University of Pennsylvania
Operating Budget
Fiscal Year 1993

Excerpts from the
FY1993 Operating Budget
as presented to the Trustees on June 19, 1992,
by the Office of Resource Planning and Budget,
Stephen T. Golding, Director

Almanac Supplement
July 14, 1992

In the following pages are excerpts from the 69-page budget report adopted by the Trustees on June 19. At its adoption the budget contained "worst case" assumptions about the elimination of Commonwealth appropriations, and these have been realized in the budget signed June 30, 1992, by Governor Casey. As noted on page 1 of this issue, some legislators are expected to seek adjustment of the state budget in the fall to restore aid.

University of Pennsylvania FY 1993 Operating Budget

Introduction

For fiscal year 1993, the consolidated operating budget for the University of Pennsylvania amounts to expenditures of $1.521 billion—an 11.0% increase over the FY 1992 projection. The consolidated budget for the University includes the budgets of the twelve schools, seven resource centers, student services, auxiliary enterprises, administrative centers, the Hospital of the University of Pennsylvania (HUP), and the Clinical Practices of the University of Pennsylvania (CPUP). As *Schedule A* in the Appendix illustrates, the HUP and CPUP budgets are driving the overall rate of increase in the budget.

The FY 1993 budget shown on *Schedule A* reflects a deficit of $63.2 million, a result of three extraordinary circumstances: 1) the loss of the University's Commonwealth appropriation; 2) the effect of converting the HUP and CPUP budgets to conform to Generally Accepted Accounting Principles (GAAP) for Universities; and 3) the transfer of accumulated surpluses from HUP and CPUP to the School of Medicine to support Medicine's capital program.

In February 1992, Governor Robert Casey outlined the budget for the Commonwealth that included no support for the University of Pennsylvania, with the exception of the University Museum and Cardiovascular Studies in the School of Medicine. The budget impact of the loss of the Commonwealth appropriation accounts for $19.549 million of the deficit—$16.549 attributable to the School of Veterinary Medicine and $3.0 million attributable to General University Resources with the latter enabling the University to maintain the level of planned financial aid commitments for FY 1993.

Converting the HUP and CPUP budgets to conform to university accounting principles will also have an effect on the University's budgeted bottom line for FY 1993 (see Footnote to Schedule B, page VII, for the details of this conversion.). GAAP for universities requires that capital additions and renovations to plant and retirement of long term debt be treated as reductions to fund balance, while depreciation is not considered an expense of operations. A final adjustment reflects a change in the treatment of post-retirement benefit expense. These actions transform a budgeted surplus of $59.3 million in Health Services into a deficit of $11.98 million.

Along with differences in the accounting, HUP and CPUP will also transfer resources to the School of Medicine in support of major capital initiatives. These resources, which are accumulated surpluses from previous years' operations, are projected to total $19.9 million in FY 1992 and $31.6 million in FY 1993. These funds will be used in large part to finance the construction of the Biomedical Research Building I. Given the aggressiveness of the School of Medicine's capital plan, future University budgets will likely reflect similar transfers. The projected accumulated surpluses at June 30, 1992 for HUP and CPUP are $160.9 million and $86.3 million, respectively. **Therefore, the only *real* deficit in the FY 1993 budget is the $19.6 million in the School of Veterinary Medicine and the General University Resources.**

Despite the budget gap created by the loss of the Commonwealth appropriation, other components of the University's budget show positive growth. Sponsored program activity continues to grow at rates that exceed general inflation, particularly in the School of Medicine, the School of Arts and Sciences, the School of Veterinary Medicine, and the School of Nursing. Term gifts and gifts to endowment, although largely restricted to specific schools and programs, continue to grow; this reflects positively on the impact of the Campaign for Penn.

The decision to budget the $19.6 million deficit will provide the University administration with sufficient time to create a rational strategy for absorbing the loss of Commonwealth funding. Furthermore, by approaching this issue in this way, we will also protect the core academic mission of the University from short term actions that could have severe long term consequences. It should be noted that this deficit is only one part of a larger plan that has been developed to support the longer term goals of the University. Furthermore, if the Commonwealth appropriation is not restored, it may be necessary to rethink some of the strategies and decisions that were made as part of the FY 1993 budget planning process as we look forward to FY 1994 and beyond.

Goals and Strategies of the FY 1993 Budget

The FY 1993 budget reflects a series of goals and strategies that will insure that Penn remains a top rank university. While some goals reflect past priorities, they are critical to sustaining the progress that the University has made over the past decade. The goals include:

- A commitment to maintain competitive faculty salaries. This is being achieved in FY 1993 through the use of two mechanisms. The general salary pool will increase by 4.5%. In addition, the Provost has budgeted $1.0 million in subvention funds for Faculty Salary Reserve. This is used to fund salary increases to recognize promotions, to correct inequities within schools, and to address competitiveness issues relative to peer institutions.
- A commitment to maintain the necessary level of financial support for the Campaign for Penn and to sustain the rate of growth in gifts and endowment to the University.
- Additional support for Public Safety. The FY 1993 budget provides an additional $500,000 to enhance public safety on the Penn campus. In addition, $150,000 has been budgeted for increased support for campus escort services.
- Increase support for Graduate Fellowships. For FY 1992, Graduate Fellowships were held to the FY 1991 level of $6.5 million due to the threatened reduction of the University's Commonwealth appropriation. For FY 1993, Graduate Fellowships will be increased $500,000 to a total of $7.0 million.
- Continue support for the Undergraduate Initiatives Fund. The proposed elimination of Commonwealth funding has meant that no new resources have been budgeted for the Undergraduate Initiatives Fund, a program that encourages the creation of innovative programs in undergraduate education. For FY 1993, restricted carryover funds have been tapped to provide $413,000 for this program.
- Continue support for Research Assistants. The subvention pool will continue to match the tuition costs for research assistants funded by grants. For FY 1993, $3.4 million has been budgeted for this purpose.
- Continue investments in the research infrastructure. For FY 1993, $2.0 million of indirect cost recoveries from sponsored programs has been budgeted for the Research Facilities Development Fund to support investment in research facilities and equipment. In addition, $1.3 million in subvention funds will be distributed through the Research Foundation, a program which supports young investigators, pilot projects, and new interdisciplinary projects that have not yet been externally funded.
- Maintain the downward trend in the rate of growth in tuition.
- Maintain need-blind admissions while seeking alternative funding mechanisms. We will also attempt to provide for an enhanced Mayor's scholarship program that recognizes Penn's historical ties to the city of Philadelphia.

Finally, one of the University's major goals for FY 1993 is to reduce the budgeted deficit of $19.549 million. If the Commonwealth appropriation is not fully restored, it is clear that actions will have to be taken to limit the University's financial exposure. However, these actions will be taken in the context of the University's mission. President Hackney has stated that Penn's mission is to be a great research university that cares about undergraduate education. Furthermore, as one of the community's largest and most diverse institutions, he has emphasized the University's social and economic commitment to both Philadelphia and the Commonwealth. Therefore, any plans to reduce the University's deficit must take into account the following principles:

— We must protect the academic core. As such we will sharpen our focus while continuing to make essential investments in programs and facilities.

— We recognize that the people of Penn are our most important resource and that they must be protected from the fallout of the loss of Commonwealth funding. If reductions in the workforce become necessary, this will be managed through careful cost cutting and attrition; and the acceleration of our efforts to re-engineer inefficient operations both centrally and throughout the schools.

— We should develop a reasonable and rational multi-year strategy of downsizing the University while recognizing that we will be a smaller economic engine without the Commonwealth support.

For FY 1993, $18.0 million has already been removed from the University's operating budget. Despite these cuts, the academic core of the University has been protected. This budget insures that we will continue adhering to our principles even if we are unsuccessful in Harrisburg. We have budgeted sufficient time to plan strategic moves that will allow Penn to maintain its leadership role within the community and still remain one of the nations leading research universities with a strong commitment to undergraduate education. However, without the Commonwealth appropriation, Penn will be forced to revisit some of the critical decisions made in crafting the budget that have long term resource commitments. This framework will shape the University well into the next century.

Commonwealth Budget Strategy

The University, for the second year in a row, is confronted with a budget crisis not of its own making. Governor Robert Casey, in presenting his FY 1992 Commonwealth budget in February 1991, reduced the University's Commonwealth appropriation by $18.6 million. This was restored by the State Legislature last August. This past February, the Governor presented his FY 1993 budget eliminating all aid for state supported institutions including Penn's appropriation of $37.628 million. In addition, during FY 1991 and FY 1992 by executive order Governor Casey abated 3.5% of the University's Commonwealth appropriation, a result of Commonwealth revenue projections falling short of target and mandatory expenditures exceeding projections. In FY 1992 these funds flowed to the University in the following ways (excluding the appropriations to the University Museum and Cardiovascular Studies):

FY 1991 to FY 1993 (Projected) Commonwealth Appropriation

Line Item	FY 1991 Approp'n	FY 1992 **Approp'n	FY 1993 **Proposed
Instruction	16,050,850	16,050,85	0
Medical Instruction	4,435,150	4,435,150	0
Dental Clinics	1,029,650	1,029,650	0
* Vet Instruction	7,724,800	7,724,800	0
* New Bolton Center	3,786,000	3,786,000	0
* Food & Animal Clinics	2,039,050	2,039,050	0
* Center for Animal Health and Productivity	1,244,85	1,244,850	0
TOTAL	**36,310,350**	**36,310,350**	**0**
* Total Vet:	14,795,200	14,795,200	0

** Reflects 3.5% abatement.

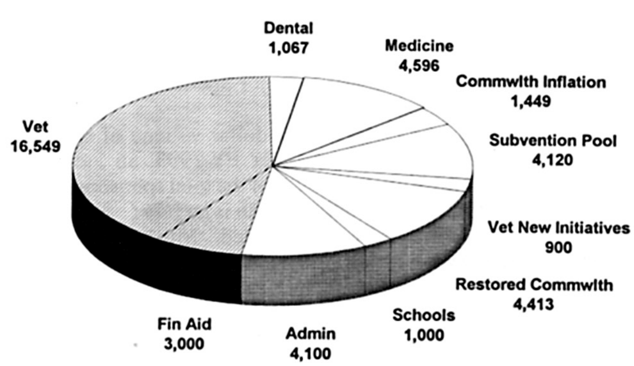
If the University is unable to persuade the Legislature to restore our appropriation, a doubling of Penn's current endowment would be required to make up for this loss. While no one can project how the Legislature will craft the final Commonwealth budget, it is clear that Penn's endowment in the near term, even with the Campaign, cannot double. The University has, therefore, undertaken a strategy to reduce spending, protect Penn's academic core, and provide the schools and centers time to plan for how they might operate without this critical funding.

Chart 1 shows the University's FY 1993 Commonwealth budget request and how these funds were to be distributed programmatically. The difference between the FY 1992 original appropriation of $37.6 million and the FY 1993 request of $41.2 million is $900,000 for new programs in the School of Veterinary Medicine and of $2.666 million for all programs, or a 7.1% inflationary increase, in recognition of several years of flat funding. The non-shaded portion of this chart further shows what actions the University took to reduce spending as a result of the Governor's proposal, while the shaded portion shows the components of the $19.549 million deficit.

For the Schools of Medicine and Dental Medicine, the University has required them to absorb completely the loss of their Commonwealth appropriation. The University has allowed the School of Veterinary Medicine to budget a $16.549 million deficit for FY 1993 until the future relationship between the school and the Commonwealth can be determined.

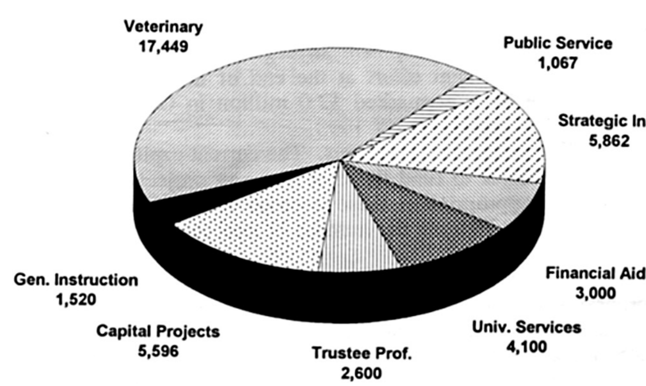
The loss of the University's General Instruction line will have greater impact than may be evident initially. Because this portion of the appropriation is unrestricted, its loss exacerbates the financial pressures currently confronting the University regarding tuition and fees and indirect cost recovery revenues. For several years, the University has adhered to a policy of reducing the rate of increase in tuition; the 5.9% increase for FY 1993 represents the lowest rate of increase since FY 1974. The FY 1993 budget also reflects a new indirect cost rate of 62.5%, down from our previous rate of 65.0%. The loss of our Commonwealth funding, in conjunction with

Chart 1:Impact of FY1993 Requested Commonwealth Appropriation Cuts
(in thousands of dollars)



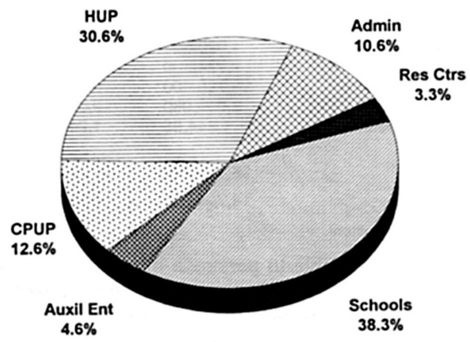
$846 million

Chart 2: Programmatic Impact of FY1993 Commonwealth Appropriation Cuts
(in thousands of dollars)



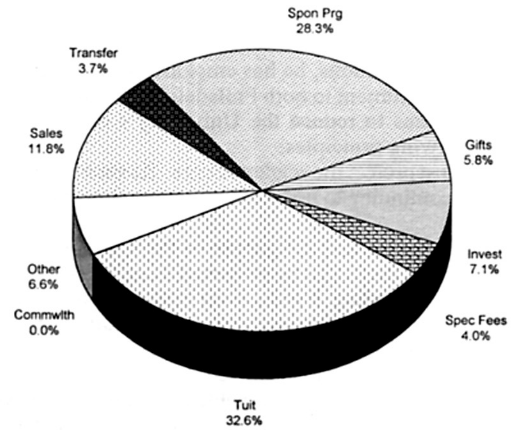
$846 million

Chart 3: Total University Budget Unrestricted and Restricted Expenditures, FY1993



$1.521 billion

Chart 4: Revenue Budget Excluding Health Services, FY1993



$846 million

these policies, will significantly reduce Penn's unrestricted revenue base leaving the University with limited flexibility to deal with future financial problems.

Chart 2 (page III) shows how Penn loses its financial flexibility and why programmatic decisions made in the past year may well have to be re-thought. The $16.633 million General Instruction appropriation supports a variety of programs that are funded by general University subvention. The loss of these funds means that Penn is unable to support fully such initiatives as Trustee Professors, the Undergraduate Initiatives Program, the Social Science Research Institute, and expanded International programs. Additionally, these dollars have supported undergraduate financial aid, faculty salaries, investments in academic programs, and research activities. Without this funding, the Schools and Centers will have to make internal reallocation decisions in order to preserve their basic mission.

Without the restoration of Commonwealth funding, Penn will have to reexamine a number of critical decisions that have been made as part of the FY 1993 planning process that have long term implications. Specifically, we may have to rethink the following as we think about FY 1994 and beyond:

- *Tuition and fee policy.* Given the current revenue outlook, it is unclear if we can protect the academic programs and faculty critical to Penn's future without higher tuition and fees.
- *Undergraduate financial aid policies*. Financial aid is one of the fastest growing portions of the budget and will receive an additional $1.0 million in general University support in FY 1993. In addition, we may have to reexamine the amount of risk that the University should commit to as part of the strategy to raise substantial restricted resources for undergraduate financial aid.
- *Post campaign development strategies*. We have assumed no reduction in development effort at the end of the current campaign. Furthermore, we have earmarked $2.0 million in General University Resources for this purpose in FY 1993.
- *Capital construction programs*. The current capital plan requires unrestricted revenues to fund the cost of many projects. Without the Commonwealth appropriation, these revenues will be diverted for operations, thus severely limiting the number of new projects that can move forward.

In addition to the above, University salaries, student services, community programs, Library, and computing services are among the areas that will feel the impact of the loss of Commonwealth funds in the years ahead. Adjustments will be necessary to adapt to the University's smaller revenue base. There will also be fewer discretionary dollars for programmatic investments since new dollars will be allocated to the maintenance of basic programs. Expenditure growth will be equal to or less than inflation as we attempt to eliminate unnecessary expenditures and regain financial equilibrium.

Budget Overview

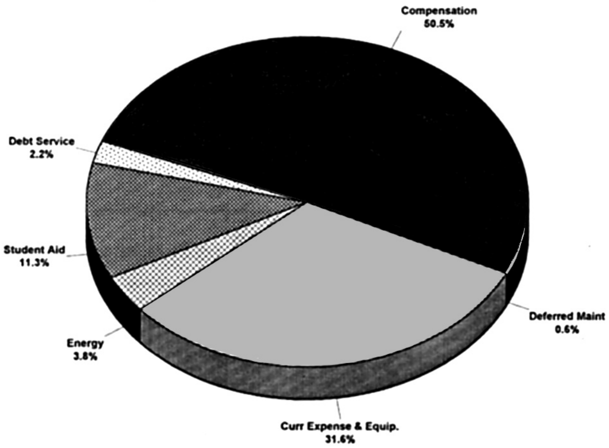
Chart 3 illustrates the distribution of the total University budget. As can be seen, the Schools comprise the largest segment of the budget (38.3%) followed by HUP (30.6%). The proportion of the budget for Schools has declined slightly from FY 1992 due largely to the loss of Commonwealth funding, but also due to the rapid growth in the HUP and CPUP budgets. The HUP and CPUP combined budgets will grow 20.4% compared to the growth in the Schools of 3.9%. (If the transfers for capital projects to the School of Medicine are excluded and the impact of presenting the HUP and CPUP budgets according to GAAP for colleges and universities is ignored, the budget growth for HUP and CPUP combined becomes 2.3%.) Not reflected in the chart, but none-the-less of interest, is the fact that the direct cost budgets of the Medical Center — HUP, CPUP, and the Medical School — now comprise 54.1% of the University budget as compared to 49.3% in FY 1992 and 47.1% in FY 1987.

Chart 4 shows the University budget without the Health Services component (HUP and CPUP). The chart reflects revenues and is different from past years in that nearly all of the Commonwealth appropriation has been eliminated with the exception of the University Museum and the Cardiovascular Studies appropriation in the School of Medicine. The loss of Commonwealth funding is reflected in that a larger proportion of the budget will be funded by the remaining revenue streams. Tuition continues to account for the largest source of revenue, about 32.6%. This assumes no significant changes in the undergraduate class size. Graduate and professional program tuitions reflect enrollment estimates by the various schools which are not expected to vary significantly from historical patterns.

Sponsored Programs, with an increase of 5.5% budgeted for FY 1993 remains the second largest revenue source. This category represents awards from external sponsors for both direct and indirect expenditures for research and contractual obligations undertaken by University faculty. The largest sponsor of these funds is the Department of Health and Human Services which accounts for about 56% of the total awards to Penn. The National Science Foundation is another major sponsor, accounting for about 7% of total awards.

The School of Medicine has the largest dollar volume of sponsored project activity—$95.3 million projected for FY 1993, an increase of 10.0% over FY 1992. This accounts for 52% of the total sponsored project dollars at the University and the School's growth is largely responsible for the 5.5% overall increase that is being budgeted. Much of Medicine's increased research activity can be attributed to significant investments the School has made in its research infrastructure, including major renovations of facilities and through the construction of the Clinical Research Building, and also to the recruitment of world-class faculty. The growth in sponsored research funding is expected to continue as Medicine continues to invest in research.

Chart 5: Expenditure Budget
Excluding Health Services, FY1993



$865 million

It is important to note the component Transfers on the revenue chart. This slice represent the balances that are to be transferred to the Medical School from HUP and CPUP in support of the School's capital program (largely for the Biomedical Research Building I). Transfers account for 18% of the School's direct expenditure base for FY 1993, as compared to 13% in FY 1992 It is anticipated that the nature of the Medical School's long term capital plan will require continued transfers in future years.

Excluding the impact of the Commonwealth appropriation, the Sales portion of the budget has been relatively constant as a proportion of total revenue. This revenue category is driven primarily by Residences and Dining operations, but also includes clinical revenue from the Veterinary School and the Dental School. In addition, Sales revenue is budgeted for operations that fall under Business Services, the Annenberg Center, ticket sales for athletic events, and the Museum Shop. In a period when tuition revenue growth is shrinking, it is important that programs that are dependent on sales revenues do not place additional burdens on unrestricted resources.

The Investments category represents income that is available for expenditure from funds held in the University's endowment, the Associated Investments Fund (AIF) and non-pooled endowment held in trust by outside agencies. For purposes of clarification, revenues budgeted for funds held in the AIF and non-pooled funds reflect only the extent to which these funds will be expended. If a fund should expend less than current year revenue, this surplus will be accounted for as an addition to fund balance. Expenditures that exceed current year revenue will be accounted for as a reduction to fund balance (the Gifts category is treated in a similar fashion for restricted term gifts). Also included under Investments are the short term earnings on the University's cash balances. The lowering of interest rates, combined with the conservative spending rule policies for endowment funds, have tended to restrict significant growth of this revenue stream. Much of the growth of endowment fund revenues has been achieved through the addition of new gifts to endowment principle.

It is important to emphasize the growing importance of restricted funds in the University budget. In large measure, the growth of restricted resources is a direct result of the success of the Campaign for Penn and the success of our faculty in attracting research dollars. In recent years, restricted resources have grown at a faster rate than unrestricted resources. For FY 1993, total restricted revenue is budgeted to increase 3.1% over the FY 1992 projection compared with unrestricted growth that is flat. (If the $5.8 million of Teaching and Administration (T&A) revenues transfer, due largely to the proposed loss of their line-item Commonwealth appropriation, between Medicine's unrestricted and restricted budgets is not recognized, unrestricted revenues are actually declining 1.1% and restricted revenues are increasing 5.2%.) Although the loss of Commonwealth funds accounts for the flat unrestricted growth rate, the recent past has shown unrestricted growth trailing restricted growth even during times when the Commonwealth appropriation was intact. The declining rate of growth in tuition and the downward pressures on the University's indirect cost rate also contribute to these trends.

An awareness and understanding of the impact that these trends have on resource allocation decisions is important as we look to the future. A greater dependence on restricted resources means that the University will have fewer discretionary resources with which to make investments. As a result, the decisions over the allocation of unrestricted resources will be more difficult. For FY 1993, 35.2% (35.9% if the T&A funds in Medicine are held as restricted) of the budget will be funded by restricted resources compared to 33.5% budgeted five years ago.

The chart at left, *Chart 5*, shows how the revenues from *Chart 4* will be expended. Compensation is the largest component requiring 50.5% of available resources. This proportion has declined slightly over the past several years largely due to growth in Current Expense and Equipment. The growth in Current Expense and Equipment is not surprising, though, as much of the growth is related to research activity and these costs have tended to outpace the general rate of inflation with the cost of acquisitions in the Library being a prime example. The proportion of the budget supporting Financial Aid and Debt Service have also show gains over the past few years. Energy, however, accounts for a smaller portion of the budget than it did five years ago and is directly related to the relative stability in energy prices despite the University's pattern of growing consumption.

It is frequently helpful to view the academic component of the budget, often referred to as the Education and General (E&G) Budget, which for this presentation excludes HUP, CPUP, and the Auxiliary Enterprises. C*hart 6 (next page)* illustrates the various components of the Education and General Budget. As can be seen, Schools account for 71.6% of expenditures, up from 69.7% in FY 1992. To absorb the loss of Commonwealth funding, the Administrative Centers were required to reduce costs by $4.5 million and the Veterinary School was permitted to budget a deficit of $16.549 million. Thus, spending in the schools was not constrained nearly to the degree of the administration which is reflected in a slightly larger proportion of the budget being spent by Schools.

The relative size of the individual school budgets can also be seen in *Chart 6*. The School of Medicine and the School of Arts and Sciences are the two largest schools, which when combined account for about 55.8% of all school expenditures. Medicine is slightly larger than Arts and Sciences, which is only a recent change attributed to Medicine's rapid growth in sponsored program expenditures along with other programmatic growth that has exceeded that of Arts and Sciences. The transfer of balances from HUP and CPUP for Medicine's capital plan also contributes to this shift.

The category General University represents allocations from central unrestricted resources for academic initiatives. These initiatives are undertaken almost exclusively in the schools and include such programs as Trustee Professorships, Undergraduate Initiatives Fund, Graduate Fellowships, Research Assistants, and the Research Foundation.

Together, the categories Administration, Operations and Maintenance, and Debt Service account for 19.9% of the E&G budget, the same proportion as FY 1992. The fact that the proportion of the budget for these areas is level reflects actions taken by the University administration to reduce administrative costs not only because of the potential loss of Commonwealth funding, but also because of the recognition that pressures on other revenues preclude significant administrative increases. Aside from additional resources committed to Public Safety and Escort Services, Computing, Library, and other "uncontrollable costs" (utilities and regulatory compliance costs), most administrative budgets were held to below inflationary growth. *Chart 7 (next page)* illustrates the proportional breakdown of administrative costs including the Library. Along with this, the chart displays the proportionate distribution of these costs.

Under the rules of responsibility center budgeting, the central administrative costs of the University are distributed to the direct centers, i.e. the schools, resource centers, auxiliary enterprises, HUP and CPUP, as allocated costs. Responsibility center budgeting also requires that the net revenues earned by the direct centers remain in their budgets to fund their direct program costs as well as their share of allocated costs. The amount of administrative costs allocated to the direct centers is shown on *Schedule B (page VII)*.

(Ed Note: In the full report at this juncture is detailed discussion of each of the schools and centers.)

Conclusion

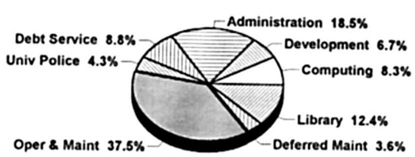
The Fiscal Year 1993 budget document as drafted reflects the efforts of many organizations and individuals—the Academic Planning and Budget Committee, the Deans, Directors and senior budget officers throughout the University, as well as senior University officials. It demonstrates, as with previous University of Pennsylvania budgets, the ability of the Penn community—its students, faculty and staff—to work collectively for the best interest of the University. Unfortunately, with the elimination of $18.1 million of University programs and the budgeting of a $19.5 million deficit, we see a significant reduction in Penn's ability to make strategic academic investments for the coming year. If we are unsuccessful in having our Commonwealth appropriation restored, critical programmatic and resource allocation decisions will be even more challenging and it is these decisions that will shape the University's academic and service mission well into the next century.

Even with these problems, the Fiscal Year 1993 budget clearly demonstrates Penn's priorities: need-blind financial aid, reducing the rate of increase in tuition and fees, faculty salaries, downsizing the University's administrative core through process re-engineering, the Campaign for Penn, and continuing to make capital investments in Penn's academic and research infrastructure. At the same time, University leadership, even with the adoption of this budget and its $19.5 million deficit, is committed to continue working during the course of Fiscal Year 1993 to reduce expenditures where appropriate and over time to restore financial equilibrium if our Commonwealth appropriation is eliminated. In this environment of fiscal uncertainty, Penn's financial strength is extremely fragile and the challenge will be to protect the academic core given the resource constraints while making the strategic investments necessary to protect Penn's future.

The goal for the University in the coming months is to seek answers to these questions, whether we are ultimately successful or not in having our Commonwealth appropriation restored. For if Penn accepts the challenge and charts its course for the remainder of this century and beyond, then the resource allocation decisions that we make, with or without the Commonwealth appropriation, will insure Penn's position as a University of the first rank.

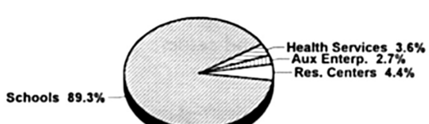
Chart 7: FY1993 Allocated Cost Budget

Administrative Budget



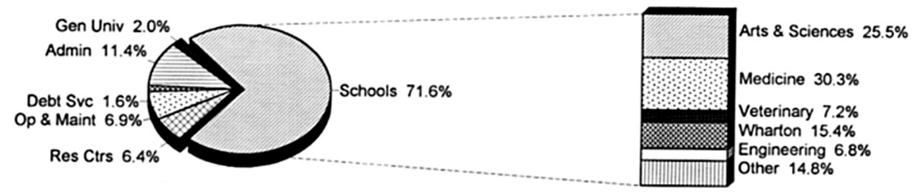
$142.3 million

Allocations



$142.3 million

Chart 6: Expenditure Budget Education and General, FY1993



$792 million

Schedule A: Operating Budget FY92 and FY93 (in thousands of dollars)

OPERATING BUDGET				
FISCAL YEARS 1992 AND 1993	***FY 1992***	*FY 1992*	*FY 1993*	***Percent Change***
(in thousands of dollars)	*Budget*	*Projection*	*Budget*	*to Projection*
UNRESTRICTED				
REVENUES				
Tuition and Fees	288,884	292,403	309,432	6%
Commonwealth Appropriation	37,955	36,625	313	-99%
Investment Income	14,768	14,710	14,898	1%
Gifts	11,255	11,194	11,562	3%
Indirect Cost Recoveries	66,148	66,494	68,564	3%
Sales and Services	97,941	94,477	100,201	6%
Other Sources	13,669	11,570	22,426	94%
TOTAL REVENUES	530,620	527,473	527,396	0%
EXPENDITURES				
Salaries and Wages	222,248	219,732	229,388	4%
Employee Benefits	61,367	60,789	64,011	5%
Total Compensation	283,615	280,521	293,399	5%
Current Expense				
Energy	32,250	32,156	33,143	3%
Debt Service	20,636	18,598	19,059	2%
Deferred Maintenance	6,981	6,981	5,120	-27%
Current Expense & Equipment	144,785	153,485	167,192	9%
Total Current Expense	204,652	211,220	224,514	6%
Student Aid				
Undergraduate	29,745	29,739	33,201	12%
Graduate and Professional	24,208	25,871	27,464	6%
Total Student Aid	53,953	55,610	60,665	9%
TOTAL EXPENDITURES	542,220	547,351	578,578	6%
Excess Revenues (Expenditures)	(11,600)	(19,878)	(51,182)	
TRANSFERS FROM HEALTH SVCS.	11,600	19,878	31,633	
NET CHANGE	0	0	(19,549)	
RESTRICTED				
REVENUES & EXPENDITURES				
Grants & Contracts	178,176	173,945	183,558	6%
Endowments	35,883	32,349	35,332	9%
Gifts	33,328	31,355	34,075	9%
Other Restricted	38,211	40,164	33,591	-16%
TOTAL REVENUES & EXP.	285,598	277,813	286,556	3%
NET CHANGE	0	0	0	
TOTAL UNRESTR. & RESTR.				
REVENUES	816,218	805,286	813,952	1%
EXPENDITURES	827,818	825,164	865,134	5%
TRANSFERS	11,600	19,878	31,633	
NET CHANGE	0	0	(19,549)	
HEALTH SERVICES				
HOSPITAL OF THE U OF P				
REVENUES	370,253	454,046	452,748	0%
EXPENDITURES	366,315	371,856	464,930	25%
Excess Revenues (Expenditures)	3,938	82,190	(12,182)	
TRANSFERS (TO) UNRESTRICTED	(2,600)	(8,043)	(21,343)	
NET CHANGE *	1,338	74,147	(33,525)	
CLIN. PRACT. OF U OF P				
REVENUES	162,067	180,064	191,447	6%
EXPENDITURES	164,328	173,142	191,249	10%
Excess Revenues (Expenditures)	(2,261)	6,922	198	
TRANSFERS (TO) UNRESTRICTED	(9,000)	(11,835)	(10,290)	
NET CHANGE *	(11,261)	(4,913)	(10,092)	
TOTAL UNIVERSITY				
REVENUES	1,348,538	1,439,396	1,458,147	1%

* HUP and CPUP budgets have been adjusted to conform to GAAP for universities. See Footnote to Schedule B.

Schedule B: Operating Budget 1992-93 by Summary of Centers (in thousands of dollars)

							Health Services			
			Admin	General	Auxiliary			Hospital	Clinical	
REVENUES		Resource	Service	University	Enterprises	**Total**		Univ	Practices	**Total**
Direct	Schools	Centers	Centers	Resources		**Unrestricted**	**Restricted**	Penn		**University**
Tuition										
Undergraduate	121,179	270		30,111		151,560	1,404			152,964
Graduate & Professio	99,529	28		24,889		124,446	725			125,171
Total Tuition	220,708	298		55,000		276,006	2,129			278,135
Special Fees	10,769	1,705	20,952			33,426				33,426
Commonwealth Approp'n				313		313				313
Investment Income	2,885	168		11,515	330	14,898	35,332	21,259	6,602	78,091
Gifts	6,322	1,240		4,000		11,562	34,075	108		45,745
Grants and Contracts							183,558			183,558
Indirect Cost Recoveries										
Sponsored Progra	47,888	389		7,243		55,520				55,520
Other	8,931	667	2,489	957		13,044				13,044
Sales & Services	21,446	3,154	4,701		70,900	100,201	2,589	431,381	182,345	716,516
Other Sources	12,662	410	9,182		172	22,426	28,873		2,500	53,799
Total Direct Revenu	331,611	8,031	37,324	79,028	71,402	527,396	286,556	452,748	191,447	1,458,147
General Univ. Resources										
Program Special	137	176		(313)		0				0
Program Regular	51,390	14,082		(65,472)		0				0
Financial Aid						0				0
University Bank	66	(29)		(37)		0				0
Total Gen Univ Res	51,593	14,229		(65,822)		0				0
TOTAL REVENUES	**383,204**	**22,260**	**37,324**	**13,206**	**71,402**	**527,396**	**286,556**	**452,748**	**191,447**	**1,458,147**
EXPENDITURES										
Salaries & Wages										
Academic	84,686	617	508	502		86,313	73,498		68,524	228,335
Administrative	25,518	7,741	36,280		2,678	72,217	26,805		30,847	129,869
Clerical	17,365	4,722	9,149		2,757	33,993	12,104			46,097
Service	1,250	880	14,602		5,582	22,314	2,285	157,778		182,377
Limited Service	9,111	1,594	1,826	0	2,020	14,551	3,065	0	0	17,616
Total Salaries & Wa	137,930	15,554	62,365	502	13,037	229,388	117,757	157,778	99,371	604,294
Employee Benefits	37,655	4,381	18,316	150	3,509	64,011	25,976	44,388	20,814	155,189
Current Expense										
Energy			24,560		8,583	33,143		11,163		44,306
Debt Service			12,736		6,323	19,059		11,500		30,559
Insurance			3,291		452	3,743		2,975	8,195	14,913
Deferred Maintenance			5,120			5,120				5,120
Other Curr Exp &	79,650	12,959	36,220	4,097	35,632	168,558	106,135	233,096	61,790	569,579
Student Aid										
Undergraduate	32,059	85		1,057		33,201	17,315			50,516
Graduate & Professio	17,064	0		10,400		27,464	19,373			46,837
Total Student Aid	49,123	85		11,457		60,665	36,688			97,353
Total Direct Expen	304,358	32,979	162,608	16,206	67,536	583,687	286,556	460,900	190,170	1,521,313
Allocated Costs										
Student Services										
General Administra	21,172	1,468	(26,043)		729	(2,674)		1,888	786	0
General Expense	35,428	3,344	(42,685)		2,192	(1,721)		1,515	206	0
Utilities	25,444	3,716	(29,378)		59	(159)		123	36	0
Non-Utilities	18,390	3,421	(22,058)		73	(174)		133	41	0
Net Space	3,406	650	(5,120)		813	(251)		241	10	0
Library	23,188	(23,318)				(130)		130	0	0
Total Allocated Co	127,028	(10,719)	(125,284)		3,866	(5,109)		4,030	1,079	0
TOTAL EXPENDITURE	**431,386**	**22,260**	**37,324**	**16,206**	**71,402**	**578,578**	**286,556**	**464,930**	**191,249**	**1,521,313**
Excess Revenues										
(Expenditures)	(48,182)	0	0	(3,000)	0	(51,182)	0	(12,182)	198	(63,166)
TRANSFERS	31,633					31,633		(21,343)	(10,290)	0
NET CHANGE *	(16,549)	0	0	(3,000)	0	(19,549)	0	(33,525)	(10,092)	(63,166)

* HUP and CPUP budgets have been adjusted to conform to GAAP for universities. See below.

Footnote to Schedule B

Separate budgets for HUP and CPUP have been presented to the Medical Center Trustees in accordance with generally accepted accounting principles (GAAP) for providers of health care services.

We have converted these budgets to reflect GAAP for universities. The primary differences resulting from the change in accounting, which is summarized at right, requires capital additions and renovations to plant and retirement of long term debt to be treated as reductions to fund balance, while depreciation is not considered an expense of operations. In addition, during FY92 the Hospital elected early adoption of SFAS No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions). Accordingly, the FY93 budgeted expense calculated under the guidelines of this statement has been eliminated, since the University will not adopt this accounting standard until FY94.

In addition, the schedule reflects the budgeted transfer of accumulated Health Services surpluses of $31,633 for Medical School programs in FY93. We anticipate additional transfers in the future to complete these programs. The projected accumulated surpluses at June 30, 1992, for HUP and CPUP are $160,890 and $86,280, respectively.

(in 000's)	HUP	CPUP	TOTAL
FY93 budgeted surplus reported in accordance w/ Health Care GAAP	$52,632	$6,640	$59,272
Adjustments to conform to University GAAP:			
Capital equip. & renovations	(87,167)	(8,319)	(95,486)
Retirement of long term debt	(4,147)		(4,147)
Depreciation and amortization	23,500	1,877	25,377
Postretirement benefit expense (SFS No. 106)	3,000		3,000
FY93 budgeted surplus (deficit) in accordance with University GAAP	(12,182)	198	(11,984)
Transfer of accumulated surplus for Medical School programs	(21,343)	10,290)	(31,633)
FY93 NET CHANGE	**($33,525)**	**($10,092)**	**($43,617)**

SCHEDULE C: OPERATING BUDGET BY CENTERS
FY 1993 (In thousands of dollars)

SCHOOLS	REVENUES: University Unrestricted	Restricted	Health Services	Gen'l U. Res'ces: Special	Subvention Regular	Fin Aid	Univ Bank	Total	EXPENDITURES & TRANSFERS: University Unrestricted	Restricted	Health Services	Alloc. Costs Admin Svc Ctrs	Net Space	Library	Total
Annenberg School	1,160	6,467			479		3	8,109	219	6,467		1,087	48	288	8,109
Arts and Sciences	107,673	50,961			25,322		59	184,015	93,655	50,961		27,990	956	10,453	184,015
Dental Medicine	20,342	5,459			3,613		(47)	29,367	17,825	5,459		5,196	192	695	29,367
Education	7,458	3,395			859			11,712	6,326	3,395		1,501	30	460	11,712
Engineering	22,512	18,427			6,020		(10)	46,949	19,987	18,427		6,922	127	1,486	46,949
Fine Arts	9,924	2,552			3,628			16,104	9,773	2,552		2,478	101	1,200	16,104
Law	13,121	2,067			1,554		52	16,794	11,658	2,067		2,861	134	74	16,794
Medicine	56,286	116,673		137	569		29	173,694	54,997	116,673		28,852	992	3,813	205,327
Nursing	9,308	7,185			587		73	17,153	7,797	7,185		1,969	38	164	17,153
Social Work	2,732	208			1,402		(29)	4,313	3,118	208		558	16	413	4,313
Veterinary Med	19,776	12,280			1,352		(64)	33,344	28,547	12,280		8,170	391	505	49,893
Wharton	61,319	36,909			6,005			104,233	50,457	36,909		12,850	380	3,637	104,233
TOTAL	331,611	262,583		137	51,390	0	66	645,787	304,359	262,583		100,434	3,405	23,188	693,969
RESOURCE CENTERS															
Annenberg Center	1,595	523			1,171		(29)	3,260	2,030	523		648	59		3,260
Intercoll Athletics	4,033	506			4,714			9,253	6,702	506		2,000	45		9,253
Interdisciplinary	738	12,066			4,483			17,287	3,611	12,066		1,568	42		17,287
Library	245	2,279			50			2,574	17,326	2,279		6,257	331	(23,619)	2,574
Museum	1,420	2,541		176	3,664			7,801	3,310	2,541		1,476	173	301	7,801
TOTAL	8,031	17,915		176	14,082	0	(29)	40,175	32,979	17,915		11,949	650	(23,318)	40,175
ADMIN. SERVICE CENTERS															
Student Services	20,341	1,038						21,379	20,341	1,038					21,379
General Admin	2,319							2,319	28,362			(26,043)			2,319
General Expense	14,664	3,197						17,861	57,349	3,197		(42,685)			17,861
Operation & Maint								0	51,436			(51,436)			0
Net Space								0	5,120				(5,120)		0
TOTAL	37,324	4,235						41,559	162,608	4,235		(120,164)	(5,120)		41,559
GENERAL UNIVERSITY RESOURCES	79,028			(313)	(65,472)		(37)	13,206	16,206						16,206
AUXILIARY ENTERPRISES															
Residences	29,992	1,823						31,815	27,306	1,823		2,035	651		31,815
Dining	12,456							12,456	11,938			435	83		12,456
Bookstore	23,111							23,111	22,849			246	16		23,111
Parking	5,843							5,843	5,443			337	63		5,843
TOTAL	71,402	1,823						73,225	67,536	1,823		3,053	813		73,225
UNRESTRICTED	527,396			0	0	0	0	527,396	583,688			(4,728)	(252)	(130)	578,578
TRANSFERS FROM	0							0	31,633			0	0	0	31,633
TOTAL	527,396			0	0	0	0	527,396	552,055			(4,728)	(252)	(130)	546,945
RESTRICTED		286,556						286,556		286,556					286,556
UNRESTRICTED & RESTRICTED	527,396	286,556	0	0	0	0	0	813,952	552,055	286,556	0	(4,728)	(252)	(130)	833,501
HEALTH SERVICES *															
HOSPITAL UNIV PENN			452,748					452,748			460,900	3,659	241	130	464,930
TRANSFERS (TO)			0					0			(21,343)	0	0	0	(21,343)
SUBTOTAL			452,748					452,748			482,243	3,659	241	130	486,273
CLINICAL PRACTICES			191,447					191,447			190,170	1,069	10	0	191,249
TRANSFERS (TO)			0					0			(10,290)	0	0	0	(10,290)
SUBTOTAL			191,447					191,447			200,460	1,069	10	0	201,539
TOTAL			644,195					644,195			682,703	4,728	251	130	687,812
TOTAL UNIVERSITY	448,368	286,556	644,195	313	65,472	0	37	1,458,147	535,849	286,556	682,703	0	(1)	0	1,521,313

Footnote to Schedule C

Separate detailed budgets for the School of Medicine (including the Clinical Practices of the University of Pennsylvania—CPUP) and the Hospital of the University of Pennsylvania (HUP) have been presented to the Medical Center Trustees. The presentation at right combines the separate detailed budgets for purposes of displaying the total Medical Center enterprise. It is not intended to display a consolidated Medical Center budget as certain interentity transactions have not been eliminated. The separate budgets for HUP and CPUP are presented in accordance with generally accepted accounting principles (GAAP) for universities.

(in thousands of dollars)

		Academic	Hlth. Svcs.	Total
Revenue	School of Med	$173,694	$191,447	$365,141
	HUP		452,748	452,748
		173,694	644,195	817,889
	Transfers	31,633	(31,633)	0
		205,327	612,562	817,889

		Academic	Hlth. Svcs.	Total
Expenses	School of Med	205,327	191,249	396,576
	HUP		464,930	464,930
		205,327	656,179	861,506
Net Change	School of Med	0	(10,092)	(10,092)
	HUP	0	(33,525)	(33,525)
		$0	($43,617)	($43,617)