

From: Mediarelations mediarelations@psu.edu
Subject: Re: Request for information regarding layoffs
Date: March 14, 2023 at 5:50 PM
To: SpotlightPA Massey wmassey@spotlightpa.org



Wyatt

In responding, we have taken a good deal of time to understand your questions and find the answers. Many of your questions center on information that transpired during multiple budget cycles. I thought it might be useful to explain Penn State's budget cycle historically as a way to discern one year's situation from future years.

MARCH

In the past, by the end of March, units submitted budget requests internally to the budget and Provost office for the upcoming budget year. These were **proposed** budget requests – and rather included “aspirational asks,” meaning potential growth opportunities for a unit that may require additional investment (e.g. launch of a new student initiative that may require additional space, operating costs etc). These aspirational asks for additional funds were carefully evaluated on a case-by-case basis and a determination was made by the Provost on whether to n

(So, for March 2022 – as indicated by the president in her memo, the proposed budget included \$245 million in aspirational asks that had not yet been approved, along with standing b

MAY

Past practice has been that Penn State adopts an interim budget to ensure the University has an approved fiscal operating plan for the start of the fiscal year, which begins on July 1, until Trustees formally approve the year's finalized budget – generally at the July BOT meeting.

(For May 2022 -- an interim 2022-23 operating budget of approximately \$7.7 billion to support University operations was adopted)

JULY

Historically, the final budget is scheduled to be submitted to the full board for consideration.

(July 2022 – A 2022-23 budget was originally scheduled for presentation to the board, but the board asked that the president address the structural deficit. The president was given unit budget requests that were impacted by inflation, flat state funding, and ongoing pandemic-related enrollment and revenue pressures. In addition: The \$191 million deficit referenced at this meeting was a FY22 financial result and did not include “aspirational asks.”) To answer your other question, the figure noted for FY22 -- \$191 million – is larger than the \$140 million indicated for FY23 deficit was going down as a direct result of the efficiency work the current administration is undertaking.

SEPTEMBER

(September 2022 -- Board of Trustees approved a revised proposed \$8.6 billion University operating budget for the 2022-23 academic year, with measures in it intended to help reduce general funds deficit as Penn State works toward a balanced budget by summer 2025.)

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The University is moving to a two-year budgeting cycle (so the above cadence will likely change) and units are currently working on submitting their 2023-24 and 2024-25 budgets – some historic deficits that must be corrected. These are the financial plans that are currently being worked on by units/university, and Dr. Bendapudi has indicated, as you note, that there would be board reduction or rescission as in the past. The 3% rescission you reference was already in place and was applied to the 2022-23 budgets of units and is expected to generate approximately \$350 million in savings.

Each unit across the University has different financial circumstances and this means each unit faces different corrective measures and, unfortunately, some may be facing more difficult circumstances in the weeks and months. These units cannot remain in a deficit forever and all aspects of the budget are being thoroughly reviewed and a multi-pronged approach is being instituted. Some units may correct course within units could include a request from the unit for subvention funds from the Provost's office to alleviate a portion of their deficit. Actions also may involve delaying program purchases or improvements, program eliminations, possible layoffs, restructuring of units, as well as increasing revenues through new ventures. Any reduction in workforce is not taken lightly. University leadership takes these decisions very carefully. These are very difficult decisions that are being reviewed in a careful manner and the hope is to keep these changes to a minimum. Attrition is an obvious measure for reductions in employee numbers. For example, individuals who retire or leave the college may not be replaced; some positions may be converted to part-time; or employees in positions moved under different revenue sources if possible.

As you indicated, President Neeli Bendapudi said units will not receive a cut in their base central budget allocation greater than 4%, however, units that are addressing significant historic deficits need to make their own additional reductions in spending within their unit to balance their budgets.

To clarify for you, the \$350 million in reserves referenced by the president are central University reserves that are not currently committed for other purposes. Cash and cash equivalents are different from reserves.

Vice President Sara Thorndike provides regular budget updates in public committee meetings of the Board of Trustees, as well as informational updates to trustees in conference sessions. We have regular communications with interim Provost Justin Schwartz on these matters.

The budget process is ongoing, for both the 2023-24 and 2024-25 fiscal years, and we do not have more specific details to share at this time as units are still determining options.

From: SpotlightPA Massey <wmassey@spotlightpa.org>
Date: Tuesday, March 14, 2023 at 11:22 AM
To: Mediarelations <mediarelations@psu.edu>
Subject: Re: Request for information regarding layoffs

Okay. This evening is fine.

Wyatt Massey
Investigative Reporter, Spotlight PA
Cell/Signal: 445-236-0562
Here are ways you can [share information securely](#).

On Mar 14, 2023, at 11:10 AM, Mediarelations <mediarelations@psu.edu> wrote:

Wyatt

We unfortunately will not be able to meet your noon deadline, as there are a number of people traveling who need to verify figures/facts. We will, however, be able to get a response by this evening, if that works for you.

Thanks for your patience.

From: Wyatt Massey <wmassey@spotlightpa.org>
Sent: Monday, March 13, 2023 9:14 AM
To: Mediarelations <mediarelations@psu.edu>; Pell, Rachel A <rpell@psu.edu>; Powers, Lisa Marie <lmr8@psu.edu>; DuBois, Wyatt <wed112@psu.edu>
Subject: Request for information regarding layoffs

Good morning,

I am seeking clarity from the university on the following:

I understand that Provost Justin Schwartz notified members of the Academic Leadership Council on March 2 that they are to provide his office with “the approximate number of layoffs you are planning to make this fiscal year and the timeline, when does the university expect employees will know whether their jobs are being cut?”

On Feb. 24, 2023, President Neeli Bendapudi wrote in a memo that “Many units will not receive a cut in their base central budget allocation greater than 4% (which is in line with past across-the-board rescissions); however, units addressing significant historical financial issues, in which case they will have additional needed reductions in spending.” Could the university please identify which units it expects will receive cuts beyond the 4% limit officials have pledged? (I will note that the university told WPSU that the College of Engineering could expect layoffs)

Last year, the university's board of trustees approved a budget with a \$140 million operating deficit. However, the university projected its 2021-22 year-end actual deficit to be \$119 million. Could you explain why the university an increase in the operating deficit when it is publicly saying it needs to make cuts?

Bendapudi's memo states the administration originally presented a \$245 million deficit budget, which included "aspirational asks." What does "aspirational asks" mean?

In July 2022, the university said the budget deficit projection was \$191 million. Did this \$191 million figure include "aspirational asks" as well?

Bendapudi wrote in her February memo that "It was a strategic decision not to do an across-the-board reduction or rescission like had been done in previous years." However, the university [said last year](#) that the board approved that rescission implemented?

Bendapudi's memo states that as of June 2022, "the University had \$350 million in reserves and was using those reserves to fund commitments of more than \$100 million a year." First, what kind of commitments was the university using those reserves for? Second, the university's [audited financials](#) state the university has more than \$1 billion in cash and cash equivalents. Could you please state why the university is citing a \$350 million figure and not the \$1 billion of the cash or cash equivalents are designated for future projects and are therefore technically not reserves? Is the \$350 million the budget office's central contingency account?

When the board approved the operating budget in September 2022, President Bendapudi and Sara Thorndike promised to provide at least quarterly updates to the board on the university's financial standing. Does the university provide any of those updates public?

Also, is Rich Bundy, vice president for development & alumni relations, still employed by the university?

My deadline is Tuesday, March 14, 2023 at 12 p.m. ET. Thank you.
Wyatt

Wyatt Massey
Investigative Reporter, Spotlight PA
Cell/Signal: 445-236-0562
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