

**2016/17 Executive Budget Testimony
Chancellor Nancy L. Zimpher
February 8, 2016**

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

Introduction

Good afternoon. My name is Nancy Zimpher, and I am the Chancellor of The State University of New York.

I want to thank Chairpersons Young, Farrell, LaValle, and Glick; members of the Senate and Assembly; and legislative staff for allowing us this opportunity to share our perspective on the Executive Budget. With me are President Robert Jones of the University at Albany, President Kristin Esterberg of SUNY Potsdam, and once again I am happy to be joined by President Anne Kress of Monroe Community College. It's also my honor to be joined today by Tom Mastro, President of our statewide Student Assembly, SUNY Trustee, and student at Binghamton University.

I would also like to take this opportunity to acknowledge all of our SUNY campus presidents; I thank them for their time and their continued devotion to the SUNY system. And I want to thank SUNY Board of Trustees Chairman H. Carl McCall and our entire Board for their leadership and support.

Before we get into the details of the Executive Budget, I would like to set the stage.

Background

SUNY is the largest comprehensive system of public postsecondary education in the nation. While you have heard me say that time and again, I think it is worth focusing on that term – “comprehensive” – and getting a sense of just how vast SUNY is.

We are 30 community colleges operating under the program and administration of the State University of New York that are focused on their local communities and their educational and workforce development needs.

We are 29 State-operated institutions that range from focused technology colleges offering associate and baccalaureate programs, to comprehensive colleges that offer a full array of undergraduate and specialized graduate programs, to small doctoral colleges that are either focused on specific missions or attached to State-operated hospitals, to full research institutions that offer students the opportunity to earn anything from a bachelor's degree in criminal justice to an advanced degree in aerospace engineering.

We are the five statutory colleges, four at Cornell and the college of Ceramics at Alfred, which uniquely blend the activities and offerings of private institutions with the public mission of the SUNY system.

We are the three teaching hospitals at Downstate, Stony Brook, and Upstate that serve over a million patients a year and offer medical services to vast components of New York State’s population.

We are the 11 Educational Opportunity Centers, the 43 Educational Opportunity Programs, the 24 Small Business Development Centers, and the 148 Charter Schools approved under the auspices of the Charter School Institute of New York.

In 2014-15, SUNY served nearly 1.3 million students – individuals who came to SUNY to earn a degree, a certificate, a skillset, or even just for personal improvement. These are the people who live and work in every county and in every district across the State and beyond. This includes: 594,000 students in credit-bearing courses and programs; 680,000 students in continuing education programs, 20,000 skill-seekers at Educational Opportunity Centers and ATTAIN labs, and the nearly 23,000 high school students through the College in the High School Program.

| Fall 2014 Enrollment in Postsecondary Education In New York State | | | | |
|--|------------------|-------------------|------------------|-------------------|
| Sector | Headcount | % of Total | FTE | % of Total |
| SUNY | 454,545 | 36.0% | 368,505 | 35.9% |
| CUNY | 274,723 | 21.8% | 205,050 | 20.0% |
| INDEPENDENT | 486,068 | 38.5% | 414,404 | 40.3% |
| PROPRIETARY | 45,855 | 3.6% | 39,544 | 3.8% |
| Grand Total | 1,261,191 | 100.0% | 1,027,503 | 100.0% |

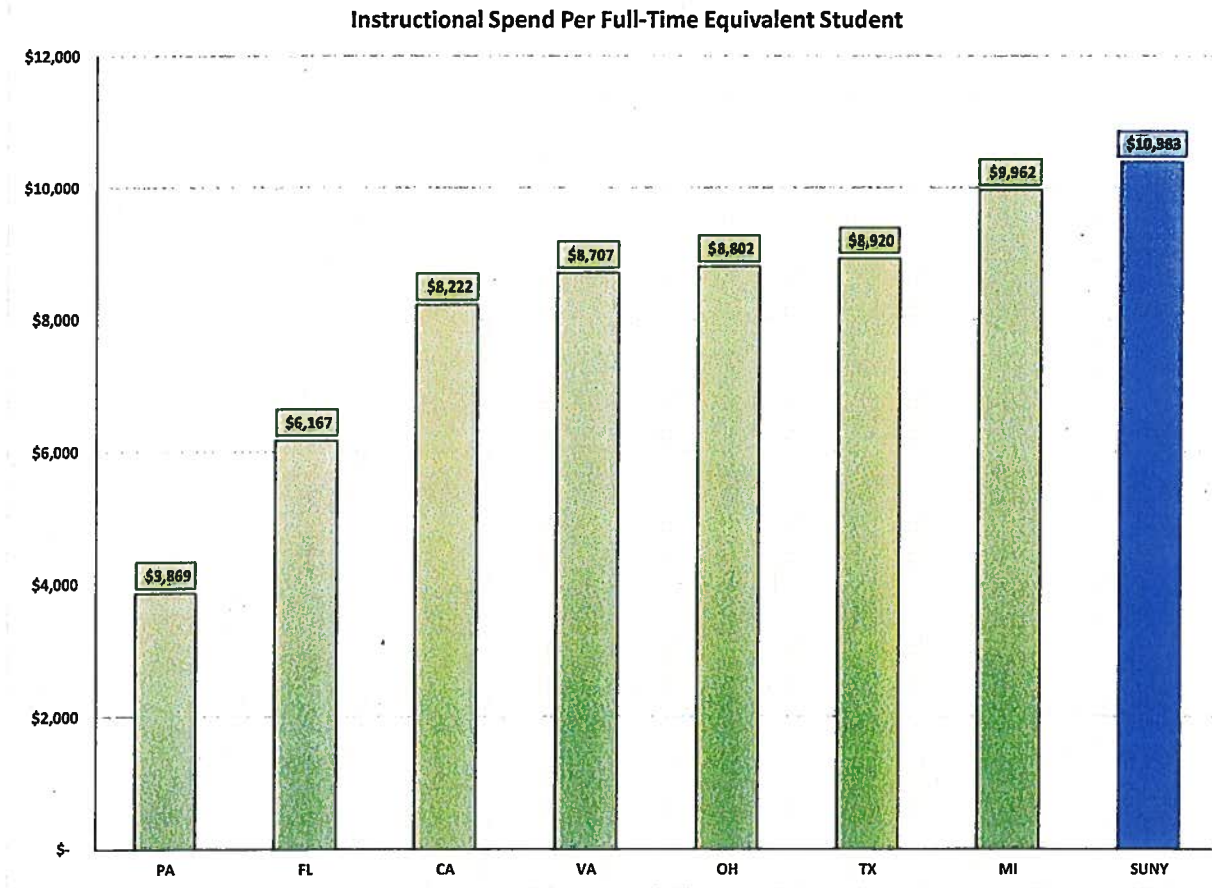
Holding together that massive framework of educational and economic activity is a network of dedicated staff, faculty, researchers, counselors, laborers, and yes – administrators – who make the SUNY system the world-class university system it is. This includes nearly 90,000 direct employees of our 64 institutions, 16,000 SUNY Research Foundation employees, 150 employees of the SUNY Construction Fund, over 7,000 employees of our associated auxiliary service corporations, and additional employees of our affiliated foundations.

Thanks to the hard work of all of these professionals, the SUNY System delivers high-quality education and does so in an efficient manner. Thanks to your commitment, we lead our public peers and in many cases are on par with our private peers with respect to key academic indicators, including graduation rates. We also are a powerhouse of economic development, generating \$17 billion of economic activity across the state.

Put simply, no system of public education can compare directly to SUNY, especially in terms of our centralized system of contracting, information technology, and construction services.

With that being said, we have nevertheless looked at our peer states to see how we stack up. Using the most recent information from the National Center for Education Statistics, we compared ourselves on several metrics: instructional costs, academic support, student services, and of course administrative support. And we are getting it right.

The SUNY system spends around \$10,383 per full-time equivalent student on instruction; more than any of our peer states, which we consider to be California, Florida, Pennsylvania, Ohio, Virginia, Texas, or Michigan.



Taken as a percentage of our total spending, this represents nearly 33 percent of the total, more than Ohio, Michigan, and California.

We also perform very well in academic support at \$2,331 spent per FTE, on par with many of our peer states. Results are the same for student services at \$1,700/FTE.

In terms of institutional support, or “administrative overhead,” I would ask you to remember the results of outstanding programs such as the Educational Opportunity Program, Educational Opportunity Centers, and ATTAIN, the administration thereof which is included in “overhead.” I would ask that you remember the work of our dedicated Construction Fund, the administration of which is also in those simple figures, which has invested over \$9.3 billion in capital program activity since 2004 that has generated over 72,500 construction and construction-related jobs, progress, and economic growth to all parts of the State. And finally, I would ask you to note some of the accomplishments of our researchers, faculty, and staff, whose work results in nearly \$900 million in sponsored research expenditures and serves over 1.3 million patients annually.

That being said, I would like to return to the topic at hand: the impact of the Governor's Budget on the SUNY system.

The 2016/17 Executive Budget Impact on SUNY

We appreciate that the Executive Budget provides for a strong foundation with \$3,983.6 million in direct and indirect operating support for the SUNY system, as well as \$448.0 million in bonded capital investment.

Nevertheless, on a year-to-year basis, this level of operational support represents a reduction of nearly \$20.0 million, including reductions in support for salaries at State-operated campuses, cuts to programs at campuses and across the State, reduction by one-fifth of the State's direct support for our teaching hospitals, and cuts due to the normalization of enrollment at the 30 community colleges operating under the program of the State University of New York.

We are happy to see that these reductions are offset by a continuation of the 2015/16 Enacted State Budget Investment and Performance Fund, which SUNY leveraged into a vastly successful enterprise during the current academic year, and an increase in the projected cost to the State for SUNY fringe benefit support, for which we are extremely grateful.

| Area | Direct / Indirect | 2015/16 Enacted | 2016/17 Executive | Change | |
|---|-------------------|------------------|-------------------|-----------------|--------------|
| | | | | \$ | % |
| State-operated Campuses / System Administration | Direct | \$712.7 | \$708.0 | \$(4.7) | -0.7% |
| Investment Fund | Direct | 18.0 | 18.0 | - | - |
| Community Colleges Base Aid Support | Direct | 473.2 | 463.1 | (10.1) | -2.1% |
| University-wide / Categorical Programs | Direct | 169.6 | 167.6 | (2.0) | -1.2% |
| Hospitals Support | Direct | 87.9 | 69.3 | (18.6) | -21.2% |
| Statutory Colleges | Direct | 133.8 | 133.2 | (0.6) | -0.4% |
| Fringe Benefits | Indirect | 1,641.4 | 1,683.3 | 41.9 | 2.6% |
| 4-Year College Debt Service | Indirect | 695.3 | 669.3 | (26.0) | -3.7% |
| 2-Year College Debt Service | Indirect | 71.2 | 71.8 | 0.6 | 0.8% |
| Subtotal | Direct | 1,595.3 | 1,559.2 | (36.0) | -2.3% |
| Subtotal | Indirect | 2,407.9 | 2,424.5 | 16.5 | 0.7% |
| Grand Total | All | \$4,003.2 | \$3,983.6 | \$(19.5) | -0.5% |

The 2016/17 Executive Budget level of support, which provides a strong base for our discussions going forward, does however pose challenges for our System.

Executive Budget Challenges: State-operated campuses

OPERATING

For our 29 State-operated campuses, we are grateful for the Executive Budget's proposed direct support of \$708 million. We ask for your partnership in enhancing this investment. We have not seen a

significant increase of operational support over the past five years, which presents a growing challenge as we face projected increases in costs. These costs include:

- \$21.7 million in incremental salary costs related to the last year of the collectively bargained salary agreement,
- \$27.3 million in repayment of "Deficit Reduction Leave." The initial savings of, in many cases, utilized to meet those costs in the year they occurred, and
- \$8.2 million in increased costs associated with utilities.

When combined with other proposed changes in support, these reductions total over \$60 million, or almost 10 percent of the direct support from the State remaining for these institutions. This is on top of costs that these campuses have absorbed, such as \$134 million in collective bargaining, nearly \$60 million for the SUNY tuition credit, existing campus-funded scholarships, and the fluctuating impact of utilities.

| Sector | State Tax Salary Support | Projected Utilities Costs | Collective Bargaining Costs | DRL Repayment | Total |
|--|--------------------------|---------------------------|-----------------------------|-----------------|-----------------|
| University Centers | \$(2.1) | \$(2.3) | \$(9.9) | \$(13.1) | \$(27.4) |
| Small Doctoral Colleges | (0.5) | (1.4) | (2.2) | (2.9) | (6.9) |
| Comprehensive Colleges | (1.5) | (3.4) | (7.3) | (8.7) | (21.0) |
| Technology Colleges | (0.5) | (1.2) | (2.4) | (2.6) | (6.6) |
| Total | \$(4.6) | \$(8.2) | \$(21.7) | \$(27.3) | \$(61.9) |
| <i>Cuts and Costs as a Percent of 2015/16 Direct State Tax Support</i> | | | | | |
| University Centers | 0.6% | 0.7% | 2.9% | 3.8% | 8.0% |
| Small Doctoral Colleges | 0.4% | 1.2% | 1.9% | 2.5% | 5.9% |
| Comprehensive Colleges | 1.0% | 2.1% | 4.6% | 5.5% | 13.1% |
| Technology Colleges | 0.8% | 1.9% | 3.9% | 4.3% | 10.9% |
| Total | 0.7% | 1.2% | 3.2% | 4.0% | 9.1% |

Intrinsic in meeting these challenges for the upcoming year, as it was for the past five years, was the inclusion in the Executive Budget of an extension to the 2011 "NY-SUNY 2020" legislation.

In 2011, with your help and support we did what many thought was impossible: we instituted a stable, predictable, fair tuition policy for our State-operated campuses.

Thanks to NY-SUNY 2020, for five years SUNY students have been able to plan for tuition costs. Since the tuition plan began in 2011, we have been able to hire 919 new faculty members and approved over 350 new academic programs.

Today, SUNY's resident tuition remains the most affordable in the northeast and among the most affordable in the nation. SUNY tuition is less expensive than systems in Pennsylvania, Michigan, Massachusetts, Virginia, Ohio, California, and Texas. These are the states with the best-rated public university systems in the country, and SUNY is undoubtedly among them—while being more affordable.

And nearly 30 percent of the rational tuition revenue has been reinvested to cover the gap between tuition and the maximum TAP award, ensuring that the highest-need students still attend tuition-free.

There are two core purposes of this critical legislation.

1. To protect SUNY students from unpredictable changes in tuition, and
2. To provide reliable funding that SUNY can count on so we can provide the world-class education New Yorkers deserve.

We are glad that the Governor included this extension in the Executive Budget. As you know, before NY-SUNY 2020, students saw unpredictable increases of up to 30 percent in a single year, and the revenue generated by tuition increases was matched with reductions in direct State tax support. Also included in this legislation is:

- The continuation of the existing Maintenance of Effort (MOE) provision, which provides for our State-operated campuses, university-wide programs, and statutory campuses to receive at least as much support as the year prior, when including fringe benefits, and
- The continuation of the SUNY tuition credit, which allows the 29 State-operated campuses to cover the difference between \$5,000 and SUNY's Resident Undergraduate Tuition Rates for eligible Tuition Assistance Program (TAP) recipients.

Let me be absolutely clear: A reenactment of NY-SUNY 2020 is not an automatic renewal of annual tuition hikes. It keeps tuition-setting authority with our Board of Trustees, who are best positioned to make decisions based on the immediate needs of SUNY's State-operated campuses and the students, faculty, and staff they serve. Our NY-SUNY 2020-enabled policies allow us to take the revenue that comes from any tuition change and put it right back into student services and campuses.

We are glad that the governor included the extension of rational tuition in the Executive Budget and to once again have the support of our students for the renewal of NY-SUNY 2020. I am happy to see the inclusion of this legislation in the Executive Budget, as well as the trust in SUNY and our Board of Trustees that its extension represents.

CAPITAL

Supporting SUNY's operations is the need to have a strong, long-term, and reliable capital investment plan.

The Executive Budget, which included \$200 million for critical maintenance funding for our educational facilities, and a long-term plan for continued investment in our buildings and infrastructure at an additional \$200 million a year.

While we are certainly grateful for this support and the predictability afforded by the continuing commitment, this level of funding is simply insufficient to address the critical needs of our aging State-operated campuses, most of which were built 40 to 50 years ago. Keeping more than 1,800 educational

facilities and supporting infrastructure that covers nearly 60 million gross square feet in a state of good repair requires additional investment.

Executive Budget Challenges: Community College Campuses

Since the high point during the recent recession, enrollment at community colleges is normalizing.

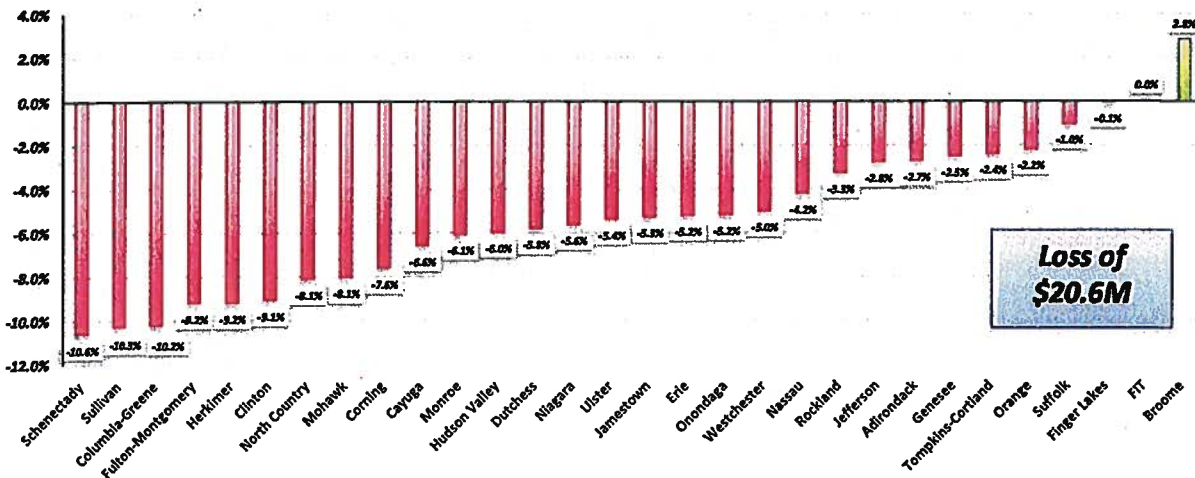
While this decline in enrollment reflects a continued improvement in the State’s economy, it is a direct operational challenge for nearly every single community college within the SUNY system. Faculty and staff hired to meet the demands of double-digit percentage growth in enrollment have created ongoing fixed costs in employee benefits.

In short, this means that the colleges are faced with fixed costs and no revenue stream to provide for it.

While we appreciate that the Executive Budget at least kept support per student level at \$2,597, due to these normalized levels of enrollment it will result in a direct reduction of operating support from the State of nearly \$21.0 million on an academic year basis.

This means that all but two colleges will experience a loss of investment from the State, with percentage reductions topping ten percent and millions of dollars in some cases.

Year-to-Year Percentage Change in Direct State Tax Support



With many college sponsor’s facing restrictions on revenue from the property tax legislation, as well as increased stress on their own operational budgets from increased costs, the Executive Budget proposal will continue to put pressure on these entities as they work to serve their local communities and beyond.

This issue is exacerbated by the proposed reduction of more than 50 percent in state support for the community college Child Care program. With the elimination of the legislature’s expanded support from 2015/16, as well as that provided in prior years, many of these child care centers will face hard choices in the coming months if the reduction comes to fruition.

Executive Budget Challenges: Overall

In response to the Governor's Budget, we are today asking for your **support** ongoing and new programs included in his proposal; to **restore** funding levels that were cut in critical programs, and to invest in the State University by **enhancing** funding levels.

Support

As part of the review of the Executive Budget today I mentioned several items that were included and their possible impact on our students and institutions.

To this list I would like to add SUNY's support for continued, new, or enhanced programs that SUNY feels will result in true change for our institutions.

Continued Programs

We are ecstatic to see that the \$18 million Investment and Performance Fund was included in the Executive Budget. As you are aware, SUNY bravely seized on this opportunity over the summer and departed from the usual practice of simply trying to "share the wealth." With the support and aid of our Board of Trustees, we engaged in a large-scale Request for Proposals (RFP) process that included nearly every single SUNY institution in pursuit of those new and innovative ideas that could help drive our completion agenda.

This process was a huge success, drawing over 200 proposals totaling nearly \$489 million in requests for funding that would support the creation or expansion of truly student centered activities that could be "scaled up" across the entire SUNY system. These proposals included ideas to expand and improve the EOP Program, increase course offerings and enrollment in online education, improve advising and tutoring services, strengthen our level of active engagement with K-12 students, and the creation of new academic programs responsive to regional and state workforce demands.

I am also proud to report that our campuses also worked together in this enterprise, providing nearly 50 proposals that were collaborative in nature, showing that SUNY and our institutions are willing to work together to meet the educational needs of our State and nation.

In further recognition of our ability to impact not just our students, but the State at large, the Executive Budget also included a second round of 2015/16's Community College Community Schools program, as well as continued funding for the first round.

After yet another competitive process, we were happy to recently join the Governor in announcing that Jefferson, Mohawk Valley, and Rockland Community Colleges will all receive three-year grants from the State to launch Community Schools, with the expectation that they will increase college access and support degree completion by providing a full range of services for their students and their dependents.

We anticipate great things to come from our campuses on both the Investment Fund and Community Schools projects and know from the proposals we were not able to fund that there is much more we can do with additional investments this year.

New Programs

The 2016/17 Executive Budget also included \$15 million for the Clean Energy Workforce Opportunity Program (funded through a transfer from NYSERDA) and \$3 million for an apprenticeship program.

The Clean Energy Workforce Opportunity Program, modeled in part on an idea provided by the United University Professionals, would provide funding to both the community colleges and State-operated campuses to hire faculty and purchase equipment to support the development of a trained workforce to meet the needs of the growing clean energy field.

The apprenticeship program, directed towards the community colleges, would provide for restricted support to build a "New York State Advanced Manufacturing Apprenticeship Program," spurring new and deeper relationships between employers in the area of large semi-conductor manufacturers and these institutions.

I am confident these new programs and additional investment will only continue to help SUNY serve the needs of our students and our State.

Restore

As with every year, the Executive Budget also reduced or eliminated programmatic funding that was provided to SUNY in last year's Enacted Budget. This includes the elimination of the new Career Centers Integration Program for the community colleges, the elimination of 2013/14's Graduation, Assistance, and Placement (GAP) program, and the extremely important \$1.1 million in additional funding for our child care centers. These programs are important to our community colleges, and I ask that you restore them to their 2015/16 Enacted levels, as well as providing for a long-term plan to increase GAP funding.

We also ask you to restore reductions to the Small Business Development Centers, the Graduate Diversity Program, the Cornell Veterinary College and the Harvest New York Program, along with several campus specific university-wide programs. We ask that you look for opportunities to recognize the important work of these programs throughout your negotiations.

Finally, while we are grateful that Governor's Budget included the first capital investment in our teaching hospitals since 2008/09, they saw a reduction in support for operations. We ask that the legislature look to restore this cut, or work with SUNY to find other cost-avoidance activities to ensure that our healthcare centers are able to continue their important service to their patients and the State.

Enhance

Following the release of the Executive Budget, I sent a letter to the Director of the Budget asking for consideration of several low or no-cost additions to the budget as part of the "30-Day Amendment

Period.” I have provided you a copy of this letter for your information and to emphasize their importance to the State University. In brief, these items are:

- Including the community colleges in the Investment and Performance Fund legislation,
- Exempting SUNY and the SUNY Construction Fund from the oversight of the proposed New York State Design and Construction Corporation,
- Extension of the 2011/12 Enacted Budget “procurement flexibility” language, which has been an essential tool in allowing SUNY to meet the continued growth in costs with limited investment,
- Providing for a technical adjustment to the current language providing funding for SUNY’s Charter School Institute, and
- Providing a State match for three capital projects at two SUNY community colleges – Adirondack and Ulster – that were unable to properly document sponsor support for the indicated projects prior to the Executive Budget release.

In addition to these enhancements, I would propose that the legislature work with the Governor to find additional investments to partially counter the budgetary effects I discussed earlier as follows:

- Additional support of \$72.7 million for the State-operated campuses:
 - o \$61.9 million to support the incremental cost of contractual salary increases, Deficit Reduction leave (DRL) repayment, projected base costs such as utilities, and restoration of Executive Budget reductions, and
 - o \$10.8 million to offset the costs these campuses incur by internally funded scholarships
- Additional support of \$37.3 million, reflecting a \$285/FTE increase to Base Operating Aid per FTE for the Community Colleges:
 - o As opposed to prior years, this new approach to our request for funding does not represent an attempt to simple “increase” the share of the State’s support for community college costs.
 - o Instead, this \$285/FTE is predicated on the calculated average annual growth in fixed costs, such as employee benefits, that the community colleges have experienced in recent years.
 - o The indicated \$285/FTE is projected to provide for a 6.2 percent increase in year-to-year direct State tax support, equivalent to the history of these costs.
- Funding of \$30 million to support a state match of campus philanthropic or federally funded research activities, incentivizing this activity across all of our institutions.
- New funding for Diversity Programs, including
 - o \$15 million for the EOP program to support expansion of existing EOP activities, as well as funding directed specifically for EOP programs at the community colleges, and
 - o \$4.6 million to support the hiring of a Chief Diversity Officer at every SUNY institution, as well as successfully implement the findings of our Taskforce on Diversity as well as an additional \$600,000 for the successful Graduate Diversity Program.
- Increased capital investment from the State in SUNY’s operations, including
 - o An increase to the current level of critical maintenance support of \$400 million, for a total of \$600 million in annual bonded capital support to meet backlog needs,

- \$294 million to support:
 - Strategic and mission critical initiatives,
 - The upgrading and replacement of scientific instruments and equipment,
 - Other essential investment in SUNY campuses and the Educational Opportunity Centers.
- \$35 million to support the revitalization of Downtown Albany, and finally
- \$20 million in hospital capital support to ensure patient and staff safety.

Conclusion

I thank you for your time, and I hope that our response to the Executive Budget, our vision for the eventual Enacted Budget, and the comments made here today will help you in your coming conversations. It is always a privilege to come before you on behalf of The State University of New York, and I look forward to working with you all during the upcoming legislative session.