



The State University
of New York

2013-14
Executive Budget Testimony

Chancellor Nancy L. Zimpher

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New York State Assembly Committees on Ways & Means and Higher Education
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INTRODUCTION

Good morning. 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 to speak today.

It is a privilege to come before you on behalf of The State University of New York to comment on both the impact of and the opportunities provided by the 2013-2014 Executive Budget.

We are proud to share with you the numbers that tell SUNY's story. 64 campuses. 468,000 students. 79,000 annual graduates. 7,500 degree and certificate programs. 2 million enrollees in workforce and professional development programs. 88,000 employees. 20,000 active retirees. 3 million alumni. \$19.8 billion in economic impact. And one of our campuses only 30 miles from every New Yorker.

But before your commitment to maintenance of effort, reductions continued to pose a challenge. We've made great strides over the past 5 years in our ability to provide accessible, affordable, and high quality education to the citizens of New York.

- Over 345,000 degrees were awarded, 26,000 more than 5 years prior;
- Our 30 community colleges provided educational services for over 247,000 students at the highest point, 16 percent more than before the fiscal crisis;
- Our medical schools trained 1,700 physicians;
- Our teaching hospitals saw over 1.3 million inpatient and outpatient visits in 2011-12 alone;
- Minority enrollment of our first-time, full-time freshmen is now at 29 percent – an all time high, and the result of a 44 percent increase in access; and
- Thanks to the investment of the State and our campuses, all of this was done in facilities that remained safe and up to date. For our state-operated and statutory facilities alone, investments over this time frame helped sustain our critical maintenance.

We reduced spending while expanding capacity and increasing our success. But as costs go up, and state support is significantly lower than it was five years ago, we are beginning to see – quite vividly – the effects of stretching the State University too thin.

We have made it our priority to become more efficient, more integrated, and more valuable to our stakeholders. We have diligently explored sharing services between our campuses, worked across the system and with the Office of General Services to participate in strategic sourcing, and begun to plan for the critical integration of our IT systems across the entire university so that our data can help us make informed, smarter decisions.

We truly are New York's state university. At the end of the day, our ability to train New York's future workforce, to provide opportunities for our citizens, to improve the quality of life in the communities we serve – our capacity to fulfill the promises we made in our strategic plan, *The Power of SUNY* – ultimately depends on the commitment of the State and its localities. It is the support for our work that positions New York as an

intellectual and economic powerhouse on the global stage. And so today I want to outline how, together, we can – first – balance our resources at the state operated campuses; second – preserve our healthcare at the academic medical centers; third – prepare New York's future workforce at the community colleges, and; fourth – build our infrastructure with capital investment.

But before I do that, I would be remiss if I did not pause for a second to recognize the significant transformation the SUNY Research Foundation has experienced under the new leadership of Dr. Tim Killeen. They have implemented an extensive control environment to safeguard the nearly \$1 billion in SUNY research activity processed annually, and established the SUNY Research Council, a group of prominent national experts to help carve a pathway for more aggressive public and private grant acquisition, more integrated and collaborative research consortia, and more investigative partnerships with business and industry.

And, we are beyond pleased that in his State of the State Address, Governor Cuomo emphasized the importance of bringing university-generated discoveries to the marketplace through tech transfer – with Dr. Killeen representing SUNY as one of three organizing members of the Innovation New York Network which will expedite the tech transfer process and put New York on an ambitious pathway to more innovations, increased entrepreneurship, and as the Governor says, a "New New York."

BALANCING OUR RESOURCES: STATE-OPERATED CAMPUSES

Thanks to your commitment and that of the Governor to maintenance of effort, the 2013-14 Executive Budget continues level year-to-year funding for SUNY's comprehensive system of four-year institutions. Rational tuition is also recognized and supported with authority provided to disburse the collected tuition revenue in support of our students and institutions. And, we appreciate and champion the Governor's statutory call to improve the quality of our teaching programs by increasing our admitting GPA to 3.0.

As you likely know, SUNY System Administration has been engaged in the development of a resource allocation model that would update our current outdated methodology, including aligning State tax dollars with the cost of instruction and the students being instructed. We have been doing this with representation from all parts of the SUNY family, from students and faculty, to business officers and presidents of our 29 state-operated campuses.

Although there has been strong support to develop a new tool, and for each of its components, at this time we recognize that the change would have a significant impact for several of our campuses – an impact that is only exacerbated as we work to sustain SUNY's public hospitals across the state.

We still are not fully satisfied with how the most critical component of the model – enrollment – has played out for our campuses. It's not right yet, and we will not introduce an incomplete solution to such a wide-ranging set of challenges.

We know that there are ways to incentivize enrollment growth that benefit the State while also avoiding unnecessary competition amongst our campuses. Instead, we must be very strategic about enrollment growth in fields that have more job openings and encouraging students not to enroll in those that are either oversubscribed or don't open a pathway to a productive career.

- We must do this with our K-12 colleagues, working to produce more high school graduates – even as that age cohort sees a downward trend in the coming years – by improving GED results and ensuring more kids are prepared for college;
- We must do this by engaging displaced workers, and retraining them for the high tech and high need jobs for our State to remain competitive;
- We must do this by finding adult learners and ensuring that they actually complete their degrees and do not just enroll in a course here or there – that they are credentialed for the knowledge economy; and
- We must do it by accommodating New York's veterans to ensure that they have every opportunity to enter the workforce and begin a career deserving of the men and women who fight to preserve this great nation we call home.

That being said, let me be clear that this does not mark the end of our efforts to improve the resource allocation model. As the State University's fiscal landscape continues to shift, we will persist in working with our campuses, lawmakers, and other stakeholders to develop and implement the right plan – with those targets I just mentioned in mind – for our students and for New York.

While we continue our work, we still must address the fact that our current model is based on 2008 enrollment statistics. Over the past five years SUNY has seen a 9.1 percent increase in enrollment, and we have continued to offer a high quality education to every enrollee. However, during this same period our state support has been reduced or kept level. This means that this growth has been funded only by tuition dollars, with no accompanying contribution from the state. To improve our instructional ability, SUNY is requesting \$19.9 million to begin aligning support with this growth. About a quarter of this additional funding would be tied to growth in high needs such as healthcare, agriculture business, and information technology.

And in line with the Governor's proposal for additional performance based funding for the community colleges, SUNY also requests an additional \$5 million – to be matched by SUNY – for performance based funding at our state-operated institutions. This initiative would provide our campuses with the resources they need to invest in achieving quality and excellence, including workforce development, time to degree, completion and graduation rates, accelerated and effective remediation, overall student success, and alternative academic delivery options that provide greater access and better learning outcomes.

PRESERVING OUR HEALTHCARE: ACADEMIC MEDICAL CENTERS

As for our hospitals - the Executive Budget returned state support for our three teaching hospitals to 2012-13 Executive Budget levels, removing both the \$2 million and \$27.8 million additions enacted by the Legislature.

According to the Healthcare Association of New York State, New York has a significant need for health care professionals, and SUNY is dedicated to being able to meet those needs – including a call for over 1,200 physicians outside of NYC and a shortage of specialties within emergency departments.

SUNY has taken a hard look at the operations of Stony Brook, Upstate Medical, and Downstate Medical over the last six months and has begun to make the hard choices needed to implement the fundamental changes required for success. We've hired experts, worked with other agencies, and engaged in ongoing discussions with the Division of the Budget and Department of Health. We now have a full understanding of how precarious the situation is, and the results are not good. This review has enabled us to determine that drastic action is needed at Downstate Medical, and presumptive measures are needed to ensure that Upstate Medical does not someday see the same issues facing its sister institution. These measures require swift and decisive action, and please know that we do not make these – or any – decisions lightly. As I know you have a great interest in these activities I will outline them here briefly. To date, our Board of Trustees, my executive staff, and I have:

- Authorized the line of credit of \$75 million to Downstate Medical to ensure that pressing cash flow needs are met and services continue unabated. These funds represent real dollars to SUNY, and have maintained the thin line between success and failure for this institution. These funds are insufficient and will only provide the cash required through March;
- We have worked with Downstate, industry experts, and the Department of Health to improve the efficiencies of this teaching hospital, updating billing, educating doctors and staff on proper record keeping, and making tough decisions on the use of limited funds to keep the facility safe, certified, and able to continue offering high levels of education and service;
- We have undertaken the painful steps needed to “right size” Downstate's workforce, a decision no executive takes lightly;
- We have restructured the management at Downstate Medical, charging our new president Dr. Skip Williams with the responsibility to not only enforce needed reforms, but to prepare a plan that will serve as the basis for the rebirth of Downstate and transition to playing a critical role in a comprehensive healthcare solution for Brooklyn; and
- Finally, just this Friday, our Board took the extraordinarily difficult step of determining that the Long Island College Hospital division of Downstate had to close inpatient services.

All of these actions are driven by fiscal demands. We cannot right this ship without your help. No matter how much efficiency we find, no matter how many plans we make, the simple truth remains that the high cost of operating a hospital as a State entity outweighs our ability to generate revenue. So, in addition to the restoration of \$29.8 million in funding provided in 2012-13, we are seeking at least an additional \$99 million in support for Downstate Medical. Based on our newly appointed management team's assessment, that figure, put together in the Fall of 2012, may need to rise to \$150 million. This one time funding will allow us to make great strides in restructuring Downstate, and I strongly urge you to consider support for this request – without it, the burden will have to fall on the backs of our other campuses.

In addition, we request your aid for reforms at Upstate Medical. Although the hospital has taken great pains over the last few years to implement sweeping changes and cut costs, we feel that the additional \$35 million authorized by our Board and included in our annual request is necessary to stabilize this institution as it continues to serve 1.8 million Central NY residents from 17 counties – a region that stretches from Albany to Rochester and from the Canadian border to the Pennsylvania state line.

We will also be requesting that you consider legislation that will allow the SUNY hospitals increased flexibility so that they can respond more nimbly and responsively to the operational changes that are needed to run a hospital business in these challenging times.

PREPARING NEW YORK'S FUTURE WORKFORCE: COMMUNITY COLLEGES

Now, more than ever, community colleges are being asked to be all things to all people. This increased attention acknowledges the rich history of community colleges as being innovative, adaptable, efficient, responsive, and rigorous. SUNY's community colleges continue to capitalize on this history to meet the needs of twenty-first century learners and employers as effective partners. In fact just this year, all 30 of our colleges came together to work with more than 150 employers and trade associations to develop an advanced manufacturing program that will provide a fast track to employment for more than 3000 displaced workers and returning veterans across New York.

A critical gateway to the workforce, it is also important to recognize that nearly two thirds of the students enrolled in SUNY community colleges are in programs that lead to transfer to a baccalaureate program. Location and affordability often contribute to a student's decision to begin their studies at their local community college. We have committed to making transfer within SUNY seamless, but it also needs to remain affordable.

We appreciate the Governor highlighting the importance of New York's community colleges in his State of the State address. In the Executive Budget, he continues the prior year level of support by holding base aid support at \$2,272.

We also appreciate the Legislature's steady support in increasing base aid every year. SUNY asks you to continue the work begun in 2012-13 and help to move the State's contribution back to one-third. To that end, SUNY is seeking \$37.3 million in additional base operating aid funds for 2013-14.

In addition, SUNY supports the restoration of \$653,000 – 39.4 percent of their total operating budget – for the community college child care centers and \$11.2 million for the State to cover chargeback costs related to upper division and graduate students at the Fashion Institute of Technology.

The Governor also introduced new initiatives for community colleges. These initiatives consist of \$3 million in new performance based funding and new requirements for linking workforce needs to vocational degrees. Our community colleges look forward to continue to working with the Governor to assure that our AOS and AAS degrees meet the workforce needs of our communities and the state of New York.

BUILDING OUR INFRASTRUCTURE: CAPITAL

And lastly, we take a look at our capital. The Governor provides \$55 million for a third round of NYSUNY 2020, which will drive new and exciting projects across our 64 campuses. This is supplemented by \$38 million in critical maintenance funding for community colleges. The Governor's budget also proposes to remove from the State's debt cap bonds issued in support of our state-operated residence hall program, freeing up nearly \$950 million in the State's debt cap over five years.

SUNY's physical infrastructure is one of the most complex and expansive within the State, comprising 33 percent of the State's entire building infrastructure. SUNY is not only large, with over 100 million square feet it is also old. SUNY has over 2,800 buildings that range in age from 28 years at our hospitals, to over 45 years for our State-Operated/Statutory facilities. The average age for the entire portfolio is 42 years.

With such a monumental inventory, near constant investment is required to ensure that these facilities remain safe, up to date, and energy efficient. Over the past five years, the State has recognized this need for investment – at least partially – with significant investment being made in slowing the progression of deferred maintenance backlog at SUNY facilities and maintaining the backlog at 2007-08 levels.

The 2013-14 Executive Budget offers many opportunities for the SUNY Capital program, and we look forward to making the third round of NYSUNY 2020 a successful one, as well as ensuring that our state-operated Residence Hall program prospers in the new environment envisioned in the Governor's Article VII language. Yet, while we understand and appreciate the restrictions put on the State by the 2000 Debt Cap legislation, we feel that there are opportunities being missed, and the victories that have been won are in danger of slipping away, especially since SUNY is now in the last year of the current Five-Year Capital Plan.

To that end, we are requesting your support for the following items within the Capital Budget.

1. Continued support over the next five years for the critical maintenance efforts at our 29 State-Operated institutions and five statutory colleges. While it is true that some of our institutions do continue to maintain some level of prior year funding, without future funding to allow continuous planning we estimate there will be a definitive downturn in our backlog reduction, improvement to our institutions, and our contribution to New York's construction industry which relies heavily on the stability of SUNY's capital plan. We propose that SUNY spend down its existing appropriations over the next two years but receives \$2 billion in new appropriations for critical maintenance projects now for the following three years. Because SUNY understands the fiscal realities of the State, it is not requesting funding for new facilities or other strategic initiatives. We feel compelled, however, to ask for additional critical maintenance funding as there will never be a less expensive time to be good stewards of these extremely important assets and focus our efforts on reducing our deferred maintenance backlog and to take advantage of a competitive bid market and low cost of capital.
2. Future access to capital funding for our teaching hospitals. This is the fourth year in a row that SUNY's request for hospital capital funding has not been advanced. Therefore, absent consideration of additional capital through existing mechanisms, SUNY would welcome a collaborative effort to find an avenue by which our hospitals can access capital, allowing these institutions to make long-term plans that supplement and support the corrective efforts of the campuses and SUNY.
3. Provide system-wide funding for initiatives such as:
 - \$30 million for SUNY's IT integration, which will help SUNY operate and function as one entity with a unified vision; and
 - \$100 million to support SUNY's facilities in the face of unforeseen disasters such as fires and the effects of massive storms. Currently SUNY's facilities must look to their own limited funding and make difficult decisions on redirecting funds for critical maintenance needs or for programmatic improvements needed to meet certification or pedagogical requirements, or to keep funds segregated awaiting the advent of such an event. Available funding for such emergencies has been greatly reduced over the course of the last five years.
4. Finally, SUNY seeks \$35.68 million in support for the remaining five community college capital projects that had achieved local sponsor support but were not included in the Executive Budget, as well as access to the design/build project delivery method that is proposed for other State agencies.

FOCUSING ON OUR STUDENTS

The bottom line of what we do here together for the State University is always for the benefit of our students. As we work to streamline our operations internally and bolster our resources with you and the Governor – we have also made a strong effort to expand access, completion, and success for our students.

I want to highlight for you a few of our new and exciting initiatives.

Already, SUNY offers the lowest tuition in the Northeast, and falls within the bottom quartile nationally. With rational tuition in our tool belt, we have been able to make \$75 million available for academic and student services in 2011-12, with a similar amount planned for 2012-13, and bolstered even further by the \$20 million in savings that have resulted from our shared services initiative. Over \$30 million of this new tuition will be used in support of the SUNY tuition credit, ensuring that New York's most economically challenged students are not negatively impacted. To improve student / faculty ratios, SUNY intends to increase faculty by nearly 200 positions by the end of 2012-13, reinvest funds in specific programs tied to student services and success, and work to reverse damages caused by the recent financial crisis.

With our SUNY Smart Track™ campaign, which is designed to reduce debt among students by providing new tools and services, we have pledged to reduce our student default rate by 5 percent over the next 5 years. We'll do this by mandating that all campuses adopt a new SUNY award letter based on the Federal Financial Aid Shopping Sheet, expanding the SUNY Student Loan Service Center, engaging "high risk" students early, and providing online resources such as a net price calculator, chats with financial experts, and financial literacy materials.

In 2014, we will launch Open SUNY, leveraging online degree offerings at every SUNY campus, making them available to students system-wide using a common set of online tools, including a financial aid consortium so that students can receive credits and aid across campuses. Within three years, Open SUNY enrollment will reach 100,000 new students, making it the largest online education presence of any public institution in the nation.

By leveraging the combined capacity of Open SUNY and SUNY Smart Track, we have committed to the development of 3-Year bachelors degree programs, to be offered both online and on-campus, furthering SUNY's commitment to affordability and the reduction of student debt.

And with the new SUNY Plus diploma designation, we will record on the transcript a student's participation in any one of SUNY's experiential learning programs. Whether a student had a co-op experience, volunteered regularly at a local non-profit, or worked with a professor to start a new business, the new SUNY Plus designation will ensure that these out-of-the-classroom experiences will serve as a substantial added value – even if you attend SUNY online.

I believe that we have a clear path ahead. With the support provided to SUNY by the Governor, as well as your continued advocacy efforts, I see no end to what SUNY can do for the citizens of New York State.

We 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.