



The State University
of New York

**Joint Legislative Public Hearing of the
New York State Assembly
Committees on Ways & Means and Higher Education**

and the

**New York State Senate
Committees on Finance and Higher Education**

on the 2012-13 Executive Budget Proposal

Chancellor Nancy L. Zimpher

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Hearing Room B

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INTRODUCTION

Good morning and thank you for having us today. My name is Nancy Zimpher, and I am Chancellor of the State University of New York.

I want to thank Chairperson John DeFrancisco, Chairperson Denny Farrell, Chairperson Ken LaValle and Chairperson Deborah Glick, members of the Senate and Assembly, and legislative staff for allowing us this opportunity.

It is a privilege to come before you today on behalf of The State University of New York to comment on the 2012-2013 Executive Budget.

SUNY is the largest comprehensive system of higher education in the country. We are comprised of 64 college campuses that span the higher education spectrum. From our 30 community colleges, which account for about half of our total student enrollment, to our esteemed university centers and hospitals, the SUNY system is truly massive.

SUNY enrolls 467,000 students and employs 88,000 New Yorkers, another 20,000 of whom are retirees of the system. And across New York, the U.S., and the world, 3 million SUNY alumni are supporting families, building careers, and changing the world.

By uniting our system's stakeholders – students, faculty, staff, boards, trustees, councils, campuses, institutes, and centers – with elected officials and leaders of local businesses and civic groups in every community of New York State, SUNY is able to marry its core mission of educating students with its capacity to drive economic development.

By exercising our, what we now call, "systemness," we are able to provide every New Yorker with access to a public higher education that is second to none. And we are able to ensure that they can do so affordably.

In systemness, there is great strength.

GOOD STEWARDS

The State University is very grateful to you, your colleagues, and Governor Cuomo for a very successful 2011 legislative session. It was not easy but, in the end, we achieved historic and meaningful reform for the State University. Thanks to your good work, SUNY's students and their families are able to plan for the cost of their entire education. As importantly, the combination of the rational tuition plan and the maintenance of effort on the part of the state provides our campuses the stability to rebuild and move forward after years of devastating cuts.

I want to give you an early snapshot of the difference this has already made for our campuses.

From 2008 to 2010, and through \$1.4 billion in cuts over the last 4 years, our state-operated campuses shed 1,268 employees, or 2.8 percent of their workforce.

Most of these were non-faculty (1,190), with faculty dropping by 78. As best we could during these difficult times, we worked hard to maintain quality in our academic mission.

At the same time, full time enrollment increased by 5,790 students, or 3.2 percent. So not only were we sticking to our mission, but we were doing more with less.

However, in 2011 we saw the first year of the rational tuition plan. Since then, together we have reinvested in academics and instruction – the areas of our mission that directly benefit our students most. We have created 326 new jobs, 192 of those in the faculty area. In just one year, we were able to focus on academics and add more faculty than we had lost, in addition to adding several academic support staff

and only a handful of administrative and maintenance staff. This was achieved in the face of the tuition credit, which takes 25 percent of rational tuition revenue right off the table to help cover cost for students at the maximum Tuition Assistance Program (TAP) level.

We have also taken a look at how we allocate our state resources. Beginning in 2011-12, SUNY began implementing a multi-year funding plan to better align University-wide program resources with the priorities established by our strategic plan – *The Power of SUNY*. The realignment of University-wide programs will allow us to increase funding for student financial aid, success and access, and opportunity programs in 2012-13. To enhance the effectiveness of these programs, we will also implement continuous assessment based on rigorous performance standards that will also require a periodic report on program utilization and impact.

All this is to say that we understand that raising tuition at our state-operated campuses was not an easy choice – but we want to assure you that we are working hard to do what we promised with the rational tuition plan both you and the Governor agreed to give us. And we believe these numbers can speak for themselves: In just one year, we've already begun to shift investment from administration to instruction. And with renewed efforts around what we can do better as a system, we anticipate that shift will continue to grow at even faster pace.

GETTING DOWN TO BUSINESS

In this year's State of the University Address, I told New Yorkers that in 2012, SUNY would "get down to business." That we would employ disciplined thinking to take disciplined actions toward meeting our goals.

And that we would do it as a whole – together – tapping our systemness like never before to make the biggest possible impact for all New Yorkers.

We grouped these efforts around breaking through the walls of what is known as the "iron triangle" of higher education – cost, productivity, and access and completion. You can find the entirety of the speech and our plans publicly available on our website, but today we will focus on a few key points.

Let's start with cost. Over the next 3 years, all SUNY campuses will shift—at minimum—an additional 5 percent of their administrative spending to instruction and direct student services, resulting in the reinvestment of \$100 million. This will come from changing how we operate, leveraging our resources while improving service, increasing efficiencies, and lowering cost to deliver a quality education. To reach this \$100 million, we will employ four key cost saving measures:

1. *Strategic Sourcing.* Working with the state Office of General Services (OGS) and Department of Budget (DOB), we will use our system-wide buying power to save on products and services, enabling us to save money without impacting people's jobs. Savings will be realized in every part of the system and all of these savings can be redirected into instruction and direct student support services.
2. *Information Technology Transformation.* We must lead our campuses across the digital divide. Over the last few decades, devolution of the SUNY system has led to every campus having the freedom to choose its own path for information technology. This is simply an unsustainable, unproductive, and unaffordable model for the future. By summer 2013, a plan for all SUNY campuses to operate on common information technology data systems will be in place, and by summer 2014, these systems will be implemented across the board.
3. *Transaction Processing.* Central or regional transaction based processing will provide improved service at a reduced cost for payroll, benefits, accounts payable, travel, and other basic administrative functions.

4. *Campus Alliance Networks*. Launched in August 2011, the Campus Alliance Networks partner campuses to achieve savings, efficiencies, and improved services. Working together, the campuses establish their own plans, but as a system we share in our successes and best practices.

We will also work to enhance productivity across the system.

In the coming year, you will see SUNY take its Report Card from a statement about accountability—the “You can hold us to it” promise—to a testament of progress and a tool for improvement. SUNY will invest resources, and look to external support as well, for major initiatives found in its strategic plan, *The Power of SUNY*. The impact of those actions will then be assessed by the data collected in our report card.

Increasing productivity applies to our students as much as our operations. SUNY spends \$70 million a year in remedial education. To put that in perspective – all eight of SUNY’s agriculture/technical campuses combined receive \$63.6 million in state support. This means, for SUNY students alone, the state is spending more on remediating its high school students than it is on supporting eight entire college campuses. Worse, students have to pay for these courses. That is why we have invited K-12 leaders throughout the state to partner with SUNY in eliminating the need for remediation over the next decade. Students deserve to come to college from high school prepared to learn.

And lastly, we must address both access *and* completion for our students.

By fall 2013, SUNY will implement seamless transfer for community college graduates. This increases access within the system by allowing an AA or AS degree from a SUNY community college to satisfy lower-division general education requirements at SUNY’s four-year institutions and at least four courses in the major.

And, as we know, access is only half the battle. Completion is the other half, and SUNY will work to ensure that every student who walks through its doors leaves, on time, with a degree. Each campus will set targets to improve its completion rates. These targets will be set by the SUNY Chancellor and campus president and they will be included as a factor in presidential evaluations.

These actions, combined with the stability of a tuition plan for our students and maintenance of effort from the state will ensure that the State University can continue to provide a top quality education at affordable prices, with the most efficient use of both tuition and state dollars.

As we move forward on these and other important issues, we will be looking for your continued partnership, support, and guidance.

THE EXECUTIVE BUDGET

Governor Cuomo recognizes the strength in our systemness and he has truly become a champion for SUNY.

The Governor has built on the successes of last year by honoring his commitment to SUNY and presenting an Executive Budget that, for the first time in recent memory, holds the line on state funding for SUNY across the board.

He maintains General Fund operating support for state-operated campuses, maintains base operating aid funding for community colleges at 2011-12 levels of \$2,122 per full-time equivalent student, maintains State support for our hospitals at the 2011-12 level of \$60 million, and maintains funding for our statutory colleges at 2011-12 levels. He also provided an adequate appropriation level to recognize the necessary spending authority for new rational tuition revenues.

And, as he outlined in his State of the State Address, Governor Cuomo extended the NYSUNY 2020 Challenge Grant Program to the remaining SUNY campuses, giving them an opportunity to compete for

three \$20 million grants to support their economic development efforts in literally every region of New York.

To be sure, Governor Cuomo has kept his promise to position SUNY as a world-class leader in higher education that will help to create jobs and move the dial on our state's economic revitalization.

Today, we ask that you support this vision as well.

HOW YOU CAN HELP

We would like to build on the momentum set forth by the Governor and request the Legislature's assistance in a few key areas.

Hospitals

First, while we are very grateful that the Executive Budget maintains hospital support at \$60 million, it is still at a level 60 percent less than it was four years ago, even though State-related costs at our hospitals have grown tremendously over that time period. Fringe benefit costs at our three hospitals have increased by \$200 million, or 85 percent, since 2007-08.

The \$115 million request for hospital support approved by our Board of Trustees is based on the difference between the cost of fringe benefits at our hospitals and the cost at their non-public competitor hospitals. The comparison of those very real numbers results in a difference of \$178 million. SUNY is asking for \$115 million of that difference to be provided in support from the State, reflecting a \$55 million increase over the current \$60 million. It is also important to note that this \$115 million excludes any costs associated with the acquisitions of LICH and Community General Hospital.

Our hospitals are an integral part of our educational mission. They are the classrooms in which our future doctors and nurses learn how to care for patients. We are best able to manage that educational process when we have our own hospitals. SUNY's medical students, nursing students, and other health professional students are from New York State, and will stay in New York State to practice. The inability of our hospitals to cover their State-related costs inhibits SUNY's ability to produce the next generation of health care providers for New York State.

Community Colleges

Second, we are asking the Legislature to work with SUNY to develop a plan to reinstate the state's one third share of funding for the community colleges. We were so delighted that Speaker Silver highlighted the need to support New York's community colleges in his State of the State Presentation.

He said, "To strengthen the third rung of the ladder, we are proposing to increase the state's support for our community colleges. With high unemployment and widespread under employment, more and more of our citizens are looking to community colleges for a new path to a better life. By law, this state is obligated to fund up to 40-percent of the operational budgets of our community colleges, but only once in four decades has the state fully met that obligation. Now, when these learning centers are so important to our economy, to our companies and to our workers, we must increase our investment in them."

By making community colleges a priority, the Speaker recognized how New York's community colleges play a vital role in broadening access to higher education and stimulating the economy. Community colleges provide effective, low-cost education and demonstrate remarkable flexibility in meeting local needs and training requirements. They are community centered – connected to and focused on serving the needs of the local and regional community, while keeping pace with economic developments and needs of the State. Students choose community colleges to begin their college education, to seek remedial education, technical or vocational programs, or job training.

The community colleges are in the center of every region's economic development strategy. Without adequate base funding, not only will they continue to struggle meeting the needs of their current students, but they will be inadequately resourced to help drive the economic revitalization for the State of New York.

Community colleges were created on a model of one-third funding each from the State, local sponsors, and students. Later, in the 1970's, community colleges were asked to serve as "full-opportunity colleges," admitting any person with a high school diploma or the equivalent, and they were promised a higher percentage of State aid for doing so – 40 percent in the year they adopted the FOP program and up to 40 percent thereafter. Although all of SUNY's community colleges have been full opportunity providers since 1977-78, State aid reached 40 percent on a system-wide basis only once, in 1975. For the past 17 years, the state has fallen below even the previous one-third commitment. Today the budgeted average state share for community colleges is 24.8 percent, or \$2,172 per FTE student (including all categorical aids) and ranges from 12.3 percent to 33.1 percent.

The net result in declining state support has been a shift in financial responsibility to the student. Currently, the average student share is budgeted at 44.9 percent, or \$3,932, per FTE student, with a range of 25.8 percent to 56.9 percent.

To remedy this situation, SUNY is proposing a 5 year plan to increase state aid for the community colleges toward the State's one-third statutory obligation. The Rational Base Aid Plan would raise funding per FTE student by \$205 annually over the next five years, beginning in FY 2012-13. Moving toward this financial obligation will relieve the cost burden that is now being placed on the students and, in some cases the local sponsors, and allow our campuses to improve on both access and success.

Additionally, we know that the availability of quality child care services contributes to accessibility and a student's ability to succeed in community college. The 2010-2011 budget appropriated \$1,654,000 for community college child care that enabled approximately 2,000 students, faculty, and staff to take advantage of such services. The proposed 2012-2013 budget reduces this appropriation by \$653,000. We request that this reduction be restored to last year's level in keeping with the intention of maintenance of effort for all of SUNY's programs.

We hope that you will be our partner as we work to provide our community colleges with the full state support they require and deserve.

State-Operated Campuses

Third, our budget request for state-operated campuses included a request, pursuant to Education Law 355 (8-b), for the next installment of the partial return to the University of the 2008-09 and 2009-10 tuition revenues that the University was not allowed to spend, more commonly known as "the tuition sweep." This next 10 percent, worth \$16.5 million, would still only bring the University to a 50 percent share of that tuition, as was promised when that law was enacted.

The promise to our students to cease taking more of their money to support general state operations cannot be ignored. The students and their families expect it, and the campuses planned on it.

Capital

Lastly, we must address our capital needs. SUNY is an economic engine in other ways you might not always think of. With its vast array of facilities throughout the State and the need to continuously improve and, in some cases, expand these facilities, the capital investments made by SUNY across its 64 campuses makes it a primary contributor to New York's construction industry.

In 2010-2011, SUNY invested more than \$1 billion in capital improvements across all of its capital programs. These investments allow SUNY to maintain its assets, expand capacity, and provide facilities that support ongoing economic activity while providing thousands of private sector jobs.

SUNY is thankful for the \$852 million in capital appropriations provided in this year's Executive Budget. This authority will continue essential work in making our educational facilities safer, help realize ambitious NYSUNY 2020 plans to expand educational and economic opportunities on our university research centers, and continue important community college projects by partnering with local counties. That this support was given within the restrictions placed upon the State by the 2000 debt reform legislation, which limits the extent to which the State can borrow, is understood and very much appreciated.

Because of these same limitations, SUNY did not receive \$600 million in capital funding that was requested for its three hospitals or \$355 million that was requested for its residential facilities. This will, unfortunately, affect SUNY's ability to optimize programmatic and revenue enhancing opportunities and address critical maintenance needs for its three teaching hospitals and for residential facilities at our state-operated facilities. It is important to note that these capital programs are self supporting, which means that they pay all of their own costs and have no long term impact on the State treasury. Moreover, these programs would have the added benefit of creating an estimated 5,000 direct and 2,500 indirect construction jobs while progressing initiatives such as:

- Adding nearly 2,000 new beds across campuses such as Maritime, New Paltz, and Stony Brook that would have expanded access to higher education to current and future SUNY students.
- Addressing critical maintenance needs, such as the replacement of roofs at campus residence halls including Albany, Binghamton, and Purchase.
- Increasing outpatient medical services at Downstate, meeting the increased medical needs of an aging population on Long Island, and increasing stringent infection control by increasing single bed availability at Upstate.

Without adequate access to capital – for which our hospitals pay 100 percent of the debt service – they cannot meet the demands of health care reform or implement their strategic plans to grow and remain competitive in their local markets. So, while we acknowledge the financing limitations placed upon the State by the enacted legislation, we also note – for prosperity – the opportunities that were missed within this most recent Executive Budget.

GOOD INVESTMENT

And so at a time when the state needs to create jobs, when New Yorkers and their families are looking to reinvest and rediscover their roles in a changing economy, SUNY as a system stands ready – and able with your help – to improve the lives of our state's citizens.

Above and beyond our mission of access and success, SUNY can deliver on our commitment to be New York's engine for economic revitalization. Additional short-term and long-term investment strategies have been identified and are shovel-ready.

SUNY, through the Regional Economic Development Council process, has identified and developed proposals that address regional and state-wide needs critical to the state's fiscal prosperity. This includes small business and entrepreneur programs, research, innovation and commercialization initiatives, workforce and high needs partnerships, and education pipeline solutions – all leveraging existing resources and current strengths, with scalable spending models, funded based on performance and results.

We are working to meet the state's industry needs; we are expanding programs needed to develop tomorrow's workforce; we are working hard to better prepare our children for college and career; and we are making good on our promise to deliver better instruction and enhanced services for our students.

Thank you for taking the time today to hear how the State University is meeting its commitments and to better understand the additional resources we need to reach our full potential.

We are happy to take your questions.