that if the institutional support were  
22 withdrawn, they likely would not survive. I think Penn  
23 State, Pitt, and Temple are in a different category.

24 I think, you know, from my personal view, it  
25 would be a mistake to withdraw the institutional support.

1 But I want to dig a little bit deeper into understanding  
2 what changes in regard to your mission, in regard to the  
3 demographics where you're going to be drawing your students  
4 from -- and my sense is in some cases you'll be drawing  
5 more international students -- and what that means in terms  
6 of Pennsylvania, because we heard a little bit about how  
7 many -- what percentage of your graduates remain here and  
8 work in our workforce, are our next entrepreneurs, are our  
9 next leaders.

10 So I want to get a little more detail what you  
11 see in terms of mission, in terms of who you're going to be  
12 attracting, and in terms of what that means for the  
13 Pennsylvania economy, God forbid, if we were to withdraw  
14 our institutional support.

15 MR. JONES: I can kick that off.

16 Penn State was established in 1855, and I think  
17 it's fair to say that we don't consider ourselves to be  
18 just in Pennsylvania, we are of Pennsylvania. And we are  
19 committed and we will always be committed to this  
20 Commonwealth and serving the citizens. That is our  
21 mission, and that part of our mission would never change.

22 Practical realities would be, though, that  
23 if -- without an appropriation from the Commonwealth, we  
24 would effectively be backed into becoming, as my colleagues  
25 have indicated, a private institution. We would offer a

1 blended tuition rate to both in-state and out-of-state  
2 students. We would still, of course, try to help our in-  
3 state students as best we could. But I fear that many of  
4 the best and brightest students that we are currently able  
5 to attract to Penn State -- who ultimately finish their  
6 degrees and then return to their homes or move back to  
7 parts of Pennsylvania to begin and sometimes finish their  
8 careers -- our ability to do that will be impacted. We  
9 will likely -- because the relative cost to out-of-state  
10 students will effectively go down -- we will draw more  
11 students from out of state that will meet our bottom line.  
12 But we would be concerned that those students when they  
13 complete will likely in greater numbers be returning to  
14 their home state, and so we wouldn't benefit from that  
15 investment that we had made in them as Penn State students.

16 I would also say that I think one of Penn State's  
17 keys to success is our Commonwealth Campus structure and  
18 the fact that we are able to offer access to a Penn State  
19 education at 20 locations across the Commonwealth. And our  
20 ability to continue to do that in that distributed way and  
21 provide those affordable access points to a Penn State  
22 education will certainly be challenged without the support  
23 that we are fortunate to receive from the Commonwealth.

24 MR. SASTRY: Thank you for the question.

25 The University of Pittsburgh is -- obviously, the

1 partnership with State of Pennsylvania with the region is  
2 incredibly important, and that will continue regardless of  
3 the appropriation. However -- and so we will continue  
4 investing in the region. However, it will change our  
5 model.

6           What the state appropriation essentially is able  
7 to do is buy that public education model that benefits so  
8 many in the region. And what we would also do, similar to  
9 what was just mentioned, is we would have to shift to a  
10 private model, which would have a blended rate for all  
11 students. And it would change who we recruit. We would be  
12 much more focused on our out-of-state, potentially  
13 internationally as well. Our most recent data shows that  
14 60 percent of our students who just graduated with a  
15 graduate degree have actually stayed in the region, so they  
16 are -- the University of Pittsburgh and the students are  
17 continuing to contribute to the regional economy. And I  
18 think that would change dramatically.

19           Our impact to the region is approximately \$4.2  
20 billion. And that number is a couple years old, and I  
21 think that has grown in the recent past. So it would  
22 really be quite an impact to both the region and to the  
23 State if the University of Pittsburgh does not receive that  
24 Commonwealth appropriation.

25           The last thing I'll say is, I think having a

1 state without any large public research institutions will  
2 actually be harmful, not just for the Pittsburgh area but  
3 for the State as a whole, as different companies and  
4 different organizations are coming to look at where do they  
5 want to institute themselves, where do they want to do  
6 business. Not having that type of institution will really  
7 be an issue.

8 MR. MARINO: Not to repeat much of that, but none  
9 of these schools are turning away international students  
10 specifically. They come, they pay a full rate, and they  
11 usually come with cash. And also the out-of-states are  
12 paying a much higher rate. So, you know, I think if we  
13 were to become a private institution, that would be -- our  
14 focus would be trying to attract more international  
15 students paying the higher rate than trying to attract the  
16 non-PA residents.

17 As far as economic and social impact, I have some  
18 stats here, without sources but I'm going to use them. 8.9  
19 billion in economic impact, and \$247 million of tax revenue  
20 generated for the Commonwealth. So these -- as I  
21 mentioned, we have 25,000 students right now from  
22 Pennsylvania. Most of them are going to be staying in  
23 Pennsylvania, giving back at some capacity. There's  
24 significant in-state opportunities coming in.

25 Pennsylvania is so unique that when you look at

1 the geographic makeup of the three, four state-relateds,  
2 anyone within three hours' driving distance can attend one  
3 of these R1-designated institutions.

4 MAJORITY CHAIRMAN TOPPER: You've used R1 a  
5 couple times, so for anybody who might not know what that  
6 is --

7 MR. MARINO: Right.

8 MAJORITY CHAIRMAN TOPPER: -- if you could  
9 explain that.

10 MR. MARINO: So that's a -- when you reach a  
11 certain dollar figure of research -- there's 130 R1-  
12 designated institutions in the U.S., and six of them are  
13 located in Pennsylvania. So Temple's probably on the  
14 smaller side when I compare myself to my counterparts at  
15 Pitt and Penn State. We have about \$200- to \$300 million  
16 of that type of activity to get you in that ranking. And  
17 typically it's that \$100 million cutoff to get you in that  
18 R1-designated ranking.

19 So definitely significant opportunity for  
20 Commonwealth residents to attend one of those types of  
21 institutions, and it's really available to all Pennsylvania  
22 residents.

23 MAJORITY CHAIRMAN TOPPER: In everything that we  
24 do budget-wise, we look at outcomes. And again  
25 specifically, since this hearing is focused on the dollars

1 that you receive from the State, I think it's prudent for  
2 us to look at models from other states, about two-thirds of  
3 which around the country have adopted some kind of  
4 performance or outcomes-based funding. Some of those  
5 criteria and the metrics used involve retention, graduation  
6 rates -- not just enrollment -- degree completion, on-time  
7 graduation -- the Fly in 4 that we've heard so much  
8 about -- post-college employment -- specifically, are those  
9 placements meeting the needs of our employers? And every  
10 state has done it a little bit different.

11 But if you look at -- again, two-thirds, that's a  
12 pretty high number of states that have implemented some  
13 kind of metrics in terms of, you know, are these dollars  
14 achieving results? Which, again, that's what we look at in  
15 any aspect -- or we certainly should look at in any aspect  
16 of our state budget.

17 And my question is, should higher education be  
18 any different? Is that something that you would embrace?  
19 Any kind of -- and again, they're widely varied. If you  
20 look from Nevada to Texas to Florida, Kentucky, they all  
21 have different models. But is the idea something that you  
22 would embrace?

23 I mean, everything I have heard -- you're very  
24 proud of your institutions, as you should be. You talk  
25 about some of the great programs that you have that would

1 probably fit into some of these metrics.

2           So I'll just go around starting from Penn Vet,  
3 since you guys have been quiet for a little while, and come  
4 down the line and say, is this something that you would  
5 embrace if this institution looked towards funding higher  
6 education, specifically our non-preferreds, with some kind  
7 of metrics and outcome-based formulas?

8           MR. HOFFMAN: Thank you, Representative Topper.

9           I think it's a very good question, and I think  
10 everything that we do we seek outcome measures, whether  
11 it's the results of our curriculum or whether it's the  
12 results of our animal care -- health care access, delivery,  
13 so forth.

14           But yeah, I think the outcome measures that come  
15 to mind are graduation rates -- we're nearly a hundred  
16 percent, so there's not a lot of room to discuss grad rates  
17 in veterinary schools -- but also standardized licensure  
18 exams, and we're one of the top schools in the country.  
19 This year, we got a hundred percent of our graduates passed  
20 the exam, which is way above the average. But again, good  
21 outcome measurements is our NAVLE exam; that's our  
22 standardized national exam.

23           The retention rate of veterinarians in the  
24 Commonwealth right now, as I pointed out earlier, is 70  
25 percent of the veterinarians that are now practicing in 67

1 out of 67 counties are Penn Vet grads, in contrast to only  
2 30 percent of our class being Pennsylvania residents.

3 So we are attracting and retaining. I think  
4 that's a very important outcome because that outcome has a  
5 driver effect on health care delivery and, of course, the  
6 health of the agricultural industry and food safety and so  
7 forth.

8 The economic multiplier effect that our schools  
9 are capable of generating, both in scholarships, as  
10 opportunities for access to education, diversification,  
11 diversity in our profession, are all important multipliers.  
12 And there's some hard numbers there.

13 But we're actually an outlier in the sense that  
14 our school is multiplying the appropriation to about 4.5  
15 fold in terms of our investments in the education and the  
16 school.

17 And then economic output, and our data's a little  
18 bit outdated but in terms of the overall economic output  
19 was around 250 million estimated five or six years ago. So  
20 we need to refresh that economic output of the vet school  
21 itself.

22 And of course, at the university it's a much  
23 greater number. We're an R1 university with a billion  
24 dollars in research funding, and the economic output with  
25 30 local biotech companies -- that we share a lot of credit

1 with Temple and Penn State and Pitt for the development of  
2 those -- but 32 new biotech companies in Philadelphia  
3 alone. Penn Vet and the University of Pennsylvania have a  
4 lot to do with the technologies that are developed there.  
5 And the retention rate is very, very high.

6           So I think that looking at those things are  
7 important.

8           MR. MARINO: I think benchmarks are important in  
9 general. I mean, I would not be in favor of benchmarks  
10 being the sole determinant on how the funds are  
11 distributed, but I do think from an accountability  
12 standpoint, yes it's important that the institutions that  
13 are receiving funds are held accountable.

14           Post-graduation numbers are always a bit touchy  
15 because they're based on surveys, but the survey  
16 information that I have from this past February of 2021  
17 shows about 85 percent of our graduates are doing something  
18 in their field or continuing their education and about 15  
19 percent are still seeking employment. We have 17 colleges  
20 on campus, and some of those, as you can  
21 imagine -- computer sciences, business -- they have post-  
22 employment upwards of 80 percent.

23           Graduation rate's something we push on. The Fly  
24 in 4 Program is something that has increased our graduation  
25 rates 17 percent since it was kicked off in 2014. That's

1 really taking debt off of student accounts. Our overall  
2 graduation rate after six years is 75 percent. So  
3 definitely good metrics.

4 I would be cautious on how metrics are evaluated  
5 just due to difference in demographics across the  
6 institutions, but definitely something that I think there  
7 is a place for and we would welcome to be evaluated against  
8 some type of benchmarks.

9 MR. SASTRY: I think similarly, having benchmarks  
10 is incredibly important. And I will say that we currently  
11 do have -- and I think all of us do -- look at some of  
12 those benchmarks on a very regular basis because those are  
13 frankly how we are ranked among the different schools and  
14 what our reputation is driven by. So if you look at  
15 graduation rate, you look at retention rate, you look at  
16 what is the percentage of those who are employed in the  
17 field that they graduated in, those are some of the things  
18 that students and families look to when they're choosing  
19 these institutions. So those are already something that we  
20 pay attention to.

21 We had 93 percent of our students retention rate  
22 over the past year. We had 24 percent of students taking  
23 on less debt in the second year than they did in the first  
24 year because of our Pitt Success Program.

25 So we certainly are looking at some of those key

1 factors, and having those benchmarks and discussing those  
2 benchmarks with you is certainly something that we would  
3 welcome. I think just having those as a sole determinant  
4 could create some issues that we would have to work with.

5 MR. GRADOWSKI: I would agree with my fellow  
6 presenters that basically I think the benchmarks are  
7 critical. We need to be looking at them.

8 We've started a brand new strategic plan about  
9 three years ago. We have seen our rates going up and up in  
10 both the four-year and the six-year graduation rates, as  
11 well as our retention rates.

12 As my fellow representatives have said, I would  
13 think that part of it should be based on that but also look  
14 to how we're improving. Because we're definitely improving  
15 (Indiscernible - away from microphone)

16 MR. JONES: Yes is the short answer. And I say  
17 that because I think we hold ourselves accountable now.  
18 Our Board of Trustees holds us accountable for the things  
19 that we say that we're going to do. So we believe in  
20 having outcomes that can be defined and then assessed.

21 Just a couple of things. I would say one is that  
22 of course it's easier said than done because sometimes  
23 finding outcomes that are sufficiently specific to be  
24 meaningful yet flexible enough to capture the breadth that  
25 exists across the institutions that you see in front of you

1 can be challenging.

2           And a second thing to be careful about is  
3 unintended consequences. So for example, it's easy to have  
4 outcomes that could end up working against your access and  
5 affordability initiatives, for example, just well-  
6 intentioned but actually push you in a different direction  
7 so that the selection of the outcomes and the metrics by  
8 which they are assessed is critically important.

9           MAJORITY CHAIRMAN TOPPER: And we can look to  
10 other states for some of those models. Very few  
11 states -- I think -- in fact, I only I think could find one  
12 or two that base the majority of their funding on  
13 performance outcome-based. But I think the general idea is  
14 one that we need to look at, especially if we look at any  
15 point of increasing any of these appropriations. Perhaps  
16 new dollars coming in could be run through some of these  
17 metrics.

18           There, of course, are hold harmless provisions in  
19 some states, taking into account something like COVID-19,  
20 which obviously is going to affect retention rates. It's  
21 going to affect pretty much everything that we've done.

22           But I would like to begin that process now of  
23 working together with our institutions of higher education  
24 and the fantastic research done by our staff and  
25 individually as Members to find out what those metrics

1 should be, what they could be, what that looks like in  
2 funding moving forward.

3           Because at the end of the day, we are responsible  
4 as Members -- we're stewards of these dollars. And the  
5 dollars that we appropriate are tax dollars, and they're  
6 coming from a lot of people who don't send their kids,  
7 grandkids, or they themselves did not attend a non-  
8 preferred. It does not mean they don't understand the  
9 importance of what we have here in the State in terms of  
10 what you have laid out and what is laid out for us each  
11 budget cycle.

12           But I think it's prudent for us to look into  
13 ways -- we talk about funding higher education. We talk  
14 about it in terms of volume of dollars. I'd like to also  
15 look at the conversation in a little bit of a different  
16 light and make sure that we are having achievements and  
17 successes. And of course we see those at times. And then  
18 we see things like the student debt rate that we talked  
19 about and we see things, you know, like what we're going  
20 through right now in terms of shortages in many fields that  
21 we need employees in Pennsylvania and try and marry those  
22 two and understand that, like everything else, we need to  
23 continue to evolve and look at better, more efficient ways  
24 to do what we're doing now.

25           With that being said, we're up against our time

1 allotment for this panel. I thank you, gentlemen, for  
2 being here and for your testimony.

3 And at this point, we will bring the PASSHE panel  
4 up. And they will be our last panel of the morning.

5 I thank all the Members also for their patience.  
6 I know this is again a Monday morning and the beginning of  
7 hopefully an extremely productive week in the General  
8 Assembly.

9 Now that you're comfortable, I'll go ahead and  
10 ask you both to stand and be sworn in. Please raise your  
11 right hand.

12 (Oath administered)

13 You may be seated. And Chancellor, if you could  
14 introduce yourself, and Ms. Mercer as well, please.

15 MR. GREENSTEIN: I'm Dan Greenstein, Chancellor  
16 of the Pennsylvania State System of Higher Education.

17 MS. MERCER: Molly Mercer, Chief Financial  
18 Officer for the State System of Higher Education.

19 MAJORITY CHAIRMAN TOPPER: Thank you.

20 And I guess since we just heard all of those  
21 answers, why don't we start with that question, which I  
22 know that the state system is different than the non-  
23 preferreds. We own the state system. We have a certain  
24 duty to make sure that things are funded even a little bit  
25 of a different way than just simply tuition, that we

1 understand that these are our properties as well.

2 But let's talk a little bit about performance-  
3 and outcome-based budgeting. Is that something that as you  
4 look to this new process and this new day for PASSHE that  
5 would be embraced, again if not in full but at least in  
6 part of what we do? You heard some of the -- I think you  
7 were both here for the testifiers before. You heard some  
8 of the metrics that were thrown out there. Let's just hear  
9 your thoughts.

10 MR. GREENSTEIN: Yes. So let me -- I'll take  
11 that one. So the first thing is performance-based funding.  
12 There's a history of it now in the U.S. As you mentioned,  
13 a number of states are very actively involved. A group  
14 called HCM Strategists routinely surveys the outcomes of  
15 the outcome-based funding regimes, which are very  
16 different, as you mentioned. There can be good outcomes  
17 for outcomes-based funding, but it's important to review  
18 the literature -- the research literature, because there  
19 are also places where, as one gentleman said, there can be  
20 unintended consequences. So I think it's important -- I  
21 think it's an important conversation but again encouraging  
22 analysis.

23 The second point I'd make is that the  
24 Pennsylvania State System of Higher Education is already  
25 intensively accountable for the expenditure of state funds

1 and actually student funds as well. And I would urge  
2 Members to review our visualization, our dashboards, which  
3 show enrollments, graduation rates, diversity, outcomes.  
4 It shows our university's progress in achieving retention  
5 and graduation rates. It shows the extent to which our  
6 graduates are successful in the job market, et cetera. So  
7 all of these data -- there's rich financial data -- all of  
8 these data are available for the people of Pennsylvania to  
9 review. So there's a built-in form of accountability  
10 already there.

11 MAJORITY CHAIRMAN TOPPER: Thank you.

12 Chair Mihalek?

13 MAJORITY CHAIRMAN MIHALEK: Thank you, Mr.

14 Chairman.

15 We're currently engaged in this integration  
16 process with the PASSHE schools to combine the six current  
17 universities. To aid the effort, the General Assembly has  
18 appropriated \$50 million, and of course those were federal  
19 funds. Could you detail for us today how exactly those  
20 funds are being used?

21 MR. GREENSTEIN: Sure. Do you want

22 (indiscernible - voice lowered)

23 MS. MERCER: Sure. I'll start.

24 So thank you for that question. And the 50  
25 million dollars is an item that our executive leadership

1 group and our board has been intensively reviewing and  
2 making determinations around. And the rough distribution  
3 of that funding -- we have some that is supporting our debt  
4 relief at some of our institutions. That's an area of  
5 critical importance to their financial sustainability. We  
6 have funds directed towards diversity, equity, and  
7 inclusion, and student success metrics.

8 And Chancellor, if I left anything off, please  
9 feel free to add to that.

10 MR. GREENSTEIN: Just the presentation that was  
11 made to the Board in a workshop last week launching the  
12 integrated universities was also a component.

13 So there's -- and just to be clear, so there's  
14 \$50 million of one-time funding from the State. Thank you  
15 very much for the generous investment. It's super  
16 important. And then we have 25 million of funding that we  
17 generated internally by prepaying our pension obligations.  
18 So we're talking about the distribution of one-time funds;  
19 it's about that 75 million total. And we can break it down  
20 by fund source.

21 MAJORITY CHAIRMAN MIHALEK: Is that going to be  
22 the total cost for the integration process?

23 MR. GREENSTEIN: No. The total -- so the total  
24 cost of the integration process for this year -- for the  
25 current financial year is about 15 million dollars. And

1 then the total cost over the longer term is maybe nine is  
2 the number in my head.

3 MS. MERCER: Yeah. I think there's a similar  
4 amount in the following year.

5 MAJORITY CHAIRMAN MIHALEK: So 15 and 15?

6 MR. GREENSTEIN: Yeah. And I think the second 15  
7 is profiled over three or four years.

8 MAJORITY CHAIRMAN MIHALEK: Okay. And just, you  
9 know, if there's Members in the room that aren't aware of  
10 the details of the integration process, how many years is  
11 it going to take before you are fully operating in that new  
12 model?

13 MR. GREENSTEIN: Yeah. So the -- we have  
14 financial projections going out five years. And the break-  
15 even balance is intended to be in five years. Obviously,  
16 we're watching our enrollments very carefully to see  
17 whether or not we're on track.

18 MAJORITY CHAIRMAN MIHALEK: Are the tuition rates  
19 expected to stay stagnant during that integration process?

20 MS. MERCER: Sure. So the universities that are  
21 involved with the integration are currently following our  
22 standard Board of Governors' approved rate. So that rate  
23 will be, you know, set for them, as it is for other  
24 institutions.

25 And we've had a real concerted focus on keeping

1 that rate down. We're in the third straight year of a  
2 price freeze. But obviously that has to be evaluated  
3 closely with our needs. But those institutions at this  
4 stage are following our standard tuition rates.

5 MAJORITY CHAIRMAN MIHALEK: Thank you.

6 MAJORITY CHAIRMAN TOPPER: To follow up on  
7 Representative Mihalek -- we asked the other universities  
8 as well -- that was focused on specifically the  
9 integration. What about the dollars that come from the  
10 State? Because you are different, and we do own the  
11 system. Do you break down the monies that are appropriated  
12 by the General Assembly to, say, facilities in this pot,  
13 tuition in this pot, and how are those funds divided?

14 MS. MERCER: Sure. I'd be happy to take that  
15 question. And I think as I do so, I'll make reference to  
16 the handout, the PowerPoint handout, and just refer to a  
17 couple of slides to help folks follow along.

18 So looking first at slide one, just with respect  
19 to our overall financial and funding structure, we have  
20 three distinct components of our overall budget. The  
21 education and general is by far the largest at 1.6 billion.  
22 That's associated with all of our instruction, student  
23 support, academic support, administrative, and facility-  
24 based needs. We have two other smaller components. Our  
25 auxiliary operations, which are self-supporting activities.

1 Those typically consist of housing, dining, student  
2 recreation center. Those are self-supporting based upon  
3 fees. And then we have another element, which are  
4 restricted funds. Those are funds from outside sources to  
5 specific purposes. And that might be for student financial  
6 aid or grants.

7           So with respect to the question, what I'd really  
8 focus in on is the E and G budget, as a lot of other  
9 presenters mentioned. So if you reference slide two, that  
10 shows just a depiction of the overall sources of funds  
11 within that E and G budget. And you can see that the  
12 appropriation reflects 29 percent of those funds. So those  
13 appropriation dollars along with tuition and certain fees  
14 and a small amount of miscellaneous revenue, those comprise  
15 the funding sources for education and general.

16           And if you look at the next couple of slides, it  
17 talks about how those funds are used within education and  
18 general. About 75 percent of our costs are personnel. And  
19 then in addition we have many other operating costs to run  
20 the institution. We have utilities, computer services,  
21 software, travel, telecommunications, advertising, and  
22 marketing. We also support institutional student aid. So  
23 there's a myriad of other costs beyond personnel that we  
24 fund as well.

25           Referencing slide five, it talks a little bit

1 about the functional use of these E and G expenses that  
2 again the State appropriation dollars are part of funding.  
3 So by and large, it's focused on instruction as the largest  
4 element of our expenses, as well as then student services  
5 and academic support. And then as necessary, we have  
6 institutional support, as well as support of our physical  
7 plant and debt needs.

8           The other thing I'll just point out, if you look  
9 at slides seven through nine, it talks a little bit about  
10 when the state system receives that allocation, how is it  
11 then distributed to our universities and a little bit about  
12 how that process works. We do have a Board-approved  
13 funding formula that takes those dollars and distributes  
14 them out. There are four main components to that formula.  
15 There's a fixed cost element. There is a cost associated  
16 with instruction, student support, as well as an element  
17 that looks at the physical size of the -- the footprint of  
18 the campus and costs needed to support that.

19           So from there, funds are distributed out. I have  
20 some notes in the document here that in recent years, due  
21 to our financial sustainability efforts, we did freeze our  
22 formula distribution proportionally for a little while.  
23 And just this past summer, our Board has taken measures to  
24 take a look back at that formula calculation and begin to  
25 restore that, as well as charge us to look at that formula

1 in this current year and evaluate it and see if any changes  
2 are warranted.

3 Thank you.

4 MAJORITY CHAIRMAN TOPPER: Thank you.

5 Chair Madden?

6 MINORITY CHAIRMAN MADDEN: Thank you, Mr.

7 Chairman.

8 Thank you for your testimonies. Tell me, how do  
9 you feel about the question of institutional funding versus  
10 student-based funding? What benefits or drawbacks do you  
11 see in a shift?

12 MR. GREENSTEIN: So I think -- there's a couple  
13 things. So first of all -- and it was mentioned  
14 before -- in the State of Pennsylvania, we are second in  
15 terms of total net price of attendance at universities  
16 across the country. And that is having a debilitating  
17 impact on our ability to develop the workforce that the  
18 State needs.

19 We are currently traveling at about -- right now,  
20 I think 60 percent of all jobs require people in them who  
21 have some form of higher education. Currently the adult  
22 population has only 50 percent of the people with some. So  
23 there's already a big gap. And the expectation is that the  
24 demand between now and 2030 for associate's, bachelor's,  
25 and master's degrees will grow another 25 or 30 percent on

1 top of that.

2 And so what's happening in the State is we're  
3 basically pricing -- the people that we need to pull  
4 through education, we're pricing them out of the higher  
5 education marketplace. So that's a real problem.

6 The question then is how to fix it. And direct-  
7 to-student funding is super important. Anything that  
8 lowers the total cost of attendance is really important. I  
9 think the question is how one does that. And my  
10 concern, and again, I think I would urge some really  
11 careful analysis here, is that if you look at student-based  
12 funding models that have been employed in K-12 education  
13 and not too widely in higher education, they tend to drive  
14 the price for low and middle income students up. Right?  
15 And what happens in the higher ed marketplace is that  
16 universities will chase the students, encouraging them to  
17 pay the highest possible price they can for the total cost  
18 of attendance. And that will drive the cost for low and  
19 middle income students up.

20 So a blended model where there's a state  
21 appropriation that enables institutions like ours, public  
22 institutions, to be able to maintain a lot of seats for low  
23 and middle income students plus direct-to-student funding  
24 seems to me to be kind of the optimum approach.

25 MAJORITY CHAIRMAN TOPPER: Thank you.

1 Mr. James?

2 REPRESENTATIVE JAMES: Thank you, Mr. Chairman.  
3 Welcome, Chancellor.

4 MR. GREENSTEIN: Good to see you.

5 REPRESENTATIVE JAMES: Good to have you back.

6 MR. GREENSTEIN: I brought support.

7 REPRESENTATIVE JAMES: Good thing.

8 Every one of our institutions that has a business  
9 school, and that may be all 14, undoubtedly has a teacher  
10 that handles the issue of marketing. So today, I'd like to  
11 ask you, as far as the system itself goes, what actions are  
12 we taking to market to out-of-state students and  
13 international students to supplement or augment our 14  
14 universities?

15 MR. GREENSTEIN: Do you want to --

16 MS. MERCER: Sure. I'll start out, and the  
17 Chancellor can add to it.

18 So certainly several of our institutions border  
19 surrounding states. They're very close; in some cases,  
20 they might be closer to out-of-state students than students  
21 in the state. So they are focused in that area in terms of  
22 their marketing footprint, their high school recruitment,  
23 et cetera. So that is a focal area. And the Chancellor  
24 can add to that.

25 MR. GREENSTEIN: Yeah. I mean, marketing is

1 typically something done by the universities. The reason  
2 is, our universities are the things that have brand. They  
3 recruit students. They're known in the marketplace. The  
4 Pennsylvania State System does not have brand, and building  
5 a brand is a very expensive thing. So our preference has  
6 always been to sort of funnel that money through the  
7 institutions where there are opportunities for institutions  
8 to get together and work collectively, whether out of state  
9 or internationally. That's something we're always looking  
10 at. But we've been a little tentative about investing  
11 significantly in brand building of the Pennsylvania State  
12 System.

13           The greatest example was when West Chester moved  
14 into Philadelphia, into the Philadelphia Center. And it  
15 was initially marketed as the Pennsylvania System center in  
16 Philadelphia, and nobody knew what it was because the  
17 Pennsylvania System does not have brand in the general  
18 marketplace. When we started talking about West Chester  
19 and Cheyney, which were then the users of that, all of a  
20 sudden the enrollments began to grow.

21           So we're just sensitive of that -- sensitive  
22 about those kind of market conditions.

23           REPRESENTATIVE JAMES: I'd like to ask -- may I  
24 have a second question? Thank you.

25           I'd like to ask a related question but not

1 marketing. Probably everyone in the room knows what your  
2 top two expenses are; they're going to be salaries and  
3 benefits. So let's take a step down to items number three  
4 and four. Your third and fourth highest cost issues across  
5 the system are -- please fill in the blank. And what are  
6 we doing to control those costs?

7 MS. MERCER: Sure. A couple that I would  
8 highlight. Certainly the stewarding of our physical campus  
9 is a very -- both a high cost for us and a high need, as we  
10 have been working with our universities and they've been  
11 realigning their budgets -- realigning their expenses to  
12 their revenue. This is an area that they have in some  
13 cases really fallen short of trying to be able to fund to  
14 the level that they need. So that is something that we're  
15 continuing to look for strategies for them to be able to  
16 support.

17 Another big area of focus, not as much so for the  
18 education and general budget but for the overall financial  
19 sustainability, is debt for our universities. In  
20 particular, housing debt is an area that is a pretty big  
21 challenge, especially with the demographics declining and  
22 some enrollment declines. In spaces, we're seeing lower  
23 occupancies in our dorms and the debt being an increased  
24 burden.

25 So those are two that I'd really call out.

1           REPRESENTATIVE JAMES:   Okay.

2           Thank you, Mr. Chairman.

3           MAJORITY CHAIRMAN TOPPER:   Thank you.

4           I believe Chair Mihalek has a follow-up on that  
5 as well.

6           MAJORITY CHAIRMAN MIHALEK:   Just a couple of  
7 questions after looking at the slides here.

8           So on the education and general budget -- I think  
9 it's slide two -- if you're looking at what comprises that  
10 entire budget, tuition and fees makes up the majority. And  
11 it looks like the State appropriation makes about 29, 30  
12 percent of it. So am I correct in saying that the State  
13 appropriation is not entirely being used for the in-state  
14 discount? It's going toward this education and general  
15 budget?

16           MS. MERCER:   Correct. It's going to the  
17 education and general budget.

18           So the State appropriation along with tuition and  
19 certain non-housing, non-dining type fees comprise our  
20 general fund. And then within that general fund, that is  
21 where we support all of the costs of running the  
22 institution: the instruction, the administration, the  
23 physical plant. So those dollars are kind of pooled  
24 together and form the general fund, by which the expenses  
25 are settled.

1 MAJORITY CHAIRMAN MIHALEK: Okay. And then in  
2 the general fund -- and that's roughly \$1.6 billion --

3 MS. MERCER: Yes.

4 MAJORITY CHAIRMAN MIHALEK: -- is that correct?  
5 So in the general fund -- and 30 percent of that is  
6 comprised of the State appropriation -- and this is on the  
7 next slide -- 22 percent goes to services and supplies.  
8 Could you just shed some light on what services and  
9 supplies means?

10 MS. MERCER: Sure. It's not the most descriptive  
11 term, so let me elaborate on that a little bit.

12 If you flip to slide four, I pulled out kind of a  
13 few of the big items to consider when we use that term  
14 "services and supplies." So these encompass all of our  
15 other operating costs. Utilities is a really large  
16 component of that. All of our computer hardware, software,  
17 all of the programs that support the institution, travel,  
18 communication, advertising, and marketing. Our  
19 institutional student aid is part of that bucket of costs  
20 as well. Our depreciation, our professional services, bad  
21 debt, interest expense. So it's really kind of a catch-all  
22 referring to a lot of our other operating expenses beyond  
23 salaries and benefits.

24 MAJORITY CHAIRMAN MIHALEK: Thank you.

25 MAJORITY CHAIRMAN TOPPER: Thank you.

1           Next will be our resident Millersville graduate  
2 on the Subcommittee of Higher Education and Education, Ms.  
3 Schroeder.

4           REPRESENTATIVE SCHROEDER: Thank you, Chairman.  
5 Good morning.

6           MAJORITY CHAIRMAN TOPPER: Good morning.

7           REPRESENTATIVE SCHROEDER: I think it's still  
8 morning.

9           So I have a quick question. My first one is  
10 about student debt letters or information to give to the  
11 consumer, the student. I think that's really helpful. Are  
12 universities doing that in the state system? Like, giving  
13 an outlook about where they're at in their financial  
14 obligations and things going through their experience at  
15 school?

16          MR. GREENSTEIN: As students progress through  
17 their --

18          REPRESENTATIVE SCHROEDER: Their semesters?

19          MR. GREENSTEIN: -- degree program. Absolutely.

20          REPRESENTATIVE SCHROEDER: Okay.

21          MR. GREENSTEIN: And again, it would be campus by  
22 campus, but those services exist.

23          REPRESENTATIVE SCHROEDER: Okay. Great.

24          Educational and general funds used. So I'm  
25 looking at the same chart as Representative Mihalek. And

1 even the financial aid piece of that, is that like  
2 scholarships and different things that your universities  
3 have or is this different money? Can you explain the  
4 difference for me and how that's given out?

5 MS. MERCER: Sure. And again, the distributions  
6 would differ by university both in terms of the proportion  
7 of their budget and their exact delineation, but that  
8 institutional aid does include both need- and merit-based  
9 awards, as well as if there might be funds raised  
10 internally to the institution, for example for some  
11 athletic scholarships or other things of that nature.  
12 Those are all encompassed in there.

13 REPRESENTATIVE SCHROEDER: In that number?

14 MS. MERCER: Correct.

15 REPRESENTATIVE SCHROEDER: Okay. That  
16 percentage.

17 And then -- I just was curious looking through  
18 the packet -- the student activity fee that the president  
19 sets and I guess consultation with their student senates on  
20 campus, which we got to do. I was on that group. The  
21 question I have is, in that student activity fee, it  
22 includes things like insurance for intramurals and  
23 different things. What else does it include? And then is  
24 there a ceiling on that that the university can set?

25 MS. MERCER: Sure. I'll answer that question as

1 best I can because I do believe it varies by institution,  
2 so I can give you a broad explanation. But at  
3 institutions, it can be used for intramural organizations,  
4 club sports, supporting all clubs and activities typically,  
5 which our institutions often have hundreds of those. So  
6 it's supporting things of that nature. Those would  
7 probably be the largest areas. And it could again vary by  
8 university.

9 REPRESENTATIVE SCHROEDER: All right. Great.  
10 Well, I really appreciate the answer with the student debt  
11 letters and what the obligation is so far, because I think  
12 that's really important for them to know, especially if  
13 we're trying to keep them in a four-year degree, not  
14 extending it to five, six, and so on. So thank you for  
15 that, and nice seeing you.

16 Thank you, Mr. Chairman. That's it.

17 MR. GREENSTEIN: Thank you.

18 Just a couple points. One of them is that I  
19 think it's a hundred million dollars a year is returned to  
20 aid. So if you imagine, as Molly said, we have an E and G  
21 budget which is 29 percent State appropriations and 61  
22 percent derived from student tuition, so imagine that  
23 proportion is also being used and returned to aid.

24 And then the only other point I'd raise is that  
25 these breakdowns, salary, benefits versus other costs or

1 the functional breakdown I guess on slide seven are -- I'm  
2 sorry, on slide five -- are pretty typical of universities  
3 generally.

4 MAJORITY CHAIRMAN TOPPER: Thank you.

5 And our final question from an IUP grad, so  
6 PASSHE is well-represented in front of you today. Mr.  
7 Nelson? And then we will wrap up with our closing  
8 comments.

9 REPRESENTATIVE NELSON: Thank you, Mr. Chair.

10 And yes, I was fortunate to be able to teach at IUP for a  
11 number of years.

12 In building on earlier testimony, the gentleman  
13 from PHEAA had an initial chart where he showed the number  
14 of PHEAA participants at different areas. And it seems  
15 like the theme of today's hearing has really been wanting  
16 to support lower income-related students in creating those  
17 opportunities.

18 So it seemed like the four-year private colleges  
19 had the highest number of students in that category,  
20 39,000; PASSHE has about 23,000 participating individuals  
21 with PHEAA; and then the state-relateds have 25,000.

22 During the PASSHE day in COVID, three of the four  
23 students that were virtually linked touched on the  
24 struggles they have because of the limits within PHEAA.  
25 Three of the four students did not qualify because both

1 their parents were working. In working with PHEAA, we took  
2 just 150 million dollars, so one of those state-relateds,  
3 and expanded PHEAA. And their forecasted grant would be  
4 able to increase up to \$6,000 a student.

5 So could you touch on if we expanded the number  
6 of students who would benefit from PHEAA, how that would  
7 benefit our state-related universities or could  
8 potentially? Since it seems like our state-relateds or our  
9 PASSHE schools have almost the same number of students  
10 participating in these programs.

11 MR. GREENSTEIN: So a couple things. First, I'd  
12 probably want to normalize those percentages. I mean, I  
13 want to normalize that numbers by the number of FTE  
14 enrollments. Because I think you'd find that the balance  
15 is actually quite different than the numbers suggest,  
16 simply because the privates, the state-relateds, and PASSHE  
17 have different numbers of students. So thing one.

18 Thing two is, direct-to-student funding is really  
19 important. It lowers the cost of attendance for a student.  
20 And the cost of attendance for students across the state is  
21 super high in ways which are impacting the State's ability  
22 to deliver its workforce needs.

23 So, you know, we're sitting on kind of a ticking  
24 time bomb. We solve this problem or our economy is  
25 increasingly challenged. And it's important to point out

1 that as this problem in higher education has grown over the  
2 last decade, Pennsylvania's ranking in states in terms of  
3 the amount of unemployment has fallen from 24th in the  
4 nation to 48th. Right? And these two things are related.

5           So as we can't get enough people into the job  
6 market at the skills level that employers need, we will  
7 have more unemployment, et cetera. So getting money in the  
8 hands of students is really important to address that  
9 challenge.

10           I would introduce one caveat, which I introduced  
11 earlier, which is an important policy consideration. And  
12 that is that in a pure market where students are simply  
13 voting with their feet in terms of what institutions they  
14 go to, universities, and it's demonstrable, will use a kind  
15 of high fees, high aid model. The wealthier students will  
16 basically subsidize the cost of lower income students. And  
17 there's not enough wealthy students to make enough places  
18 for the number of low and middle income students we need to  
19 get through college to meet our workforce development  
20 needs.

21           So that operational support enables public and  
22 state-related institutions to maintain more seats for low  
23 and middle income students than would be available in a  
24 pure market-driven higher education sector.

25           REPRESENTATIVE NELSON: So expanding that direct-

1 to-student funding would be very helpful at a number of  
2 different levels?

3 MR. GREENSTEIN: Expanding direct-to-student  
4 funding without sacrificing the general operational  
5 funding, which universities require to maintain seats for  
6 low and middle income students, which the State needs to  
7 meet its workforce development goals.

8 REPRESENTATIVE NELSON: And as you're talking  
9 about competition, the earlier testifiers mentioned  
10 competition, you know, from their eyes, it's out-of-state  
11 competition. Pennsylvania is struggling with decreased  
12 number of students that are available to go to some of  
13 these colleges. It was mentioned about the 20 branch  
14 campuses that one university has. As their branch campuses  
15 have expanded, how has that impacted our PASSHE regional  
16 structure?

17 MR. GREENSTEIN: So there are too many seats in  
18 Pennsylvania State Higher Education focusing on the same  
19 traditional market of high school leavers. So we've got an  
20 oversupply problem. And you've got a cost problem.

21 Let me put some parameters on that. We did some  
22 analysis we'll present to the Board when it meets, so my  
23 Board will forgive me for giving the information to you  
24 first. But if we were in the State of Pennsylvania -- just  
25 in PASSHE, if we were to get to a price for our students

1 that was comparable to the price, the net cost of  
2 attendance paid in our surrounding five states, just for  
3 PASSHE's 90,000 students would cost an additional 330  
4 million dollars. Just to give a sense of how far away we  
5 are from the sort of normal range that applies surrounding  
6 us. And of course what happens in those -- people are  
7 going to eventually go to other institutions out of state,  
8 and we've already heard about some of the detrimental  
9 impacts that that has. Because they don't typically  
10 return.

11 REPRESENTATIVE NELSON: Is the out of state -- as  
12 apparent with a lot of kids looking -- it seems like a lot  
13 of universities outside the State of Pennsylvania have  
14 lower tuition cost.

15 MR. GREENSTEIN: Much lower tuition cost. And  
16 again, to bring PASSHE just to the average net cost of  
17 attendance paid in the five immediately contiguous states,  
18 330 million. And that's not a state-wide number  
19 incorporating all of the state-relateds and privates.

20 REPRESENTATIVE NELSON: So from your opinion, it  
21 does seem to be -- you know, there's this mystery of  
22 tuition. It's almost like buying a car where it starts  
23 here and then all these discounts come in.

24 Many in the General Assembly feel that  
25 potentially this targeted funding has swollen salaries and

1 staffing at Pennsylvania universities. And it's almost  
2 become a postsecondary jobs program for universities. How  
3 would we reduce Pennsylvania's education cost to come in  
4 line versus increasing taxpayer funding to these  
5 universities?

6 MR. GREENSTEIN: So I think the Chair began in  
7 that direction. I mean, I think that's where  
8 accountability comes into play. I think you need to hold  
9 us accountable for every dollar we spend, which is why we  
10 spend so much time building these visualization tools where  
11 you as Members or your staff can log on and  
12 basically -- how much do we cost? How many students are we  
13 enrolling? How are they doing? How are we doing against  
14 our goals? Right?

15 So just every year you get an appropriations  
16 book, which goes into gory detail about our cost structure,  
17 to support exactly these kinds of dialogues and to hold us  
18 accountable for rational and sustainable spending.

19 REPRESENTATIVE NELSON: Right. And last  
20 question.

21 Thank you, Chair.

22 Earlier, testifiers said about 60 percent of  
23 their graduates stay regionally. What's that percentage  
24 for our PASSHE school graduates?

25 MR. GREENSTEIN: It's 65 percent 10 years out.

1 And again, you'll see it next week because it's being  
2 revealed to the Board.

3           So we collect data from Labor and Industry,  
4 unemployment insurance data, for all of our graduates. So  
5 we will be able to show you in a couple weeks' time how our  
6 graduates do in the marketplace. It's a good story. It  
7 shows about the power of public higher education.

8           A couple of things. What we see is that  
9 graduates easily repay their investment in undergraduate  
10 education 5 and 10 years out, A. B, our graduates from all  
11 program areas do well and go into real jobs, which is good.  
12 But C -- and this is -- you know, I'm still pawing through  
13 the data with colleagues, but it looks like you can begin  
14 to see the effects -- the leveling effects that public  
15 higher education has so that people who enroll in our  
16 colleges from families earning grossly different income  
17 levels begin to go towards each other in terms of what  
18 their earnings are 10 years out. Those differences begin  
19 to disappear. And there's even evidence that that's true  
20 by race/ethnicity.

21           REPRESENTATIVE NELSON: Thank you.

22           Thank you, Mr. Chair.

23           MAJORITY CHAIRMAN TOPPER: Chair thanks the  
24 gentleman.

25           And we will -- before we move to the Chairs for

1 some final remarks, we will have one more question.

2 Representative James for the second time?

3 REPRESENTATIVE JAMES: I wasn't sure you'd let me  
4 do that, Mr. Chair.

5 Chancellor, just one more math question, if I  
6 may. Taking into consideration your total complement of  
7 employees within the system, I'm talking professors and  
8 administration, can you give me a rough idea what percent  
9 of those people are professors and what percent of those  
10 people are admin? Thank you.

11 MS. MERCER: Of course, I'd be happy to take that  
12 question.

13 So as we look at our employee annualized FTE for  
14 the year finished '19-'20, that system total was 11,164 and  
15 of that 5,109 were direct instructional FTEs. So that's  
16 probably the most straightforward way I can outline that.  
17 And then when we look at, for example, our institutional  
18 support, which is where more of our administrative  
19 activities are happening, those comprise 1,682 employees.  
20 So it gives you a sense proportionally of how our  
21 instruction is split.

22 And then I would call out, we have other areas  
23 that we support, academic support and student services.  
24 These include the library. These include all sorts of  
25 engagement and retention and support programs for our

1 students. Within academic support, we have just a little  
2 over 1,000 employees and student services 1,453.

3 So when you really look at the three together,  
4 instruction, academic support, and student services, those  
5 direct student both instruction and support activities,  
6 those comprise easily the majority of our employees.

7 MR. GREENSTEIN: And again, that's typical for  
8 universities in our category.

9 REPRESENTATIVE JAMES: Across the country, you  
10 mean?

11 MR. GREENSTEIN: Yeah.

12 REPRESENTATIVE JAMES: Yeah.

13 MR. GREENSTEIN: And actually to the point that  
14 was raised earlier about accountability, as many of you  
15 will know, through a number of dialogues around the need to  
16 be accountable, we have made substantial progress in  
17 adjusting our expenditures on employees in a way that  
18 aligns with our enrollment, having made tremendous progress  
19 in the last few years.

20 MAJORITY CHAIRMAN TOPPER: Chair thanks the  
21 gentleman.

22 Chair Madden for closing comments.

23 MINORITY CHAIRMAN MADDEN: Thank you, Mr.  
24 Chairman.

25 Thank you, everyone, for coming out today and

1 giving enlightening testimony. I'd also like to thank you  
2 for your commitment to affordable and quality education.  
3 And moving forward, I hope we take this information and  
4 work together to become better partners in that endeavor  
5 for an affordable and quality education. Certainly there's  
6 more we can do on our part. Thank you.

7 MAJORITY CHAIRMAN TOPPER: Chair thanks the lady.  
8 And Chair Kinsey?

9 MINORITY CHAIRMAN KINSEY: Thank you, Mr.  
10 Chairman. And I too would like to thank our testifiers for  
11 the in-depth information that you shared with us this  
12 morning.

13 I think that we all have a responsibility, not  
14 just the educational institutions but I think all of us as  
15 legislators as well, to support to the degree possible the  
16 endeavors and the advocacy that you're doing. Chancellor,  
17 I sit as a trustee at West Chester University. And it's  
18 nice to talk about West Chester, but of course there's  
19 concern about the other 13 institutions as well. Some are  
20 doing quite well; others are not. I know that you  
21 submitted a plan that can help move education forward in  
22 the State of Pennsylvania. So I applaud you for that.

23 And to the other universities, I too want to  
24 thank them for hearing in-depth information. I see Temple  
25 University is still here. I'm not sure if Pitt is still

1 here or -- okay, they are. But, you know, all of you serve  
2 a -- all of you should be a priority in regards to the work  
3 that you're doing. And I just think that we have to find a  
4 way to support you, whether it's financially, whether it's  
5 on advocacy. But as Pennsylvania grows and goes, we need  
6 to ensure that there is an educational process that will  
7 allow all Pennsylvanians to partake and receive the top-  
8 quality education that your institutions provide.

9 So again, I want to thank you very much for being  
10 here today and your testimonies.

11 Thank you, Mr. Chairman.

12 MAJORITY CHAIRMAN TOPPER: Chair thanks the  
13 gentleman and recognizes Chair Mihalek.

14 MAJORITY CHAIRMAN MIHALEK: Thank you all for  
15 sticking it out with us for two and a half hours on this  
16 Monday morning. I appreciate the testimony.

17 I think this conversation will continue. I think  
18 it's important that we had it well in advance of the budget  
19 cycle. We're stewards of taxpayer dollars, and we need to  
20 make sure that if we're spending billions of dollars -- 5  
21 cents for every dollar that we spend goes to higher  
22 education -- we need to be accountable to our constituents,  
23 to the residents of the Commonwealth, to see exactly where  
24 those dollars are going.

25 So thank you all for coming this morning.

1 Appreciate it.

2 MAJORITY CHAIRMAN TOPPER: And I would like to  
3 echo the thanks to all who appeared today. I believe it  
4 was very informative. It is the first of several  
5 conversations in this setting.

6 But what I would say is, I would encourage those  
7 conversations to continue. If you notice, we had a great  
8 deal of Member interest in this Subcommittee hearing today,  
9 which is not all that common, especially given the time of  
10 a Monday morning at 9:00. You had a lot of Members who  
11 have shown interest in this subject matter.

12 And so what I would say, I think the days of  
13 assumptions are over, the days of just assuming that things  
14 will be done the way they have always been done. In many  
15 sectors but particularly in higher education, I think those  
16 days are over; and I think that's a good thing. I think  
17 that's a good thing for both sides.

18 Please, please, get into Members' offices. Talk  
19 to them about what you see moving forward. You've heard  
20 some of the concerns raised. You've heard some of the  
21 ideas raised. We want to be partners in finding more  
22 effective and efficient ways to fund higher education and  
23 to be accountable -- find those ways of  
24 accountability -- to make sure that those partnerships, if  
25 they are going to continue, continue in a way that the

1 majority -- the great majority of the General Assembly can  
2 feel comfortable with moving forward. So I would encourage  
3 you, continue with those conversations, not just in these  
4 settings but with Members as we look to a new day in  
5 Pennsylvania and different ways but hopefully more  
6 effective ways to fund all of our programs but specifically  
7 in this case higher education.

8           So thanks to all of you. And this hearing is  
9 adjourned.

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## C E R T I F I C A T E

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Transcriptionist

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