

Fiscal Year 2023

Operating Budget



Penn
UNIVERSITY OF PENNSYLVANIA



Penn Budget Planning & Analysis

Date: June 9, 2022
To: Trustee Committee on Budget and Finance
From: Trevor C. Lewis, Vice President *Trevor C. Lewis*
Re: FY2023 Consolidated University Operating Budget

I am pleased to present the proposed consolidated operating budget for the University of Pennsylvania for Fiscal Year 2023, the period beginning July 1, 2022, and ending June 30, 2023.

The consolidated budget is comprised of both the academic budget and the Health System budget. The academic budget presents on an all-funds basis the schools, resource centers, business services, and the administrative service centers of the University. Our overall academic budget presentation and commentary is presented on a GAAP basis. The University of Pennsylvania Health System budget includes all components of Penn Medicine, apart from the Perelman School of Medicine. While the Perelman School of Medicine is a part of Penn Medicine, the budget for the School is included in the academic budget. This document includes budgetary and programmatic information for the University overall as well as for individual responsibility centers and the Health System.

Each year the operating budget is developed in collaboration with faculty, staff, and administrators, all of whom deserve recognition. One of the considerable strengths of Penn's budget process is the full engagement of the Budget Steering Committee: Interim President Wendell Pritchett, Interim Provost Beth Winkelstein, Senior Executive Vice President Craig Carnaroli, Senior Vice President and Chief of Staff Gregory Rost, and Interim Vice President for Finance and Treasurer Russell Di Leo. Building on the exceptional work done by the Office of Budget Planning & Analysis staff, the Budget Steering Committee ensures that our budget reflects Penn's strategic goals and institutional values. As always, the budget is guided by the clear priorities outlined in Penn Compact 2022 – inclusion, innovation, and impact – and continues to support Penn's prominent position as one of the world's great research universities.

University of Pennsylvania

Fiscal Year 2023 Operating Budget

TABLE OF CONTENTS

Introduction	5
 Operating Budget Schedules and Budget Overview	
Operating Budget Schedules	
Schedule A - GAAP Summary	10
Schedule B - RCM Summary	11
Schedule C - Summary by Responsibility Center	12
Schedule D - RCM to GAAP Academic Component Crosswalk.....	13
 Budget Overview	
GAAP Versus RCM Presentation of the Academic Budget	14
Fiscal Year 2022 Performance	14
The Fiscal Year 2023 University Budget.....	14
Discussion of Individual Revenue and Expense Categories	17
Tuition and Fees	17
Financial Aid	17
Sponsored Programs	19
Indirect Cost Recovery	19
Investment Income.....	20
Salaries	21
Employee Benefit Rate	21
Allocated Cost and Space Charges.....	22
Budget Parameters Summary	22
 Responsibility Center Budgets and Program Statements	
Schools	
Annenberg School for Communication	24
School of Arts and Sciences	26
Penn Carey Law.....	28
School of Dental Medicine	30
Graduate School of Education	32
School of Engineering and Applied Science.....	34
School of Nursing.....	36
Perelman School of Medicine	38
School of Social Policy and Practice.....	40
School of Veterinary Medicine	42
Weitzman School of Design.....	44
Wharton School.....	46

Resource Centers	
Division of Recreation and Intercollegiate Athletics	49
Institute of Contemporary Art	51
Morris Arboretum	53
Penn Global – see <i>Office of the Provost section</i>	
Provost Interdisciplinary Programs – see <i>Office of the Provost section</i>	
Penn Live Arts	55
University Libraries.....	57
University of Pennsylvania Museum	59
 Administrative Service Centers	
Development and Alumni Relations	62
Office of the Executive Vice President.....	63
Office of the President.....	65
Office of the Provost.....	66
 University of Pennsylvania Health System	 67
 Appendices	
School Metrics.....	78
Fund Balance Summary	79
FTE Summary	81
Glossary of Penn Budget Terms.....	82

University of Pennsylvania Nondiscrimination Statement

The University of Pennsylvania values diversity and seeks talented students, faculty and staff from diverse backgrounds. The University of Pennsylvania does not discriminate on the basis of race, color, sex, sexual orientation, gender identity, religion, creed, national or ethnic origin, citizenship status, age, disability, veteran status or any other legally protected class status in the administration of its admissions, financial aid, educational or athletic programs, or other University-administered programs or in its employment practices. Questions or complaints regarding this policy should be directed to the Executive Director of the Office of Affirmative Action and Equal Opportunity Programs, 3451 Walnut Street, Franklin Building, Room 421, Philadelphia, PA 19104-6205; or (215) 898-6993 (Voice) or (215) 898-7803 (TDD).

INTRODUCTION

For the first time since the pandemic began, Fall 2021 marked a full return to campus—classrooms buzzed with curious minds, college houses welcomed both the Class of 2024 and the Class of 2025, and foot traffic was heavy once again along Locust Walk.

Thanks to COVID-19 safeguards that included gateway testing, mask policies, and the implementation of the PennOpen Pass program, the University successfully maintained in-person instruction for the fall and spring semesters, safely held Hey Day and U Night in-person for the first time since 2019, and celebrated the Class of 2020 and the Class of 2022 with two distinct in-person Commencement ceremonies.

The community also gathered in February to wish a fond farewell to outgoing president Amy Gutmann, who, after 18 transformative years as the University’s leader, was confirmed by the US Senate as ambassador to Germany. Former Provost Wendell Pritchett graciously accepted the role of interim president, and in March, M. Elizabeth Magill was approved by the Board of Trustees to become Penn’s next president. The honor was celebrated with a procession down Locust Walk with Trustees Chair Scott Bok.

“She is a person who cares about others and has a long history of engaging with the communities in which her institutions have operated,” said Bok of Magill. “We are extremely fortunate to have found someone with the unique vision, integrity, and compassion of Liz Magill to assume the leadership of our university.”

Campus research continued to address the challenges of the pandemic while also extending beyond it. In November, the University announced [a \\$750 million investment in four key areas of research](#) over the next five years: novel therapeutics and health-related initiatives, energy and sustainability, data engineering and science, and infrastructure to support physical science research. A month later, the Perelman School of Medicine created the Penn Institute for RNA Innovation led by Drew Weissman; Weissman and Katalin Karikó continue to garner worldwide recognition and international awards for their co-development of the technology behind the mRNA COVID-19 vaccines. The School of Veterinary Medicine, meanwhile, established [the Institute for Infectious and Zoonotic Diseases](#), leveraging one of the nation’s largest zoonotic disease programs to advance the study of zoonotic agents that pose a public health threat.

The Power of Penn campaign, which ended in June 2021, raised more than \$5.4 billion, far exceeding its original \$4.1 billion goal. Publicly launched in April 2018, it was focused on advancing the *Penn Compact’s* three pillars of inclusion, innovation, and impact. Despite the conclusion of the campaign, fundraising momentum has remained strong with the \$600 million FY2022 commitment goal representing a new baseline for University fundraising. Notable FY2022 commitments include [a \\$125 million gift from Leonard A. Lauder to Penn Nursing](#) – the largest gift ever received by a US nursing school – to create the Leonard A. Lauder Community Care Nurse Practitioner Program, a tuition-free program that will recruit, train, and deploy nurse practitioners to underserved communities across the US.

Below, please find a review of FY2022 and a preview of the year ahead.

Inclusion

Diversity and Inclusion: The Class of 2026 is the most diverse group of admitted students in Penn’s history. Fifty-five percent of admitted students are US citizens or permanent residents who identify as a person of color. In addition, first-generation students make up 18% of the class, the highest ever, and the proportion coming from Philadelphia is the highest in recent history.

The [Penn First Plus](#) (P1P) program, which was established in 2018 to provide resources for undergraduate students from first-generation and low-income backgrounds, [received a transformative \\$18 million gift from Scott and Elena Shleifer](#) that will provide ongoing operating support for the program as well as additional financial aid for P1P students.

Beginning in FY2023, Penn Nursing is launching the [Eidos LGBT+ Health Initiative](#), a first-of-its-kind social entrepreneurship lab that will provide evidence-based health solutions through research and will train students to think about creative solutions to improve LGBTQ+ health. SAS appointed its inaugural Vice Dean for Diversity, Equity, and Inclusion who is leading SAS in the implementation of inclusion and anti-racism initiatives, and Wharton has launched a search for its first chief diversity officer. The School of Engineering and Applied Science has committed \$10 million in its strategic plan to recruit and retain a more diverse and representative body of students, staff, and faculty. At the Weitzman School of Design, [the Center for the Preservation of Civil Rights Sites](#) secured \$1.5 million in funding, alongside Tuskegee University, to redress the imbalances in which heritage sites get preserved. The School of Social Policy and Practice's Social Justice Scholars program will be admitting its second cohort of students this fall; the program fully covers tuition costs and seeks to recruit students from minority-serving institutions.

Financial Aid: Penn is the nation's largest university with a program to guarantee that undergraduate students with demonstrated financial need will receive all-grant aid packages that meet the full extent of their need for all eight semesters. Penn's aid program demonstrates the University's commitment to increase access for qualified students from all economic backgrounds. The average freshman aid package was \$62,038 in FY2022, more than double the average aid package of \$29,694 in FY2008 when Penn announced its grant-based financial aid policy.

In FY2023, the Graduate School of Education is introducing a new need- and merit-based scholarship program called [the Dean's Fellowship: Power of Possibility](#); this is a special additive scholarship for incoming master's students from diverse backgrounds and communities that are underrepresented or underserved. SSPP has updated its financial aid algorithms to incorporate need-based aid to better reflect the School's core mission and values. At Penn Law, [the Toll Public Interest Scholars Program](#) provides full-tuition scholarships, with enrollees committing to participate in the School's public interest programs and work in public interest jobs for at least three years after they graduate.

Wellness: Penn's wellness center has adopted a new organizational structure that will enable it to fulfill its vision of creating a campus that integrates the science, theory, and practice of wellness through inclusive, innovative, and impactful initiatives. Under the leadership of a new executive director of student health and counseling, Wellness has created two distinct pillars to its operations: student health and counseling and public health and wellbeing.

The Weitzman School's Director of Student Services implemented virtual and in-person wellness events and provided individual support for students with specialized needs. Many other schools across the University have also added wellness programming and have embedded clinicians to serve their students. Penn Athletics hired its first psychologist dedicated to working with student-athletes.

Innovation

Knowledge Integration: Penn Engineering's new [Center for Precision Engineering for Health](#) (CPE4H) was established with a \$100 million funding commitment; the center will focus on the study of biomaterials for improving health care. Cesar de La Fuente, a SEAS professor, has developed a [paper-based, portable, inexpensive biosensor](#) that could detect the presence of COVID-19 from saliva and nose and throat samples in four minutes with nearly 100% accuracy. [The Community Collaboratory for Co-Creation](#), a collaboration between Penn Engineering and Penn Nursing, will focus on research, education, and community engagement and outreach to improve health equity. The Annenberg School for Communication is designing a new media "LABrary" that will facilitate faculty and student research on multimodal projects, helping to redefine what scholarship looks like. Weitzman faculty are engaged in innovative research focused on enhancing building performance, using big data and new technologies to improve urban planning, using ground-based sensors, aerial-and-satellite-gathered imagery and environmental models to design more resilient landscapes, and re-imagining the next generation of American monuments.

The School of Dental Medicine has launched two new master's programs, the Master of Oral Health Sciences (MOHS) and Master of Advanced Dental Studies (MADS), with an additional new master's program under consideration. Building on the success of the MCIT Online program, Penn Engineering will introduce its second world-class online master's degree program in Spring 2023; the [online Master of Science in Engineering in Data Science](#) (MSE-DS Online) will combine Ivy League-quality coursework in topics such as big data, artificial intelligence, and machine learning to propel students into careers as data scientists and data engineers. Also, in FY2023, GSE will begin implementing two

innovative online master's degrees that will expand the School's access to new markets; the Learning Analytics Program and the Executive Master's in Global Higher Education are expected to attract students that would not be able to enroll in a traditional on-campus degree program.

Innovation Infrastructure: In the fall, the University held a groundbreaking ceremony for [Amy Gutmann Hall](#), Engineering's new data science building, which will be a cross-disciplinary hub connecting research and data across schools and centers. Construction also began on the [Vagelos Laboratory for Energy Science and Technology](#), which will be a joint SAS and SEAS facility consolidating the University's existing and future energy research. Both buildings are expected to open in FY2025.

The Perelman School's FY2023 budget includes funding for new leased space in University City for the Penn Institute for RNA Innovation and an additional floor for research expansion. Its budget also incorporates design and construction of a multi-floor addition to 3600 Civic Center Boulevard to provide increased computational and wet lab space.

In October, Penn Medicine opened [the Pavilion at the Hospital of the University of Pennsylvania](#), a 1.5-million-square-foot facility that aims to transform patient care and comfort. Rooms are designed around patients, giving them control over lighting and temperature, emphasizing privacy, and utilizing smart technology. Tangen Hall also opened this past fall and serves as a toolbox for Penn students and alumni to turn concepts into scalable businesses; it houses the Venture Lab, which is a partnership of Wharton, Engineering, and the Weitzman School. In November, Pennovation Works celebrated its fifth anniversary with a week-long celebration of virtual programs.

Awards and Recognition: The impressive list of awards and recognition recently received by Penn students and faculty includes the following:

- Drew Weissman and Katalin Karikó received the [2021 Lasker Award](#), the nation's top biomedical research prize
- Two seniors were named 2022 Rhodes Scholars, two seniors were named 2022 Marshall Scholars, and a senior and two alumni were named Schwarzman Scholars
- Four faculty were awarded Guggenheim Fellowships, and two were named 2022 Sloan Research Fellows
- Twenty-five Penn students and recent graduates received Fulbright grants
- Five students were named 2022 Goldwater Scholars
- Eight Penn researchers received 2021 NIH Director's Awards, and two Penn affiliates were named 2022 Soros Fellows

Impact

Global Engagement: The newly created [James Joo-Jin Kim Center for Korean Studies](#) was the largest beneficiary of a \$25 million gift that will also provide funding for the Lauder Institute for Management and International Studies in Wharton and a family neurovascular surgery program at Penn Medicine. The new center will elevate the study of Korea and explore its expanding role in the world.

Wharton continues to engage learners worldwide through the work of its Global Youth Program, the resurgence of its global Executive Education programs, and the planned launch of a Global Executive MBA program in May 2023. Also noteworthy is that Wharton Interactive's simulations have been played by participants across all seven continents.

National Engagement: During FY2022, the Perelman School of Medicine received two major NIH grants that seek to address health disparities. These include a \$14 million grant aimed at reducing racial and gender disparities in suicide prevention research and a \$10 million award that will be used to study the environmental and financial interventions that can reduce health disparities in predominantly Black Philadelphia neighborhoods.

Penn Law, through its [Penn Program on Regulation](#), hosted a series examining ways regulation has historically worked to disadvantage people of color, while also looking toward solutions to reduce inequities in society. The Annenberg Public Policy Center's [FactCheck.org](#) continues to play an important role in flagging misinformation online and elsewhere.

Local Engagement: GSE announced an enhanced partnership with the Lea School in West Philadelphia, with a \$4.1 million agreement that increases professional development for teachers, support for families, and resources for students. The Division of Business Services' purchasing team supported minority- and locally-owned businesses by facilitating \$100 million in spending with diversity suppliers. This spending was driven in part by the [Fueling Business Growth campaign](#), an initiative designed to increase Penn's diversity and business procurement within Philadelphia.

Among Penn's cultural institutions, the Morris Arboretum launched a new, donor-supported outreach program with West Philadelphia schools, the Penn Museum hired a Director of Community Engagement who will lead all of the Museum's externally facing programming, and the West Philly Welcome Program at Penn Live Arts offers deeply discounted tickets to West Philadelphia residents.

Capital Project Priorities and Sustainability

The [Penn Connects 3.0](#) campus master plan continues to transform the campus. [GSE broke ground in the spring on its first-ever expansion project](#), merging the School's central building with Stiteler Hall through a three-story addition; new spaces will include a makerspace, an innovation studio, and a multimedia lab. The Weitzman School has begun design on [renovations and an addition to Stuart Weitzman Hall](#) (formerly the Morgan Building) that will consolidate the School's current leased studio spaces and create more gallery and research spaces, as well as faculty offices. A new [physical sciences building](#) is in the design phase, part of the University's \$750 million incremental investment in science, engineering, and medicine; the building complex will consist of a renovated David Rittenhouse Laboratories and a new multi-use facility. Finally, design has begun on a new [student performing arts center](#) to be located at 33rd Street and Woodland Walk.

The University is committed to the [Climate and Sustainability Action Plan 3.0](#), which sets the goal of having the campus be 100% carbon neutral by 2042. Penn has signed a power purchase agreement to meet about 70% of its total electricity demand through two solar plants now under construction in central Pennsylvania. The plants are expected to be operational in 2023.

Administrative Excellence

In Spring 2022, Penn received national acclaim for its supplier diversity and inclusion program as a [Jesse L. Moore 2022 Supplier Diversity Award recipient](#). *Forbes* recognized Penn as one of [America's Best Large Employers of 2021](#). The University also received numerous accolades for its facilities, including the 2022 Grand Jury Award from the Preservation Alliance of Greater Philadelphia for the restoration of Franklin Field and General Building Contractors Association (GBCA) awards for both the [University Meeting and Guest House's construction excellence](#) and New College House West's craftsmanship.

In addition to incoming Penn President Elizabeth Magill, a number of talented and diverse senior leadership appointments at Penn were announced during FY2022. Among these were: Mike Citro, as Vice President and Chief of Staff; Frederick Steiner, Dean of the Stuart Weitzman School of Design (reappointment); Kathleen Shields Anderson as Vice President of Public Safety; Brigid Dwyer, Vice Dean for Diversity, Equity, and Inclusion at SAS; Jennifer Brehm Merle-Smith, Director of Learning and Community Engagement at the Penn Museum; Robert Vonderheide, Director of the Abramson Cancer Center (reappointment); and Melissa Sanchez, director of the newly renamed Center for Research in Feminist, Queer, and Transgender Studies.

Operating Budget Schedules
&
Budget Overview

UNIVERSITY OF PENNSYLVANIA OPERATING BUDGET - GAAP BASIS *
(in thousands of dollars)

SCHEDULE A

	Fiscal 2021 Actual	Fiscal 2022 Budget	Fiscal 2022 Forecast	Fiscal 2023 Budget
ACADEMIC COMPONENT				
REVENUE & OTHER SUPPORT				
Tuition & Fees	1,421,179	1,598,929	1,661,540	1,710,766
Student Aid Contra-Revenue	(349,592)	(389,872)	(378,183)	(408,820)
Net Tuition & Fees	1,071,587	1,209,057	1,283,358	1,301,947
Commonwealth Appropriations	35,144	35,144	35,144	35,144
Sponsored Programs	847,427	894,609	913,923	936,637
Indirect Cost Recovery	302,628	310,366	329,677	342,905
Total Sponsored Programs	1,150,055	1,204,975	1,243,600	1,279,542
Contributions	195,632	202,110	197,078	201,052
Investment Income	601,052	651,015	664,035	773,786
Other Income	704,612	363,461	1,449,321	915,188
Transfers From Health System	216,533	168,700	173,281	187,878
TOTAL REVENUE & OTHER SUPPORT	3,974,615	3,834,462	5,045,817	4,694,537
EXPENSES				
Salaries	1,611,739	1,712,732	1,687,373	1,847,339
Employee Benefits	575,814	497,720	477,282	519,393
Total Compensation	2,187,553	2,210,452	2,164,656	2,366,733
Depreciation & Amortization	219,225	226,058	233,055	244,718
Interest Expense	52,439	54,996	60,131	55,130
Current Expense	941,093	1,089,891	1,080,220	1,193,842
Student Aid Expense	150,016	160,568	146,999	156,892
TOTAL EXPENSES	3,550,326	3,741,965	3,685,060	4,017,315
INCREASE IN NET ASSETS FROM OPERATIONS	424,289	92,497	1,360,758	677,222
HEALTH SYSTEM *				
REVENUE & OTHER SUPPORT				
Net Patient Service Revenue	7,545,629	8,084,512	8,165,889	8,572,098
Other Income	1,369,568	1,180,973	1,293,179	1,295,651
Transfers To Academic Component	(216,533)	(168,700)	(173,281)	(187,878)
TOTAL REVENUE & OTHER SUPPORT	8,698,664	9,096,785	9,285,787	9,679,871
EXPENSES				
Compensation				
Salaries	3,581,075	3,836,948	4,044,836	4,159,790
Employee Benefits	945,258	1,102,026	1,010,788	1,109,724
Total Compensation	4,526,333	4,938,974	5,055,624	5,269,514
Depreciation & Amortization	333,710	390,579	385,476	420,003
Interest Expense	35,597	71,734	71,595	84,366
Other Operating Expenses	3,171,583	3,368,049	3,578,954	3,680,517
TOTAL EXPENSES	8,067,223	8,769,336	9,091,649	9,454,400
INCREASE IN NET ASSETS FROM OPERATIONS	631,441	327,449	194,138	225,471
Elimination of Inter-Entity Activities **				
REVENUE & OTHER SUPPORT	(16,081)	(14,414)	(16,376)	(17,840)
EXPENSES	(16,081)	(14,414)	(16,376)	(17,840)
CONSOLIDATED UNIVERSITY				
REVENUES & OTHER SUPPORT	12,657,198	12,916,833	14,315,229	14,356,569
EXPENSES	11,601,468	12,496,887	12,760,333	13,453,876
INCREASE IN NET ASSETS FROM OPERATIONS	1,055,730	419,946	1,554,896	902,693

* Presented in accordance with Generally Accepted Accounting Principles used for external financial reporting

** For Consolidated University statement presentation purposes, activity between the Academic Component and Health System is eliminated so as to not overstate combined revenue and expense

UNIVERSITY OF PENNSYLVANIA OPERATING BUDGET - RCM BASIS ¹
(in thousands of dollars)

SCHEDULE B

	Fiscal 2021 Actual	Fiscal 2022 Budget	Fiscal 2022 Forecast	Fiscal 2023 Budget
ACADEMIC COMPONENT				
REVENUES & TRANSFERS				
Traditional Undergraduate Tuition	496,955	538,830	534,183	551,570
Graduate, Professional & Other Tuition	676,608	703,133	751,757	764,418
Total Tuition	1,173,563	1,241,962	1,285,940	1,315,988
General & Other Fees	247,616	356,967	375,600	394,778
Total Tuition & Fees	1,421,179	1,598,929	1,661,540	1,710,766
Commonwealth Appropriation	35,144	35,144	35,144	35,144
Sponsored Programs - Direct Cost Recovery	847,427	894,609	913,923	936,637
Sponsored Programs - Indirect Cost Recovery	302,628	310,366	329,677	342,905
Total Sponsored Programs	1,150,055	1,204,975	1,243,600	1,279,542
Gifts	297,274	282,687	267,626	278,404
Investment Income	637,414	669,181	691,980	780,045
Other Income	704,612	363,461	1,449,321	915,188
TOTAL DIRECT REVENUES	4,245,678	4,154,377	5,349,211	4,999,091
Net Resource Transfers	243,332	197,119	171,054	131,804
TOTAL REVENUES & TRANSFERS	4,489,011	4,351,496	5,520,265	5,130,895
EXPENDITURES				
Academic Salaries	807,781	851,416	856,515	909,019
Non-Academic Salaries	906,922	976,981	958,344	1,052,597
Total Salaries	1,714,703	1,828,397	1,814,859	1,961,616
Employee Benefits	457,210	503,518	495,881	539,720
Total Compensation	2,171,914	2,331,915	2,310,740	2,501,336
Current Expense	967,803	981,173	946,750	1,068,858
Capital Transactions Excluding New Debt Issue	416,387	367,945	348,365	622,602
New Debt Issue	(300,000)	0	0	0
Net Capital Transactions	116,387	367,945	348,365	622,602
Traditional Undergraduate Student Aid	230,830	256,549	248,707	272,479
Graduate, Professional & Other Student Aid	220,432	245,546	226,021	243,680
Total Student Aid	451,262	502,096	474,728	516,159
TOTAL EXPENDITURES	3,707,365	4,183,128	4,080,583	4,708,956
RCM SURPLUS (DEFICIT) ²	781,646	168,368	1,439,682	421,940

¹ Presented in Responsibility Center Management format used for internal financial management and reporting

² A surplus means that funds are set aside for future years, while a deficit represents the use of prior period balances

**UNIVERSITY OF PENNSYLVANIA FISCAL YEAR 2023 OPERATING BUDGET
ACADEMIC COMPONENT BY RESPONSIBILITY CENTER**
(in thousands of dollars)

SCHEDULE C

	REVENUES & TRANSFERS								EXPENDITURES					
	Tuition & Fees	PA Approp.	Sponsored Programs	Gifts	Investment Income	Other Income	Transfers	Total	Total Comp.	Current Expense	Capital Trans.	Student Aid	Allocated Cost & Space Charges	Total
SCHOOLS														
Annenberg School	6,618		7,345	1,620	42,641	765	399	59,388	25,150	14,028	550	4,511	3,523	47,762
Arts & Sciences	365,876		100,296	31,599	64,390	6,973	92,387	661,521	300,458	67,175	63,089	147,466	94,353	672,541
Penn Carey Law	53,336		1,319	16,858	26,751	1,795	9,300	109,359	53,681	12,813	4,000	19,989	13,361	103,844
Dental Medicine	62,210	517	18,680	3,000	6,929	34,084	4,244	129,663	73,144	26,888	1,619	4,853	19,610	126,114
Education	54,331		12,138	3,792	4,673	2,264	3,988	81,185	43,511	13,562	19,986	11,636	10,440	99,135
Engineering	149,575		91,933	20,938	25,953	8,985	18,718	316,102	122,599	53,168	80,948	57,749	39,735	354,199
Nursing	44,614		21,822	1,858	12,085	219	5,173	85,771	44,056	10,540	511	12,735	12,563	80,405
Perelman School of Medicine	78,414	2,673	903,975	76,516	155,090	471,033	114,934	1,802,635	736,837	355,461	54,828	70,969	169,946	1,388,041
Social Policy & Practice	22,158		4,054	2,249	1,897	400	2,489	33,247	17,681	5,022	0	6,519	4,065	33,287
Veterinary Medicine	25,846	33,550	49,963	12,381	14,810	60,346	1,314	198,209	107,487	43,374	12,696	4,790	29,492	197,839
Weitzman School of Design	39,310		2,226	19,355	11,620	404	6,198	79,113	30,030	8,577	3,623	13,360	10,119	65,708
Wharton	338,571		6,795	63,000	91,393	63,047	40,702	603,508	296,972	134,947	16,805	69,685	70,881	589,290
TOTAL SCHOOLS	1,240,858	36,740	1,220,545	253,166	458,231	650,315	299,846	4,159,701	1,851,605	745,555	258,655	424,262	478,088	3,758,166
RESOURCE CENTERS														
Recreation & Intercollegiate Athletics	11,446			26,708	6,273	7,474	27,161	79,063	21,874	13,999	41,901		19,538	97,312
Institute of Contemporary Art			201	1,014	2,024	38	1,337	4,613	2,495	1,286			1,011	4,792
Interdisciplinary Programs	7,599		10,142	3,418	16,236	187,086	(185,541)	38,940	19,325	7,281	2,337	3,506	2,696	35,145
Morris Arboretum	236			2,085	3,998	1,868	1,005	9,192	5,129	2,906	84		1,070	9,189
Penn Global	1,919		582	910	852	1,210	15,584	21,057	7,679	10,172	318	372	985	19,526
Penn Live Arts	623		476	1,946	77	1,521	2,582	7,224	3,110	1,850			2,135	7,094
University Libraries	35		126	997	7,191	316	75,384	84,049	33,464	35,820	455		14,310	84,049
University Museum			100	4,641	6,986	1,617	12,525	25,869	13,146	5,303	675	80	8,024	27,228
TOTAL RESOURCE CENTERS	21,858	0	11,628	41,719	43,638	201,130	(49,963)	270,009	106,222	78,616	45,771	3,958	49,769	284,337
BUSINESS SERVICES														
Housing & Conference Services	78,066				642	1,871	(8,865)	71,714	5,812	22,088	31,712		4,813	64,426
Dining Services	27,252				5	945	107	28,310	8,302	20,015			1,693	30,010
Parking & Transportation Services	2,277					15,427	(762)	16,943	4,403	7,820	3,495		1,005	16,723
Other Business Services	36			691	1	11,182	6,725	18,635	10,407	4,588	1,997		2,144	19,136
Other Auxiliary Activities						33,171	3,537	36,708		25,295	6,150			31,445
TOTAL BUSINESS SERVICES	107,631	0	0	691	648	62,596	742	172,309	28,924	79,805	43,355	0	9,655	161,739
ADMINISTRATIVE SERVICE CENTERS														
Audit, Compliance & Privacy							2,510	2,510	4,729	(2,155)			24	2,599
College Houses & Academic Services	4,401			17	29	40	3,183	7,670	4,444	3,960	250		89	8,743
Development & Alumni Relations				345	9,019	1,529	64,669	75,562	53,821	25,256			745	79,823
Executive Vice President's Office					24,704		8,797	33,501	23,724	7,352	1,306		217	32,599
Facilities & Real Estate Services			2,500		(299)	36,318	236,207	274,726	93,729	98,129	102,587		1,367	295,812
Finance	6,699				1,524	175	37,490	45,889	30,878	18,833	(4,697)		1,790	46,804
Human Resources						635	14,492	15,127	11,496	6,225	(2,420)		484	15,785
Information Systems & Computing	872				306	1,127	61,938	64,242	47,945	13,882	2,981		981	65,789
President's Center	309		741	5,710	153	3,966	27,743	38,622	29,974	7,147	201		1,532	38,854
Provost's Center	18,411		546	411	1,447	73,917	42,511	137,244	69,144	18,664	1,379	904	2,923	93,014
Public Safety	12,894					1,107	16,055	30,056	20,101	9,695	190		197	30,183
University Life	33,297		1,118	950	1,080	2,312	(970)	37,787	15,464	14,096	1,056	209	7,801	38,625
Wellness	22,189			9	81	2,157	14,666	39,102	20,927	18,328	181		170	39,605
TOTAL ADMIN. SERVICE CENTERS	99,072	0	4,905	7,442	38,044	123,282	529,291	802,038	426,377	239,412	103,014	1,112	18,321	788,236
GENERAL UNIVERSITY	241,347	(1,595)	42,464	(24,614)	239,484	(122,135)	(648,111)	(273,161)	88,208	(63,602)	171,807	86,826	(566,762)	(283,523)
TOTAL ACADEMIC COMPONENT	1,710,766	35,144	1,279,542	278,404	780,045	915,188	131,804	5,130,895	2,501,336	1,079,787	622,602	516,159	(10,929)	4,708,956

Fiscal Year 2023 Operating Budget: Academic Component RCM to GAAP Crosswalk
(in thousands of dollars)

	Fiscal 2023 RCM Budget	Adjustments	Fiscal 2023 GAAP Budget
Revenue & Other Support:			
Tuition & Fees	1,710,766	-	1,710,766
Student Aid Contra-Revenue	-	(408,820)	(408,820)
Commonwealth Appropriations	35,144	-	35,144
Sponsored Programs	1,279,542	-	1,279,542
Contributions	278,404	(77,352)	201,052
Investment Income	780,045	(6,260)	773,786
Other Income	915,188	-	915,188
Transfers From Health System	131,804	56,074	187,878
Total Revenue & Other Support	<u>5,130,895</u>	<u>(436,358)</u>	<u>4,694,537</u>
Expenditures:			
Salaries	1,961,616	(114,276)	1,847,339
Employee Benefits	539,720	(20,326)	519,393
Total Compensation	<u>2,501,336</u>	<u>(134,603)</u>	<u>2,366,733</u>
Current Expense	1,068,858	124,984	1,193,842
Capital Transactions	622,602	(567,473)	55,130
Student Aid Expense	516,159	(359,268)	156,892
Depreciation & Amortization	-	244,718	244,718
Total Expenditures	<u>4,708,956</u>	<u>(691,640)</u>	<u>4,017,315</u>
RCM Surplus: Transfer to Other Periods	421,940		
Net RCM to GAAP Adjustments		255,282	
GAAP Increase in Net Assets			677,222

Penn uses Responsibility Center Management (RCM) as its managerial framework for internal budgeting and financial reporting activities. RCM promotes the broad stewardship of financial resources and enhances Penn's capacity to generate revenue by encouraging and rewarding innovation and efficiency. To comply with external reporting requirements, Penn's financial performance is reported in accordance with Generally Accepted Accounting Principles (GAAP). The primary differences between RCM and GAAP reporting are as follows:

Student Aid	RCM treats all student aid as expense. Under GAAP, certain grants and scholarships are treated as contra-revenue and other aid is treated as expense. In addition, RCM reports payments for pre-doc trainee and educational fellows as salaries whereas GAAP considers such payments student aid expense.
Contributions	RCM recognizes contribution revenue upon the receipt of operating, unrestricted and temporarily restricted endowment, and capital gift payments. For GAAP purposes, contributions include the receipt of unrestricted gifts and the reclassification of restricted operating gifts once payment has been received and donor restrictions have been met. GAAP treats gifts to true endowment and to capital gift funds as non-operating revenue.
Investment Income	RCM investment income includes unrestricted and temporarily restricted endowment payout distributions and the income earned on other investment funds. GAAP investment income includes unrestricted investment income only.
Transfers from Health System	RCM considers all Health System transfers as supporting operations. GAAP distinguishes between operating and non-operating transfers.
Salaries	As noted in the student aid description above, RCM reports certain payments as salaries that GAAP treats as student aid expense. In addition, RCM salaries paid by the employee benefits pool for those on sabbatical or disability fall under employee benefits in GAAP.
Employee Benefits	RCM employee benefits are derived by applying employee benefit rates to salaries. In addition to that amount, GAAP employee benefits reflect all activity in the employee benefits pool and benefit-related payments outside the pool.
Current Expense	RCM current expense includes employee benefits costs that are counted in GAAP as employee benefits. GAAP includes certain expenses that are treated as capital transactions under RCM.
Capital Transactions	RCM capital transactions include debt service, capital equipment purchases, and the funding of capital projects. GAAP capital transactions are limited to interest expense.
Depreciation & Amortization	RCM recognizes the cost of capital assets when they are funded, and therefore does not include depreciation as an operating expense. GAAP records asset purchases on the Statement of Financial Position and then recognizes annual depreciation expense as a cost of operations on the Statement of Activities.

BUDGET OVERVIEW

Presentation of the Academic Budget

Schedule A shows the University's budget under General Accepted Accounting Principles (GAAP), which is the basis used for external financial reporting. By contrast, Schedule B shows Penn's budget on a Responsibility Center Management (RCM) basis, the framework used for Penn's internal budgeting and financial reporting activities. Additional detail on the RCM budget is shown in Schedule C. Schedule D provides a "crosswalk" between the RCM and GAAP budgets. Individual school and center budgets within this document are presented on an RCM basis.

The most significant difference between the RCM and GAAP frameworks applied at Penn is in the treatment of capital-related transactions. RCM treats proceeds from borrowings, debt service principal and interest, and capital funding transfers for renovation and new building projects as capital transactions but excludes depreciation expense. In contrast, capital-related activity reflected in GAAP operations includes depreciation and only the interest portion on debt, but not capital spending or principal borrowing and repayment. Another major difference is that RCM includes capital gifts as income, while GAAP considers such contributions as non-operating revenue. Also, while RCM counts all student aid as expense, GAAP distinguishes between contra-revenue aid and aid expense. Finally, while RCM includes all Health System transfers, GAAP includes only those transfers that support operations. Other distinctions are detailed in Schedule D.

Fiscal Year 2022 Performance

As shown in Schedule A, the academic component is expected to close FY2022 with an increase in net assets of \$1,361 million on a GAAP basis versus the original budgeted increase of \$92 million. The academic component surplus will be reinvested in the University's research and education missions in future periods. The UPHS forecast is for an increase in net assets of \$194 million, which is \$133 million less than budget.

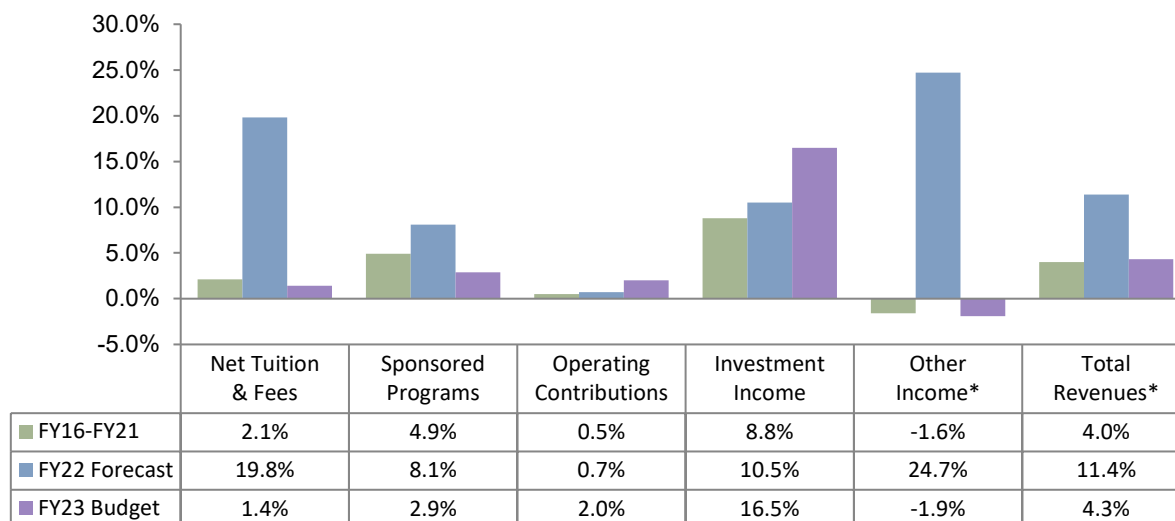
Academic component revenue is forecast to be \$1,211 million higher than budget due primarily to mRNA license revenues, which were not included in the original budget, as well as significant positive variances in tuition and fees, sponsored programs, and non-mRNA other income due primarily to the continuing strength of the PCI core portfolio. The GAAP forecast indicates that academic component expenses will be \$57 million lower than budget largely due to compensation savings resulting from lower employee benefit costs and position vacancies.

The Fiscal Year 2023 Budget

Schedule A shows that the consolidated FY2023 University GAAP budget has \$13.5 billion in expenses, of which \$9.5 billion, or 70%, is in the Health System budget and \$4.0 billion, or 30%, is in the academic budget. The overall increase in expenses is 5.4%, with 9.0% growth projected for the academic component and 4.0% for UPHS. Total University revenues and other support are budgeted to be \$14.4 billion. The academic component budget includes \$4.7 billion in revenue and other support, of which \$188 million are transfers from UPHS. For UPHS, total revenues net of the transfers to the academic component are \$9.7 billion, and the increase in net assets from operations is budgeted at \$225 million.

The academic budget shows an increase in net assets of \$677 million from operations with mRNA license revenues again contributing to the bottom line. This surplus will also be reinvested in key academic priorities in future years.

Growth Rates in Key Revenue Categories



* Excludes mRNA license revenues

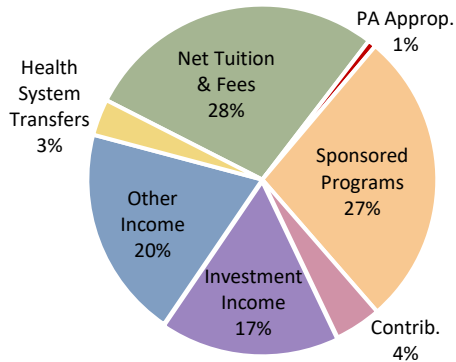
Total academic budget revenue is projected to decrease by 7.0% or \$351 million versus the FY2022 forecast due to lower anticipated mRNA license revenues. However, excluding mRNA license revenues, the growth rate is 4.3%. Here is a discussion of changes in key GAAP revenue categories:

- Net tuition and fees are budgeted to increase by 1.4% or \$19 million. This projection reflects an expected 1% decrease in enrollment relative to the high levels achieved in FY2022 as well as an 8.1% increase in student aid contra revenue.
- Total sponsored program revenues are forecast to increase by 2.9% or \$36 million. Excluding the \$18 million in pandemic relief funds received in FY2022 that will not recur in FY2023, the growth rate is 4.4%.
- Investment income is budgeted to increase by 16.5%, or \$110 million. This large increase reflects the strong performance of the endowment in FY2021, as well as new gifts and reinvestment and increased return on cash balances.
- Operating contributions are increasing by 2.0%, or \$3 million, with fundraising momentum remaining strong a year after the conclusion of the *Power of Penn* campaign.
- Other Income is dropping by 36.9%, or \$534M, because of lower mRNA license revenues. Excluding mRNA license revenues, a 1.9% decrease is projected due in part to \$22 million of one-time pandemic relief funds recognized in this category in FY2022.
- Health System transfers are increasing by 8.4%, or \$15 million, primarily because of higher transfers by clinical departments to fund academic initiatives.

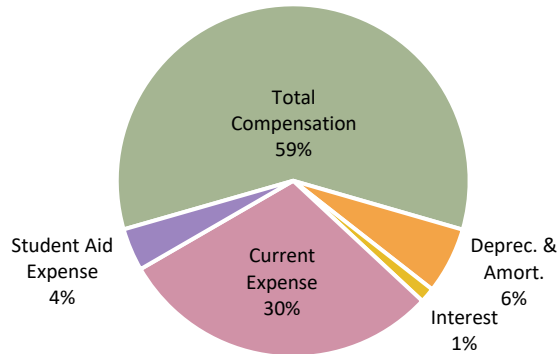
The 9.0%, or \$332 million, increase in total GAAP expenses includes a 9.3% increase in compensation expense and a 10.5% increase in current expense. Compensation growth reflects the 4.5% salary parameter and 1.0% allowance for staff salary adjustments, as well as the filling of vacant positions and the 1% increase in the Penn's retirement

contribution starting in January 2023. Current expense growth is expected to be high because of supply chain-related inflation and the return to close to pre-pandemic levels for travel and entertainment expenditures.

FY2023 Revenues by Type



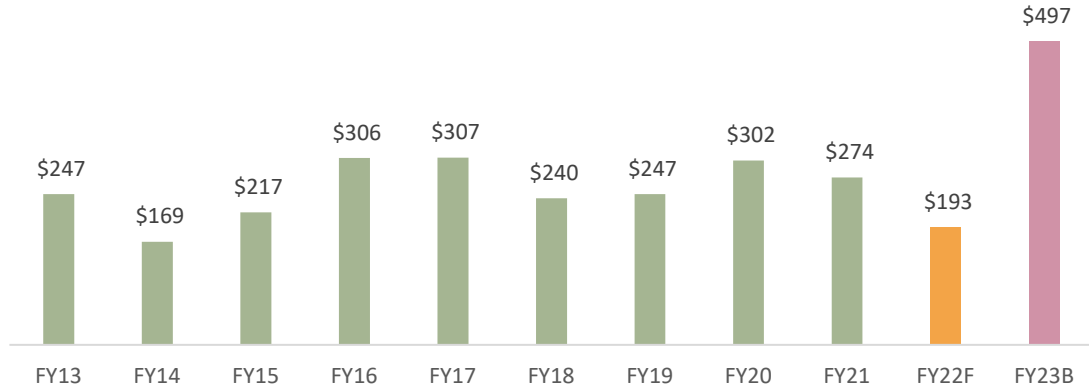
FY2023 Expenses by Type



Revenue/Expense Mix: Net tuition and fees and sponsored programs each account for a little less than 30% of the GAAP academic budget revenues, as shown in the chart above. Other income is the third largest category at 20% with investment income next at 17%. Other income includes revenue from clinical care delivered by the School of Veterinary Medicine and the School of Dental Medicine, technology transfer royalty income, and the revenue of the independent operations of the University, which include University City Associates (UCA) real estate operations, the Hilton Inn at Penn, and the Sheraton University City Hotel. The remaining revenues in the GAAP budget consist of contributions that support current operations at 4%, Health System transfers at 3%, and the Commonwealth appropriation at 1%. Compensation represents 59% of total expenses in the GAAP academic budget. Current expense is the next largest category at 30%, with the remainder accounted for by depreciation and amortization expense at 6%, student aid expense at 4%, and interest expense (1%).

The RCM Budget: As shown in Schedule B, the FY2023 budget on an RCM basis has a surplus of \$422 million. Unlike GAAP results, RCM performance is affected by the level of capital spending, which is anticipated to reach record levels in FY2023 with a large number of major projects under construction, including Amy Gutmann Hall, Vagelos Laboratory for Energy Science and Technology, and Quad and College Hall renovations (*see following chart*).

Capital Spending History (\$M)



Represents spending on capital projects embedded in the RCM budget. Excludes activity outside of capital funds and capitalized interest. RCM capital transactions also include debt service and equipment purchases outside of capital project funds.

Discussion of Individual Revenue and Expense Categories

Tuition and Fees

Penn's undergraduate tuition and fee charges will increase by 2.9% in FY2023 to \$63,452, sustaining the lowest percentage increase for tuition since the 1960s for a second year. Peer institutions have reported tuition and fee increases ranging from 2.4% to 4.0%. Historically, Penn's increases have closely matched the average for its peer group but have generally been lower than the average for all private institutions.

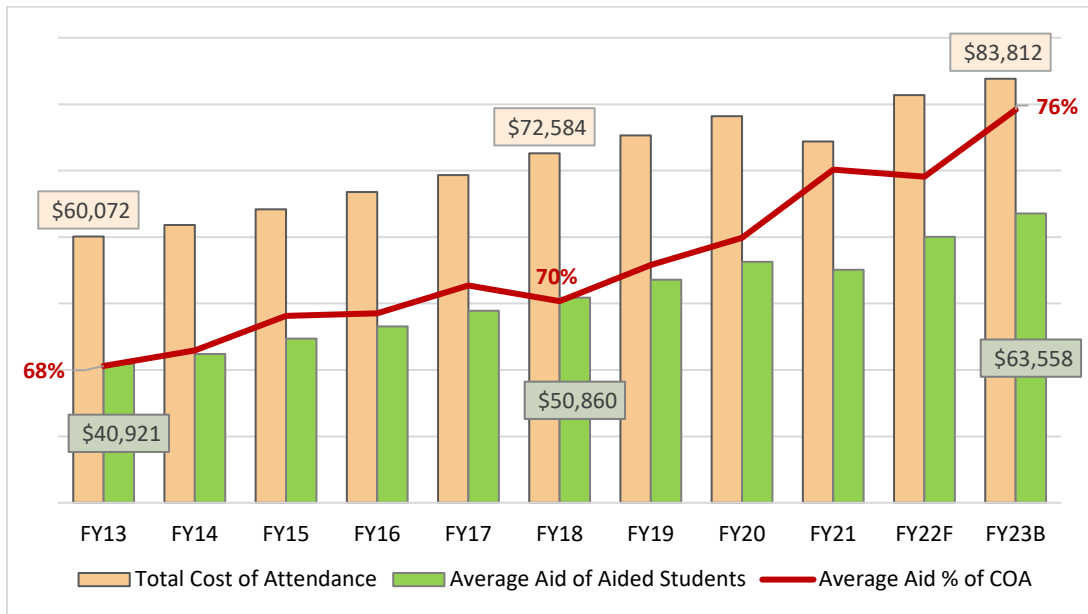
Starting in FY2019, Penn adopted a block tuition distribution approach for traditional undergraduate tuition to better align our educational mission and goals. This approach has helped create predictability and stability for budget planning and ensured that schools' decisions on course offerings are based more upon academic merit than financial considerations. Under the block approach, earned income in FY2018 served as the base for tuition distribution through FY2022, with each successive year's tuition calculated by applying the approved tuition parameter for that year. A planned recalibration will take effect in FY2023.

Financial Aid

Undergraduate Aid: Penn's undergraduate financial aid program supports its philosophy that a world-class education should be affordable and accessible to talented students from all financial backgrounds. Penn was a national leader in implementing a grant-based financial aid program in FY2009, committing to meet 100% of demonstrated financial need with grants and work-study funds, making it possible for undergraduate students to graduate without debt. In addition, because of recruiting efforts focusing on high-achieving socioeconomically diverse students, the average financial aid package as a percentage of the total cost of attendance has grown from 68% in FY2013 to a projected 76% in the FY2023 budget (see following chart). Today, one in seven undergraduate Penn students identify as the first in their family to go to college, compared to just one in 20 in 2004. Penn also offers enhanced financial aid resources to students from families who make less than \$65,500 a year with typical assets. In addition to receiving financial aid packages that cover all billed expenses, these highly aided students are also eligible for laptop funding, summer opportunity funds, and other support. In 2020, the University launched

Financial Wellness @ Penn, a personal finance education program available to all students, as well as a new commitment to middle-income families, guaranteeing financial aid packages that cover at least the cost of tuition for families that make up to \$140,000 and have typical asset levels.

Cost of Attendance vs Average Aid \$ of Aided Students
(Traditional undergraduate students)



For FY2023, the total undergraduate financial aid grant budget is \$272 million, representing an increase of 9.6%, or \$24 million, over the FY2022 forecast. This increase builds in further growth in Pell recipients, which increased by 12% to their highest level ever in FY2022 (1,664), as well as a return to pre-pandemic levels in the number of aided students.

\$259 million of the undergraduate aid budget is funded internally by unrestricted funds, income from financial aid endowments, and term gifts, and \$13 million is from Pell and other federal and state grants. In addition, students will receive about \$5 million in outside grants not reflected in Penn’s budget and about \$4 million from Penn resources for academic year work-study opportunities included in the compensation portion of the budget.

Despite the substantial growth in endowment for undergraduate aid over the past several years, the percentage of Penn’s undergraduate aid budget funded by endowment income is notably less than several of our peers. In FY2023, endowment income will fund about \$72 million, or 27%, of undergraduate financial aid. The *Power of Penn* campaign raised nearly \$900 million for student support, including 830 new undergraduate scholarships. Thanks to generous donors, the value of the undergraduate financial aid endowment has more than doubled over the past 10 years to around \$1.6 billion.

Graduate and Professional Aid: More than half of Penn’s student body is composed of graduate and professional students. The nine-month minimum stipend will again increase by 4.25% in FY2023, bringing it to \$30,547. The base School of Arts and Sciences stipend (including summer) will be \$39,151.

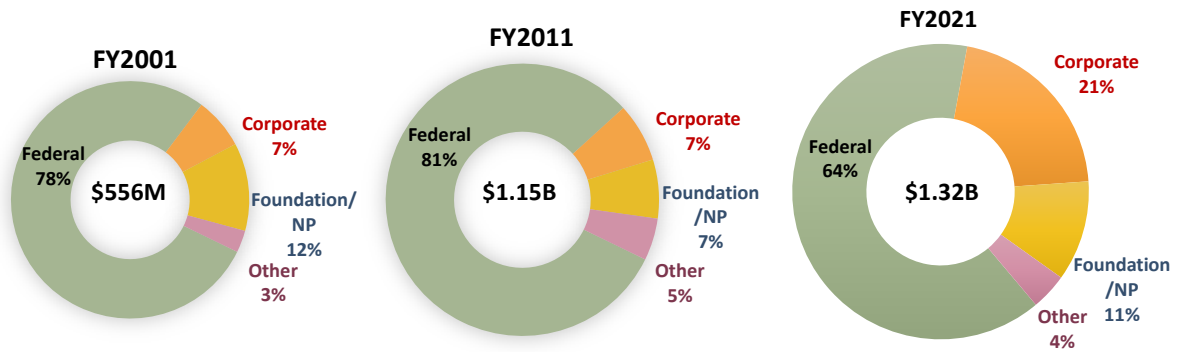
The graduate and professional financial aid budget for FY2023 totals \$293 million, with an additional \$82 million budgeted as stipend support. Most PhD students are fully funded for the first four to five years of study. Funding

includes stipends, tuition remission, fees, and health insurance. Aid for professional students is awarded based on both need and merit.

Sponsored Programs

As one of the nation’s leading research institutions, the University has maintained its strength in sponsored program awards with over \$1.3 billion in awards in FY2021. The scale and interdisciplinary character of research at Penn set us apart. Our highly ranked Perelman School of Medicine is one of the top recipients of NIH funding, with over 1,800 awards that account for over \$600 million in annual research spending. The School of Nursing ranks second among schools of nursing in NIH awards. The School of Veterinary Medicine continues to be ranked first among schools of veterinary medicine in NIH awards per faculty member. Penn also has a strong pipeline for corporate-sponsored research with a more than 20% compound annual growth rate in funding over the past decade.

Evolution of Penn’s Research Award Portfolio Over the Last Two Decades



As shown in the previous chart, FY2021 federal support represented 64% of Penn’s total research awards in that year, including grants where Penn is a subcontractor. Corporate support accounted for 21%, and foundations and non-profits for 11%. The Perelman School received approximately 76% of the sponsored program dollars awarded to the University. Other Penn schools with significant shares of sponsored program awards included Engineering (8%), Arts and Sciences (7%), and Veterinary Medicine (3%).

Indirect Cost Recovery (ICR)

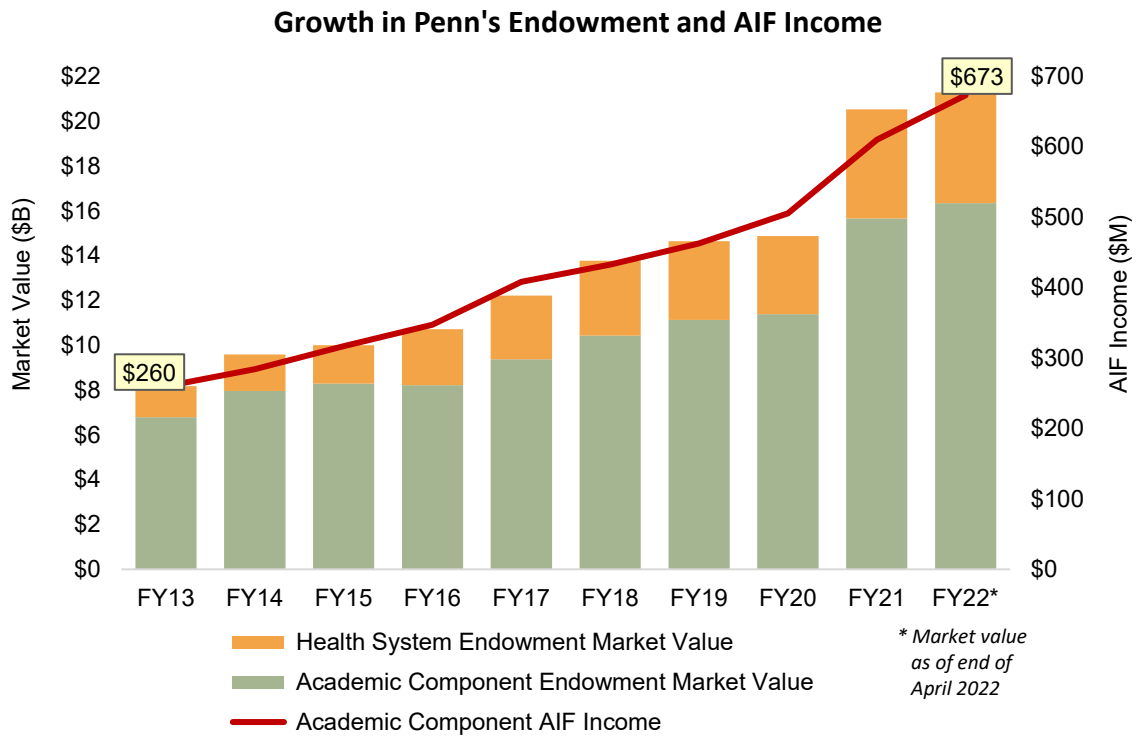
Indirect costs represent a significant portion of the overall cost of conducting laboratory investigations at large, research-oriented universities and include infrastructure, utilities, maintenance, library, and administrative expenses, both central and school-based. ICR on University grants helps offset these expenses and is a key source of unrestricted revenue. The University’s federal ICR rate for FY2023 will remain at 62.5% based on an agreement negotiated with the federal Department of Health and Human Services. The distribution of ICR in FY2023 will continue to be 88.5% to the schools; 10.5% to the Subvention Pool; and 1.0% to the Research Facilities Development Fund.

Investment Income

The University recognizes the importance of endowment income as a revenue source to support its programs and operations, and the need to protect the value of the endowment against the effects of inflation and market fluctuations. Consequently, Penn applies a spending rule policy that defines the amount of income that may be spent from the Associated Investments Fund (AIF), the pooled fund in which about 95% of the University's endowment is invested. This policy is in compliance with the Pennsylvania Uniform Principal and Income Act, which governs the investment, use, and management of nonprofit endowment funds.

Penn has a two-factor spending rule formula that ties spendable income not just to market value but also to current year income. The formula bases 70% of spending on the current year's projected spendable income plus an inflation factor and 30% on the endowment market value, lagged by one year, multiplied by the target spending rate. The target spending rate was temporarily increased from 5.0% to 7.0% in FY2021 to provide additional resources for strategic investment during the pandemic but was reduced to 6.0% in FY2022. It will return to 5.0% in FY2023.

As shown in the following chart, the value of the University's endowment, including the Health System, has grown from \$8 billion at the end of FY2013 to an estimated \$21 billion at the end of April 2022, and AIF spendable income for the Academic Component is projected at \$673 million for FY2022, which is more than double the FY2013 amount.



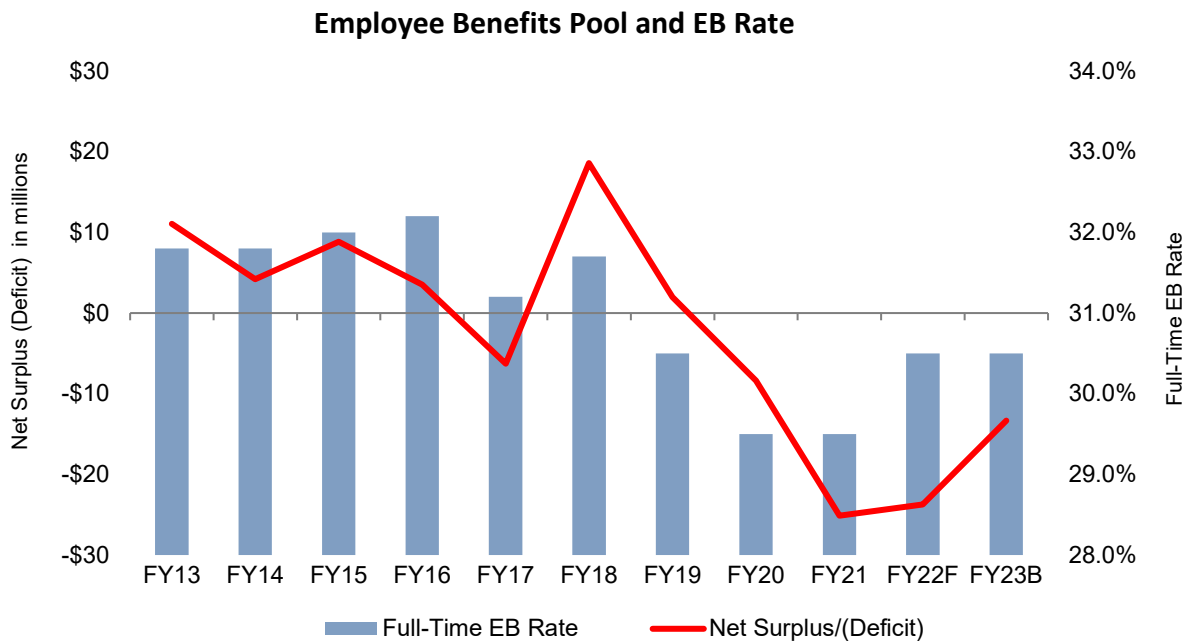
Salaries

The University’s merit increase program is designed to recognize and reward faculty and staff by paying market-competitive salaries in a fiscally prudent manner. For FY2023, the salary increase pool is 4.5%, and is based on market trends, economic conditions, and the need for fiscal responsibility. Salary increases should acknowledge the valuable contributions of faculty and staff while helping Penn remain a strong and financially viable institution and should be merit-based as supported by performance appraisals. Schools and centers are encouraged to set aside up to an additional 1.0% to meet salary adjustments and reclassification requests.

Employee Benefit Rate

The University continues to enhance its benefits programs to support recruitment and retention, while managing these programs in a cost-effective way. For FY2023, the University’s retirement plans will be amended to provide eligibility upon appointment (effective July 1) and to increase the basic contribution by 1.0% (starting January 2023). In addition, Penn selected a new long-term disability provider that will start in the fall of 2022 and chose a new billing vendor for retiree health insurance after identifying the need for a change in consultation with the Penn Association of Senior and Emeritus Faculty.

Key drivers of the EB rate include medical costs, Social Security taxes, and retirement plan contributions. Collectively, these components make up about 75% of the total costs. EB pool surpluses need to be applied to reduce future rates and deficits need to be cured by increasing the EB rate in subsequent years. Thanks to the build-up of surpluses in prior years, as well as continued strong efforts to manage costs, Penn was able to maintain the full-time EB rate at 29.5% for FY2020 and FY2021, which was the lowest level since FY2009. The rate was increased to 30.5% in FY2022 because of the high-level of participation in the faculty special retirement incentive program and will hold steady in FY2023.



It is important to recognize that the EB rate would be much higher absent the numerous initiatives the University has undertaken to control its medical costs. These initiatives, which have included redesigned health plan offerings, promoting use of generic and mail order drugs, increasing medical plan co-pays and deductibles, and a robust employee wellness program, have all contributed to reducing the increase in per capita medical costs to an average

of 2% versus the national average of 5%. For FY2022, Penn was able to enhance its health plans by adding a hearing aid benefit and an improved vision care plan.

Allocated Cost and Space Charges

Under Penn’s RCM system, each school and center pays an allocated share of the cost of certain administrative and programmatic services that are delivered centrally. Space charges account for about 36% of the total. Allocated cost and space charges are calculated based on a set of algorithms that have been devised jointly by the central University administration and the Council of Deans and are administered by Penn’s central budget office.

The overall allocated cost parameter will be 3.6% in FY2023. This follows two years where the parameter was below 3.0%, which was the lowest increase in over two decades.

From FY2020 to FY2024, the common goods allocated cost charge for IT and telecommunication services is transitioning to a distribution based on total direct costs (TDC), with the portion based on TDC increasing by 25% each year until it reaches 100% in FY2024. In order to moderate potentially large swings in charges, the budget office is applying the standard cap and floor methodology to the three combined University Services pools (traditional, public safety, and common good services).

Budget Parameters Summary

The following chart summarizes the key budget parameters that guide Penn’s budget process, including a five-year history:

	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
Total Undergraduate Charges Growth	3.9%	3.8%	3.9%	3.9%	2.8%	2.9%
Undergraduate Aid Discount Rate	40.0%	38.0%	38.0%	38.0%	37.5%	37.5%
Sponsored Program ICR Rate	61.0%	61.0%	62.0%	62.0%	62.5%	62.5%
Spendable Endowment Income Increase						
Financial Aid Endowment	-4.3%	-1.2%	1.0%	12.7%	2.1%	4.9%
Other Endowment	3.0%	4.9%	5.8%	17.6%	4.6%	6.8%
Salary Pool Increase (Faculty and Staff)	3.0%	3.0%	3.0%	2.5%*	3.0%	4.5%
Allowance for Staff Salary Adjustments	0.75%	0.5%	0.5%	0.0%	0.5%	1.0%
Full Time EB Rate	31.7%	30.5%	29.5%	29.5%	30.5%	30.5%
Allocated Cost & Space Charge Growth	3.2%	3.6%	3.8%	2.9%	2.9%	3.6%
Inflation Rate	2.3%	2.1%	1.6%	1.8%	6.5%	4.0%
* FY21 salary pool Increase was applicable only for employees earning \$70,000 or less						

Responsibility Center Budgets & Program Statements
SCHOOLS

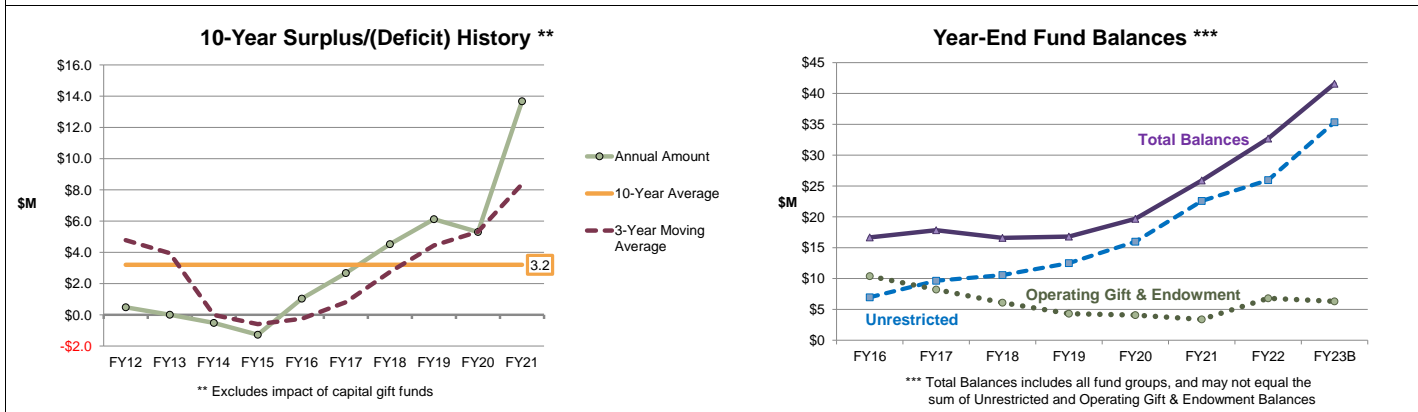
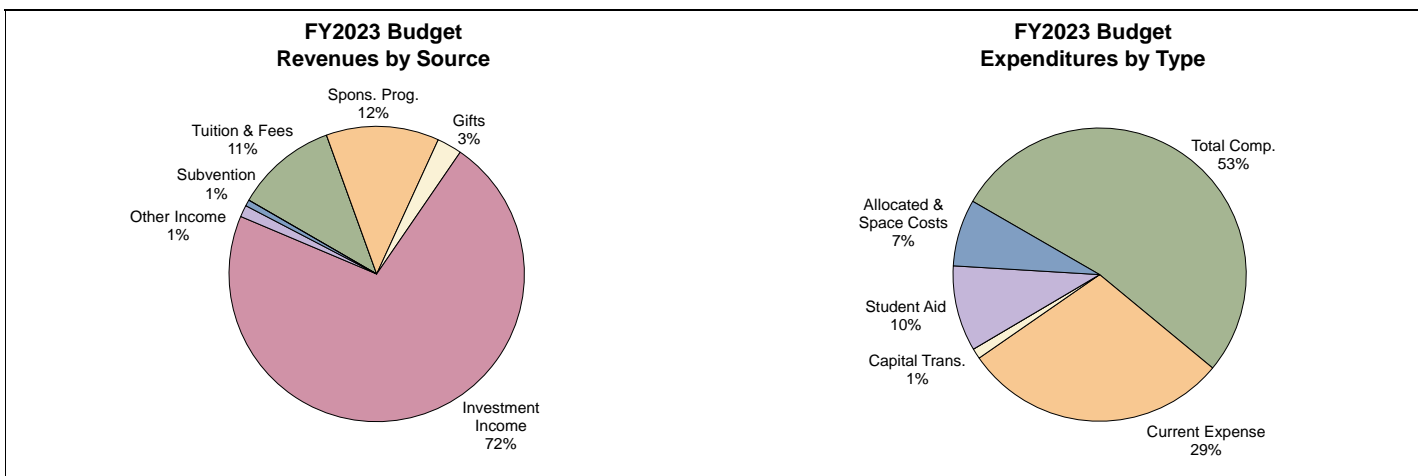
ANNENBERG SCHOOL FOR COMMUNICATION
(in thousands of dollars)

	FISCAL 2021 ACTUAL	FISCAL 2022 BUDGET	FISCAL 2022 FORECAST	% Change from 2021 Actual	FISCAL 2023 BUDGET	% Change from 2022 Forecast
--	--------------------------	--------------------------	----------------------------	---------------------------------	--------------------------	-----------------------------------

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	6,068	6,328	6,252	3%	6,618	6%
Sponsored Programs	5,247	6,117	7,489	43%	7,345	-2%
Gifts	407	703	975	140%	1,620	66%
Investment Income	37,697	39,763	39,625	5%	42,641	8%
Other Income	940	636	799	-15%	765	-4%
DIRECT REVENUES	50,360	53,547	55,140	9%	58,989	7%
University Subvention	403	403	403	0%	403	0%
Net Resource Transfers From / (To) Other Centers	(92)	(410)	(1,445)	1477%	(4)	-100%
TOTAL REVENUES & TRANSFERS	50,671	53,540	54,098	7%	59,388	10%
EXPENDITURES						
Total Compensation	20,214	21,652	22,067	9%	25,150	14%
Current Expense	8,618	9,904	10,669	24%	14,028	31%
Capital Transactions	455	1,650	555	22%	550	-1%
Student Aid	4,315	4,347	4,089	-5%	4,511	10%
NET DIRECT EXPENDITURES	33,601	37,553	37,380	11%	44,239	18%
Allocated Cost & Space Charges	3,395	3,460	3,460	2%	3,523	2%
TOTAL EXPENDITURES	36,996	41,013	40,840	10%	47,762	17%
SURPLUS/(DEFICIT) *	13,675	12,527	13,258		11,626	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	0%	-	0%
Ph.D.	70	68	68	-3%	67	-1%
Professional & Other Degree	-	-	-	0%	-	0%
Certificate & Non-Degree	1	-	-	-100%	-	0%
Total Students	71	68	68	-4%	67	-1%
Standing Faculty	20	19	19	-5%	20	5%
Staff	78	87	85	9%	87	2%



** Excludes impact of capital gift funds

*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

The Annenberg School for Communication remains an international leader in paradigm-shifting research and innovative teaching on media and communication, emphasizing the importance of linking rigorous academic scholarship to valuable policy and public engagement. ASC offers a PhD in Communication as well as an undergraduate Communication major through the School of Arts and Sciences. This year, ASC has also launched the School's first executive education program in collaboration with the School of Social Policy and Practice.

Outstanding faculty are the proverbial engine that powers Annenberg's core mission, and the School is constantly working to recruit and retain exceptionally strong scholars. Two new scholars of global communication have recently been recruited: [Dr. Aswin Punathambekar](#) and [Dr. Juan Llamas-Rodriguez](#). Dr. Punathambekar will also direct the Center for the Advancement of Global Research in Communication (CARGC). In collaboration with SSPP, ASC is seeking to recruit a PIK professor who is a specialist in social media and youth violence issues.

Key Budget Assumptions

Maintaining Budget Balance: In FY2022, ASC was able to stay within budget by focusing on core research, education, and service missions. In FY2023, ASC will maintain this approach while also looking to diversify its revenue stream by utilizing the newly launched ASC institutional advancement office.

Faculty Positions: The FY2023 budget assumes 22 standing faculty, including two PIKs whose home school is outside of ASC. This figure factors in one retirement and the addition of two global communication scholars and one target of opportunity hire. ASC will also have four academic research associates, one research assistant professor, and three full-time lecturers. The number of postdoctoral positions is expected to remain the same in FY2023 to keep pace with increased sponsored program activity.

Staff Positions: ASC plans to increase the number of FTEs by two in FY2023 due to two additional staff at the Annenberg Public Policy Center. Although there has been significant attrition in FY2022, five of the seven vacancies have been filled and the budget assumes the other two open positions will be filled by the end of FY2022.

Capital Project Priorities: In FY2022, the School completed a window replacement project and began the design phase to renovate two bathrooms on the second floor of its main building at 3620 Walnut Street. The bathroom project will take place this summer and fall. In addition, ASC began the design phase to replace the roof; the cost of the project is estimated at \$2.95 million, of which \$2.8 million will be accounted for in the FY2024 budget. ASC also has contracted with SMP Architects to study space utilization at 3620 Walnut and develop a space program to support the school's growth and strategic initiatives over the next five years.

SCHOOL OF ARTS AND SCIENCES
(in thousands of dollars)

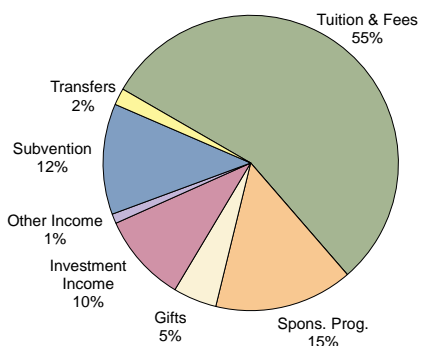
FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	336,305	353,005	350,889	4%	365,876	4%
Sponsored Programs	86,570	84,908	95,071	10%	100,296	5%
Gifts	30,360	40,037	32,858	8%	31,599	-4%
Investment Income	57,050	61,162	59,284	4%	64,390	9%
Other Income	7,275	6,505	9,287	28%	6,973	-25%
DIRECT REVENUES	517,560	545,616	547,389	6%	569,135	4%
University Subvention	77,476	78,839	78,839	2%	80,231	2%
Net Resource Transfers From / (To) Other Centers	9,466	5,691	6,406	-32%	12,156	90%
TOTAL REVENUES & TRANSFERS	604,502	630,146	632,633	5%	661,521	5%
EXPENDITURES						
Total Compensation	275,139	282,391	284,164	3%	300,458	6%
Current Expense	44,522	58,174	54,615	23%	67,175	23%
Capital Transactions	17,599	34,154	42,145	139%	63,089	50%
Student Aid	144,464	147,589	144,247	0%	147,466	2%
NET DIRECT EXPENDITURES	481,724	522,308	525,172	9%	578,188	10%
Allocated Cost & Space Charges	89,907	91,459	91,459	2%	94,353	3%
TOTAL EXPENDITURES	571,631	613,767	616,631	8%	672,541	9%
SURPLUS/(DEFICIT) *	32,871	16,379	16,002		(11,020)	

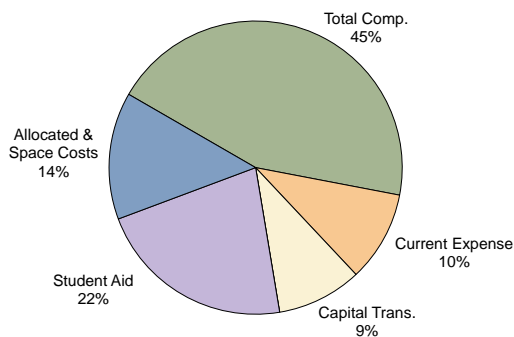
* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	5,887	6,066	5,887	0%	5,924	1%
Ph.D.	1,333	1,263	1,221	-8%	1,215	0%
Professional & Other Degree	569	636	657	15%	671	2%
Certificate & Non-Degree	358	648	393	10%	455	16%
Total Students	8,146	8,613	8,158	0%	8,265	1%
Standing Faculty	500	491	495	-1%	491	-1%
Staff	725	713	711	-2%	725	2%

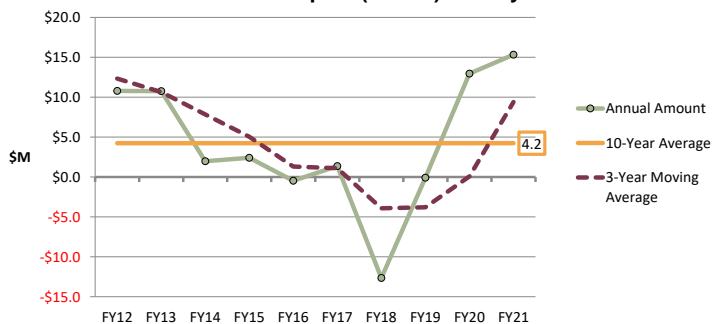
FY2023 Budget Revenues by Source



FY2023 Budget Expenditures by Type

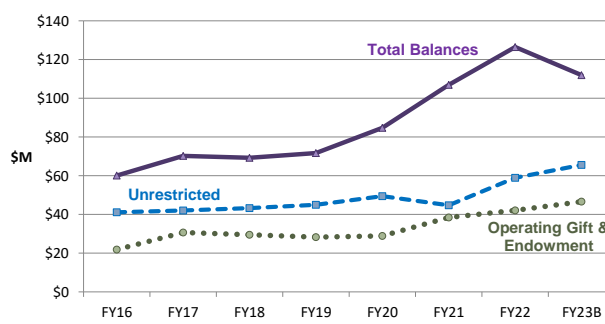


10-Year Surplus/(Deficit) History **



** Excludes impact of capital gift funds

Year-End Fund Balances ***



*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

The [School of Arts and Sciences](#) (SAS) is the intellectual core of the University, providing liberal arts education for all Penn undergraduates and supporting graduate studies, basic research, and lifelong learning across the humanities, social sciences, and natural sciences. The School's educational and research activities take place in 27 departments, 24 interdisciplinary undergraduate programs, 31 graduate groups, and 28 research centers, in programs leading to the BA, BAAS, AM, MS, PhD, and eight professional master's degrees. The School's major educational units are the undergraduate [College](#), the [Graduate Division](#), and the [College of Liberal and Professional Studies](#) (LPS).

[Our Foundations and Frontiers: A Strategic Plan for Penn Arts and Sciences](#), which reflects the vision of *Penn Compact 2022*, continues to guide programmatic priorities and investments that strengthen a foundational core of faculty and students and advance integrated knowledge through a series of eight academic themes. It is complemented by a series of [inclusion and anti-racism initiatives](#) issued in 2020.

Key Budgetary Assumptions

Enrollment: SAS projects an overall increase in enrollment of about 1% driven primarily by growth in professional master's and certificate programs. The projected enrollment for FY2023 includes 5,877 full-time undergraduates; 1,215 full-time doctoral students; 671 professional and other degree FTEs; and 455 certificate and non-degree FTEs.

Faculty and Staff Positions: The FY2023 budget assumes that the School will have 491 filled standing faculty positions, 35 of which will be on leave, and 725 filled staff positions.

Research: The School projects total research funding to be \$100.3 million, an increase of 5.5% versus the FY2022 forecast. This growth builds on the rebound in grant activity SAS has experienced this year.

Fundraising: Gift receipts to SAS are projected at \$7.8 million for term gifts, \$12 million for undergraduate financial aid, \$5.8 million for other endowed gifts, and \$17.9 million for term gifts for capital projects.

Capital Project Priorities: The School is proceeding with construction for the new Vagelos Energy Science and Technology building in partnership with SEAS. In addition to many other significant projects, in FY2023 SAS will implement programming and schematic design for extensive renovations to David Rittenhouse Laboratories and a new Physical Sciences Building. Architect selection is underway.

Cost Containment and Revenue Enhancement: In response to financial pressures brought on by the pandemic, SAS implemented a number of expense reduction initiatives that worked to both balance its budget in FY2021 and create savings over the following five years. SAS froze school-funded PhD admissions in Fall 2021 (FY2022), a move that will create budgetary savings through FY2026. In addition, SAS will continue to reduce its school-funded faculty headcount in FY2023 through greater utilization of University funding programs; similar efforts have driven an unprecedented drop in year-over-year spend on faculty salaries in FY2022. LPS revenues are healthy and have largely recovered. Grant overhead revenue has been strong in FY2022 and is anticipated to grow further in FY2023. The growth in ICR is broad-based across many faculty and all of the School's major programs.

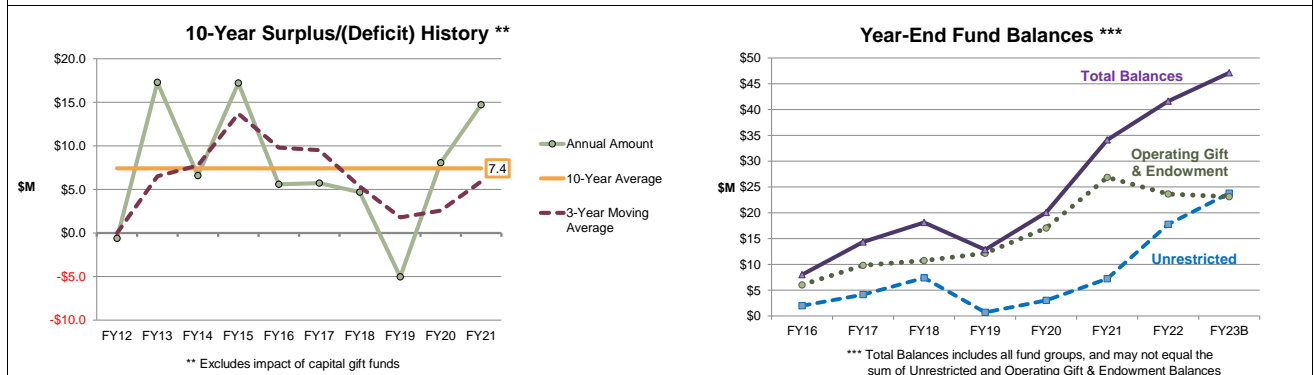
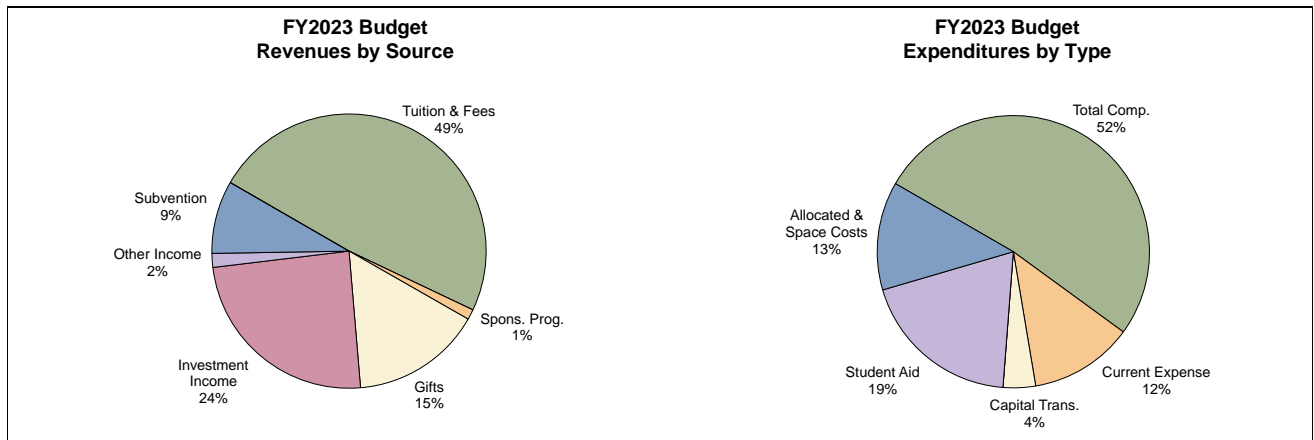
PENN CAREY LAW
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	45,987	53,505	53,856	17%	53,336	-1%
Sponsored Programs	1,220	773	911	-25%	1,319	45%
Gifts	18,524	16,055	10,549	-43%	16,858	60%
Investment Income	23,566	25,269	24,682	5%	26,751	8%
Other Income	1,771	1,653	1,945	10%	1,795	-8%
DIRECT REVENUES	91,067	97,255	91,944	1%	100,059	9%
University Subvention	7,714	8,883	9,203	19%	9,414	2%
Net Resource Transfers From / (To) Other Centers	(42)	(484)	(75)	80%	(114)	52%
TOTAL REVENUES & TRANSFERS	98,739	105,654	101,072	2%	109,359	8%
EXPENDITURES						
Total Compensation	47,896	49,817	49,795	4%	53,681	8%
Current Expense	10,481	14,324	11,487	10%	12,813	12%
Capital Transactions	(482)	2,500	1,350	-380%	4,000	196%
Student Aid	13,985	19,725	18,168	30%	19,989	10%
NET DIRECT EXPENDITURES	71,881	86,366	80,800	12%	90,483	12%
Allocated Cost & Space Charges	12,078	12,728	12,728	5%	13,361	5%
TOTAL EXPENDITURES	83,959	99,094	93,528	11%	103,844	11%
SURPLUS/(DEFICIT) *	14,781	6,560	7,543		5,515	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	854	923	1,012	19%	975	-4%
Certificate & Non-Degree	10	14	14	40%	14	0%
Total Students	864	937	1,026	19%	989	-4%
Standing Faculty	50	55	50	1%	53	6%
Staff	154	163	162	5%	170	5%





Major Areas of Focus and Activity

[Penn Law](#) is committed to access and opportunity, investment in leaders, provision of pathways to public service, and fostering transformative thinkers. The FY2023 budget puts in place the framework for implementation of the groundbreaking gifts made to the School by the W. P. Carey Foundation and the Toll Family, which have already led to profound achievements in the recruitment of world-class faculty, expanded programming, and the availability of public service opportunities throughout the School.

The [Toll Public Interest Center](#) (TPIC), through which Penn Carey Law students complete their required pro bono service, continues to build deep and abiding partnerships advancing the capacity of public interest advocacy in Philadelphia and nationwide. This distinctive pro bono program responded actively to pandemic conditions, bringing legal services to hundreds of community members.

Key Budgetary Assumptions

The School's budget priorities continue to include:

- ramping up the implementation of the programs supported by the Toll and Carey gifts;
- recruiting and retaining the highest quality legal scholars;
- adapting to the evolving student, faculty, staff, and other demands that the pandemic and subsequent staffing and HR challenges have brought to the workplace;
- managing and evaluating additional requirements that the increased JD Class of 2024 size places on staff, faculty and student aid; and
- prudently managing the financial elements of its capital program.

Enrollment and Tuition: The FY2023 budget projects a return to the normal JD class size for the Class of 2025, with approximately 250 first-year students. The LLM class size is also expected to return to its normal size of 115 students, compared to the 156 students in FY2022. Despite a 3.3% tuition rate increase, tuition and fees are budgeted to decline slightly compared to FY2022 to reflect the resizing of the incoming classes.

Compensation: The FY2023 budget includes a 7.8% increase in faculty and staff compensation. The increase reflects full-year costs for recent faculty hires, reclassification and merit increases for current staff, and increased competition in hiring for qualified faculty and staff candidates for all positions. The Carey gift provides the resources for faculty hiring and retention, while the University has supported the need for additional staffing through reclassifications and increases for key staff. Penn Law will continue to be vigilant in managing compensation costs, but many of the underlying factors driving the FY2023 increase are expected to continue to place upward pressure on the School's compensation cost structure going forward.

Capital Projects: The top priority for FY2023 will be the completion of the renovation of Silverman's second floor, including new lighting, finishes, audiovisual equipment, furniture, HVAC improvements, and restoration of historic architectural features for the Levy Conference Center and the Kabacoff Reading Room. School capital investments in FY2024 and beyond will include upgrades to Silverman Hall stacks and seminar rooms, Gittis hallways and classrooms, Golkin office updates, and Tanenbaum space to coincide with the redefinition of the library. The School anticipates that donor support will be found for many of these efforts.

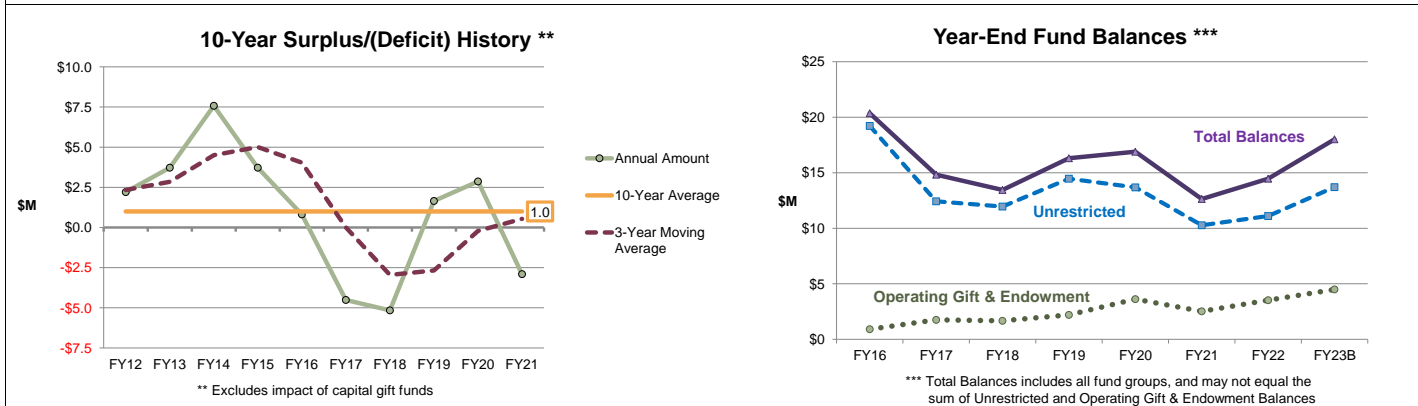
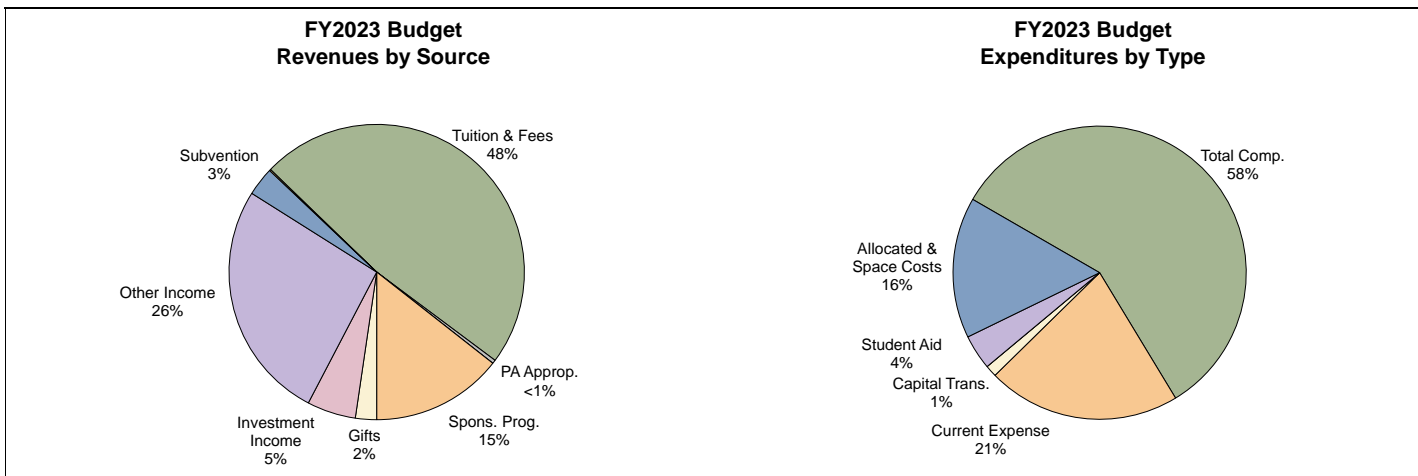
SCHOOL OF DENTAL MEDICINE
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	51,168	56,451	56,498	10%	62,210	10%
Commonwealth Appropriation	517	517	517	0%	517	0%
Sponsored Programs	18,286	18,494	18,494	1%	18,680	1%
Gifts	1,942	3,000	3,500	80%	3,000	-14%
Investment Income	5,446	6,480	6,247	15%	6,929	11%
Other Income	28,447	30,992	31,046	9%	34,084	10%
DIRECT REVENUES	105,806	115,935	116,302	10%	125,419	8%
University Subvention	4,058	4,058	4,058	0%	4,058	0%
Net Resource Transfers From / (To) Other Centers	77	(4)	466	503%	186	-60%
TOTAL REVENUES & TRANSFERS	109,941	119,989	120,826	10%	129,663	7%
EXPENDITURES						
Total Compensation	57,190	65,247	65,095	14%	73,144	12%
Current Expense	26,900	27,553	26,968	0%	26,888	0%
Capital Transactions	5,823	2,519	3,353	-42%	1,619	-52%
Student Aid	4,869	4,925	5,002	3%	4,853	-3%
NET DIRECT EXPENDITURES	94,782	100,244	100,418	6%	106,504	6%
Allocated Cost & Space Charges	17,982	18,576	18,576	3%	19,610	6%
TOTAL EXPENDITURES	112,764	118,820	118,994	6%	126,114	6%
SURPLUS/(DEFICIT) *	(2,823)	1,169	1,832		3,549	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	622	684	679	9%	732	8%
Certificate & Non-Degree	107	106	106	-1%	107	1%
Total Students	729	790	785	8%	839	7%
Standing Faculty	50	51	52	5%	54	4%
Staff	284	325	338	19%	350	4%



** Excludes impact of capital gift funds

*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

[Penn Dental Medicine](#) (PDM) is one of the smaller schools at the University, but its local, national, and global impact is substantial, supported by a team that works diligently to execute PDM's [mission](#). The School has an enormously innovative [research enterprise](#), ranking in the top three dental schools in extramural funding. PDM's impact in the Philadelphia community is profound, with more than 30,000 patients receiving 165,000 treatment visits annually. The [Penn Dental Family Practice](#) (PDFP) is the dental care home for many members of the Penn community. PDM offers a [Doctor of Dental Medicine \(DMD\)](#) degree, nine [graduate dental education programs](#), and [five post-graduate programs](#).

Key Budgetary Assumptions

Tuition: FY2023 enrollments are expected to grow by 17 students each in the DMD program and Program for Advanced Standing Students (PASS), resulting in additional tuition revenue versus FY2022 of \$2.7 million. The tuition rate for the DMD program will increase by 5% to meet rising operational and staffing costs. Two new master's programs have been launched, the Master of Oral Health Sciences (MOHS) and Master of Advanced Dental Studies (MADS), with an additional program under consideration. The two new master's programs will provide a projected revenue stream of \$1.1 million in FY2023.

Endowments: The market value of PDM endowment has grown 68% since the end of FY2018. As of April 2022, the market value was \$151.1 million compared to \$90.0 million at the close of FY2018.

Clinical Operations and PDFP: Clinical operations have rebounded from the downturn in revenues experienced early in the pandemic. In FY2023, patient care revenue in student teaching clinics is expected to meet or exceed pre-pandemic levels, with projected revenue of \$14.7 million. PDFP clinical productivity is on track to follow this upward trend with an \$18.4 million projection for FY2023, up from \$16.8 million anticipated in FY2022.

Sponsored Programs: The budget provides for modest growth in grant revenues, continuing the trend seen in FY2022.

Faculty and Staff Positions: The School expects to recruit key faculty, both standing and non-standing, to support the growth in the class size. Filled standing faculty positions are budgeted at 54, up two from the FY2022 forecast. Staff recruitment is also expected for part-time and full-time positions, to support community outreach programs.

Current Expense: A continued increase in clinical supplies and cleaning expense is expected in FY2023 versus original estimates due primarily to the additional costs for personal protective equipment (PPE) and increased clinical cleaning protocols due to the pandemic (from three days per week to daily).

Capital Project Priorities: The School currently has no major capital plans for FY2023. Several small renovations are planned to ensure PDM meets the clinical requirements for the Commission on Dental Accreditation (CODA) review scheduled for September 2023.

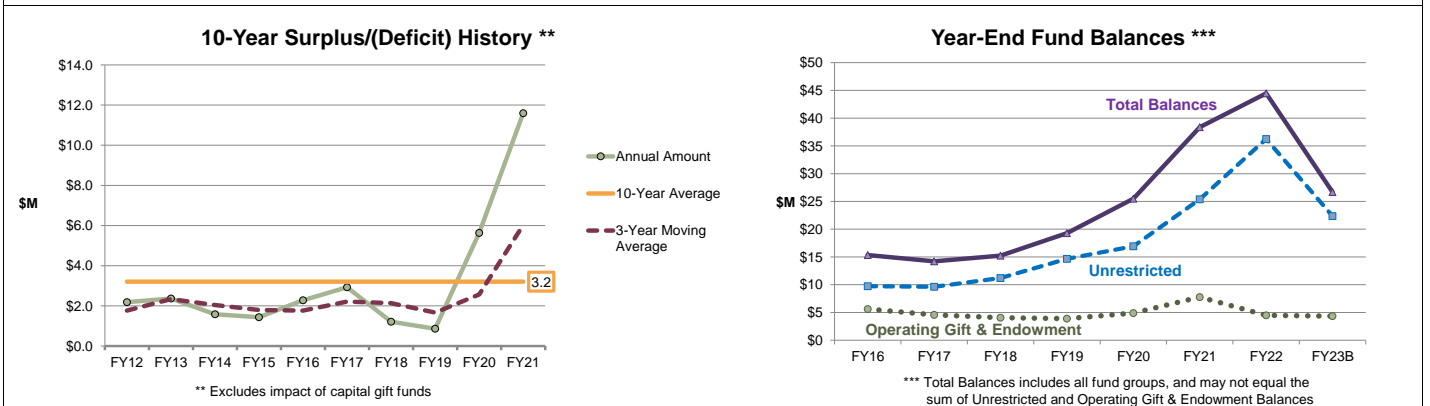
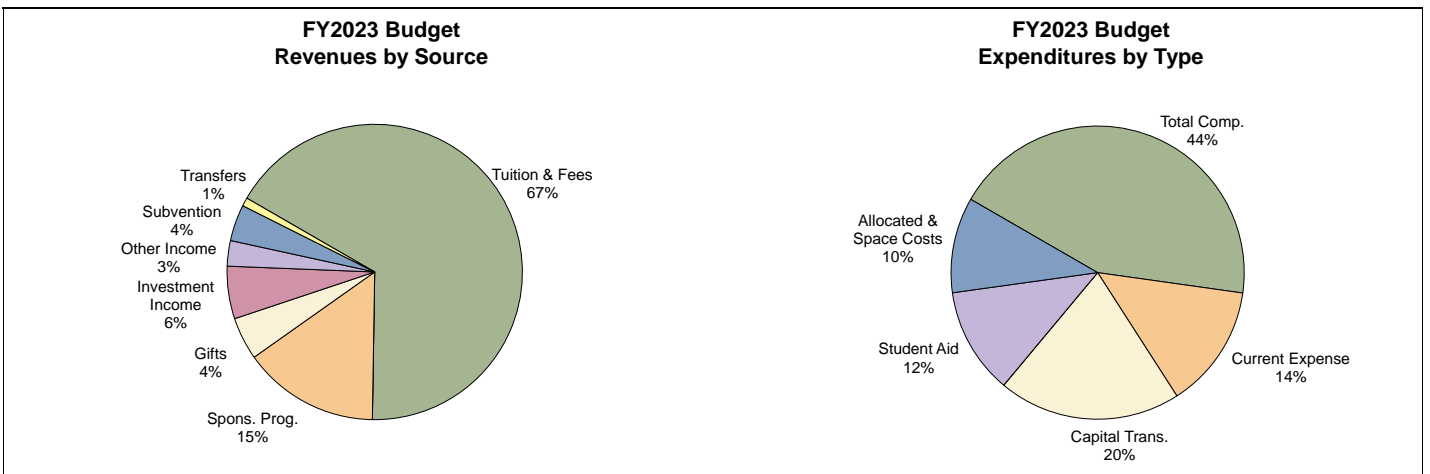
GRADUATE SCHOOL OF EDUCATION
(in thousands of dollars)

	FISCAL 2021 ACTUAL	FISCAL 2022 BUDGET	FISCAL 2022 FORECAST	% Change from 2021 Actual	FISCAL 2023 BUDGET	% Change from 2022 Forecast
--	--------------------------	--------------------------	----------------------------	---------------------------------	--------------------------	-----------------------------------

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	51,446	51,355	61,289	19%	54,331	-11%
Sponsored Programs	11,007	12,906	11,061	0%	12,138	10%
Gifts	7,022	3,437	3,372	-52%	3,792	12%
Investment Income	4,049	4,329	4,332	7%	4,673	8%
Other Income	2,267	2,375	1,846	-19%	2,264	23%
DIRECT REVENUES	75,791	74,402	81,900	8%	77,197	-6%
University Subvention	3,165	3,200	3,200	1%	3,238	1%
Net Resource Transfers From / (To) Other Centers	1,594	1,019	1,068	-33%	750	-30%
TOTAL REVENUES & TRANSFERS	80,550	78,621	86,168	7%	81,185	-6%
EXPENDITURES						
Total Compensation	37,722	39,341	40,877	8%	43,511	6%
Current Expense	8,495	14,644	10,243	21%	13,562	32%
Capital Transactions	(3)	2,525	3,708	nm	19,986	439%
Student Aid	11,396	11,654	11,895	4%	11,636	-2%
NET DIRECT EXPENDITURES	57,610	68,165	66,723	16%	88,695	33%
Allocated Cost & Space Charges	9,647	10,078	10,078	4%	10,440	4%
TOTAL EXPENDITURES	67,257	78,243	76,801	14%	99,135	29%
SURPLUS/(DEFICIT) *	13,293	378	9,367		(17,950)	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	97	97	99	2%	101	2%
Professional & Other Degree	1,189	1,129	1,359	14%	1,155	-15%
Certificate & Non-Degree	73	139	79	8%	139	76%
Total Students	1,359	1,365	1,537	13%	1,395	-9%
Standing Faculty	36	36	35	-3%	40	13%
Staff	142	145	145	2%	145	0%





Major Areas of Focus and Activity

Penn GSE partners with schools, communities, policymakers, and businesses to unlock educational opportunities for students locally, nationally, and globally. The School accomplishes this mission through academic programs, research, and service to its varied constituencies. In 2022, Penn GSE was again named [the number one ranked graduate school of education by US News & World Report](#), climbing the rankings from the 13th position over the last decade.

Programmatically, [GSE](#) offers master's and doctoral degree programs in specializations that are housed in [six academic divisions](#). The School is recognized for its expertise in applied psychology/human development, literacy studies, teacher preparation, education policy, cultural studies, international development, higher education, and research and evaluation methodology. GSE is a leader in innovative executive-format degree programs for practicing education professionals, which substantially widens the School's reach. With around 1,400 student FTEs, GSE is the fifth largest school at Penn in enrollment.

The current research portfolio includes over \$46 million in awards and roughly \$11 million in annual expenditures grants from both the federal government and a wide variety of foundations. GSE's service commitment is strong and supports professional development opportunities for teachers and administrators across the region and nation, a strong and deepening partnership with the Philadelphia School District, and enhanced international education development efforts with student placements circling the globe. The innovation hub [Catalyst](#) and [Center for Professional Learning](#) are expanding access to Penn learning opportunities across the globe.

Key Budgetary Assumptions

Tuition and Fees: After two years of over-yield during the admissions cycle, which resulted in enrollment exceeding capacity, GSE is projecting a return to targeted enrollment levels in FY2023. This will result in a decline in tuition and fees revenue compared to FY2022. The tuition and fee rate is set to increase by 2.9%. Tuition and fees account for approximately two-thirds of total revenue in GSE's FY2023 budget.

Research: Sponsored program revenue will increase modestly from \$11.1 million in the FY2022 forecast to \$12.1 million in FY2023.

Student Aid: GSE continues to make substantial investments in student aid. The FY2023 budget includes a modest decline associated with the lower enrollment expectations, from \$11.9 million in the FY2022 forecast to \$11.6 million in the FY2023 budget. The School continues to increase the types of aid programs offered, including special offerings for first generation and disadvantaged students.

Gifts: GSE's current pledge and pipeline schedule shows \$3.8 million in gift income for the FY2023 budget, well above historical averages. Of this amount, 50% is dedicated to the GSE expansion capital project.

Investment Income: The endowment and other investment income will provide \$4.7 million in revenue in FY2023.

Capital Transactions: [GSE's first ever expansion project](#) commenced in May 2022. The project will be largely funded in FY2023, with the budgeted expenditure of nearly \$20 million of the \$35.6 million total cost.

Salaries: Total salaries are expected to increase by nearly \$2 million, or 6.1%, compared to the FY2022 forecast, reflecting merit increases of 4.5% and faculty growth. The budget includes growth of five standing faculty FTEs and one associated faculty FTE partially offset by a decline of one FTE in academic support staff. Staff FTEs are expected to remain stable, with some upward pressure on replacement costs.

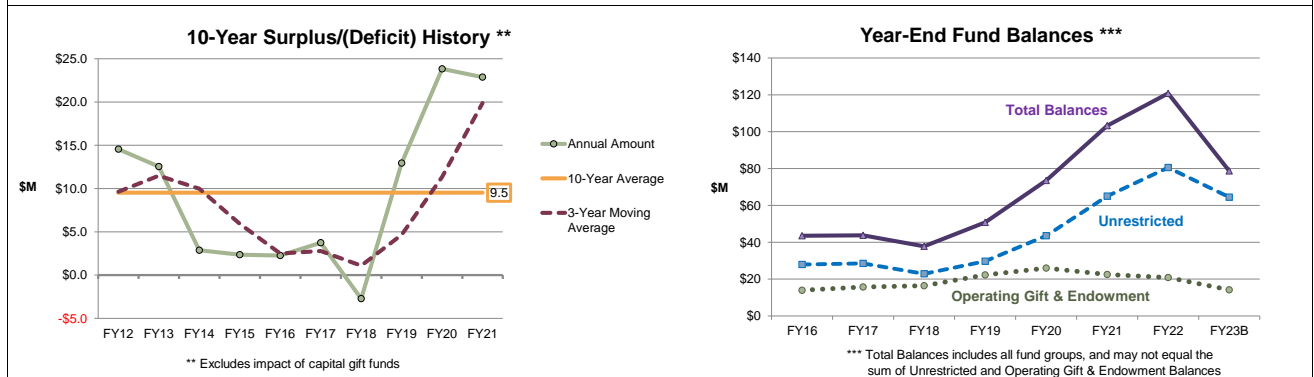
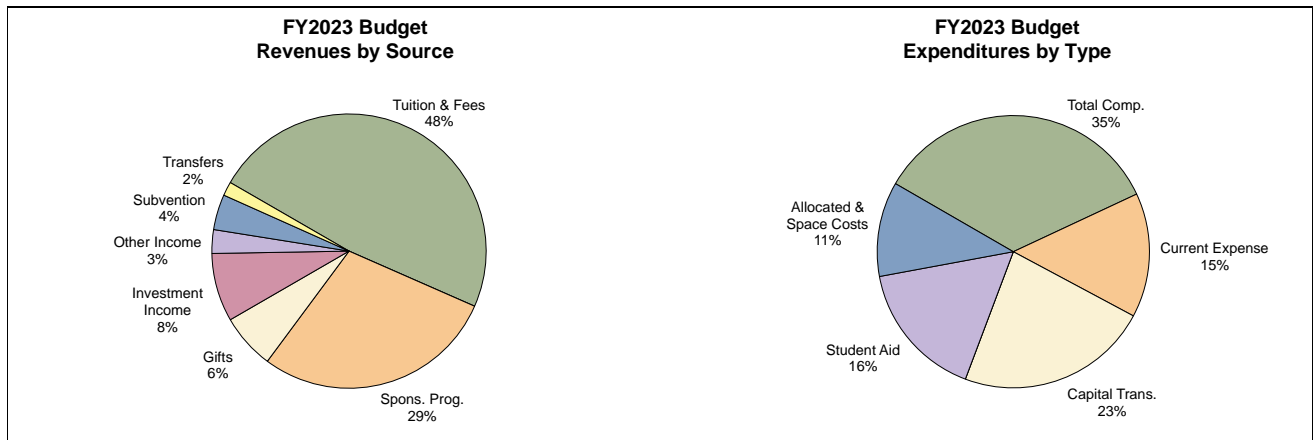
SCHOOL OF ENGINEERING & APPLIED SCIENCE
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	128,122	135,064	146,921	15%	149,575	2%
Sponsored Programs	80,637	87,515	91,267	13%	91,933	1%
Gifts	20,123	22,567	17,749	-12%	20,938	18%
Investment Income	21,156	24,018	22,302	5%	25,953	16%
Other Income	1,049	2,444	1,493	42%	8,985	502%
DIRECT REVENUES	251,087	271,608	279,732	11%	297,384	6%
University Subvention	12,465	13,578	13,351	7%	13,439	1%
Net Resource Transfers From / (To) Other Centers	4,449	2,086	5,078	14%	5,279	4%
TOTAL REVENUES & TRANSFERS	268,000	287,272	298,161	11%	316,102	6%
EXPENDITURES						
Total Compensation	99,687	108,505	110,506	11%	122,599	11%
Current Expense	32,683	51,289	48,842	49%	53,168	9%
Capital Transactions	11,560	21,094	24,246	110%	80,948	234%
Student Aid	53,338	47,944	55,354	4%	57,749	4%
NET DIRECT EXPENDITURES	197,268	228,833	238,948	21%	314,464	32%
Allocated Cost & Space Charges	36,105	37,718	37,718	4%	39,735	5%
TOTAL EXPENDITURES	233,373	266,551	276,666	19%	354,199	28%
SURPLUS/(DEFICIT) *	34,627	20,722	21,495		(38,098)	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	1,744	1,790	1,764	1%	1,765	0%
Ph.D.	707	680	768	9%	807	5%
Professional & Other Degree	1,311	1,651	1,751	34%	1,582	-10%
Certificate & Non-Degree	1	30	12	1691%	20	67%
Total Students	3,763	4,151	4,295	14%	4,174	-3%
Standing Faculty	124	132	128	3%	133	4%
Staff	222	235	233	5%	244	5%





Major Areas of Focus and Activity

For over 150 years, engineering has been a vibrant and collaborative community of innovation at the University. [Penn Engineering](#) encourages diversity of representation, thought, and experience with the belief that diversity fosters critical thinking and innovation. Its world-acclaimed faculty, state-of-the-art research laboratories, and a highly interdisciplinary curricula offer students an unparalleled learning experience that prepares them to be innovators and leaders in technology-based fields. This unique environment catalyzes technological innovation and fundamental discovery with a focus on global challenges in health, climate, energy, food, urban infrastructure, and education. SEAS offers the degrees of Bachelor of Science in Engineering (BSE), Bachelor of Applied Science (BAS), Master of Science in Engineering (MSE), Master of Biotechnology (MB), Master of Computer and Information Technology (MCIT), Master of Integrated Product Design (MIPD), and the PhD. Graduates leverage their interdisciplinary education to shape the future in engineering, industry, and commerce worldwide.

Key Budgetary Assumptions

Revenue Enhancement Measures: Building on the success of [MCIT Online](#), Penn Engineering will introduce its second world-class online master's degree program in Spring 2023. The online Master of Science in Engineering in Data Science ([MSE-DS Online](#)) will combine Ivy League-quality coursework in topics such as big data, artificial intelligence, and machine learning to propel students into careers as data scientists and data engineers.

Faculty and Staff Positions: The number of filled standing faculty positions for Fall 2022 is budgeted at 133, a net increase of five from Fall 2021. Filled, full-time staff positions are budgeted at 244, an increase of 11 positions from Fall 2021 representing planned additional support for research and online education.

Enrollment: Full-time undergraduate enrollment is budgeted at 1,765, with an incoming class of 410. PhD enrollment is projected to be 807 FTEs with 162 new matriculants, and professional and other degree program enrollment is budgeted at 1,582 FTEs with 765 new matriculants.

Research Expenditures: The School has budgeted a 5% increase in expenditures relative to the FY2022 budget. This increase is commensurate with planned investments in hiring world-class faculty research investigators and constructing state-of-the-art laboratory spaces.

Capital Project Priorities: The School's five-year budget reflects the following capital projects:

Amy Gutmann Hall: Scheduled to open in the fall of 2024, this facility is envisioned to be the first mass timber building in Philadelphia. It will be a six story, 116,000 gross square foot building on the southeast corner of 34th and Chestnut Streets and will be the focal point for data science and engineering across campus. SEAS has firm gift pledges totaling \$86 million for this \$137.5 million project. School reserves and \$1.5 million in central support will be used to close the gap between fundraising and construction costs.

Vagelos Laboratory for Energy Science and Technology: This \$169 million building, slated to open in the spring of 2025, will be located on the south side of 32nd and Walnut Streets. SEAS space in VLEST will provide state-of-the-art laboratory facilities for current and new faculty focused on energy and sustainability science and technology. The \$22.5 million SEAS portion of the project will be covered by a \$17.5 million internal capital loan and \$5 million of fundraising.

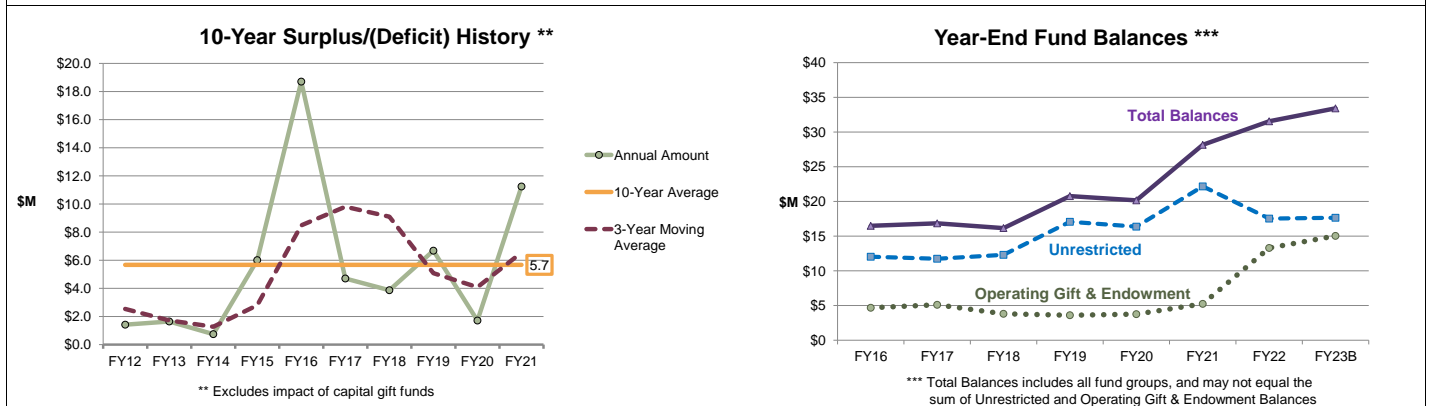
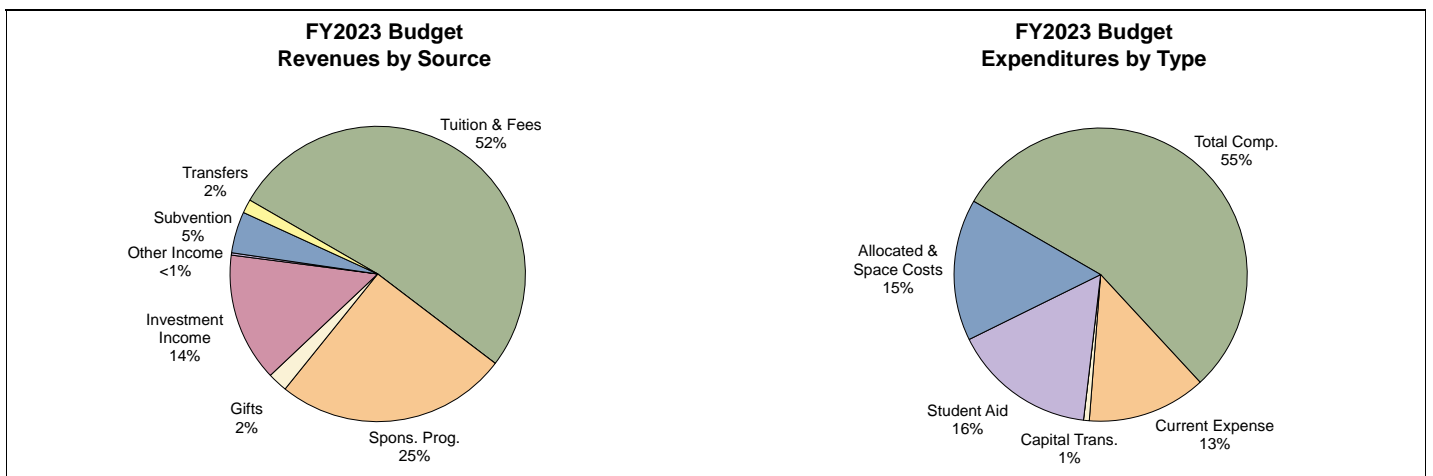
SCHOOL OF NURSING
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	44,683	45,355	43,125	-3%	44,614	3%
Sponsored Programs	19,676	20,566	21,642	10%	21,822	1%
Gifts	1,942	1,678	2,511	29%	1,858	-26%
Investment Income	8,509	8,883	10,058	18%	12,085	20%
Other Income	91	107	182	101%	219	20%
DIRECT REVENUES	74,900	76,589	77,518	3%	80,598	4%
University Subvention	3,927	3,858	3,858	-2%	3,890	1%
Net Resource Transfers From / (To) Other Centers	782	841	828	6%	1,283	55%
TOTAL REVENUES & TRANSFERS	79,609	81,289	82,204	3%	85,771	4%
EXPENDITURES						
Total Compensation	37,119	39,574	40,385	9%	44,056	9%
Current Expense	7,676	9,369	9,532	24%	10,540	11%
Capital Transactions	66	655	796	1108%	511	-36%
Student Aid	11,516	12,856	11,942	4%	12,735	7%
NET DIRECT EXPENDITURES	56,377	62,455	62,655	11%	67,842	8%
Allocated Cost & Space Charges	11,991	12,418	12,418	4%	12,563	1%
TOTAL EXPENDITURES	68,368	74,873	75,073	10%	80,405	7%
SURPLUS/(DEFICIT) *	11,242	6,416	7,131		5,366	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	412	410	407	-1%	407	0%
Ph.D.	49	56	43	-12%	44	2%
Professional & Other Degree	555	530	476	-14%	480	1%
Certificate & Non-Degree	10	10	12	20%	12	0%
Total Students	1,026	1,006	938	-9%	943	1%
Standing Faculty	54	57	54	0%	58	7%
Staff	128	140	143	12%	143	0%





Major Areas of Focus and Activity

The [School of Nursing](#) has adapted to the myriad of challenges posed by the pandemic and continues to advance and elevate its educational and research programs. The School successfully navigated the return to campus, including the return of students to classrooms, implemented a full resumption of on-campus research, and transitioned to hybrid work arrangements. Penn Nursing's excellence is evidenced by its first-place ranking for graduate and professional programs by *QS World University Rankings* and a high ranking for the undergraduate program in *US News & World Report's* first-ever undergraduate program ranking. Fundraising goals were exceeded in the recently completed *Innovating for Life and Living* campaign, and a [historic gift of \\$125 million](#) was received from Leonard A. Lauder to create the [Leonard A. Lauder Community Care Nurse Practitioner Program](#). The School continues to promote wellness and a supportive climate for all constituents and remains committed to providing resources that support underrepresented minority students and integrating social justice into school missions.

Key Budgetary Assumptions

Enrollment: The School's tuition and fee revenue remains stable. Early FY2023 admissions data indicate steady enrollment and class sizes comparable to FY2022. Clinical sites access impacts student enrollment, and progress continues toward enhancing student clinical experiences that meet the needs of faculty and hospital partners. This fall, the Accelerated Bachelor of Science in Nursing (ABSN) program will transition from a five to a four-term program with enhanced affordability and accessibility resulting in high student enrollment.

Tuition Rates: The tuition rates for the MSN and DNP programs are increasing by 2.9%.

Faculty and Staff Positions: Because 41% of its standing faculty are eligible to retire, the School anticipates needing to recruit four to six new faculty each year. Due to the competitive job market, higher compensation costs are expected, both to recruit new faculty and to retain existing ones. Staff positions support growing research and educational initiatives, and additional staff are needed in student-facing areas and school operations to fill positions left vacant during the pandemic hiring freeze.

Research: The research mission continues to outperform expectations. Greater-than-expected awards and spending have been realized and there is robust activity across Penn Nursing. Further, indirect cost recovery continues to increase.

Current Expense: Because of the shift to hybrid work arrangements, Penn Nursing is adopting a laptop standard for its computers; higher costs are expected to be offset by more efficient operations. The School will also move forward on upgrades to classroom and conference room technology that had been delayed due to the pandemic, enabling higher-quality hybrid meetings in these spaces.

Capital Project Priorities: With facilities renewal funding, the School will begin modernization of Claire Fagin Hall's emergency generator, as well as complete electrical switch gear replacement. It will also complete the nursing digital communication center and furniture refresh project and explore programmatic space change and reconstruction of the former history center archival space.

PERELMAN SCHOOL OF MEDICINE
(in thousands of dollars)

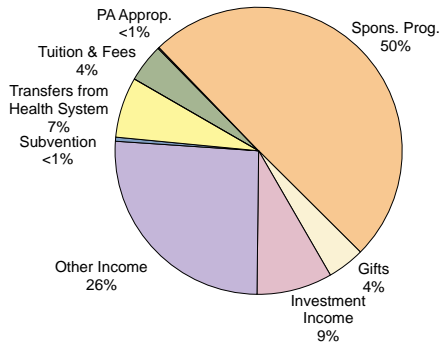
	FISCAL 2021 ACTUAL	FISCAL 2022 BUDGET	FISCAL 2022 FORECAST	% Change from 2021 Actual	FISCAL 2023 BUDGET	% Change from 2022 Forecast
--	--------------------------	--------------------------	----------------------------	---------------------------------	--------------------------	-----------------------------------

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	72,769	74,717	76,723	5%	78,414	2%
Commonwealth Appropriation	2,673	2,673	2,673	0%	2,673	0%
Sponsored Programs	818,963	814,155	866,270	6%	903,975	4%
Gifts	72,733	58,310	83,396	15%	76,516	-8%
Investment Income	122,895	134,270	135,098	10%	155,090	15%
Other Income	136,825	65,971	606,872	344%	471,033	-22%
DIRECT REVENUES	1,226,858	1,150,095	1,771,032	44%	1,687,701	-5%
University Subvention	8,196	8,242	8,242	1%	8,291	1%
Transfers from Health System	180,904	184,950	159,120	-12%	123,996	-22%
Net Resource Transfers From / (To) Other Centers	(14,546)	(18,647)	(17,442)	20%	(17,353)	-1%
TOTAL REVENUES & TRANSFERS	1,401,411	1,324,640	1,920,952	37%	1,802,635	-6%
EXPENDITURES						
Total Compensation	639,694	671,017	687,348	7%	736,837	7%
Current Expense	283,450	307,539	326,574	15%	355,461	9%
Capital Transactions	41,973	54,145	54,548	30%	54,828	1%
Student Aid	62,130	63,816	65,787	6%	70,969	8%
NET DIRECT EXPENDITURES	1,027,247	1,096,518	1,134,257	10%	1,218,095	7%
Allocated Cost & Space Charges	157,317	161,867	161,867	3%	169,946	5%
TOTAL EXPENDITURES	1,184,564	1,258,385	1,296,124	9%	1,388,041	7%
SURPLUS/(DEFICIT) *	216,847	66,255	624,829		414,594	

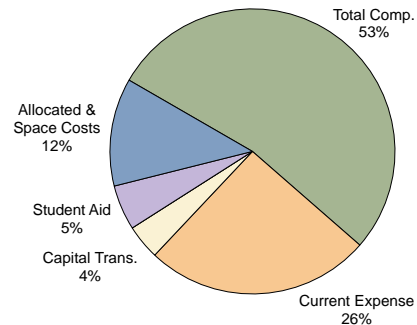
* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	850	860	880	4%	885	1%
Professional & Other Degree	861	870	858	0%	870	1%
Certificate & Non-Degree	37	40	43	17%	45	5%
Total Students	1,747	1,770	1,781	2%	1,800	1%
Standing Faculty	1,537	1,522	1,530	0%	1,558	2%
Staff	3,936	4,035	4,190	6%	4,265	2%

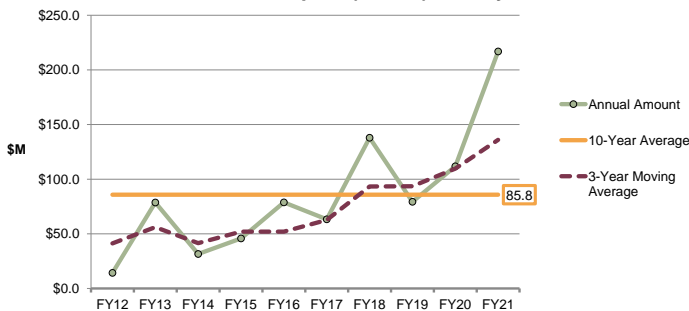
FY2023 Budget Revenues by Source



FY2023 Budget Expenditures by Type

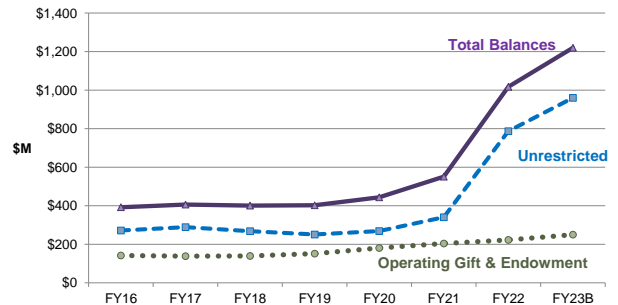


10-Year Surplus/(Deficit) History **



** Excludes impact of capital gift funds

Year-End Fund Balances ***



*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

The tripartite mission of the [Perelman School of Medicine \(PSOM\)](#) and the [University of Pennsylvania Health System \(UPHS\)](#)—together, Penn Medicine—integrates programs in education, research, and patient care to sustain institutional leadership in the era of translational medicine. Through undergraduate medical education, broad-ranging graduate, residency, fellowship programs, and continuing medical education courses, the School trains the future leaders of American medicine. Ambitious biomedical research, carried out in 28 basic science and clinical departments and in numerous multidisciplinary [centers and institutes](#), is closely linked to teaching and patient care, contributing to overall excellence in all three mission areas and to Penn Medicine’s preeminence as an integrated academic medical center.

Recent highlights include the creation of the Penn Institute for RNA Innovation, established in December 2021 under the direction of Dr. Drew Weissman, to accelerate discovery across the University. Drs. Weissman and Katalin Karikó continue to garner worldwide recognition and international awards, highlighting Penn and their accomplishments. In addition, the School has expanded and enriched the eminence of its faculty, with key recruitments and retentions that will impact FY2023 and beyond. Key recruitments include Benny Jeng, Chair of Ophthalmology, and three Penn Integrates Knowledge professors – Renee Vidal (joint appointments in PSOM and Engineering); Greg Bowman (joint appointments in PSOM and Engineering); and Dirk Trauner (joint appointments in PSOM and Arts and Sciences).

[The Action for Cultural Transformation](#) (ACT) initiative, which was launched in the summer of 2020, has catalyzed formation of a structure and processes for enduring change. Guided by the Office of Inclusion, Diversity, and Equity (OIDE), six work groups (focused respectively on Clinical, Research, Education, Community, Culture, and People) are driving broad-based change. Over 70 action items were suggested by faculty, students, and staff as building blocks for a more inclusive community. To date, three-quarters of these have been fully implemented.

Key Budgetary Assumptions

Sponsored Programs: Excluding technology transfer income, sponsored research accounts for about 60% of the School’s total revenues. PSOM has experienced significant growth in sponsored research activity in FY2022. Strong growth is expected to continue in FY2023, but likely not at the same rate as FY2022. Multiple new federal awards in cancer, neurosciences, aging, influenza, and immunotherapy will be significant contributors to the increases in FY2023. New grants include \$10 million to study the effects of environmental and financial interventions on reducing health disparities in predominantly Black Philadelphia neighborhoods, \$14 million to study reduction of disparities in suicide prevention measures, and \$12 million to find new ways to treat skin cancer.

Technology Transfer Revenue: In FY2023, technology transfer income will continue to be the second largest revenue source for PSOM.

UPHS Support: Excluding technology transfer income, the Health System provides approximately 15% of the School’s operating dollars. The School is working collaboratively with the Health System to manage the level of transfer needed to support School operations.

Capital Investments: The School’s most significant limitation for continued growth in sponsored research is a lack of research space. The FY2023 budget begins to address these needs and includes a new lease in University City for the Penn Institute for RNA Innovation, and an additional floor for research expansion. The budget also contains funding for design and construction of a multi-floor addition on 3600 Civic Center Boulevard to provide increased computational and wet lab space. The FY2023 capital budget is composed of other projects to allow for space expansion under the PSOM Master Facilities Plan at various locations, decanting Blockley Hall occupants to multiple locations, completion of Discovery Lab occupancy, and projects to support renewal of major systems.

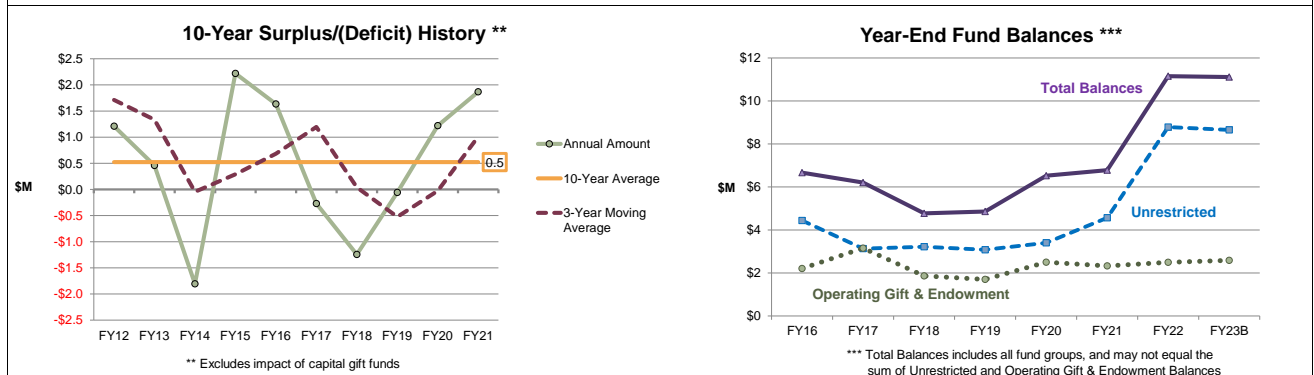
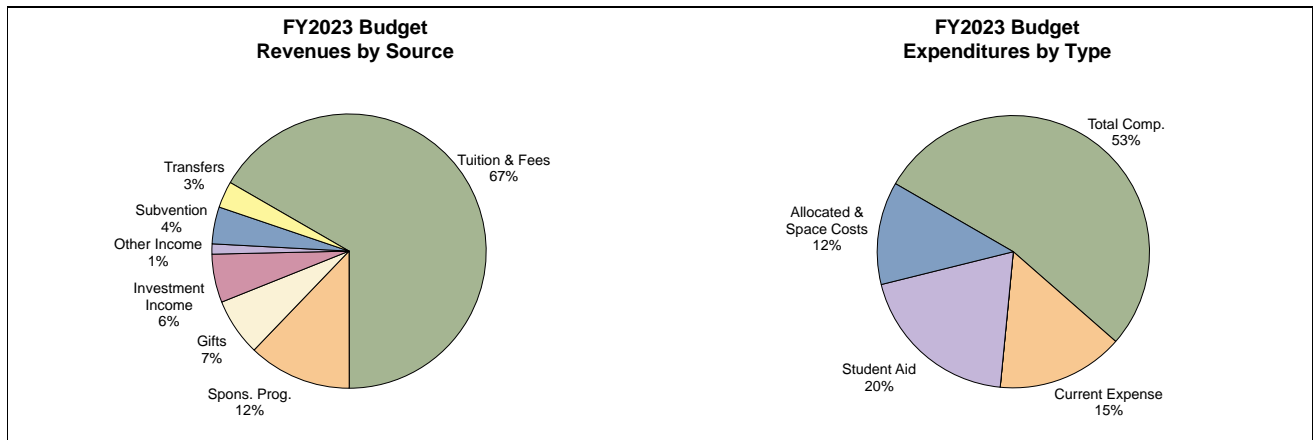
SCHOOL OF SOCIAL POLICY AND PRACTICE
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	17,479	20,797	24,424	40%	22,158	-9%
Sponsored Programs	3,144	4,247	3,514	12%	4,054	15%
Gifts	3,095	2,985	2,267	-27%	2,249	-1%
Investment Income	1,403	1,474	1,625	16%	1,897	17%
Other Income	340	447	931	174%	400	-57%
DIRECT REVENUES	25,460	29,950	32,760	29%	30,758	-6%
University Subvention	1,446	1,447	1,447	0%	1,449	0%
Net Resource Transfers From / (To) Other Centers	3	843	1,027	31705%	1,040	1%
TOTAL REVENUES & TRANSFERS	26,909	32,240	35,234	31%	33,247	-6%
EXPENDITURES						
Total Compensation	15,480	17,203	16,973	10%	17,681	4%
Current Expense	1,830	4,692	5,151	182%	5,022	-2%
Capital Transactions	865	193	193	-78%	0	-100%
Student Aid	3,816	5,702	4,779	25%	6,519	36%
NET DIRECT EXPENDITURES	21,991	27,790	27,097	23%	29,222	8%
Allocated Cost & Space Charges	3,635	3,764	3,764	4%	4,065	8%
TOTAL EXPENDITURES	25,626	31,554	30,861	20%	33,287	8%
SURPLUS/(DEFICIT) *	1,283	686	4,373		(40)	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	19	24	29	53%	34	17%
Professional & Other Degree	402	455	542	35%	488	-10%
Certificate & Non-Degree	1	1	1	0%	1	0%
Total Students	422	480	572	35%	523	-9%
Standing Faculty	24	25	24	0%	26	8%
Staff	52	61	64	22%	65	2%





Major Areas of Focus and Activity

The [School of Social Policy and Practice](#) (SSPP) contributes to the advancement of more effective, efficient, and humane social services through education, research, and community engagement. In pursuit of this mission, theory-based master's and doctoral programs in social work, social welfare, nonprofit leadership, and social policy encourage students to think and work across disciplinary lines as well as across national and international boundaries and cultures. The pursuit of social justice is at the heart of the School's knowledge-building activities. Innovative educational and research programs reinforce the School's vision of active student engagement in learning and in collaboration with social agencies organized at the local, national, and global levels.

SSPP faculty members address issues of child abuse and neglect, mental illness, domestic violence, gerontology, health equity, homelessness, nonprofit leadership, prisoner re-entry, policy analysis, racial disparities, and philanthropy. Students are educated in five degree programs: a [Master of Social Work](#) (MSW), a [PhD in Social Welfare](#), a [Master of Science in Nonprofit Leadership](#) (NPL), a [Master of Science in Social Policy](#) (MSSP), and a [Doctorate in Clinical Social Work](#) (DSW). The NPL and DSW degrees have well-established online program options. Master's degrees can be earned as [dual degrees](#) within SSPP as well as through collaborations with the Perelman School of Medicine, Penn Law, Graduate School of Education, SAS, Weitzman School of Design, and School of Veterinary Medicine. Students can also pursue specialized [certificate programs](#) within SSPP in collaboration with other Penn schools, as well as through partnerships with local and globally based institutions.

Key Budgetary Assumptions

Enrollment: The FY2023 budget anticipates a drop-off in master's enrollment following the sharp increase in FY2022 that was due primarily to pandemic-related deferrals; next year's enrollment is still expected to be higher than it was in FY2019 prior to the pandemic. In a major shift in enrollment patterns, there will be more MSSP students matriculating this fall than MSW students – 116 versus 106. The NPL program is projecting enrollment to decrease from 58 to 53 while the DSW program is anticipating growth from 18 to 20. For doctoral students, the School is budgeting nine new matriculants versus six in the prior year.

Financial Aid: SSPP has initiated a new, need-informed financial aid strategy to focus on building a more diverse cohort that not only reflects the vision and mission of the School but also enhances classroom learning. In this foundational year, SSPP is budgeting a discount rate of over 30% that is well over the current year level of 21.5%.

Faculty Positions: SSPP is planning for two new faculty members that will join the standing faculty in FY2023, including a PIK professor. Each new faculty member will be able to teach in multiple academic programs.

Staff Positions: SSPP is currently reviewing its staffing model, especially in light of the shift to hybrid work arrangements. In the past year, the School has restructured the admissions and institutional advancement areas to be consistent with the School's strategic goals. Further, it is considering adding a new MSW coordinator position in FY2023 and may see incremental growth related to expanded research center activity as well.

Sponsored Programs: Another year of strong growth is anticipated as research centers continue to actively pursue sponsored research opportunities to expand their portfolios. The School is focused on ensuring that grants either generate the necessary indirect costs, or in the case of foundation grants, allow infrastructure costs to be covered as direct expenditures on the grant.

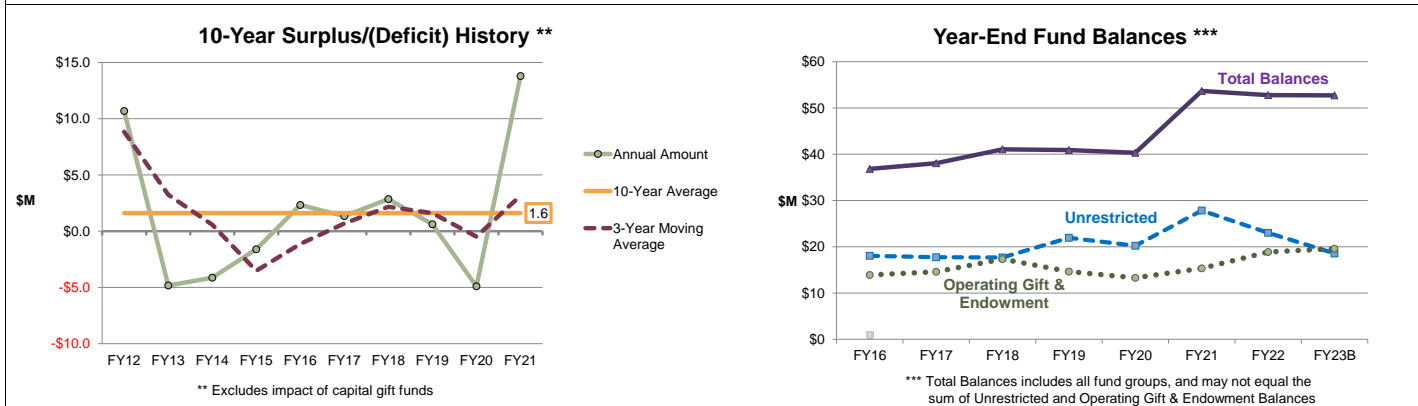
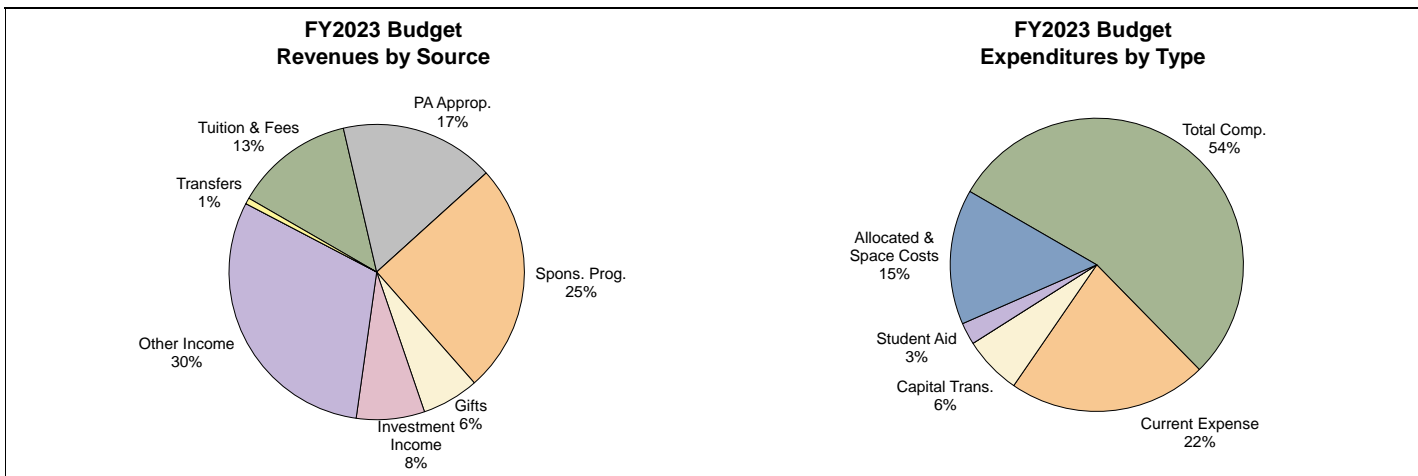
SCHOOL OF VETERINARY MEDICINE
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	23,432	24,327	24,734	6%	25,846	4%
Commonwealth Appropriation	31,955	31,955	31,955	0%	33,550	5%
Sponsored Programs	45,441	42,699	41,985	-8%	49,963	19%
Gifts	9,466	8,442	9,407	-1%	12,381	32%
Investment Income	13,148	13,888	14,060	7%	14,810	5%
Other Income	52,583	51,159	54,533	4%	60,346	11%
DIRECT REVENUES	176,025	172,470	176,673	0%	196,896	11%
University Subvention	0	0	0	0%	0	nm
Net Resource Transfers From / (To) Other Centers	805	692	1,054	31%	1,314	25%
TOTAL REVENUES & TRANSFERS	176,830	173,161	177,728	1%	198,209	12%
EXPENDITURES						
Total Compensation	91,101	98,054	94,840	4%	107,487	13%
Current Expense	35,173	36,435	39,759	13%	43,374	9%
Capital Transactions	5,328	5,776	4,589	-14%	12,696	177%
Student Aid	3,649	3,823	4,765	31%	4,790	1%
NET DIRECT EXPENDITURES	135,252	144,088	143,952	6%	168,347	17%
Allocated Cost & Space Charges	27,461	28,171	28,171	3%	29,492	5%
TOTAL EXPENDITURES	162,713	172,259	172,123	6%	197,839	15%
SURPLUS/(DEFICIT) *	14,117	902	5,604		370	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	506	522	530	5%	536	1%
Certificate & Non-Degree	17	15	16	-6%	17	8%
Total Students	523	537	546	4%	553	1%
Standing Faculty	113	116	109	-3%	118	8%
Staff	695	726	695	0%	749	8%



** Excludes impact of capital gift funds

*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

The [School of Veterinary Medicine](#) (Penn Vet) trains the next generation of leaders to advance healthcare outcomes and access; ensure global health; bolster sustainable agriculture; create and support interdisciplinary career paths; and foster diversity, equity, and inclusion in the veterinary profession. As one of the most accessed and trusted medical professions, veterinarians are uniquely well-positioned to contribute solutions to some of the most pressing challenges impacting local and global communities today, including food security, biosecurity, biodiversity, climate change, and healthcare access for underserved areas. Since his arrival at the School in 2018, [Dr. Andrew Hoffman](#), the Gilbert S. Kahn Dean of Veterinary Medicine, has created a vision for a culture of innovation and inclusion while broadening Penn Vet's social impact on a global scale.

A distinguishing feature of the School's VMD program is the availability of [first-of-their-kind dual degrees](#) with partner schools across Penn designed to train global problem-solvers through interdisciplinary and inter-professional master's and certificate programs. Veterinarians with these dual credentials will be uniquely positioned to serve underserved areas with respect to healthcare, agriculture, and environmental services.

Penn Vet's two campuses offer students learning opportunities and experiences in virtually every aspect of veterinary medicine. [Ryan Hospital](#) on the Philadelphia campus handles more than 34,000 companion animal patient visits per year and is actively engaged with the local community through the [Shelter Medicine and Community Engagement Program](#). During the last five years, this special program provided approximately 40,000 hours of community service across the greater Philadelphia area and reached over 800 middle and high school students through multiple pathway initiatives. [New Bolton Center](#) in Kennett Square, Pennsylvania, handles more than 6,000 large animal patient visits annually, with an additional 18,000 patients treated at local farms. Penn Vet recently raised the funds necessary to begin planning and construction for the \$17 million [Gail P. Riepe Center for Advanced Veterinary Education](#) and the Commonwealth-funded \$71.3 million Veterinary Diagnostic Laboratory on the NBC campus.

The School's robust research program includes basic, translational, and clinical discovery to address complex problems faced by animals, humans, and the planet. Areas of study include cancer, immunology, infectious disease, regenerative medicine, agricultural sustainability, and more. In FY2022, Penn Vet launched the [Institute for Infectious and Zoonotic Diseases](#), which represents an interdisciplinary 'One Health' success including vaccine development to prevent food animal diseases. This fall, Penn Vet will launch a Center for Stewardship Agriculture and Food Security to build upon expertise in regenerative agriculture, animal welfare, food security, and Penn Vet's commitment to reduce net carbon emissions.

Key Budgetary Assumptions

Tuition and Aid: The FY2023 enrollment projection of 536 core student FTEs – with close to two-thirds coming from outside Pennsylvania – includes 10 dual-degree students and 32 master's students; certificate and non-degree students are budgeted at 17 FTEs. Tuition rates are increasing by 2.0%, underlying Penn Vet's strategic intent to slow tuition growth.

Clinical Operations: FY2023 hospital performance is projected to improve compared to FY2022 as both hospitals incorporate price increases and strong caseload assumptions.

Research: Research revenue reflects significant growth in FY2023 with the expectation of rebounding levels for direct revenue and indirect cost recovery as key faculty join Penn Vet in FY2023.

Commonwealth Appropriation: The appropriation is expected to increase by \$1.6 million compared to FY2022. These additional funds are largely earmarked for the Institute for Infectious and Zoonotic Disease.

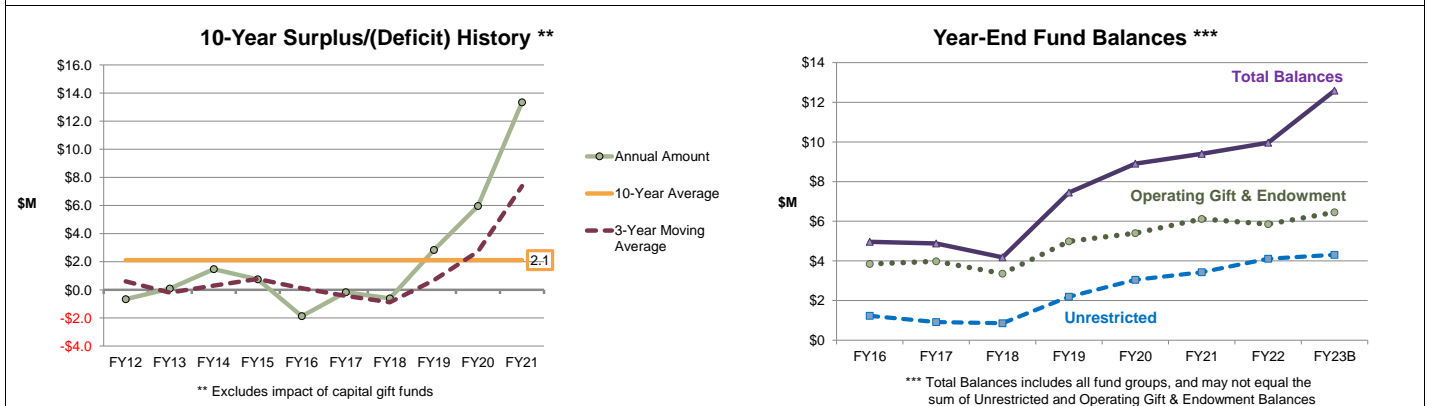
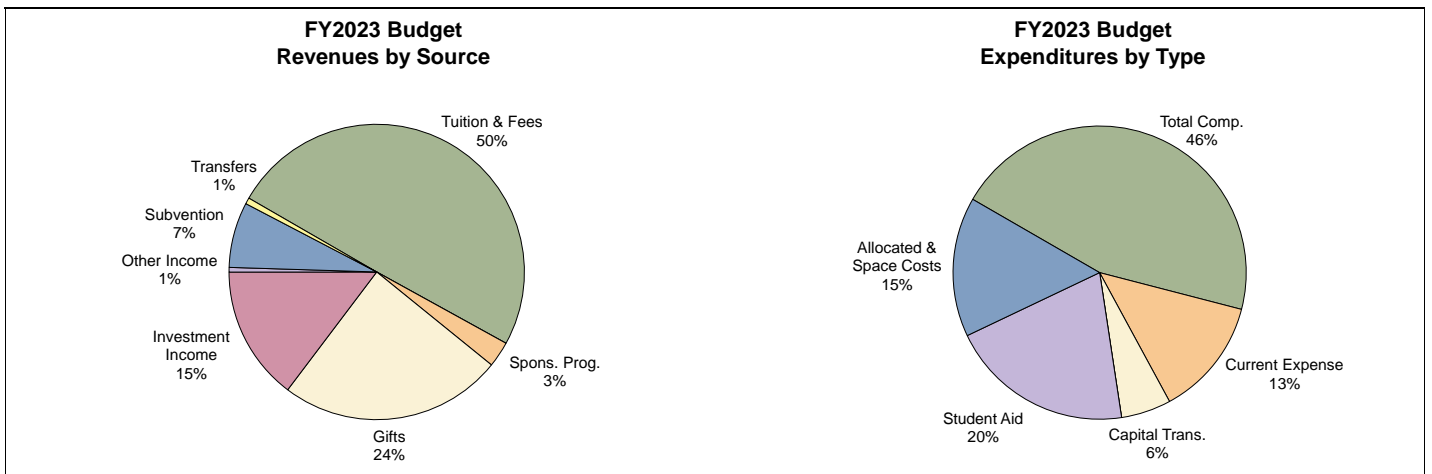
WEITZMAN SCHOOL OF DESIGN
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	32,540	36,567	37,337	15%	39,310	5%
Sponsored Programs	1,827	1,988	1,981	8%	2,226	12%
Gifts	20,382	14,665	14,700	-28%	19,355	32%
Investment Income	8,407	9,667	9,900	18%	11,620	17%
Other Income	382	420	375	-2%	404	8%
DIRECT REVENUES	63,538	63,308	64,293	1%	72,915	13%
University Subvention	5,481	5,648	5,648	3%	5,666	0%
Net Resource Transfers From / (To) Other Centers	(339)	(2,828)	370	-209%	532	44%
TOTAL REVENUES & TRANSFERS	68,680	66,128	70,311	2%	79,113	13%
EXPENDITURES						
Total Compensation	25,801	27,312	27,294	6%	30,030	10%
Current Expense	5,097	7,580	6,969	37%	8,577	23%
Capital Transactions	3,494	448	1,393	-60%	3,623	160%
Student Aid	11,664	13,019	13,254	14%	13,360	1%
NET DIRECT EXPENDITURES	46,056	48,359	48,910	6%	55,589	14%
Allocated Cost & Space Charges	9,797	9,944	9,944	2%	10,119	2%
TOTAL EXPENDITURES	55,853	58,303	58,854	5%	65,708	12%
SURPLUS/(DEFICIT) *	12,827	7,825	11,457		13,405	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	50	43	50	1%	47	-6%
Professional & Other Degree	623	676	661	6%	678	3%
Certificate & Non-Degree	1	2	2	199%	2	0%
Total Students	673	721	713	6%	727	2%
Standing Faculty	44	46	46	4%	51	11%
Staff	69	72	72	5%	76	6%





Major Areas of Focus and Activity

The [Stuart Weitzman School of Design](#) currently provides graduate education to master's students in architecture, city and regional planning, fine arts, historic preservation, landscape architecture, and urban spatial analytics, as well as PhD students in architecture and city and regional planning. The School also teaches courses leading to a BA, with a major in architecture, fine arts, or design from SAS or a minor in landscape studies.

Key Budgetary Assumptions

Enrollment: Because of the pandemic, 25 students in last year's Advanced Architecture Design program had to return in Fall 2021 to complete their degrees, which increased the total master's headcount in Fall 2021 to 716. In Fall 2022, the School expects a slight decrease in headcount to 706 master's students. However, master's FTEs are expected to increase because the AAD students returning in Fall 2021 required far less than a typical course load to graduate. The higher FTEs, coupled with a 2.9% increase in tuition rates, is projected to yield \$1.6 million in incremental tuition revenues.

Faculty Positions: The FY2023 budget provides for 51 filled standing faculty positions, five more than FY2022, with one new faculty member each in landscape architecture and architecture, and three new faculty in city and regional planning. Three of the School's five new faculty members are being supported, in part, through the Faculty Opportunity Fund. The increase in academic salaries also reflects additional part-time faculty who are replacing standing faculty on leave or who have course buyouts from research grants.

Staff Positions: The 76 filled staff positions included in the FY2023 budget represent an increase of four compared to FY2022. The incremental staff positions include two to support program growth and development activity and two reflecting the conversion of temporary workers to permanent staff in the fabrication lab. The increase in staff salaries is also due to market pressures and efforts to fill vacancies that were frozen during the pandemic.

Revenue Enhancement Initiatives: The School recently hired a new Director of Online Innovation to help expand its online executive education offerings. New programs that are anticipated to launch in the upcoming fiscal year include executive programs in design leadership and design for sustainability. The objective for FY2023 is to double online executive education revenue and use the funds generated to invest in additional new programs, with the goal of creating a steady and viable revenue stream in the next three to five years.

Cost-Containment Measures: In FY2023, Weitzman plans to maintain several of the cost-containment strategies developed during the pandemic, including offering many guest lectures and symposia online, encouraging remote participation in conferences, and holding select fundraising meetings online. The School is also encouraging faculty and staff to conduct all University business with minimal entertainment and travel costs and targeting endowments for their designated purposes before using general purpose funds. The FY2023 budget does include increases in current expense due to a projected return to international studio travel for both the fall and spring semesters.

Capital Projects: The School's FY2023 capital plan includes completion of all design documents for the renovation of – and addition to – Morgan Hall that will allow Weitzman to consolidate its leased studio spaces, create more gallery and research spaces, and provide much needed faculty offices.

WHARTON SCHOOL
(in thousands of dollars)

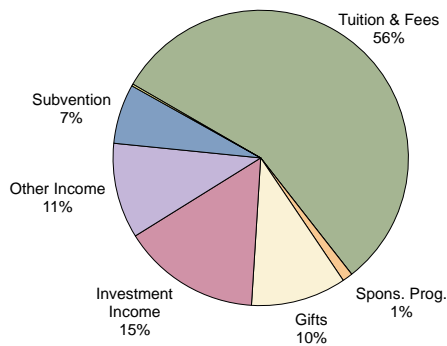
FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	287,164	321,777	328,436	14%	338,571	3%
Sponsored Programs	7,180	6,717	8,704	21%	6,795	-22%
Gifts	69,723	68,000	62,050	-11%	63,000	2%
Investment Income	81,106	84,509	81,882	1%	91,393	12%
Other Income	37,025	52,398	47,344	28%	63,047	33%
DIRECT REVENUES	482,197	533,401	528,416	10%	562,805	7%
University Subvention	37,326	39,166	39,153	5%	39,436	1%
Net Resource Transfers From / (To) Other Centers	469	(2,842)	986	110%	1,266	28%
TOTAL REVENUES & TRANSFERS	519,992	569,725	568,555	9%	603,508	6%
EXPENDITURES						
Total Compensation	247,036	264,294	263,342	7%	296,972	13%
Current Expense	62,500	108,357	89,564	43%	134,947	51%
Capital Transactions	21,781	10,707	5,031	-77%	16,805	234%
Student Aid	66,894	64,306	63,939	-4%	69,685	9%
NET DIRECT EXPENDITURES	398,210	447,664	421,876	6%	518,409	23%
Allocated Cost & Space Charges	65,522	68,707	68,707	5%	70,881	3%
TOTAL EXPENDITURES	463,732	516,371	490,583	6%	589,290	20%
SURPLUS/(DEFICIT) *	56,260	53,354	77,972		14,218	

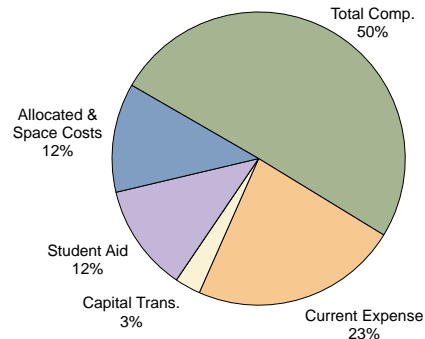
* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	1,705	1,796	1,843	8%	1,800	-2%
Ph.D.	192	187	191	-1%	194	2%
Professional & Other Degree	2,161	2,193	2,213	2%	2,142	-3%
Certificate & Non-Degree	17	79	79	365%	79	0%
Total Students	4,075	4,255	4,326	6%	4,215	-3%
Standing Faculty	234	225	219	-6%	231	5%
Staff	785	797	818	4%	863	6%

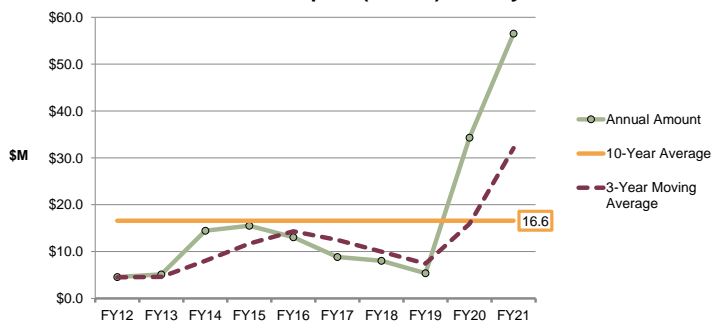
FY2023 Budget Revenues by Source



FY2023 Budget Expenditures by Type

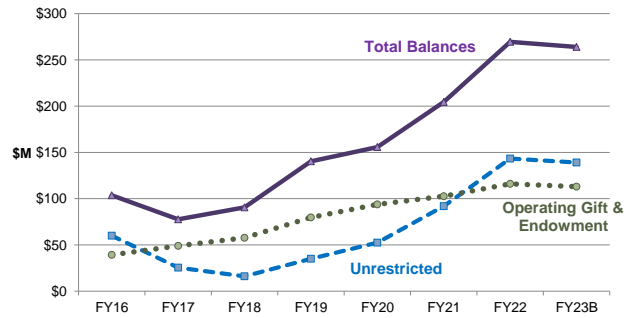


10-Year Surplus/(Deficit) History **



** Excludes impact of capital gift funds

Year-End Fund Balances ***



*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

The **Wharton School** supports a world-leading array of business education and scholarly programs through its four academic divisions and ten academic departments. Dean Erika James has introduced “*The Wharton Way: A Roadmap for the Future*” as a strategic framework for the School. *The Wharton Way* is anchored in the School’s mission—to foster economic opportunity for *all* people—and has four areas of focus: elevating the impact of business scholarship, bridging academic divides through business, innovating in educational pedagogy and content, and fostering diverse and inclusive environments.

Key Budget Assumptions

Enrollment: FY2023 undergraduate enrollment is projected to be 1,800 single-degree students and 500 joint-degree program participants. Full-time MBA enrollment is projected to be 1,685 students. MBA program tuition rates will increase by 1.97% for incoming students. Executive MBA enrollment is expected to reach 457 students with an incoming class of 234. In the summer of 2022, there will be a total of 661 executive MBA students due to the Class of 2022’s delayed start in 2020. Doctoral enrollment is projected to be 194 students.

Faculty and Staff Positions: Wharton has had a successful FY2022 recruitment cycle, with 12 new faculty members—including five women and six members of minority groups—accepting offers to join the School in FY2023 and FY2024. Wharton also expects five upcoming faculty departures and mourned the passing of three faculty during FY2022. Standing faculty positions are projected to be 237 in FY2023, including all PIKs and joint tenured appointments. Currently, there are 895 staff positions, with a vacancy rate of just over 14%; the FY2023 budget assumes 933 filled and open staff positions, with the growth related to enterprise units, research centers, and new initiatives.

Wharton Enterprise Units: Executive Education’s Steinberg Conference Center fully reopened in January 2022 and is seeing a gradual return of in person programming. In addition, a new business unit within Executive Education, “Wharton LIVE,” is projected to generate \$2 million in revenue in FY2023 by focusing on new business opportunities in the synchronous, online format. Wharton Online is projecting ongoing growth in FY2023, both in participation and related online revenues. Wharton Research Data Services (WRDS) continues to contribute margin to the School. Global Youth Program will return to an in-person format this summer while also offering its online programs. The School continues to invest in Wharton Interactive as a pedagogical innovation that could replace the traditional business school case study in the future.

Fundraising: During Wharton’s *More than Ever* campaign which ended June 2021, annual fundraising commitments ranged from \$97 million to \$225 million per year. Now, the School is focused on building and sustaining a \$120 million + annual program. Due to ongoing challenges from the pandemic and limitations on travel, Wharton’s goal for FY2022 is \$110 million. As of March 17, commitments totaled \$65.8 million, and receipts were a strong \$67 million. Fundraising priorities center around access to education, research, capital projects, and unrestricted giving. The Wharton Fund remains strong with \$8.65 million in receipts towards the \$17.2 million goal.

Cost Containment: The School continues to seek cost-containment opportunities, particularly in the area of administration. As part of this effort, there is a movement towards a model of shared services for Wharton’s research centers, to optimize the financial, marketing, and IT services and resources required for this growth area.

Capital Project Priorities: In April, Wharton launched a capital project to create state-of-the-art remote instruction studios in Huntsman Hall that is scheduled for completion in August. Additionally, the School will undertake a robust assessment of its space on campus via a master space plan initiative. The goal of this exercise is to reimagine and optimize the use of current space in light of the University’s adoption of flexible work arrangements for some staff.

Responsibility Center Budgets & Program Statements

RESOURCE CENTERS

RECREATION AND INTERCOLLEGIATE ATHLETICS
(in thousands of dollars)

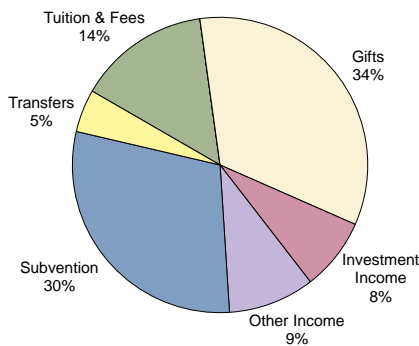
FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	10,281	10,579	10,850	6%	11,446	5%
Sponsored Programs	0	0	0	0%	0	0%
Gifts	13,752	24,552	25,016	82%	26,708	7%
Investment Income	5,120	5,784	5,620	10%	6,273	12%
Other Income	1,052	7,485	6,682	535%	7,474	12%
DIRECT REVENUES	30,206	48,400	48,168	59%	51,902	8%
University Subvention	21,273	21,708	22,256	5%	23,457	5%
Net Resource Transfers From / (To) Other Centers	507	1,615	1,289	154%	3,704	187%
TOTAL REVENUES & TRANSFERS	51,986	71,723	71,714	38%	79,063	10%
EXPENDITURES						
Total Compensation	15,779	20,703	19,815	26%	21,874	10%
Current Expense	2,822	13,693	12,282	335%	13,999	14%
Capital Transactions	6,282	18,982	13,416	114%	41,901	212%
Student Aid	0	0	0	0%	0	0%
NET DIRECT EXPENDITURES	24,884	53,379	45,513	83%	77,774	71%
Allocated Cost & Space Charges	18,839	19,640	19,640	4%	19,538	-1%
TOTAL EXPENDITURES	43,723	73,019	65,153	49%	97,312	49%
SURPLUS/(DEFICIT) *	8,263	(1,295)	6,561		(18,250)	

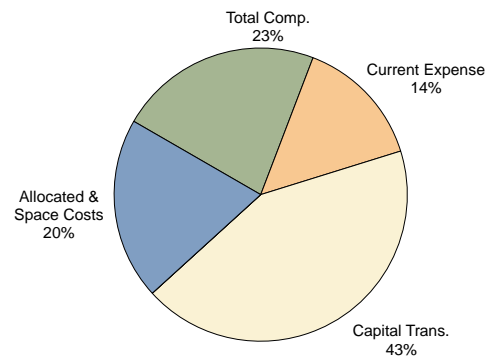
* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	-	-	-	-	-	-
Certificate & Non-Degree	-	-	-	-	-	-
Total Students	-	-	-	-	-	-
Standing Faculty	-	-	-	-	-	-
Staff	141	160	169	20%	170	1%

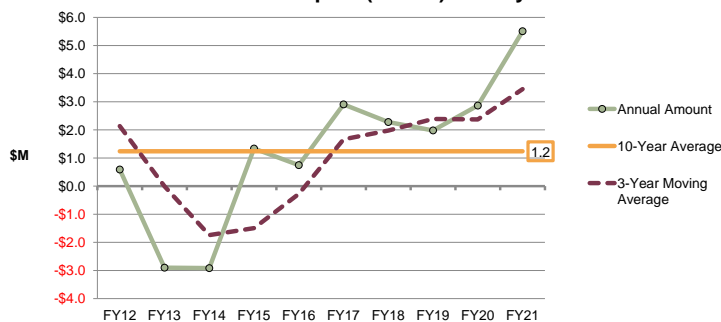
FY2023 Budget Revenues by Source



FY2023 Budget Expenditures by Type

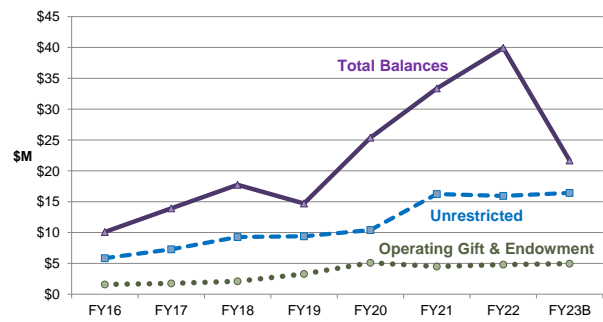


10-Year Surplus/(Deficit) History **



** Excludes impact of capital gift funds

Year-End Fund Balances ***



*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

The [Division of Recreation and Intercollegiate Athletics](#) (DRIA) is a broad-based division comprised of 33 intercollegiate teams, 37 club sport teams, and expansive intramural sport and campus recreation programs, all taking place within 22 athletics and recreational facilities. Students, faculty, and staff are also served through membership-based access to the Pottruck Health and Fitness Center and the Fox Fitness Center and access to a variety of shared facilities. The facilities are contained within a contiguous 24-acre footprint at the eastern end of campus, commonly thought to be one of the best athletics infrastructures amongst urban campuses, with assets such as Franklin Field, The Palestra, and Penn Park.

A highlight of the 2021-2022 academic year was men's squash [winning its first outright Ivy League Championship since 1969](#). The team was undefeated and ranked #1 nationally the entire season before falling by one point in the national championship. [Women's gymnastics won the inaugural Gymnastics East Conference championship](#) and set several program and Ivy records for team scores. Women's outdoor track and field won the Ivy Heptagonal Championship, while baseball won a share of an Ivy title for the first time since 1995. Men's lacrosse won the Ivy League Tournament and reached the NCAA Quarterfinals. Men's tennis earned its first NCAA Championship bid in program history, and women's rowing sent a full complement of boats to the NCAA Championship for the first time, finishing 11th. [Lia Thomas won an individual national championship in the 500 freestyle for women's swimming](#). Wrestling, men's and women's squash, men's and women's lacrosse, and men's and women's fencing were all nationally ranked at some point this year. Twenty-five student-athletes qualified for NCAA competition and seven earned All-American recognition. Eleven student-athletes won individual Ivy League championships in six different sports.

Campus Recreation returned to in-person activity and now includes group exercise (25+ weekly classes) as part of the baseline fitness center membership. Membership types have been streamlined from over 40 to nine, all of which can now be processed online. The Division remains optimistic that student recreation activity will increase, yet there is concern that the movement to a hybrid workforce, as well as pandemic-inspired alternative fitness and wellness routines, will permanently diminish faculty/staff interest in paid memberships.

Key Budgetary Assumptions

Revenue Enhancement Initiatives and Cost-Containment Measures: In FY2023, DRIA will be launching a multi-year fundraising initiative that will focus on growing endowment income for women's athletics, which in turn should advance the financial stability of all intercollegiate programming. DRIA will continue to track and prioritize spending across all areas, including managing ongoing equipment and facilities repair and replacement needs.

Changes in Major Revenue and Expense Categories: Annual giving goals for intercollegiate teams will be tied to increases in their direct expenses. Other income from ticket sales, racquet center fees, summer camps, rentals, sponsorships, and commissions should continue to return slowly to pre-pandemic levels, while revenue from faculty/staff fitness center memberships will likely remain stagnant.

Staffing: The FY2023 budget assumes 170 staff FTEs and ongoing strategic use of up to 250 temporary employees. The budgeted staff level reflects growth in development staff in line with increased annual, endowment, and capital project fundraising responsibilities.

Capital Project Priorities: DRIA will continue to prioritize robust feasibility planning and ongoing investment in existing facilities. With full funding plans in place, construction will advance on the Ott Center for Track and Field, Franklin Field team operations upgrades, Meiklejohn Stadium upgrades, and a new video scoreboard for Franklin Field.

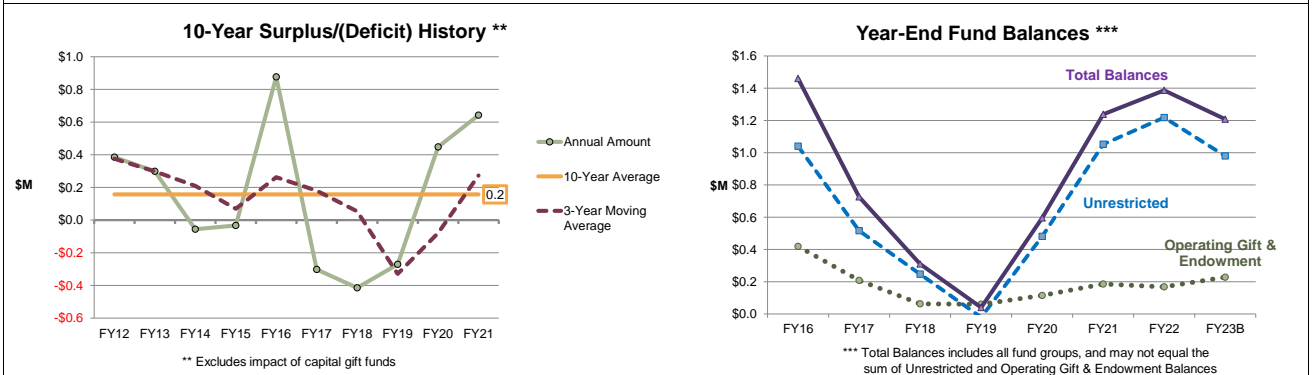
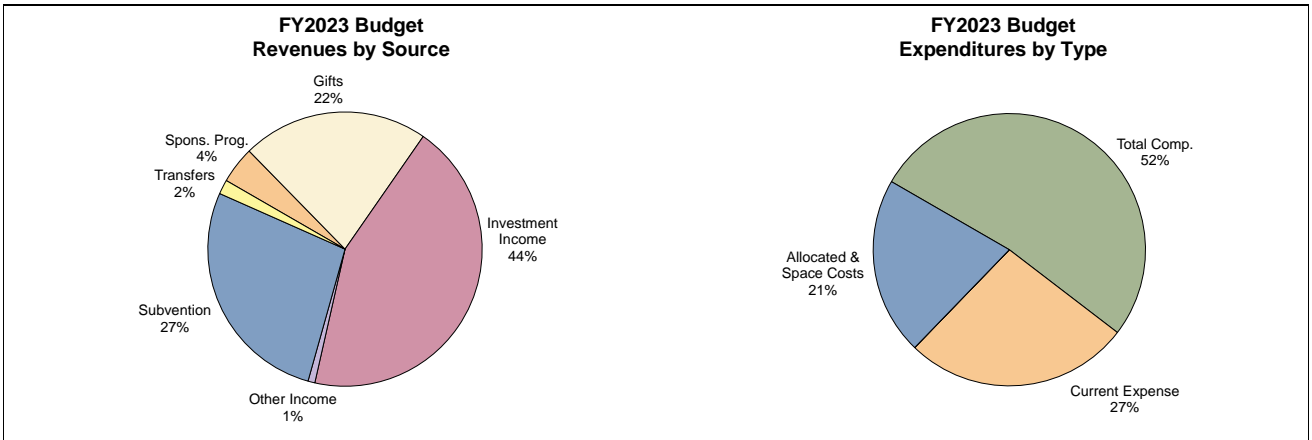
INSTITUTE OF CONTEMPORARY ART
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	0	0	0	0%	0	0%
Sponsored Programs	117	336	534	355%	201	-62%
Gifts	892	990	899	1%	1,014	13%
Investment Income	1,754	1,944	1,851	6%	2,024	9%
Other Income	211	83	60	-72%	38	-37%
DIRECT REVENUES	2,974	3,352	3,344	12%	3,276	-2%
University Subvention	1,254	1,242	1,257	0%	1,259	0%
Net Resource Transfers From / (To) Other Centers	(78)	78	110	-241%	78	-29%
TOTAL REVENUES & TRANSFERS	4,150	4,672	4,711	14%	4,613	-2%
EXPENDITURES						
Total Compensation	1,788	2,049	1,958	9%	2,495	27%
Current Expense	686	1,744	1,581	131%	1,286	-19%
Capital Transactions	0	0	0	0%	0	0%
Student Aid	0	0	0	0%	0	0%
NET DIRECT EXPENDITURES	2,474	3,793	3,538	43%	3,781	7%
Allocated Cost & Space Charges	1,034	1,024	1,024	-1%	1,011	-1%
TOTAL EXPENDITURES	3,508	4,817	4,562	30%	4,792	5%
SURPLUS/(DEFICIT) *	642	(145)	148		(179)	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	-	-	-	-	-	-
Certificate & Non-Degree	-	-	-	-	-	-
Total Students	-	-	-	-	-	-
Standing Faculty	-	-	-	-	-	-
Staff	20	21	18	-9%	22	22%



** Excludes impact of capital gift funds

*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances

Institute of Contemporary University Art of Pennsylvania

Major Areas of Focus and Activity

The [Institute of Contemporary Art](#) (ICA) has developed an international reputation as a preeminent venue for contemporary art and culture. Since 1963, ICA has been Penn's creative nexus for experimentation and has championed the power of art and artists to inform and inspire.

ICA expects 2022 to be a year of revisioning and rebuilding. A key area of focus will be a strategic visioning process centered on diversity, equity, access, and inclusion (DEAI) that will help the museum think critically about audience engagement and plan for how to grow the public engagement department and investigate how programming can become more accessible and relevant to the communities the ICA serves.

This year's program speaks directly to three core tenets that are critical for ICA's mission:

- To create projects that grapple with current sociopolitical conditions, helping frame more inclusive, diverse, and equitable readings of current day experiences
- To give a platform to and make visible underrecognized and marginalized narratives and voices
- To support the realization of new commissions that contribute and expand the field with new conversations and lines of inquiry

ICA's efforts over the last two years to engage more audiences online have been successful, with the museum reaching audiences as far away as Japan, the Netherlands, and Australia with online content. ICA's [360 Virtual Tour](#), the new [Is for Institute podcast](#), and a growing social media presence reinforce the Center's potential to utilize its programs, digital capabilities, and physical space to build more communities around its work.

During FY2022, ICA presented three critically acclaimed [exhibitions](#). Complementing the curatorial work, ICA presented six exhibition publications and 63 free public programs, 31 of which were initiated by Penn students and faculty.

Key Budgetary Assumptions

Staffing: The FY2023 budget includes 22 staff FTEs and reflects the filling of four vacant positions.

Capital Project Priorities: The HVAC upgrade project that was shifted to the summer of 2021 has been completed. ICA is in the early stages of setting its future capital project priorities.

Fundraising: ICA's board of advisors currently has 21 members. ICA has successfully secured grants for future programming and, more recently, for operations and organizational development. In addition, ICA has expanded evergreen funding options, and the strategic visioning process and a digital audit will help establish new funding opportunities.

Cost Containment: The FY2023 budget includes planned reductions in exhibition spending to reflect the completion of a Pew Charitable Trusts grant for exhibition-related support in FY2022.

MORRIS ARBORETUM
(in thousands of dollars)

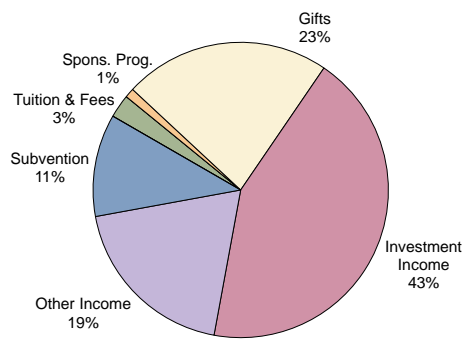
FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	65	330	167	158%	236	41%
Sponsored Programs	120	(0)	3	-98%	95	3306%
Gifts	2,281	2,286	2,069	-9%	2,085	1%
Investment Income	3,576	3,793	3,706	4%	3,998	8%
Other Income	956	1,517	1,786	87%	1,773	-1%
DIRECT REVENUES	6,997	7,926	7,731	10%	8,188	6%
University Subvention	938	961	985	5%	1,034	5%
Net Resource Transfers From / (To) Other Centers	(38)	(64)	(40)	4%	(29)	-26%
TOTAL REVENUES & TRANSFERS	7,896	8,823	8,676	10%	9,192	6%
EXPENDITURES						
Total Compensation	4,360	4,657	4,451	2%	5,129	15%
Current Expense	1,339	2,703	2,083	56%	2,906	39%
Capital Transactions	157	34	639	307%	84	-87%
Student Aid	0	0	0	0%	0	0%
NET DIRECT EXPENDITURES	5,857	7,395	7,173	22%	8,119	13%
Allocated Cost & Space Charges	1,007	1,042	1,042	3%	1,070	3%
TOTAL EXPENDITURES	6,864	8,437	8,215	20%	9,189	12%
SURPLUS/(DEFICIT) *	1,032	387	461		3	

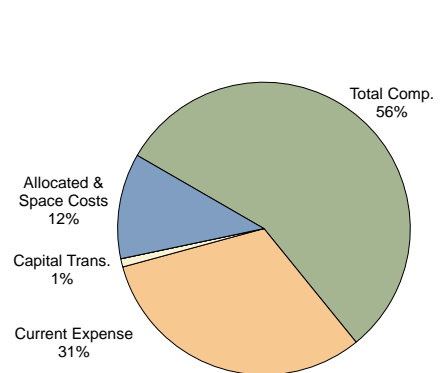
* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	-	-	-	-	-	-
Certificate & Non-Degree	-	-	-	-	-	-
Total Students	-	-	-	-	-	-
Standing Faculty	-	-	-	-	-	-
Staff	47	49	40	-14%	58	44%

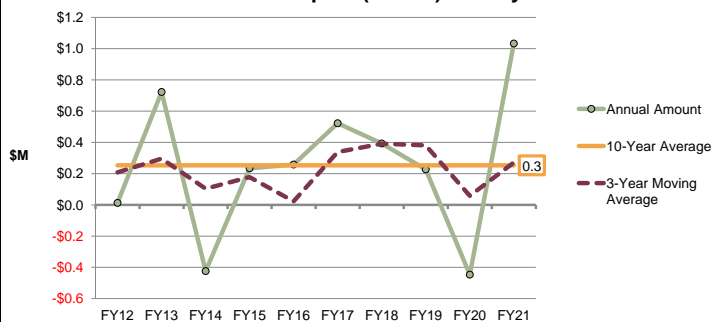
FY2023 Budget Revenues by Source



FY2023 Budget Expenditures by Type

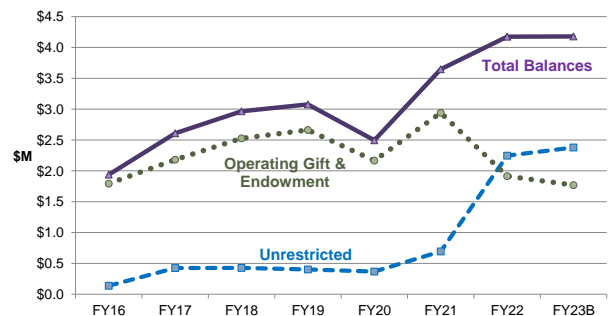


10-Year Surplus/(Deficit) History **



** Excludes impact of capital gift funds

Year-End Fund Balances ***



*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances

Morris Arboretum

UNIVERSITY of PENNSYLVANIA

Major Areas of Focus and Activity

The [Morris Arboretum of the University of Pennsylvania](#) is an historic public garden and educational institution that promotes an understanding of the relationship between plants, people, and place through programs that integrate science, art, and the humanities. The Arboretum conducts four major activities: education, research, outreach, and horticultural display. The exceptional levels of visitation and gate revenue experienced during FY2022 are expected to continue into FY2023 while other areas like education, which had been challenged due to pandemic restrictions, are expected to rebound in the coming year.

In FY2023, Morris Arboretum will implement year two of its five-year strategic plan. Key strategic goals for this fiscal year include:

- 10-Year Master Plan: Finalize and begin implementation of a 10-year master plan.
- Organizational Excellence: Transition from a temporary-heavy seasonal workforce to a balanced blend of regular part-time, limited-service, full-time, and seasonal staff; grow revenues adequately to give all staff a living wage; and evolve the internship program to best serve the organization and the broader community.
- Refine Brand and Identify Audiences: Refine brand and rebuild website to reflect changing needs and University requirements.
- Diversity and Inclusion: Complete work on DEIA 360 review and implement findings.

Key Budgetary Assumptions

Staffing: Over the past 15 years, the Arboretum has become overly reliant on temporary staff for many functions that should be performed by regular full- and part-time staff. A key goal of the strategic plan is to reduce temporary staff and increase regular, part-time staff to reduce turnover and provide a better work environment for employees. This restructuring, along with the impact of implementing a \$15 per hour living wage minimum and filling vacant positions, is projected to increase compensation costs by 15%, or \$656,000, compared to the FY2022 forecast.

Higher compensation costs are expected to be covered by higher revenue from operations (\$160,000), increased endowment income (\$260,000), and reductions in non-salary expense (\$133,000). Additional intern and outreach positions will be supported by new gifts and endowments.

Current Expense: In support of the strategic plan goal of refining the Arboretum brand, the FY2023 budget includes \$100,000 for a new website and \$45,000 for branding work.

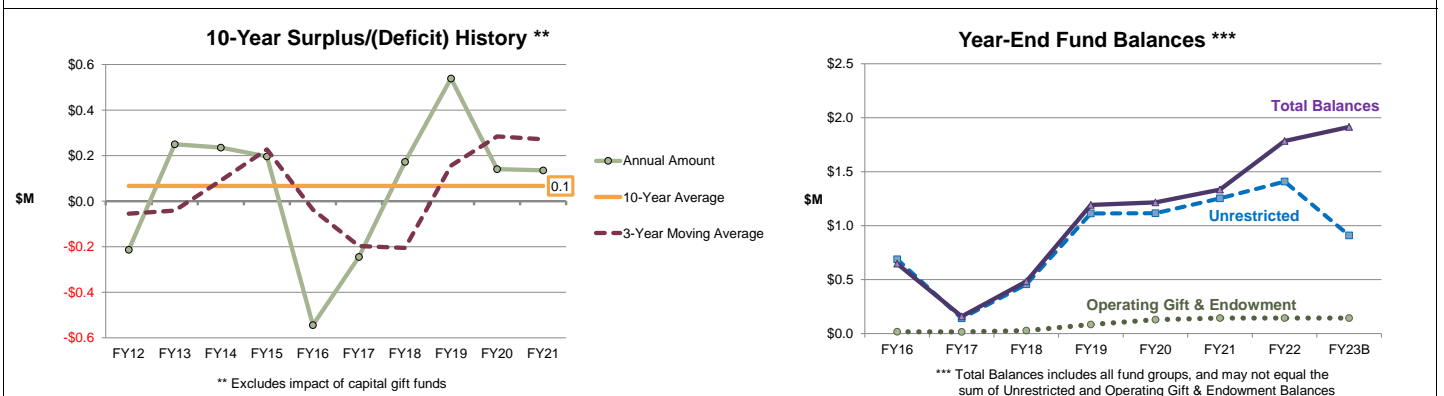
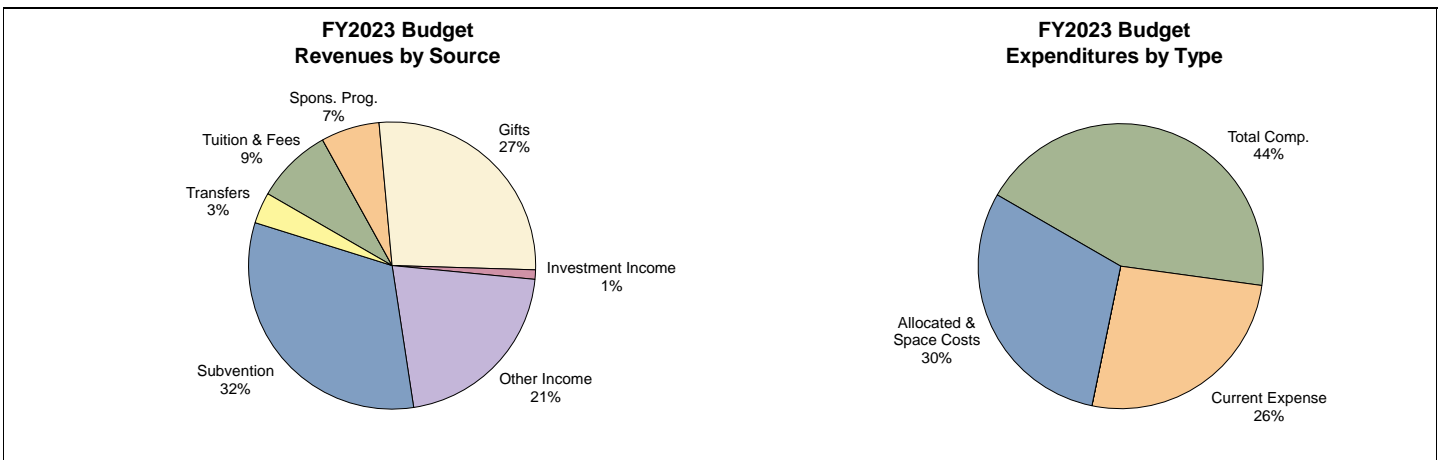
PENN LIVE ARTS
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	564	576	591	5%	623	5%
Sponsored Programs	248	408	373	51%	476	27%
Gifts	978	1,726	1,663	70%	1,946	17%
Investment Income	50	58	61	23%	77	25%
Other Income	104	782	799	666%	1,521	90%
DIRECT REVENUES	1,944	3,550	3,487	79%	4,642	33%
University Subvention	2,198	2,168	2,226	1%	2,329	5%
Net Resource Transfers From / (To) Other Centers	39	128	352	800%	253	-28%
TOTAL REVENUES & TRANSFERS	4,181	5,846	6,066	45%	7,224	19%
EXPENDITURES						
Total Compensation	1,435	2,650	2,320	62%	3,110	34%
Current Expense	497	1,721	1,245	150%	1,850	49%
Capital Transactions	0	0	0	0%	0	0%
Student Aid	0	0	0	0%	0	0%
NET DIRECT EXPENDITURES	1,932	4,371	3,564	84%	4,959	39%
Allocated Cost & Space Charges	2,113	2,051	2,051	-3%	2,135	4%
TOTAL EXPENDITURES	4,045	6,422	5,615	39%	7,094	26%
SURPLUS/(DEFICIT) *	135	(576)	450		130	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	-	-	-	-	-	-
Certificate & Non-Degree	-	-	-	-	-	-
Total Students	-	-	-	-	-	-
Standing Faculty	-	-	-	-	-	-
Staff	12	22	17	38%	25	47%



** Excludes impact of capital gift funds

*** Total Balances includes all fund groups, and may not equal the sum of Unrestricted and Operating Gift & Endowment Balances



Major Areas of Focus and Activity

[Penn Live Arts](#) (PLA), formerly known as the Annenberg Center for the Performing Arts, serves as a major cultural destination and crossroads connecting Penn and the greater Philadelphia region through innovative human expression in theatre, music, dance, and film for an annual audience of nearly 80,000. PLA also serves as a key resource for the arts at Penn by providing master artists who work directly with students in support of, and as an enhancement to, the arts and non-arts curriculum. Student performing arts groups are key users of its multiple performance and rehearsal spaces and staff many operational roles throughout the academic year. A reflection of Penn's core values as a world-renowned academic institution, PLA emphasizes artistic and intellectual excellence, diversity, and rigor in its presentations; prioritizes broad inclusiveness in the artists, audiences, and groups it serves; manages outstanding performance, conference, and meeting facilities; and delivers comprehensive event planning, production support, and customer service. PLA actively engages a broad range of primary, secondary, and post-secondary student audiences and inclusive constituencies from the campus, community, and greater Philadelphia region. PLA is one of the larger providers of performing arts access for school children in the Philadelphia metro area and serves 10,000 (K-12) students annually.

Key Budgetary Assumptions

The FY2023 budget has been crafted to address the continuing implementation of the final stages of the strategic plan, the active solicitation of remaining campaign priorities, and the response to the challenges that the pandemic has presented for performing arts organizations. Programming during the 2020-2021 season pivoted to digital performances livestreamed to a national and international audience. For the 2021-2022 season, PLA further diversified its offerings to include outdoor programs around Philadelphia. PLA has also expanded its services to include outdoor infrastructure for performance space to support student performing arts events and professional simulcasts and is now in the final stages of operational planning with University Life and other partners for broader integration and support of venues and events on campus.

Programming Revenue: PLA returned to live, indoor *PLA Presents* programming in December 2021. While the amount of programming this year has been only about 50% of normal, attendance rose throughout the season. Notably, subscription revenue in FY2022 has been 84% of the amount in FY2020, one of PLA's higher income years. FY2022 ticket revenue is expected to total \$600,000, or 60% of the pre-pandemic level. With significantly expanded programming anticipated as well as the 50th anniversary celebration, PLA is projecting \$1.2 million of ticket revenues for FY2023. Achieving this forecast is contingent on a return to pre-pandemic attendance levels.

Rental Revenue: Rental revenues, which had been projected to surpass \$1.1 million in FY2020, were sharply reduced during the initial stages of the pandemic. FY2022 has shown some recovery, with a forecast of about \$750,000, and rental income is expected to continue to rise in FY2023 and approach pre-pandemic levels. One positive byproduct of the loss of rentals during the past two years is that it led PLA to acquire streaming capability which it is now offering as a service to internal and external clients and represents a new source of revenue.

Contributed Revenue: PLA continues to grow its donor base. FY2023 contributed income is projected at \$2.4 million, an increase of 19% compared to the FY2022 forecast. By the conclusion of the *Power of Penn* campaign at the end of FY2021, PLA had exceeded its \$10 million goal by \$1 million, with contributions from 1,200 donors. Board giving grew more than 350% over the *Making History* campaign and constituted 71% of total campaign gifts.

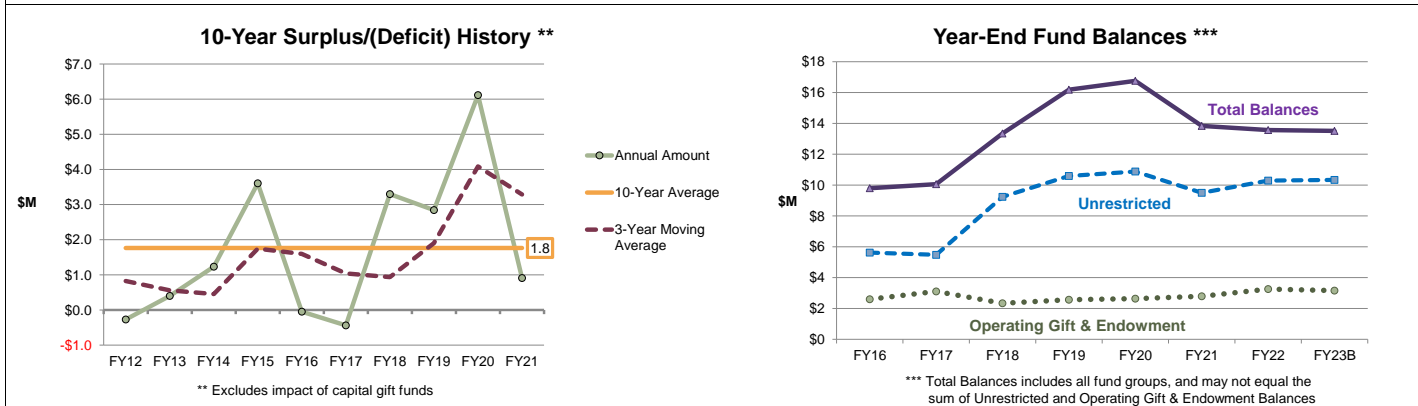
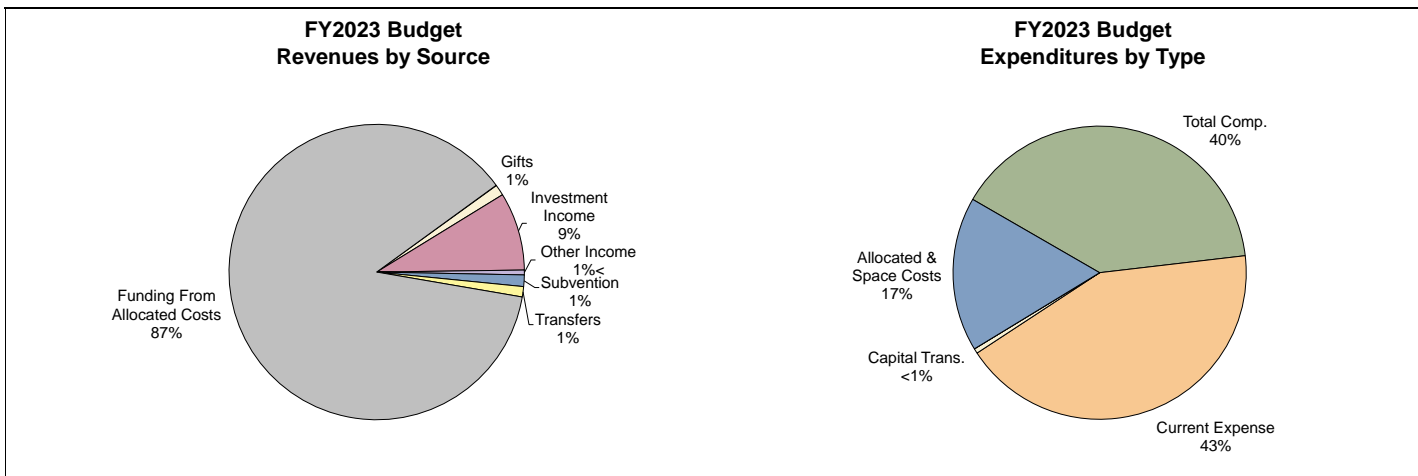
UNIVERSITY LIBRARIES
(in thousands of dollars)

FISCAL 2021 ACTUAL FISCAL 2022 BUDGET FISCAL 2022 FORECAST % Change from 2021 Actual FISCAL 2023 BUDGET % Change from 2022 Forecast

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	4	35	35	720%	35	0%
Sponsored Programs	202	126	126	-37%	126	0%
Gifts	3,153	1,053	1,056	-67%	997	-6%
Investment Income	6,327	6,723	6,636	5%	7,191	8%
Other Income	244	316	316	30%	316	0%
DIRECT REVENUES	9,930	8,254	8,169	-18%	8,665	6%
University Subvention	955	984	1,008	6%	1,063	5%
Funding From Allocated Costs	65,844	67,819	69,552	6%	73,372	5%
Net Resource Transfers From / (To) Other Centers	(287)	873	459	-260%	949	107%
TOTAL REVENUES & TRANSFERS	76,441	77,930	79,188	4%	84,049	6%
EXPENDITURES						
Total Compensation	27,584	30,525	29,243	6%	33,464	14%
Current Expense	28,797	32,267	35,353	23%	35,820	1%
Capital Transactions	6,485	2,466	392	-94%	455	16%
Student Aid	10	0	0	-100%	0	0%
NET DIRECT EXPENDITURES	62,876	65,258	64,988	3%	69,739	7%
Allocated Cost & Space Charges	14,347	14,420	14,420	1%	14,310	-1%
TOTAL EXPENDITURES	77,222	79,678	79,408	3%	84,049	6%
SURPLUS/(DEFICIT) *	(782)	(1,748)	(220)		0	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	-	-	-	-	-	-
Certificate & Non-Degree	-	-	-	-	-	-
Total Students	-	-	-	-	-	-
Standing Faculty	-	-	-	-	-	-
Staff	273	289	275	1%	290	5%





Major Areas of Focus and Activity

The Penn Libraries' [Strategic Plan 2020-2025](#) highlights its mission to partner with communities at Penn and beyond to produce, preserve, and provide access to knowledge in order to power Penn and better the world. In the two years since the new strategic plan was introduced, the core work of the Penn Libraries has been imbued with strategic goals and teams, achieving a symbiosis of operational practice influencing strategic thinking, and strategic teams introducing invention. Transformative results are evident across both public-facing services and innovative technology that provides seamless access to information resources necessary to acquire, describe, preserve, and deliver knowledge to the Penn community and beyond.

In early 2022, as an outgrowth of its strategic plan, Penn Libraries released a strategy designed to steer digital services and systems while prioritizing the needs of the Penn community. The [Digital Strategy 2022-2024](#) presents a vision to plan, implement, scale, and sustain digital technologies and practices that enable Penn students and scholars to function skillfully in a digital world.

The strategic plan outlines four high-level strategic priorities:

- **Advance:** Penn Libraries continues to acquire new tools and recruit expert talent to support Penn faculty and students in all areas of the research lifecycle. Collections access has been augmented with a transformative Open Access agreement with Cambridge University Press. This agreement will allow all Penn corresponding authors' articles to be accessed for free by anyone in the world, increasing the impact of Penn research.
- **Engage:** Penn Libraries is leading the [America 250 at Penn](#) initiative focusing on the 250th anniversary of the Declaration of Independence in 2026; this initiative launched in Spring 2022 in partnership with the McNeil Center for Early American Studies and partners beyond Penn, including the City of Philadelphia. Penn Libraries has also engaged with Philadelphia communities to preserve and provide access to cultural heritage.
- **Preserve:** The University Archives and Records Center (UARC) became part of the Penn Libraries in January 2022, capitalizing on the natural synergies between the two and integrating the libraries' work to enable seamless access to Penn's scholarly and institutional collections. In 2021, the Penn Libraries acquired a [rare collection](#) of 151 interpositive glass plates by photographer Edward S. Curtis (1868–1952), complementing Penn holdings and making Penn a major center for research and work on Curtis.
- **Enrich:** Penn Libraries is investing in new areas of staff expertise, including Africana studies, computer science, and the medical sciences. The [Diversity in the Stacks](#) initiative, which builds on collections that represent and reflect the University's diverse population, continues to recognize the value of unique contributions to global scholarship. These collections distinguish Penn from its peers and other North American libraries and make Penn Libraries a destination for scholarship.

Key Budgetary Assumptions

Staffing: The budget reflects additional staff and expenses related to the integration of UARC into the Penn Libraries, as well as new term positions that include two processing archivists.

Capital Project Priorities: The \$6.8 million expansion of the Libraries Research Annex (LIBRA), the high-density shelving facility in West Deptford, New Jersey, is expected to begin in January 2023 and be completed in FY2024. The cost of the project will be covered by an internal capital loan.

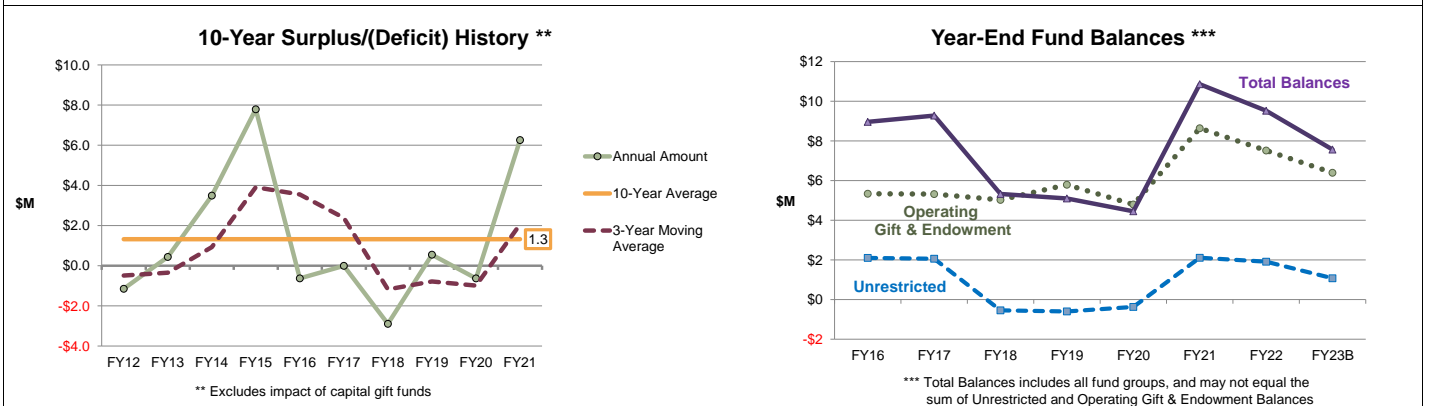
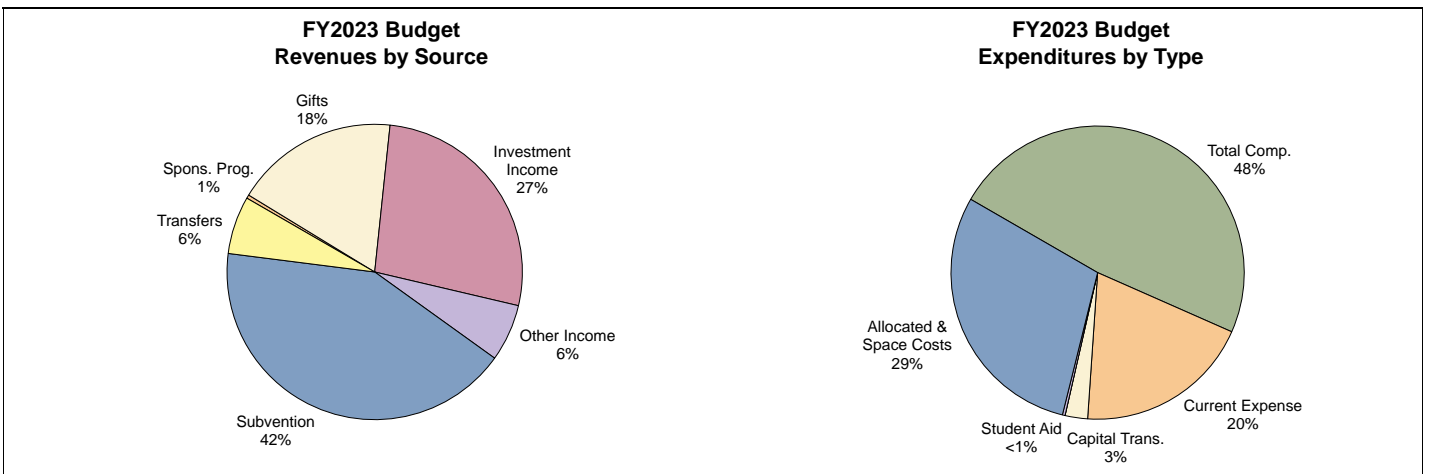
UNIVERSITY OF PENNSYLVANIA MUSEUM
(in thousands of dollars)

	FISCAL 2021 ACTUAL	FISCAL 2022 BUDGET	FISCAL 2022 FORECAST	% Change from 2021 Actual	FISCAL 2023 BUDGET	% Change from 2022 Forecast
--	--------------------------	--------------------------	----------------------------	---------------------------------	--------------------------	-----------------------------------

ALL OPERATING FUNDS						
REVENUES & TRANSFERS						
Tuition & Fees	0	0	0	0%	0	0%
Sponsored Programs	636	614	422	-34%	100	-76%
Gifts	10,750	7,258	6,819	-37%	4,641	-32%
Investment Income	6,218	6,444	6,469	4%	6,986	8%
Other Income	682	1,368	1,266	86%	1,617	28%
DIRECT REVENUES	18,286	15,685	14,975	-18%	13,345	-11%
University Subvention	9,790	10,055	10,313	5%	10,888	6%
Net Resource Transfers From / (To) Other Centers	289	84	1,525	427%	1,637	7%
TOTAL REVENUES & TRANSFERS	28,365	25,823	26,813	-5%	25,869	-4%
EXPENDITURES						
Total Compensation	10,971	11,808	11,320	3%	13,146	16%
Current Expense	2,951	7,364	6,008	104%	5,303	-12%
Capital Transactions	682	1,221	2,934	330%	675	-77%
Student Aid	59	66	82	40%	80	-2%
NET DIRECT EXPENDITURES	14,662	20,459	20,344	39%	19,204	-6%
Allocated Cost & Space Charges	7,452	7,709	7,709	3%	8,024	4%
TOTAL EXPENDITURES	22,114	28,168	28,053	27%	27,228	-3%
SURPLUS/(DEFICIT) *	6,251	(2,344)	(1,240)		(1,359)	

* Surpluses mean that funds are set aside for use in future years, while deficits represent the use of prior period balances.

INPUT ASSUMPTIONS (full-time equivalents)						
Student Enrollment:						
Traditional Undergraduate	-	-	-	-	-	-
Ph.D.	-	-	-	-	-	-
Professional & Other Degree	-	-	-	-	-	-
Certificate & Non-Degree	-	-	-	-	-	-
Total Students	-	-	-	-	-	-
Standing Faculty	-	-	-	-	-	-
Staff	113	114	108	-4%	120	11%



PENNMUSEUM

Major Areas of Focus and Activity

Open to all, the Penn Museum is home to nearly one million artifacts, many unearthed by the Museum's own extraordinary excavations over the past century and a half. All hold the captivating stories of humankind, from the mystery of the ancient world to present day cultures and concerns. With equal commitment to a joyful and meaningful visitor experience, and cutting-edge scholarship, the Museum is a place for all to discover, experience, and explore who they are and where they came from.

Key Budgetary Assumptions

Cost-Containment Measures: With the Museum's operations now rebounding, several positions that had been held open to reduce costs have now been filled or will be filled in FY2023 (including one building supervisor and one member of the executive team). Travel and entertainment expenses have increased recently, although they have not yet returned to pre-pandemic levels. Summer fieldwork projects, conference travel, and travel to visit donors have resumed, but many interactions that previously involved travel are still being handled remotely. Other current expense will continue to be managed closely and held flat wherever possible, although in some areas it will increase over FY2022 levels as operations continue to rebound.

New Staff Positions: The FY2023 budget reflects new positions associated with the Museum's social justice initiatives, including a chief diversity officer, a head of collections, and collections staff to assist with repatriation efforts. The Provost's Office is partially funding the cost of the new staff.

Revenues: Penn Museum's revenues are returning slowly back to pre-pandemic levels. Earned income relies heavily upon group sales, catering revenue, facility rentals, admission and membership revenue, programming revenue from camps, sleepovers, and other events, as well as gift shop sales, and as the pandemic lessens its hold on visitation these income sources are growing. The Museum is also partnering with Penn Medicine in marketing efforts to drive staff and visitor attendance, an endeavour that until recently was greatly hindered by the pandemic. The Museum will continue to optimize use of its gift and endowment funds to support the operating budget as much as possible.

Capital Project Priorities: The Museum's FY2023 capital plan includes the second phase of the Coxe/Harrison renovations that will include an overhaul of the Egyptian galleries and storage areas, and new central HVAC equipment and distribution for the Coxe Wing. This project is expected to be submitted for Trustee approval in October 2022, with the University covering \$4.5 million of the estimated \$18.2 million cost. Fundraising efforts are ongoing to support the gallery installation costs which will be incurred after construction is completed. The Museum's five-year budget plan assumes that the affected gallery spaces will be offline for approximately 27 months resulting in a temporary loss of revenue from rental events, group tours, and other sources.

Responsibility Center Budgets & Program Statements
ADMINISTRATIVE SERVICE CENTERS



DEVELOPMENT AND ALUMNI RELATIONS

Major Areas of Focus and Activity

With a strong past performance and exciting developments that includes new leadership under incoming President Elizabeth Magill, cutting-edge technology, and a hard-working staff, DAR remains in a strong position as FY2023 approaches. Here are DAR's key operational highlights:

- **Alumni Weekend 2022:** After two years of remote celebrations, Alumni Weekend 2022 took place in-person and welcomed three reunion classes to campus.
- **Leadership Changes:** John Zeller, the Senior Vice President of Development and Alumni Relations, is retiring on August 1, 2022, after 17 years at Penn. Under Zeller's guidance, DAR completed two extraordinary campaigns and witnessed first-hand the impact of DAR's collective work: a campus physically transformed, support for lifechanging programs and research, and the expansion of student aid to make a Penn education much more accessible. A national search, spearheaded by the incoming president, is underway for Zeller's replacement.
- **Salesforce:** DAR is in the process of rolling out Salesforce (branded 'Compass') as the donor, alumni, and volunteer management system of record; the new system will greatly enhance DAR's marketing and communication capabilities. The platform's foundation will be implemented in FY2023, with further enhancements across schools and centers to follow.
- **Fundraising Progress:** Even in a post-campaign year, fundraising momentum has been strong, and the commitment of donors has been evident. The FY2022 annual commitment goal of \$600 million represents a new baseline for University fundraising. Notable commitments include a \$125 million gift from Leonard A. Lauder to Penn Nursing that will transform nursing care through a tuition-free program to recruit, train, and deploy nurse practitioners to underserved communities across the country.
- **Diversity, Equity, Inclusion/Social Justice:** A natural evolution of the DAR DEI Taskforce is the DAR DEI Action Committee (D-DAC) whose members serve as internal DEI ambassadors. One of the group's most notable achievements has been the creation of a monthly newsletter, *DARiversity Matters*. Additionally, Exude has been hired as external DEI consultants and is currently working with DAR senior leadership on DEI initiatives.
- **Global Engagement:** Alumni Relations (AR) plans to continue a hybrid approach for events, given the high level of attendance for virtual events, which engaged an estimated 100,000 alumni in FY2021, 10% of whom were first-time attendees.

Key Budgetary Assumptions

Programmatic Activities: DAR's FY2023 budget has an increase of 6.7% in overall expense compared to FY2022. DAR aims to maintain the momentum generated by *The Power of Penn* campaign as it prepares for another campaign under the leadership of the incoming president. Programmatic activities will be focused on the leadership transition and strategic goals with emphasis on increased engagement visits and events, change management, and the new Salesforce platform.

Staffing: DAR plans to maintain its current staffing level of 380 filled FTEs, which includes 58 school and center staff, as well as shared financial and managerial responsibility for Penn Medicine Development. The compensation budget builds in salary savings based on a 4% turnover rate and reserves for key incentives and retentions.

Cost Containment: DAR is continually assessing its activities for savings opportunities and will realize significant operational efficiencies by transitioning Penn's alumni community, engagement management, and gift processing systems to Salesforce.



OFFICE OF THE EXECUTIVE VICE PRESIDENT

Major Areas of Focus and Activity

[The Office of the Executive Vice President](#) (EVP) is dedicated to the comprehensive delivery of functions ensuring that academic, research, service, and strategic priorities are implemented and executed across the University. To achieve and maintain the highest levels of excellence, the units reporting to the Office collaborate to create additional resources through effective and efficient service delivery and through the stewardship and management of the University's aggregate resources. The Office sets out the strategic mission and goals for the various functional areas that report to it, which include:

- [Audit, Compliance, and Privacy](#) (OACP) – reporting jointly to Penn Medicine
- [Budget Planning and Analysis](#) (BPA)
- [Business Services](#) (BSD)
- [Facilities and Real Estate Services](#) (FRES)
- [Finance](#) (DOF)
- [Human Resources](#) (HR)
- [Information Systems and Computing](#) (ISC) – reporting jointly to the Provost's Office
- [Investments](#)
- [Public Safety](#) (DPS)

FY2022 was another successful year with the EVP divisions supporting *Penn Compact 2022* as follows:

- **Inclusion:** DOF advanced the financial wellness program through a variety of on-campus activities that included practical workshops. BSD's purchasing team supported minority and locally owned businesses by facilitating \$100 million in spending with diversity suppliers. This spending was driven in part by the [Fueling Business Growth campaign](#), an initiative designed to increase Penn's diversity and business procurement within Philadelphia. All FRES employees completed unconscious bias training, and HR is actively analyzing DEI-related data while creating central DEI opportunities and a training position in core programs.
- **Innovation:** HR, ISC, DOF, and BPA began the implementation of Workday's talent and performance management modules, with the pilot for the latter expected to be rolled out by the end of FY2022. For the Next Generation Student Systems' (NGSS) project, both Release 1 and the initial phase of Release 2 are complete, and additional staggered releases (based on the academic calendar) are forthcoming. The NGSS tuition and fee collection workflow was deployed via Pennant in March 2022, and BPA remains engaged in supporting it post-deployment.
- **Impact:** [Penn Connects 3.0](#) continued to transform the campus with the opening of Biotech Commons, construction progress on the Boathouse renovation and addition, and the commencement of design for the Ott Center for Track and Field. Renovations are also proceeding for the Quadrangle, Sansom Place West, and Stouffer College House. Design is complete for the Vagelos Laboratory for Energy Science and Technology, and the Environmental Health and Radiation Safety waste facility has been relocated from Tandem, which is now being demolished as part of the VLEST project. Additionally, the fourth and final phase of Franklin Field's concrete and deck sealing project was completed as well as Palestra ventilation improvements and window replacement. Environmental sustainability efforts were highlighted by the release of the [Climate and Sustainability Action Plan 3.0 FY21 Annual Report](#). Penn earned a gold-level rating following the submission of its STARS report, a self-reporting framework for colleges and universities to measure their sustainability performance, and BSD implemented [a carbon offset program for air travel](#).

Despite the challenges posed by the pandemic, the EVP divisions continued to deliver high-quality services to the Penn community in FY2022. In addition to enforcing social distancing rules and reducing high-risk behaviors on campus, DPS expanded outreach and accessibility to information about its workforce and procedures. HR partnered with schools and centers to identify hiring needs and develop search strategies to reduce external search expense, and also performed an annual review of benefit programs informed by financial, recruitment, and retention benchmarks. In addition, HR created new virtual and in-person wellness programs as well as professional development enhancements that included a final design of career ladders and Workday-defined implementation goals. OACP's privacy team and ISC's Office of Information Security issued guidance for video conferencing technologies and sensitive data for research, learning, and work, and are drafting additional remote work guidance.

Progress on economic inclusion continued, achieving or exceeding goals for projects related to real estate, design and construction, and operations and maintenance. Focus groups were convened to evaluate the implementation and reception of the BSD-led [Second-Year Dining Initiative](#) with the goal of continuing to enhance student services. In addition, DOF's [new Student Service Center](#) in the Franklin Building opened successfully in October 2021 to students and partners alike.

ISC continues to coordinate a campus-wide project to decrease risks associated with delivering IT services in a decentralized environment, including the rollout of mandatory two-step verification for faculty and staff emails and the replacement of the firewall at the end of its six-year life. Other key initiatives included wireless expansion in outdoor common areas; migration of the Data Warehouse to the Snowflake Data Cloud platform; and the conversion of PennNet phones to Vonage's cloud services (which was 65% complete as of the end of March).

Key Budgetary Assumptions

The FY2023 budget for the functional areas reporting to the EVP has a total of \$651 million in gross expenditures. About 60% is central funded through allocated cost charges and the General Fee, and 40% is funded by internal and external charges for goods and services, Total staffing in EVP divisions is budgeted at 2,107, with the three largest units, FRES, BSD, and ISC, accounting for about 71% of the total.



Major Areas of Focus and Activity

The President's Center directly supports the President, the Trustees, and the University's senior leadership, and advances Penn's highest priorities by aiding students, faculty, and staff in their teaching, research, and service. Key current initiatives include supporting all aspects of Penn's presidential transition and assisting in the [University's ongoing COVID-19 response](#). The units of the President's Center include the [President's Office](#), [African-American Resource Center](#), [Almanac](#), [Office of Affirmative Action and Equal Opportunity Programs](#), [Office of General Counsel](#), [Office of Institutional Research and Analysis](#), [Office of Government and Community Affairs](#), [Office of the Ombuds](#), [Office of Social Equity and Community](#), [Office of the Associate Vice President for Equity and Title IX Officer](#), [Office of the University Secretary](#), [Office of University Communications](#), and [WXPN](#).

Key Budgetary Assumptions

Staffing: The budget provides for a total of 204 staff FTEs, including 50 FTEs in WXPN.

WXPN Revenues: With an expected return to a full year of live music events in FY2023, WXPN is projecting a 6.4% increase in revenue relative to the FY2022 forecast. WXPN's primary revenue sources are memberships and business support.

Cost Containment: The President's Center continues to be a campus leader in judiciously controlling expenses. For the past two years, the Office of Social Equity and Community has cut costs by holding the Social Equity Forum, its signature event, online instead of in person. The *Almanac* has produced savings by shifting to electronic publishing. By engaging in processes to de-escalate conflict and mitigate friction and tension, the Office of the Ombuds serves an important joint risk-management and cost-containment function. The Office of Affirmative Action and Equal Opportunity Programs has continued with cost-containment initiatives including virtual meetings, trainings, and special events. The continuation of hybrid work schedules for Institutional Research and Analysis has decreased expenditures on general supplies.



Major Areas of Focus and Activity

The [Office of the Provost](#) provides direction on all facets of the University’s academic mission by delivering essential services and resources to its constituencies across campus. Its budget functions are divided between an administrative service center and an interdisciplinary resource center, which include a variety of academic programs more appropriately housed centrally than in an individual school. The [Office of University Life](#), which reports to the Provost, is the primary provider of student support services. In addition, the Provost’s Office provides oversight and support for Wellness, College Houses and Academic Services (CHAS), the Office of Research Services within the Division of Finance, and Penn Global. Other resource centers that report to the Office of the Provost are covered in other sections of this document.

Throughout the pandemic a team of campus partners has been engaged addressing students’ financial, personal, and academic concerns. This cross-functional group is comprised of colleagues from University Life, Student Registration and Financial Services, [Penn First Plus](#) and the [Vice Provost for Education office](#). Penn First Plus has continued to be the hub of university efforts to enhance the academic experiences of students who are the first in their families to pursue a four-year baccalaureate degree or come from modest financial circumstances. Its work has been recognized with a generous \$18 million gift from Scott and Elena Shleifer.

Key Budget Assumptions

Student Life: Starting in FY2021, the University required all sophomores to live on-campus. This change has resulted in reduced occupancy rates for fraternities and sororities which are classified as off-campus residences. In FY2023, the Office of Fraternity and Sorority Life will launch a multi-year restructuring of rental rates and occupancy quotas and will develop plans for addressing underperforming houses.

Diversity: Completion of a third-party review of the cultural and resource centers in FY2022 provides the opportunity for the University to enhance its support for the centers and their activities. In FY2023, University Life will begin implementing a plan to enhance the student experience at these centers.

Global Activities: Study abroad program participation is expected to continue to rebound in FY2023 but still remain below pre-pandemic levels. Perry World House expects growth in donor-supported, thematic research focused on global justice and human rights, as well as additional programming centered on the global world order, population shifts due to migration, and climate change.

Wellness: A new organizational structure will allow Wellness to fulfill its vision of creating a campus that integrates the science, theory, and practice of wellness through inclusive, innovative, and impactful initiatives. Under the leadership of a new executive director of student health and counseling, Wellness has created two distinct pillars to its operations: student health and counseling and public health and wellbeing. The public health and wellbeing component will define the health education, health promotion, and disease surveillance activities to meet the evolving needs of the campus and the Penn community.

Research: Commercialization revenues are trending positively and providing resources to invest in Penn’s research enterprise. In FY2023, the Provost’s Office will continue to closely monitor new and ongoing technologies that have the potential for financial upside, with the hiring of additional corporate alliance staff expected to enhance these efforts.

Operating & Capital Budget
UNIVERSITY OF PENNSYLVANIA
HEALTH SYSTEM

University of Pennsylvania Health System
Fiscal Year 2023 Consolidated Operating Budget
Statement of Revenues & Expense
(in thousands of dollars)

	FY2021 Actual	FY2022 Budget	FY2022 Forecast	FY2023 Budget
Operating Revenue				
Total Net Patient Revenue	7,712,487	8,280,736	8,375,907	8,780,721
Provision for Doubtful Accounts	(166,861)	(196,224)	(210,018)	(208,623)
Other Operating Revenue	1,132,479	911,152	1,091,172	1,086,916
Total Operating Revenue	8,678,105	8,995,664	9,257,061	9,659,014
Operating Expenses				
Salaries	3,581,076	3,836,948	4,044,836	4,159,790
Employee Benefits	945,258	1,102,027	1,010,788	1,109,724
Supplies & Services	3,026,563	3,187,489	3,391,337	3,489,133
Depreciation & Amortization	333,710	390,579	385,476	420,003
Interest Expense	35,599	71,734	72,012	84,366
Malpractice Expense	75,274	99,530	101,430	98,856
Utilities	69,744	81,030	86,182	92,528
Total Operating Expenses	8,067,224	8,769,337	9,092,061	9,454,400
Net Operating Margin	610,881	226,327	165,000	204,614
Non-Operating Revenue	188,045	324,234	429,873	373,997
Unrealized Gain/(Loss) on Investments	987,223	0	(156,094)	0
Discontinued Operations	0	0	0	0
Excess of Revenue over Expense	1,786,149	550,561	438,779	578,611
Transfers & Other ¹	(242,329)	(196,327)	(170,226)	(131,620)
Additional Minimum Pension Liability	576,021	0	120,000	0
Increase in Unrestricted Net Assets ²	2,119,842	354,234	388,553	446,991

¹ FY2023 budget includes transfers of \$131.6 million to the Academic Component.

² These amounts differ from the increase in net assets from operations shown in Schedule A as Schedule A excludes non-operating items which are included herein.



Penn Medicine

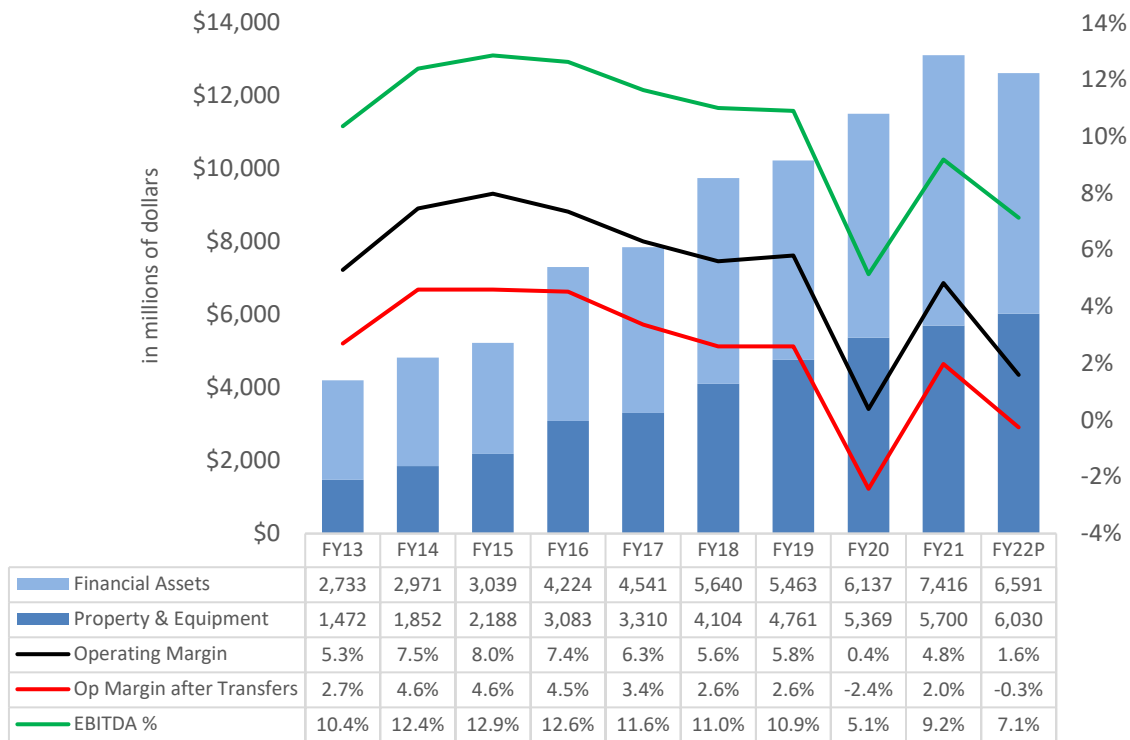
UNIVERSITY OF PENNSYLVANIA HEALTH SYSTEM (UPHS)

Fiscal Year 2022 Accomplishments

Financial Operations

- Projected net operating margin of \$165 million, or 1.8%. Net operating margin includes approximately \$17 million of Department of Health and Human Services (HHS) Coronavirus, Aid, Relief, and Economic Security (CARES) Act funding related to the treatment of COVID-19 patients. Net operating margin excluding HHS funding is \$148 million, or 1.6%.
- Projected total margin is \$439 million, or 4.7%, as non-operating revenue was partially offset by unrealized losses on investments, reflective of financial market performance.
- Projected days cash on hand (DCOH) of 215, of which six days are attributed to the Medicare accelerated payments projected remaining balance of \$150 million.
- Total financial and physical assets are projected to decrease by approximately \$495 million or -3.8% from June 30, 2021
- Projected total pension and post retirement liability on June 30, 2022 is \$842 million. The defined benefit pension liability is calculated with a discount rate of 3.6%, which has been updated to reflect the projected year-end discount rate for measuring the pension liability. The final rate will be set on June 30, 2022.

Financial Operations Summary



Note: FY2020, FY2021, and FY2022 operating margins exclude HHS dollars.

Clinical Program Growth – Inpatient Volumes

FY2021 showed significant progress toward a return back to pre-pandemic levels of activity. One of the goals for FY2022 was not to just maintain but to exceed pre-pandemic volumes. The table below measures FY2022 key inpatient statistics against FY2021:

	<u>FY2021</u>	<u>FY2022</u>	<u>Change</u>
Adjusted Admissions	278,602	296,192	6.3%
Admissions	129,722	135,405	4.4%
Inpatient Surgeries	43,250	40,148	(7.2%)
Inpatient ER Visits	67,121	73,791	9.9%

The data shows further growth in FY2022 with the exception of inpatient surgeries. While adjusted admissions are expected to grow 6.3% over the prior year, part of this increase is due to a shift in patient mix from surgical to medicine, which results in lower margins. The decline in inpatient surgeries reflects the continued migration of inpatient surgeries to an outpatient setting as well as the fourth wave of COVID-19 (Omicron).

Clinical Program Growth – Outpatient Volumes

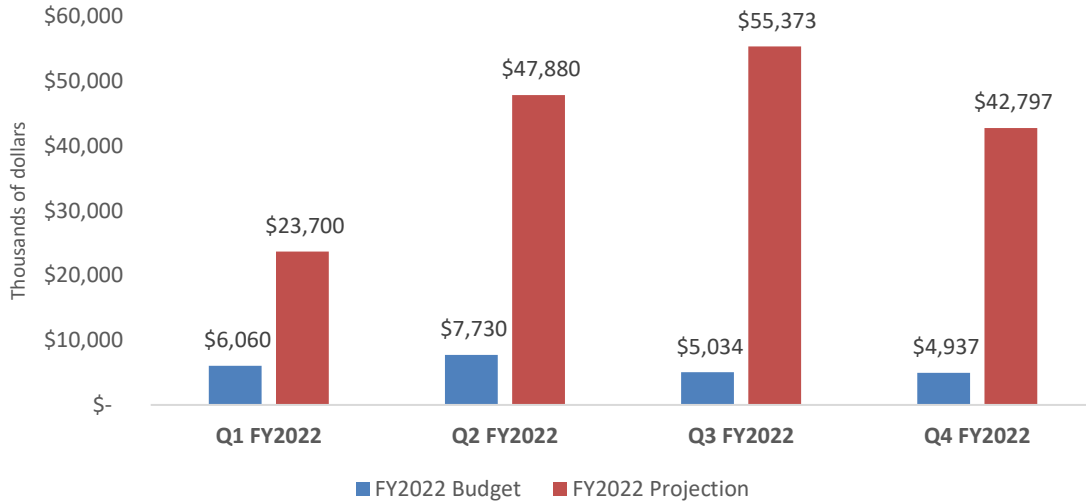
Overall, total outpatient activity in FY2022 has been strong and is projected to increase by 12.1% over FY2021. All outpatient services reflect growth from the prior year as the table below illustrates:

	<u>FY2021</u>	<u>FY2022</u>	<u>Change</u>
Outpatient Surgeries	76,710	78,757	2.7%
MRI Scans	108,606	115,758	6.6%
CT Scans	233,980	255,567	9.2%
Chemotherapy Visits	183,382	200,741	9.5%
Radiation Oncology Treatments	91,667	94,432	3.0%
Observation Patients	26,102	30,165	15.6%
Outpatient Emergency Room Visits	274,173	340,805	24.3%
Proton Therapy	16,576	16,745	1.0%
All Other Outpatient Services	24,385	27,825	14.1%
Total Outpatient Volumes	1,035,581	1,160,794	12.1%
New Patient Starts – Proton Therapy	597	602	0.8%
New Patient Starts - Radiation Oncology	5,721	6,162	7.7%

Premium Labor Costs

During FY2022, UPHS was challenged by significant labor cost pressures, which were exacerbated by the Omicron wave. FY2022 premium labor costs (contract labor, overtime, and shift incentives) are projected to total \$170 million, exceeding budget by \$146 million (*see following chart*). This increase in costs is driven by higher turnover and vacancy rates, the pandemic, and backfill of staff on quarantine status that began in October.

FY2022 Nursing Premium Labor Costs



Business Development and Service Line Strategies

- Activation of 1.5 million square feet of new patient space in HUP Pavilion on October 30, 2021, including the safe move of over 300 patients in one day into an expanded footprint of 504 private inpatient rooms, opening the new, two-story emergency department, and opening the three-story procedural platform with 47 operating rooms.
- Continued development of the Public Health Management Corporation (PHMC) Cedar Avenue campus with the opening of a Federally Qualified Healthcare Center run by PHMC and staffed by the CPUP Department of Family Medicine and Community Health.
- Completed expansion of infusion chairs, and successfully launched multidisciplinary breast program at Penn Presbyterian Medical Center (PPMC).
- Integrated Naval Strategic Health Alliance for Readiness and Performance (N-Sharp), a Navy partnership, with PPMC’s trauma program.
- Launched a community mobile mammography program at Pennsylvania Hospital (PAH).
- Added behavioral health providers to the Chester County Hospital (CCH) emergency department and completed the department’s expansion of ten beds and two triage bays.
- Launched the Center for Thyroid and Parathyroid to consolidate services and establish Penn Medicine Princeton Health (PMPH) as the leading provider of choice for this specialized type of care.
- PMPH successfully onboarded 29 new practitioners to Princeton Medicine Physicians and Penn Specialty Physicians.
- Completed the first phase of construction (cafeteria and kitchen relocation) for the Lancaster General Hospital (LGH) emergency department project.
- Integrated Horizon Healthcare Services into Penn Home Infusion Therapy, effective July 1.
- Appointed grantee of \$26 million Commonwealth of Pennsylvania LTC RISE grant that provides support to more than 700 long-term care communities.
- Launched the Penn Home Providers program allowing patients to be seen by a provider at home.
- Successfully acquired and onboarded a number of new physicians and practices (e.g., Penn Neurologic Associates and Phoenixville Medical Associates)

Operational Efficiencies

- Completed first phase of the consolidation of the patient access resources under a centralized corporate management model.
- Improved HUP on-time starts in operating rooms from 15% to 77% through process improvements sponsored by leaders in perioperative services, surgical subspecialties, and anesthesia.
- Implemented an enhanced bed management system at HUP to more efficiently utilize HUP's expanded inpatient footprint; included improving the use of EPIC functionality to flexibly manage inflow and outflow from units and reducing wait time to be assigned to an inpatient bed.
- Enhanced security measures to combat violence in the workplace, including additional security staffing, more staff and visitor screening, parking lot coverage, staff duress improvements, panic alarms, lockdown of entrances, increased cameras, de-escalation training, and metal detectors.
- Staffed and opened two state-of-the-art operating rooms at PPMC.
- Standardized sepsis definitions and treatment protocols across UPHS and developed dashboard to monitor compliance.
- Migrated PMPH's radiation oncology treatment and documentation platform from MOSAIQ and Pinnacle to Aria and Eclipse, completing the alignment across UPHS.
- Launched Project Vital Advantage to address critical workforce opportunities within recruitment, compensation, retention, work environment, and well-being.
- Administered COVID-19 PCR tests and vaccinations across UPHS sites, including a partnership with the Philadelphia Department of Public Health to vaccinate over 4,600 homebound patients.
- Replaced thousands of aging Philips patient monitoring devices with Nihon Kohden monitoring devices and completed an upgrade of over 25,000 devices to Windows 10.
- PennChart Implementations: PennChart E-ICU support at LGH, PennChart Ambulatory at multiple new physician practice locations, PennChart Community Connect at HUP-Cedar, and activated PennChart Ophthalmology application Kaleidoscope at Scheie Eye (PPMC), the Perelman Center for Advanced Medicine, and Valley Forge.
- PennFor Implementations: activated PennForPeople Phase 2 focused on talent management; launched PennForFinance implementation focused on finance, payroll, and supply chain; and integrated LGH Workday and Lawson ERP solutions into Penn Medicine.

Major Facility Improvements

- Continued or completed construction of several major capital projects including:
 - HUP new patient pavilion – opened in October 2021
 - HUP Main – ongoing, first, and second milestones of HUP Main restack completed
 - LGH Proton construction completed; first patients anticipated in the fall
 - LGH Emergency Department Expansion: First milestone (food service) completed; second milestone (35 new rooms) to be completed in FY2023
 - 3600 Civic Center Boulevard Renovation and Expansion – this project has been launched on behalf of and in partnership with the Perelman School of Medicine (PSOM).

Fiscal Year 2023 Goals and Expected Accomplishments

Clinical Program Growth – Inpatient Volumes

All key inpatient statistics are budgeted for growth in FY2023 as the recovery from the most recent wave of COVID-19 continues. Per the following table, growth ranges from 3.8% to 8.1%.

	<u>FY2022F</u>	<u>FY2023B</u>	<u>Change</u>
Adjusted Admissions	296,192	312,640	5.6%
Admissions	135,405	142,934	5.6%
Inpatient Surgeries	40,148	43,405	8.1%
Inpatient ER Visits	73,791	76,596	3.8%

Clinical Program Growth – Outpatient Volumes

Overall, total outpatient activity in FY2023 is budgeted to increase by 3.8% over FY2022. Per the table below, growth ranges from 1.5% to 22.8%.

	<u>FY2022F</u>	<u>FY2023B</u>	<u>Change</u>
Outpatient Surgeries	78,757	80,351	2.0%
MRI Scans	115,758	118,776	2.6%
CT Scans	255,567	268,288	5.0%
Chemotherapy Visits	200,741	208,899	4.1%
Radiation Oncology Treatments	94,432	96,213	1.9%
Observation Patients	30,165	30,606	1.5%
Outpatient Emergency Room Visits	340,805	352,308	3.4%
Proton Therapy	16,745	20,562	22.8%
All Other Outpatient Services	27,825	28,761	3.4%
Total Outpatient Volumes	1,160,794	1,204,763	3.8%
New Patient Starts - Proton	602	627	4.2%
New Patient Starts – Radiation Oncology	6,162	6,460	4.8%

Key Budget Highlights – Operating Performance

- Total revenue is budgeted to be \$9.7 billion.
- Operating margin is budgeted at 2.1%, or \$205 million (2.6%, or \$254 million, excluding contingency).
- EBITDA margin is budgeted at 7.7%.
- Non-operating revenues are budgeted to be \$374 million.
- Total margin is budgeted at 6.0%, or \$579 million.
- Salary increases of 3% for eligible employees on UPHS payroll were accelerated to April 2022. There is no increase to the employee contribution for health benefits from FY2022.
- Salary increases for employees on University payroll budgeted at 4.5%, effective July 2022.
- Reflected in the budget is a continuation of the shift from surgical to medicine patients, driven by the continued increased in emergency room admissions tied to hospital closures, as well as COVID admissions. The swing in patient mix has shifted the payor mix from commercial to managed Medicare and Medicaid yielding a significant negative impact to reimbursements.
- The budget assumes significant reductions in contract and other premium labor costs.
- The budget assumes the additional 4% in Medicare sequestration (approximately \$43.5 million) scheduled for January 2023 will not be enacted.
- This will be the first year that the UPHS financials will reflect the full impact of the HUP new patient pavilion.
- Total pension liability is budgeted at \$826 million, a decrease of \$16 million versus the FY2022 projection. The defined benefit pension liability calculation assumes a discount rate of 3.6%, consistent with the projected rate at the end of FY2022.

- The FY2022 pension liability and the FY2023 expense will be finalized once June 30, 2022 rates are determined.

A roll forward of projected FY2022 performance to FY2023 budgeted performance is included below:

(in millions of dollars)

Projected FY2022 Operating Margin	\$165
CARES Act (Non-Recurring)	(17)
Other Non-Recurring	(50)
Patient Activity / Volume	198
Payment Increases	91
Medicare Sequestration	(38)
HUP East Tail	(40)
Salary and Employee Benefit Inflation and Growth	(220)
Other Expense Inflation and Growth	(52)
Contract Labor and Other Premium Pay Reductions	117
Ambulatory Pharmacy	20
Productivity and Cost Savings	45
Recruitment and Retention Payment	16
Miscellaneous Other Adjustments	<u>18</u>
Subtotal, without Contingency	<u>254</u>
Contingency	(50)
Budget FY2023 Operating Margin	<u>\$205</u>

Business Development and Service Line Strategies

- Complete renovation and realignment of inpatient units at HUP Main to convert semi-private rooms to private rooms and cohort hospital medicine and surgery patients for optimal patient care.
- Grow HUP's solid organ transplants program:
 - Commence operations of a Deceased Donor Organ Recovery Center (DDORC) on September 1st in partnership with the regional organ procurement organization, the Gift of Life Donor Program. The DDORC, will provide 24/7/365 availability of space and on-demand staffing and services for organ procurement at HUP.
 - Establish a Center for Living Donation to provide increased capacity and patient access for living donor liver and kidney transplants.
- Expand behavioral health services at HUP Cedar campus with the reestablishment of a Crisis Response Center.
- Implement various initiatives at PPMC, including strategic growth of anchor services; continued work around proposed two towers, expansion of beds, ambulatory care growth, and designing a center for excellence (COE) for cardiac and rescue services, surgical specialties, and oncology.
- Continue site planning work and strategic analysis for potential outpatient multispecialty sites in various market locations across Penn Medicine's primary service areas, including Montgomeryville and Media in Pennsylvania.
- Launch Neurology Interventional Program at PAH.
- Create strategic plan to increase elective surgical cases at CCH, including spine, neurospine, and other high margin cases.
- Develop growth targets for new physical therapy locations in CCH's primary service area in collaboration with Good Shephard Penn Partners (GSSP).
- Complete installation of new radiology equipment at CCH to assist with throughput of inpatient cases and increase overall volumes.
- Launch elective angioplasty service at PMPH.
- Finalize architectural plans for the new PMPH Comprehensive Cancer Center and parking garage for submission to the New Jersey Department of Health.
- Expand the radiation oncology program at LGH with the go-live of the newly constructed Proton Center.

- Pilot a skilled nursing facility at-home program.
- Fully integrate Horizon Healthcare Services into Penn Home Infusion Therapy.
- Implement revenue reimbursement enhancement strategies:
 - Make an equity investment in Tandigm Health, LLC, to form a strategic alignment with Independence Blue Cross and create a network of over 700 physicians, leveraging expertise and implementation of value-based incentive models to drive improved population health performance of UPHS physicians through shared risk savings.
 - In partnership with clinical operations, frequently monitor and measure outcomes of pay-for-performance programs to maximize value-based payments (e.g., Aetna Pay for Performance).
 - Negotiate with commercial payor negotiations to continue shifting certain services from fee-for-service to bundled payments (e.g., radiation therapy).

Operational Efficiencies

- Staff and open four additional operating rooms in the HUP Pavilion during the daytime to reduce the number of scheduled surgical cases that are performed in the evening and overnight.
- Redesign the Transfer Center to better enable access to inpatient care across the downtown hospitals.
- Execute on various initiatives across the system to reduce ALOS for both emergency room and hospital patients and reduce readmissions.
- Enhance nursing satisfaction, engagement, recruitment, and retention, and improve Nursing Sensitive Outcomes, including hospital-acquired infections, central line-associated bloodstream infections (CLABSI), catheter-associated urinary tract infections (CAUTI), falls with injury, and pressure ulcers.
- Execute plans to reduce premium labor costs, particularly agency staffing.
- Implement executive-sponsored Project Vital Advantage initiatives to drive recruitment, retention, and employee well-being.
- Increase hospice census for both home hospice and Penn Hospice at Rittenhouse.
- Transition PMPH Cerner Lab system to the versions used in the downtown hospitals.
- Implement PennChart enhancements, including PennChart Ambulatory at new Penn Medicine partner locations, PennChart Behavioral Health module throughout Penn Medicine, and Ambulatory EMR functionality at the University of Pennsylvania student health center.
- Proceed with PennForPeople Phase 2b focused on talent management and PennForFinance Phase 3 focused on finance, payroll, and supply chain.

Academic Support

UPHS' FY2023 budget includes \$702 million of allocated funds to support the academic mission of PSOM in two forms:

- \$487 million to support the clinical, teaching, and research activities of CPUP.
- \$215 million transferred to PSOM to support operating expenses.

Capital Expenditures

The FY2023 capital budget includes a combination of authorizations at the entity level and unallocated system authorizations. The unallocated system authorization (contingency) is \$55 million, which will be allocated to the entities when priorities are identified and financial performance warrants.

Capital authorizations and planned FY2023 spending by category are outlined in the following chart and include the following: HUP strategic priorities \$35 million; HUP Rhoads chiller and Founders cooling towers \$23.8 million; and LGH Cardiology Phase 4: \$17.8 million. Projected capital spending of \$534 million represents a decrease of approximately \$200 million from the FY2022 forecast, a decrease that is primarily attributable to the completion of the HUP new patient pavilion in FY2022.

(in thousands of dollars)

Category	Requested Authorizations		Spending *	
	Amount	% of Total	Amount	% of Total
Program Building	179,508	40.8%	78,870	14.9%
Major Facilities Projects	-	0.0%	112,215	21.0%
Information Systems	18,165	4.1%	41,355	7.7%
Deferred Maintenance	93,759	21.3%	79,042	14.8%
Routine Capital	61,558	14.0%	58,221	10.9%
Clinical Replacement	87,138	19.8%	78,125	14.6%
Chair Commitments	-	0.0%	-	0.0%
Real Estate & Facilities	-	0.0%	86,190	16.1%
Total	\$440,127	100.0%	\$534,017	100.0%

* Includes prior year authorizations; excludes spending on 3600 Civic Center Boulevard project

On behalf of PSOM, UPHS has taken the lead on the design and construction of the 3600 Civic Center Boulevard renovation and expansion. The FY 2023 cash flow reflects capital spending of \$611 million and net transfers of \$132 million to the University, which include the cost and reimbursement of \$77 million related to this PSOM project.

Balance Sheet and Cash Flow

- FY2023 unrestricted financial assets (cash, board-designated funds, and investments) budgeted at \$6.6 billion.
- FY2023 days cash on hand budgeted at 206.
- FY2023 days in accounts receivable budgeted at 44.
- Unrestricted net assets are budgeted to increase \$447 million to a total of \$8.0 billion.

KEY FINANCIAL RATIOS

	FY2021	FY2022	FY2023
	<u>Actual</u>	<u>Projection</u>	<u>Budget</u>
Cash on Hand (Days)	287	215	206
<i>(Unrestricted Financial Assets / Average Operating Expense)</i>			
Debt to Unrestricted Capitalization	27.1%	25.5%	24.0%
<i>(Debt/ Debt Plus Unrestricted Net Assets)</i>			
Debt Service Coverage (Annualized)	7.9	6.2	6.8
<i>(Debt Service / Annual Debt)</i>			
Accounts Receivable Days (Average)	45	46	44
<i>(Net Accounts Receivable/ Average Net Patient Revenue)</i>			
Net Debt (in millions)	\$3,400	\$2,522	\$2,557
<i>(Unrestricted Financial Assets Less Debt)</i>			
Operating Margin Excluding HHS Funding	4.83%	1.60%	2.12%
Operating Margin After Transfers Excluding HHS Funding	1.97%	-0.25%	0.76%
EBITDA % Excluding HHS Funding	9.19%	7.14%	7.67%

APPENDICES

SCHOOL METRICS

dollar amounts in millions

	ASC	SAS	LAW	PDM	GSE	SEAS	SON	PSOM	SSPP	VET	WSOD	WHA	TOTAL
Size of Endowment	\$890	\$1,411	\$648	\$142	\$98	\$630	\$209	\$3,123	\$36	\$325	\$264	\$1,936	\$9,713
<i>School Rank</i>	4	3	5	10	11	6	9	1	12	7	8	2	
Total Expenditures	\$37	\$572	\$84	\$113	\$67	\$233	\$68	\$1,185	\$26	\$163	\$56	\$464	\$3,067
<i>School Rank</i>	11	2	7	6	9	4	8	1	12	5	10	3	
Average Expenditure Growth ¹	-1%	3%	5%	3%	2%	7%	-1%	4%	2%	5%	4%	1%	3%
<i>School Rank</i>	11	7	2	6	9	1	12	4	8	3	5	10	
Sponsored Program Revenues	\$5	\$87	\$1	\$18	\$11	\$81	\$20	\$819	\$3	\$45	\$2	\$7	\$1,099
<i>School Rank</i>	9	2	12	6	7	3	5	1	10	4	11	8	
Fund Balance ²	\$26	\$107	\$34	\$13	\$38	\$103	\$39	\$552	\$7	\$54	\$9	\$204	\$1,186
<i>School Rank</i>	9	3	8	10	7	4	6	1	12	5	11	2	
Fund Balance % of Budget	70%	19%	41%	11%	57%	44%	58%	47%	26%	33%	17%	44%	39%
<i>School Rank</i>	1	10	7	12	3	5	2	4	9	8	11	6	
Student Aid % of Tuition & Fees	71%	43%	30%	10%	22%	42%	26%	85%	22%	16%	36%	23%	36%
<i>School Rank</i>	2	3	6	12	9	4	7	1	10	11	5	8	
Tuition & Fees % of Revenues ³	12%	56%	47%	47%	64%	48%	56%	5%	65%	13%	47%	55%	31%
<i>School Rank</i>	11	4	8	9	2	6	3	12	1	10	7	5	
Grant Revenues % of Revenues ³	10%	14%	1%	17%	14%	30%	25%	58%	12%	26%	3%	1%	32%
<i>School Rank</i>	9	6	12	5	7	2	4	1	8	3	10	11	
Investment Income % of Revenues ³	74%	9%	24%	5%	5%	8%	11%	9%	5%	7%	12%	16%	11%
<i>School Rank</i>	1	6	2	12	11	8	5	7	10	9	4	3	
Transfers & Subvention % of Unrestricted Revenues ⁴	-7%	15%	11%	4%	8%	8%	4%	18%	9%	1%	12%	9%	12%
<i>School Rank</i>	12	2	4	10	8	7	9	1	5	11	3	6	

¹ All comparisons based on FY2021 year-end actual, except for Average Expenditure Growth which is based on FY2016 - FY2021 year-end actual.

² Includes intermediate fund investments for School of Nursing and Perelman School of Medicine but these values are not included within the individual School sheets or Fund Balance Summary.

³ Revenues include Direct Revenues and Transfers in All Funds.

⁴ Transfers exclude the Overhead & Other Transfers category.

FUND BALANCE SUMMARY ¹

dollar amounts in millions

	FY2019 <u>Actual</u>	FY2020 <u>Actual</u>	FY2021 <u>Actual</u>	FY2022 <u>Budget</u> ²	FY2022 <u>Forecast</u>	FY2023 <u>Budget</u>
1. All Funds						
Annenberg School for Communication	16.8	19.7	25.9	33.8	32.7	41.6
School of Arts and Sciences	71.7	84.7	106.9	117.7	126.5	112.0
Penn Carey Law	12.8	20.1	34.1	40.6	41.6	47.1
School of Dental Medicine	16.3	16.9	12.6	13.8	14.5	18.0
Graduate School of Education	19.3	25.5	38.4	38.5	44.5	26.7
School of Engineering and Applied Science	50.8	73.5	103.3	121.0	120.8	78.7
School of Nursing	20.8	20.2	28.2	33.8	31.6	33.4
Perelman School of Medicine	402.4	443.5	550.9	582.4	1,017.0	1,219.7
School of Social Policy and Practice	4.9	6.5	6.8	7.5	11.2	11.1
School of Veterinary Medicine	40.9	40.3	53.7	54.6	52.8	52.7
Weitzman School of Design	7.4	8.9	9.4	10.5	10.0	12.6
Wharton School	140.3	155.7	204.5	248.9	269.4	263.9
School Total	804.4	915.5	1,174.6	1,303.1	1,772.4	1,917.5
Penn Live Arts	1.2	1.2	1.3	0.8	1.8	1.9
Recreation and Intercollegiate Athletics	14.7	25.4	33.4	32.1	39.9	21.7
Institute of Contemporary Art	0.0	0.6	1.2	1.1	1.4	1.2
Provost Interdisciplinary	11.5	10.6	17.3	19.9	14.6	15.7
Penn Global	5.7	6.5	7.3	7.1	10.6	12.1
Morris Arboretum	3.1	2.5	3.6	4.1	4.2	4.2
University Libraries	16.2	16.8	13.8	12.0	13.6	13.5
University Museum	5.1	4.5	10.9	8.5	9.5	7.6
Resource Center Total	57.5	68.0	88.9	85.6	95.6	77.9
2. Unrestricted Funds						
Annenberg School for Communication	12.5	16.0	22.6	31.5	26.0	35.3
School of Arts and Sciences	45.0	49.4	44.7	47.9	58.9	65.6
Penn Carey Law	0.7	3.0	7.2	12.2	17.8	23.8
School of Dental Medicine	14.5	13.7	10.3	10.4	11.1	13.7
Graduate School of Education	14.7	16.9	25.4	25.8	36.2	22.4
School of Engineering and Applied Science	29.7	43.5	65.0	70.1	80.5	64.5
School of Nursing	17.1	16.4	22.2	26.9	17.5	17.7
Perelman School of Medicine	250.9	268.9	340.4	342.3	787.1	959.8
School of Social Policy and Practice	3.1	3.4	4.6	5.3	8.8	8.7
School of Veterinary Medicine	21.9	20.2	27.8	25.0	23.0	18.6
Weitzman School of Design	2.2	3.0	3.4	4.1	4.1	4.3
Wharton School	35.0	52.4	91.9	120.2	143.3	139.1
School Total	447.2	506.9	665.4	721.6	1,214.3	1,373.4
Penn Live Arts	1.1	1.1	1.3	0.8	1.4	0.9
Recreation and Intercollegiate Athletics	9.4	10.4	16.2	14.9	15.9	16.4
Institute of Contemporary Art	0.0	0.5	1.1	1.0	1.2	1.0
Provost Interdisciplinary	5.1	3.9	6.2	7.0	7.4	7.0
Penn Global	5.5	6.1	6.5	6.8	8.8	10.4
Morris Arboretum	0.4	0.4	0.7	0.8	2.2	2.4
University Libraries	10.6	10.9	9.5	10.0	10.3	10.3
University Museum	(0.6)	(0.4)	2.1	0.2	1.9	1.1
Resource Center Total	31.5	32.9	43.5	41.5	49.3	49.5

¹ Balances at the close of each fiscal year.

² Sum of actual balances at the end of the previous year plus the budgeted change for the current year.

FUND BALANCE SUMMARY ¹

dollar amounts in millions

	FY2019 <u>Actual</u>	FY2020 <u>Actual</u>	FY2021 <u>Actual</u>	FY2022 <u>Budget</u> ²	FY2022 <u>Forecast</u>	FY2023 <u>Budget</u>
3. Restricted Funds (Excl. Capital Gifts)						
Annenberg School for Communication	4.3	3.7	3.3	2.3	6.7	6.2
School of Arts and Sciences	26.7	27.8	37.2	38.3	40.9	45.4
Penn Carey Law	12.1	17.1	26.8	28.2	23.6	23.1
School of Dental Medicine	1.8	3.2	2.2	3.3	3.2	4.2
Graduate School of Education	3.9	4.8	7.6	6.9	4.5	4.3
School of Engineering and Applied Science	21.0	27.3	23.7	24.6	20.8	14.2
School of Nursing	3.7	3.8	6.0	6.9	14.0	15.8
Perelman School of Medicine	150.5	174.6	210.5	239.9	229.4	259.6
School of Social Policy and Practice	1.6	2.5	2.2	2.2	2.3	2.4
School of Veterinary Medicine	14.7	10.6	16.0	18.5	19.4	20.6
Weitzman School of Design	4.9	5.3	6.0	6.4	5.9	6.5
Wharton School	79.6	93.6	102.5	121.1	116.0	112.9
School Total	325.0	374.2	444.0	498.6	486.9	515.2
Penn Live Arts	0.1	0.1	0.1	0.0	0.1	0.1
Recreation and Intercollegiate Athletics	3.3	5.1	4.5	4.5	4.8	5.0
Institute of Contemporary Art	0.1	0.1	0.2	0.0	0.2	0.2
Provost Interdisciplinary	4.7	5.1	9.6	12.1	7.1	8.6
Penn Global	0.2	0.4	0.7	0.3	1.8	1.8
Morris Arboretum	2.7	2.1	2.9	3.3	1.9	1.8
University Libraries	2.6	2.6	2.8	2.9	3.3	3.2
University Museum	5.6	4.7	8.7	8.3	7.5	6.4
Resource Center Total	19.2	20.3	29.5	31.4	26.7	27.0
4. Capital Gift Funds						
Annenberg School for Communication	0.0	0.0	0.0	0.0	0.0	0.0
School of Arts and Sciences	0.0	7.5	25.0	31.6	26.7	1.0
Penn Carey Law	0.0	0.0	0.1	0.2	0.2	0.2
School of Dental Medicine	0.0	0.0	0.1	0.1	0.1	0.1
Graduate School of Education	0.7	3.7	5.4	5.7	3.7	0.0
School of Engineering and Applied Science	0.0	2.8	14.5	26.3	19.4	0.0
School of Nursing	0.0	0.0	0.0	0.0	0.0	0.0
Perelman School of Medicine	1.0	0.0	0.0	0.1	0.5	0.3
School of Social Policy and Practice	0.1	0.6	0.0	0.0	0.0	0.0
School of Veterinary Medicine	4.3	9.5	9.8	11.1	10.3	13.6
Weitzman School of Design	0.3	0.5	0.0	0.0	0.0	1.8
Wharton School	25.7	9.7	10.1	7.6	10.1	11.8
School Total	32.2	34.4	65.1	82.9	71.1	28.9
Penn Live Arts	0.0	0.0	0.0	0.0	0.3	0.9
Recreation and Intercollegiate Athletics	2.0	9.9	12.6	12.6	19.2	0.3
Institute of Contemporary Art	0.0	0.0	0.0	0.0	0.0	0.0
Provost Interdisciplinary	1.7	1.6	1.5	0.8	0.0	0.0
Penn Global	0.0	0.0	0.0	0.0	0.0	0.0
Morris Arboretum	0.0	0.0	0.0	0.0	0.0	0.0
University Libraries	3.0	3.2	1.6	(0.9)	0.0	0.0
University Museum	0.1	0.1	0.1	0.1	0.1	0.1
Resource Center Total	6.9	14.8	15.8	12.6	19.6	1.4

¹ Balances at the close of each fiscal year.

² Sum of actual balances at the end of the previous year plus the budgeted change for the current year.

FTE SUMMARY

	FY2017 <u>Actual</u>	FY2018 <u>Actual</u>	FY2019 <u>Actual</u>	FY2020 <u>Actual</u>	FY2021 <u>Actual</u>	FY2017-21 <u>CAGR %</u>	FY2022 <u>Budget</u>	FY2022 <u>Forecast</u>	FY2023 <u>Budget</u>	vs. FY2022 <u>Forecast</u>
1. Student FTEs										
Annenberg School for Communication	81	80	75	67	71	-3.1%	68	68	67	-1.5%
School of Arts and Sciences	8,586	8,579	8,599	8,585	8,146	-1.3%	8,613	8,158	8,265	1.3%
Penn Carey Law	885	885	912	937	864	-0.6%	937	1,026	989	-3.6%
School of Dental Medicine	653	664	681	702	729	2.8%	790	785	839	6.9%
Graduate School of Education	1,218	1,274	1,270	1,353	1,359	2.8%	1,365	1,537	1,395	-9.2%
School of Engineering and Applied Science	2,996	3,111	3,289	3,657	3,763	5.9%	4,151	4,295	4,174	-2.8%
School of Nursing	1,002	984	1,000	975	1,026	0.6%	1,006	938	943	0.5%
Perelman School of Medicine	1,528	1,584	1,620	1,705	1,747	3.4%	1,770	1,781	1,800	1.1%
School of Social Policy and Practice	425	445	469	392	422	-0.1%	480	572	523	-8.6%
School of Veterinary Medicine	488	474	487	490	523	1.7%	537	546	553	1.3%
Weitzman School of Design	690	705	746	781	673	-0.6%	721	713	727	2.0%
Wharton School	4,100	4,170	4,205	4,199	4,075	-0.2%	4,255	4,326	4,215	-2.6%
School Total	22,652	22,955	23,354	23,842	23,399	0.8%	24,693	24,745	24,490	-1.0%
2. Standing Faculty FTEs (Filled Positions)										
Annenberg School for Communication	20	17	17	19	20	0.3%	19	19	20	5.3%
School of Arts and Sciences	483	495	495	494	500	0.9%	491	495	491	-0.8%
Penn Carey Law	48	50	51	48	50	0.8%	55	50	53	6.0%
School of Dental Medicine	41	41	45	49	50	5.1%	51	52	54	3.7%
Graduate School of Education	39	40	39	39	36	-1.7%	36	35	40	12.9%
School of Engineering and Applied Science	114	123	123	121	124	2.1%	132	128	133	3.9%
School of Nursing	50	54	57	55	54	1.8%	57	54	58	7.4%
Perelman School of Medicine	1,413	1,454	1,504	1,514	1,537	2.1%	1,522	1,530	1,558	1.8%
School of Social Policy and Practice	24	26	26	25	24	0.0%	25	24	26	8.3%
School of Veterinary Medicine	107	110	110	111	113	1.2%	116	109	118	7.9%
Weitzman School of Design	42	41	42	41	44	1.3%	46	46	51	10.9%
Wharton School	219	231	234	224	234	1.6%	225	219	231	5.5%
School Total	2,600	2,683	2,743	2,738	2,786	1.7%	2,775	2,761	2,832	2.6%
3. Staff FTEs (Filled Positions)										
Schools	6,549	6,893	7,103	7,228	7,269	2.6%	7,499	7,656	7,882	3.0%
Resource Centers	669	691	730	729	733	2.3%	795	769	837	8.8%
Administrative Centers	3,068	3,110	3,137	3,101	3,025	-0.4%	3,208	2,979	3,135	5.2%
Business Services	290	302	310	284	270	-1.8%	316	281	320	13.7%
Total University	10,577	10,995	11,280	11,343	11,297	1.7%	11,819	11,685	12,174	4.2%

Projected FTEs derived from school/center input assumptions with Actual FTEs based on payroll and student registration data.
Refer to individual school charts for student FTE detail.

GLOSSARY of PENN BUDGET TERMS

Academic Budget: The Operating Budget for the entire University, excluding the Health System Budget (see *Health System, University of Pennsylvania*). Also referred to as the Academic Component.

Administrative Service Centers (ASCs): The President's Office, the Provost's Office, the Executive Vice President's Office, and those administrative units that report directly to one of those offices.

Allocated Cost & Space Charges: What Schools and centers pay to fund central units and the cost of their space. Units funded by allocated costs include the administrative service centers, the University Library, and the central development office.

Associated Investments Fund (AIF): A pooled fund in which most of the University's long-term investment funds are managed.

Business Services: Self-sustaining units that charge for the goods and services they provide to the University community and other customers. Major units include Residential and Hospitality Services, the Bookstore, and Parking and Transportation Services. Other auxiliary activities of business services include the operations of Sheraton University City Hotel and the Hilton Inn at Penn.

Capital Transactions: An expense category in the RCM financial statement that includes debt service, equipment purchases, and capital funding transfers.

Clinical Fee: This mandatory fee is assessed to all students and supports Penn Wellness services, including Counseling and Psychological Services, the Student Health Service, and the Office of Alcohol and Other Drug Programs.

Consolidated University Budget: The academic budget plus the Health System budget.

Direct Revenues: The portion of revenues that a responsibility center generates through its own activities. Direct revenues are total revenues before transfers.

Employee Benefit Rate: The rate per salary dollar that each responsibility center must contribute to the University's central employee benefits pool to cover the cost of employee benefits. The FY2023 rate is 30.5% for full-time employees and 9.0% for part-time employees. Each center is also assessed a separate dependent tuition charge that is 2.1% of salary expense to finance the University's dependent tuition assistance benefit.

Endowment Funds: Funds invested for the long-term, and for which the principal is non-expendable except in the case of quasi-endowments. For funds invested in the AIF, only the income distributed under the University's spending rule (see *Spending Rule*) may be spent, provided any donor-imposed restrictions have been met.

Facilities & Administration (F&A) Rate: See *Indirect Cost Recovery (ICR)*.

Facilities Renewal Fund: A fund administered by Facilities and Real Estate Services that extends the useful life of Penn's buildings and infrastructure by making strategic investments in the preservation and enhancement of building systems and building exteriors.

Fees: Includes the General Fee and Clinical Fee, as well as application fees, program fees, and technology fees. Apart from the General and Clinical Fees, most fees are retained by the schools.

Financial Aid Discount: An assessment against undergraduate tuition to cover the expenses of the undergraduate aid pool. The financial aid discount will be 37.5% in FY2023.

Fiscal Year (FY): The twelve-month period utilized for budgeting, financial planning, and reporting. Penn's fiscal year begins on July 1 and ends on June 30.

FTE: Full-time equivalent. A full-time faculty or staff member is counted as 1 FTE and a part-time faculty or staff member is counted as 1/3 FTE. Similarly, a full-time student is counted as 1 FTE, while a part-time student is counted as 1/3 FTE.

Funding from Allocated Costs (FFAC): The primary source of revenue for most administrative service centers and the University Libraries. FFAC is derived from the allocated cost charges assessed on schools and other responsibility centers.

General Fee: A fee assessed to all undergraduate, graduate, and professional students that directly funds Penn's non-instructional student support services. The General Fee for full-time students provides them with complete access to a wide variety of services and resources, including counseling and wellness, multicultural resource centers, student activities, recreation and fitness, career services, and learning support.

General University: The responsibility center where the University's central pools reside, including the pools for subvention, student aid, allocated cost and space charges, funding from allocated costs, debt service, insurance, and employee benefits.

Gift Funds: Separate accounts that record gifts to a responsibility center that have been restricted in some way in their use by an external donor. The University receives both operating gifts and capital gifts.

Grants and Contracts: See *Sponsored Programs*.

Health System, University of Pennsylvania (UPHS): All components of PENN Medicine, except the Perelman School of Medicine.

Independent Operations: Separately organized operations owned or controlled by an institution unrelated to, or independent of, the institution's missions. Penn's major Independent Operations include the Hilton Inn at Penn, the Sheraton University City Hotel, University City Associates, the Penn Club of New York, and the Penn Wharton China Center.

Indirect Cost Recovery (ICR): A portion of the funding associated with a grant or contract that pays for the overhead costs associated with the research activity or other activity that is directly funded under that grant or contract. ICR is usually defined as a fixed percentage of a grant or contract's direct expenditures. The University's federal ICR rate, also known as the "Facilities & Administration" (F&A) rate will be 62.5% in FY2023. The distribution of ICR is as follows: 88.5% to the school or center that is the grant recipient; 10.5% to the Subvention Pool; and 1.0% to the Research Facilities Development Fund (RFDF).

Net Direct Expenditures: What a responsibility center spends directly on its operations net of expense recovery. It includes compensation, current expense, and capital transactions (RCM), but does not include allocated cost and space charges.

Net Tuition and Fees: Total tuition and fees less student aid contra-revenue for the GAAP accounting framework.

Other Income: A category of revenue that includes non-UPHS clinical care revenues, technology transfer income, and the revenue of the independent operations of the University.

Penn Center for Innovation (PCI): An office that facilitates technology development connections between the University and the private sector. It merges together the areas of the University focused on sponsored research, corporate relations, licensing, and entrepreneurship with a focus on alliance building.

Penn Compact 2022: The University's strategic plan which is aimed at maximizing Penn's inclusion, innovation, and impact with bold next steps to increase access to Penn's exceptional intellectual resources; integrate knowledge across academic disciplines with a strong emphasis on innovation; and engage locally, nationally, and globally to bring the benefits of Penn's research, teaching, and service to individuals and communities at home and around the world.

Penn Connects: The University's comprehensive campus development plan.

Penn First Plus: A Penn program that promotes the educational excellence and engagement of first-generation and low-income undergraduates.

Penn Integrates Knowledge (PIK): A University-wide initiative to recruit faculty members to Penn whose research and teaching exemplify the integration of knowledge across disciplines.

Penn Medicine: A coordinated network of institutions dedicated to the advancement of medical research, training, and treatment that includes the Perelman School of Medicine and the component units of the University of Pennsylvania Health System, including the Hospital of the University of Pennsylvania, the Clinical Practices of the University of Pennsylvania, the Penn Presbyterian Medical Center, Pennsylvania Hospital, Chester County Hospital, Lancaster General Hospital, Princeton Health, and Clinical Care Associates.

Pennovation Works: A unique blend of offices, labs, and production space being developed to bridge the intellectual and entrepreneurial initiatives for advancing knowledge and generating economic development. Pennovation Works is anchored by the **Pennovation Center**, a business incubator and accelerator providing lab space and a hub for collaboration, creativity, and the exchange of ideas for innovators from all disciplines.

Power of Penn: The University's last fundraising campaign, which publicly launched in April 2018, and concluded in June 2021. It raised more than \$5.4 billion, well exceeding the original goal of \$4.1 billion.

RCM Surplus/(Deficit): How financial performance is measured at the responsibility center level at Penn. A surplus means that funds have been set aside for use in future years, while deficits represent the use of prior period balances.

Resource Center: A responsibility center category that includes the University Libraries, the Division of Recreation and Intercollegiate Athletics, Penn Live Arts, the University of Pennsylvania Museum, the Morris Arboretum, the Institute of Contemporary Art, Penn Global, and Interdisciplinary Programs within the Provost's Office.

Resource Transfers From/(To) Other Centers: The transfer of moneys from one responsibility center to another.

Responsibility Center: An organizational unit at Penn that is expected to develop and adhere to a balanced budget. In Penn's budgeting system, there are four types of responsibility centers: schools, resource centers, business services, and administrative service centers.

Responsibility Center Management (RCM) Budgeting: The type of budgeting system used at Penn since the 1970s, which allows schools, resource centers, and business services to retain most of the revenues they generate, and also requires them to fund out of these self-generated revenues both the direct cost of their own operations and their share of central overhead costs (see *Allocated Cost Charges* and *Space Charges*) while maintaining internal budget balance.

Service Center: A financial unit used to account for costs and reimbursements for institutional services provided to researchers, including animal care facilities and commonly shared equipment. Service centers are self-balancing, charging only enough to recover their costs.

Spending Rule: The rule that governs the amount of the AIF that is available to be spent in a particular year. The formula bases 70% of next year's spending on the current year's projected spendable income plus an inflation factor, and 30% on the year-end endowment market value, lagged by one year, multiplied by the target spending rate. The target spending rate will be 5.0% in FY2023.

Sponsored Programs: Awards from external sponsors covering both direct and indirect expenditures (see *Indirect Cost Recovery*) for research programs and other contractual obligations undertaken by University faculty. Also referred to as *Grants and Contracts*.

Student Aid Contra-Revenue: A GAAP financial statement category that includes all student aid that can be considered tuition remission and does not have a service requirement. Net tuition and fees is tuition and fees less student aid contra-revenue.

Student Aid Expense: For GAAP, includes only aid for which there is a service requirement while for RCM it also includes aid that does not have a service requirement (and which is classified as student aid contra-revenue in GAAP). RCM and GAAP also differ in the treatment of payments to pre-doctoral trainees and educational fellows, with the former classifying them as compensation and the latter classifying them as student aid expense.

Subvention: An annual operating subsidy provided primarily to schools and resource centers by the Provost. Subvention can be allocated on a recurring or a one-time basis and can fund ongoing operations or invest in strategically important initiatives. Subvention also includes support for graduate student aid.

Subvention Pool: The source of funding for subvention. The largest funding source for the Subvention Pool comes from the retention of 20% of all undergraduate tuition revenue, and the same percentage of non-PhD graduate tuition revenue. Other major subvention funding sources include a portion of the interest earned by the Temporary Investment Fund (TIF) and 10.5% of the ICR realized on grants.

Temporary Investment Fund (TIF): The fund where the University's current cash is consolidated and the University's short-term investments reside. Because of the very low Treasury bill rates in recent years, the Office of the Treasurer established a floor on both borrowing and earnings rates; short-term borrowing rates will in no event be lower than 2.0% and actual earning rates will not be negative.

Tuition: Charges levied by the University and its schools for courses and degree-granting programs. Undergraduate tuition rates are set by the Trustees, and the PhD rate is set by the Provost in consultation with the graduate deans; all other tuition rates are set by the schools. Most tuition is apportioned as follows: 20% goes to the Subvention Pool, with the remainder split 75% based on course units and 25% based on the student's "home school." The exception is PhD tuition, which is retained 100% by the schools.

Undergraduate Total Charges: Includes tuition, room and board, and all mandatory fees, which consist of the General Fee, the Clinical Fee, and the Technology Fee.

The University of Pennsylvania Operating Budget is produced by
The Office of Budget Planning & Analysis
University of Pennsylvania
Philadelphia, PA 19014
<http://budget.upenn.edu>

This document is available online at:
<https://budget.upenn.edu/operating-budget/>

Front Cover Image:
Vagelos Laboratory for Energy Science and Technology
Image courtesy of Behnisch Architekten

