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
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 long 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 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 1993, 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 the FY 1993 Commonwealth budget that have long term resource commitments. This framework will shape the University well into the next century.

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 the FY 1993 Commonwealth budget that have long term resource commitments. This framework will shape the University well into the next century.

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 the FY 1993 Commonwealth budget that have long term resource commitments. This framework will shape the University well into the next century.

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 the FY 1993 Commonwealth budget that have long term resource commitments. This framework will shape the University well into the next century.

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.

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 the FY 1993 Commonwealth budget that have long term resource commitments. This framework will shape the University well into the next century.

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.

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 the FY 1993 Commonwealth budget that have long term resource commitments. This framework will shape the University well into the next century.

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.

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.

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.

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.

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.
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 Professorships, 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 re-examine 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 additional $1.0 million in general University support in FY 1993. In addition, we may have to re-examine 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 granting the HUP and CPUP budgets according to GAAP for colleges and universities is ignored, the budget growth for HUP and CPUP combined becomes 23.3%). 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 remain 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.*
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 4, 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 shown significant 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. Chart 6 (next page) illustrates the various components of the Education and General Budget. As can be seen, Schools account for 71.6% of total revenues, up from 68.6% 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 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.

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
munity — 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 6: Expenditure Budget Education and General, FY1993

<table>
<thead>
<tr>
<th>Budget</th>
<th>Projection</th>
<th>Budget</th>
<th>Projection</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>University 2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admin 11.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Svc 1.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Op &amp; Maint 6.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Res Ctrs 6.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schools 71.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$792 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

#### OPERATING BUDGET

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UNRESTRICTED</td>
<td>Budget</td>
<td>Projection</td>
<td>Budget</td>
<td>Projection</td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>288,884</td>
<td>292,403</td>
<td>309,432</td>
<td>313</td>
<td>5%</td>
</tr>
<tr>
<td>Commonwealth Appropriation</td>
<td>37,955</td>
<td>36,620</td>
<td>31,373</td>
<td>313</td>
<td>-9%</td>
</tr>
<tr>
<td>Investment Income</td>
<td>14,768</td>
<td>14,473</td>
<td>14,989</td>
<td>14,989</td>
<td>1%</td>
</tr>
<tr>
<td>Gifts</td>
<td>11,255</td>
<td>11,134</td>
<td>11,562</td>
<td>11,562</td>
<td>3%</td>
</tr>
<tr>
<td>Indirect Cost Recoveries</td>
<td>66,148</td>
<td>66,494</td>
<td>68,564</td>
<td>68,564</td>
<td>3%</td>
</tr>
<tr>
<td>Sales and Services</td>
<td>27,941</td>
<td>26,472</td>
<td>19,901</td>
<td>19,901</td>
<td>-6%</td>
</tr>
<tr>
<td>Other Sources</td>
<td>13,669</td>
<td>11,570</td>
<td>22,426</td>
<td>22,426</td>
<td>94%</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>530,620</td>
<td>527,473</td>
<td>527,396</td>
<td>527,396</td>
<td>0%</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>222,248</td>
<td>219,732</td>
<td>229,388</td>
<td>229,388</td>
<td>4%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>61,367</td>
<td>60,789</td>
<td>64,011</td>
<td>64,011</td>
<td>5%</td>
</tr>
<tr>
<td>Total Compensation</td>
<td>283,615</td>
<td>280,521</td>
<td>293,399</td>
<td>293,399</td>
<td>5%</td>
</tr>
<tr>
<td>Current Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>32,250</td>
<td>32,156</td>
<td>33,143</td>
<td>33,143</td>
<td>3%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>20,636</td>
<td>19,596</td>
<td>19,059</td>
<td>19,059</td>
<td>2%</td>
</tr>
<tr>
<td>Deferred Maintenance</td>
<td>5,981</td>
<td>6,891</td>
<td>5,120</td>
<td>5,120</td>
<td>-27%</td>
</tr>
<tr>
<td>Current Expense &amp; Equipment</td>
<td>144,763</td>
<td>153,485</td>
<td>167,150</td>
<td>167,150</td>
<td>9%</td>
</tr>
<tr>
<td>Total Current Expense</td>
<td>204,652</td>
<td>211,220</td>
<td>224,514</td>
<td>224,514</td>
<td>6%</td>
</tr>
<tr>
<td>Student Aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undergraduate</td>
<td>20,745</td>
<td>20,739</td>
<td>20,201</td>
<td>20,201</td>
<td>12%</td>
</tr>
<tr>
<td>Graduates and Professional</td>
<td>24,209</td>
<td>25,871</td>
<td>27,464</td>
<td>27,464</td>
<td>6%</td>
</tr>
<tr>
<td>Total Student Aid</td>
<td>54,953</td>
<td>55,610</td>
<td>57,665</td>
<td>57,665</td>
<td>9%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>542,220</td>
<td>547,351</td>
<td>576,576</td>
<td>576,576</td>
<td>6%</td>
</tr>
<tr>
<td>Excess Revenues (Expenditures)</td>
<td>(11,600)</td>
<td>(18,878)</td>
<td>(61,182)</td>
<td>(61,182)</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSFERS FROM HEALTH SVCS.</strong></td>
<td>11,600</td>
<td>19,878</td>
<td>31,633</td>
<td>31,633</td>
<td></td>
</tr>
<tr>
<td><strong>NET CHANGE</strong></td>
<td>0</td>
<td>0</td>
<td>(19,549)</td>
<td>(19,549)</td>
<td></td>
</tr>
</tbody>
</table>

#### NET CHANGE

| UNRESTRICTED | 0 | 0 | (19,549) | (19,549) |              |

#### TOTAL UNRESTR. & RESTR.

**REVENUES** | 816,218 | 805,286 | 813,052 | 813,052 | 1% |

**EXPENDITURES** | 827,818 | 825,164 | 865,134 | 865,134 | 5% |

**TRANSFERS** | 11,600 | 19,878 | 31,633 | 31,633 |              |

**NET CHANGE** | 0 | 0 | (19,549) | (19,549) |              |

#### HEALTH SERVICES

**HOSPITAL OF THE U OF P**

**REVENUES** | 370,253 | 454,046 | 452,748 | 452,748 | 0% |

**EXPENDITURES** | 366,315 | 371,856 | 464,930 | 464,930 | 25% |

**Excess Revenues (Expenditures)** | 3,938 | 82,190 | (12,182) | (12,182) |

**TRANSFERS (TO) UNRESTRICTED** | (2,600) | (8,043) | (21,343) | (21,343) |

**NET CHANGE** | 1,336 | 74,147 | (33,525) | (33,525) |

#### CLIN. PRACT. OF U OF P

**REVENUES** | 162,067 | 182,064 | 191,447 | 191,447 | 6% |

**EXPENDITURES** | 164,328 | 173,142 | 191,249 | 191,249 | 10% |

**Excess Revenues (Expenditures)** | (2,261) | 8,922 | 198 | 198 |

**TRANSFERS (TO) UNRESTRICTED** | (5,000) | (11,835) | (10,293) | (10,293) |

**NET CHANGE** | (11,261) | (4,913) | (10,092) | (10,092) |

**TOTAL UNIVERSITY**

**REVENUES** | 1,348,538 | 1,439,396 | 1,458,147 | 1,458,147 | 1% |

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

VI

ALMANAC SUPPLEMENT July 14, 1992
## Schedule B: Operating Budget 1992-93 by Summary of Centers (in thousands of dollars)

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Admin</th>
<th>General</th>
<th>Auxiliary</th>
<th>Total</th>
<th>Health Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>Schools</td>
<td>Centers</td>
<td>Service</td>
<td>University</td>
<td>Enterprises</td>
</tr>
<tr>
<td>Tuition</td>
<td>Undergraduate</td>
<td>121,179</td>
<td>270</td>
<td>30,111</td>
<td>151,560</td>
</tr>
<tr>
<td></td>
<td>Graduate &amp; Professio.</td>
<td>99,529</td>
<td>28</td>
<td>24,889</td>
<td>124,446</td>
</tr>
<tr>
<td></td>
<td>Total Tuition</td>
<td>220,708</td>
<td>298</td>
<td>55,000</td>
<td>276,066</td>
</tr>
<tr>
<td></td>
<td>Special Fees</td>
<td>10,789</td>
<td>1,705</td>
<td>20,952</td>
<td>32,446</td>
</tr>
<tr>
<td></td>
<td>Commonwealth Appropri'n</td>
<td>313</td>
<td>313</td>
<td>313</td>
<td>313</td>
</tr>
<tr>
<td></td>
<td>Investment Income</td>
<td>2,885</td>
<td>168</td>
<td>11,515</td>
<td>330</td>
</tr>
<tr>
<td></td>
<td>Gifts</td>
<td>6,322</td>
<td>1,240</td>
<td>4,000</td>
<td>11,562</td>
</tr>
<tr>
<td>Grants and Contracts</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Indirect Cost Recoveries</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**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 $180,590 and $86,280, respectively.

---

**Expenditures**

<table>
<thead>
<tr>
<th>Current Expenses</th>
<th>HUP</th>
<th>CPUP</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Wages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic</td>
<td>84,866</td>
<td>617</td>
<td>85,483</td>
</tr>
<tr>
<td>Administrative</td>
<td>25,518</td>
<td>7,741</td>
<td>33,259</td>
</tr>
<tr>
<td>Clerical</td>
<td>17,365</td>
<td>4,722</td>
<td>22,087</td>
</tr>
<tr>
<td>Service</td>
<td>1,250</td>
<td>880</td>
<td>2,130</td>
</tr>
<tr>
<td>Limited Service</td>
<td>9,111</td>
<td>1,594</td>
<td>10,705</td>
</tr>
<tr>
<td>Total Salaries &amp; Wages</td>
<td>137,930</td>
<td>15,675</td>
<td>153,605</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>37,655</td>
<td>4,381</td>
<td>42,036</td>
</tr>
</tbody>
</table>

**Debt Service**

- Energy: 24,560
- Interest: 6,323
- Total: 30,883

**Deferred Maintenance**

- Fixed: 5,120
- Current: 5,120

**Other Current Exp.**

- Fixed: 12,959
- Current: 11,457

**Total Direct Exp.**

- Total: 304,358
- Budgeted Surplus: 162,208
- Total Change: 583,588

**Allocated Costs**

**Student Services**

**General Administrative**

- Budgeted Surplus: 21,172
- Total: 21,172

**General Expense**

- Budgeted Surplus: 35,428
- Total: 35,428

**Utilities**

- Budgeted Surplus: 25,444
- Total: 25,444

**Non-Utilities**

- Budgeted Surplus: 18,390
- Total: 18,390

**Net Space**

- Budgeted Surplus: 3,405
- Total: 3,405

**Library**

- Budgeted Surplus: 23,188
- Total: 23,188

**Total Allocated Costs**

- Budgeted Surplus: 127,028
- Total: 127,028

**Total Expenditure**

- Budgeted Surplus: 431,356
- Total: 431,356

**Net Change**

- Budgeted Surplus: (18,549)
- Total: (18,549)

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

---

FY93 budgeted surplus reported in accordance w/ Health Care GAAP: $352,632

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: 32,500 1,877 34,377
- Postretirement benefit expense (SFS No. 106): 3,000 0 3,000

FY93 budgeted surplus (deficit) in accordance with University GAAP: 198

Transfer of accumulated surplus for Medical School programs: 21,343 ($10,290) (31,633)

FY93 NET CHANGE: ($3,625) ($10,982) ($44,617)
### Schedule C: Operating Budget by Centers FY 1993 (in thousands of dollars)

#### Schedule C: Operating Budget by Centers FY 1993 (in thousands of dollars)

**Academic Hlth. Svcs. Total**

<table>
<thead>
<tr>
<th>School of Med</th>
<th>HUP</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>173,694</td>
<td>191,447</td>
</tr>
<tr>
<td>Transfers</td>
<td></td>
<td>31,633</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>0</td>
<td>(10,092)</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>School of Med</th>
<th>HUP</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>205,327</td>
<td>191,249</td>
<td>396,576</td>
</tr>
<tr>
<td>464,930</td>
<td>464,930</td>
<td>929,860</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>0</td>
<td>(33,525)</td>
</tr>
</tbody>
</table>

**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.