Good afternoon. Although my past reports have focused primarily on the academic issues facing our university, today I will put on my hat as executive vice president and discuss a management and budgetary issue that rightly has been of some concern for our trustees and is part of the larger national discussion about the cost of higher education. That is, the growth of administrative positions, which has been dubbed “administrative creep,” and appears to be ancillary to investments in our core academic mission.

Given that we’re all committed to putting our resources to good, and mission-focused, use, I’ll share a perspective of how our administration and staff have changed over the last decade.

At Penn State, we currently have more than 37,000 full and part-time faculty and staff excluding Hershey Medical Center and Penn College, which have separate budgetary lines. Of these, 18,322 are full-time employees. Over the past 10 years, the number of full-time employees has grown by about 2,400 people: 55% in academic units; 23% in academic support units; and 22% in administrative support units.

If you dig deeper, you will see significant growth in six areas. In administrative support, growth has been in: Finance and Business; the physical plant; and student affairs. In academic support, much of the growth has been in Information Technology Services (ITS), research, and World Campus. Let’s look at each area briefly.
First, note that our growth parallels that at other colleges and universities; growth that has gained the attention of the federal government, due to its substantial fiscal investment in higher education. In 2013, a bipartisan group of U.S. Senators established a task force of college and university presidents and chancellors to see what role federal regulation and unfunded mandates play in the growth of staff.

Last month, the Task Force on Federal Regulation of Higher Education released its report, which includes an in-depth look at the regulations, results and associated costs. It found that the rate of increase in government-issued regulations has grown significantly in the last five years.

According to the data, the number of federal requirements placed on colleges and universities grew by 56 percent between 1997 and 2012. In 2013 and 2014, the U.S. Department of Education released new rules or directives addressing 10 new sets of issues. There are approximately 2,000 pages of text describing the mandates, and the Department of Education issues official guidance to amend or clarify its rules at a rate of more than one document per work day.

Some of the better known programs are the Clery Act and Title IX; others fall into four broad categories: student financial aid programs; institutional eligibility requirements to participate in federal aid programs; rules surrounding student safety; and disclosures provided to consumers.

All of these regulations have translated into the need for additional compliance personnel and legal staff; you can see that is the case at Penn State, exacerbated by the tremendous size and scope of our institution.

Looking at our employee numbers, you will see an increase of 48 positions in Finance and Business from 2004 to 2014. The departments within Finance and Business that have seen the most growth are: the Central Finance and Business office, Controller’s Office, Police and Public Safety, Office of Ethics and Compliance, and Enterprise Project Management Office.
Ethics and Compliance and Enterprise Project Management are both new offices that were created within the past three years and added a total of 14 new staff positions.

Twenty positions were created within Police and Public Safety, some related to Clery compliance. The remaining 14 positions were driven in part by regulatory reporting requirements.

A second area of growth is in the Office of the Physical Plant, which is a unit in Finance and Business. Its staffing has increased by nearly 200 people university-wide. During that same 10-year period, the physical plant grew from 26 million to 32 million gross square feet.

Much of this space has been for labs and complex research environments that require specialized care. The Millennium Sciences Complex alone is nearly 300,000 gross square feet. We also added an Arboretum, moved Penn State Lehigh Valley to a larger campus, and have focused on reducing our deferred maintenance backlog.

The last Administrative Area that has seen strong growth is Student Affairs, which added 47 positions—20 of those related to student health and CAPS. During this same period, Penn State has increased the student body by about 14,000 students, bringing our total to more than 96,000 students.

In addition, today’s students come to college with significantly more than the desk lamp and suitcase that many of us carried. Some students require special medical and mental health services; an increasing proportion are adult learners or returning veterans who may require additional support; others benefit from additional orientation; and enhanced programming provides the engagement opportunities that are central to student success. Notably, 15 of the new positions are related to Activities and Union Operations.
Turning to Academic Support Units, let’s look at Information Technology Services. We now have 102 more ITS employees than we did in 2004, which was practically the dark ages in computer time. In 2004, we were still three years away from the 1st generation iPhone, and ANGEL was on its way to becoming the most heavily used course management system in higher education. The people who keep that running smoothly all semester are worth their weight in gold.

In addition, in 2004, we were ramping up our campus technology classrooms, and incorporating new technologies in library science, which also saw a bump in personnel. All of this technology requires continual maintenance and upgrades. ANGEL will be replaced, and students expect apps for their iPhone 6’s!

Our research operation has added 165 positions; 19 of these positions are directly related to research compliance in the Office of Research Protections, bringing the total to 31 positions.

Other additions are in the Applied Research Lab, along with research assistants and staff to accommodate the 35 percent increase in research awards. In 2004, Penn State research expenditures were $606.5 million; last year they topped $813 million.

Finally, you can see 167 additional positions at the World Campus, which is part of Penn State Outreach and Online Education.

But consider that in the 2004-05 academic year, the World Campus enrolled just over 1,000 students, and this year, World Campus enrollment is nearly 11,000 students.
A quick look at this list shows 26 new positions in Development and Alumni Relations, many related to the successful Campaign for Penn State Students.

Auxiliary and Business Services added 96 people and Intercollegiate Athletics added 84. Those units are self-supporting, so no tuition or state appropriation funds those positions.

The Office of the President has added staffing for legal counsel, which formerly was contracted externally, as well as ITS and HR personnel to support several offices.

In short, we have invested in ways that improve our current and future competitiveness in research and education, and provided needed student support. This also drives revenue growth, through World Campus, competitive grants and fund raising, for example. And of course, there is a component related to compliance resulting from a wide variety of generally unfunded government mandates and requirements.

To summarize, this chart describes the administrative and staff growth compared to academic and enrollment growth. As you can see, the number of faculty and non-academic positions indicate that there are fewer people on a per student basis serving our larger student body. We did this while trimming and reallocating $305 million from the operating budget through unit recycling over the last 25 years. This process allowed us to continuously redirect investment to areas of evolving and emerging programmatic need.

Nevertheless, we need to place more emphasis on direct faculty needs. And, we must do more to produce cost efficiencies.

We have begun a major strategic organizational process review to further enhance our educational, scholarly and creative endeavors, as well as service. We have three main goals.
1. Improve the design, oversight and effectiveness of organizational processes;
2. Move toward better integration and harmonization of institutional processes; and
3. Implement strategies for continuous institutional assessment, improvement and innovation.

We believe that this initiative will allow us to make additional targeted budgetary and efficiency improvements.

(Slide 25-Tower)

We’re committed to fiscal discipline, and to eliminating functions that we can do without. But we must continue to invest strategically in Penn State to ensure that we can serve our constituents in an effective and responsible manner. I look forward to continuing this discussion with the Finance, Business and Capital Planning Committee in May. Thank you. Now I can take a few questions.