Joint Legislative Hearing

of the

Senate Finance and Assembly Ways & Means Committees

On the 2010-11 Executive Budget

Testimony of

Nancy L. Zimpher
Chancellor

January 27, 2010
Albany, NY
Introduction

Good morning, I am Nancy Zimpher, Chancellor of the State University of New York.

I want to thank Chairman Carl Kruger and Vice Chairwoman Liz Krueger, Chairman Farrell, Chairwoman Stavisky and Chairperson Glick, members of the Senate and Assembly and legislative staff for the opportunity to appear before you today.

It is a privilege to come before you today on behalf of The State University of New York to comment on the 2010-11 Executive Budget.

For those of you I have not met, I have had the distinct pleasure of leading the great State University of New York for just over eight months. It has been a tremendous experience.

I am a teacher by training and as you probably know, once a teacher, always a teacher!

I have spent the last forty years dedicated to furthering the distinctly American principles of public education – first at Ohio State as Dean of the School of Education, then as Chancellor of the University of Wisconsin-Milwaukee, from there to President of the University of Cincinnati and now here at the State University of New York.

I am deeply committed to the fundamental principles of public higher education: access to excellent education for all; the research that tackles the most critical challenges facing society in the 21st century and transformational community engagement.

So when I was presented with the opportunity to lead an academic organization with true statewide and national reach, and in the great state of New York to boot, I knew this was the job for me.

I have been truly humbled by the absolutely gracious welcome I’ve received across the state and that includes all of you before me today.

Many of you know that I spent my first hundred days as Chancellor on a statewide tour of all of SUNY’s 64 campuses – many of you joined us along the way and I am grateful to you for introducing me to the communities and constituents we now share.

I have fond memories of literally every stop on my tour. But most significantly, what I took away from these visits are the connections with people and places that make up the SUNY family. These experiences gave me a very big picture of the opportunities before us.

* * *
I feel an immense responsibility today to carry a critical message to you about New York’s future.

In this time of tremendous challenge, I believe we find ourselves in a unique moment, where we can create unprecedented opportunities for the people of this state.

That’s why I’m going to spend the vast majority of my testimony describing SUNY’s vision for the future, the Strategic Plan we are developing to put that vision into place, and the legislative proposal that will make it all possible: The Public Higher Education Empowerment and Innovation Act.

I will also discuss the impact of recent budget actions and the current Executive Budget on the State University, and then come back to how SUNY will be a key partner with you in driving New York’s economic recovery.

**The Potential of SUNY**

Here’s what SUNY brings to the equation.

As many of you know, the State University is the largest comprehensive system of higher education in the nation.

- Our enrollment is at a record high of 464,981 students - 25,000 students more than last year.
- While our state-operated campus enrollment grew by 1.7%, our community colleges enrollment grew this year by 10%; community colleges make up over 52% of the University’s total enrollment.
- SUNY’s overall enrollment includes more than 96,716 minority students, accounting for 21 percent of our student population.
- We enroll over 1.2 million continuing education students, putting the University’s student population at over 1.6 million New Yorkers.
- Our market share of college-bound New York State high school graduates is well above 40%.
- Our four Academic Medical Centers educate over 7,000 health professionals annually and employ over 25,000 state residents while serving as the public health care safety net for all community health care needs. It should also be noted that over 80% of our medical school students are New York residents.
- SUNY campuses have secured over $1.2 billion in direct and competitive external grants, one-third of which are generated from our Academic Medical Centers, supporting an estimated 17,400 research funded jobs in the state.

All of these resources position us to address the two most significant issues facing the nation and specifically New York State today:

The need to repair and support our education pipeline – from pre-K through high school to help prepare every student to succeed in college, and the need to create new, high-quality jobs in every community in the state.
First, let’s talk about what we call our “leaky education pipeline.”

It is unacceptable that a third of our students are not graduating from high school – and half if we are speaking about minorities and children in poverty -- and so many of them go to college unprepared to succeed.

Statewide, 48% of students are in remedial classes at community colleges and 17% in four year schools. We have the means to change this.

I believe SUNY has the resources, the reach and the talent to partner with our K-12 colleagues in repairing our educational system by better preparing our teachers, increasing graduation rates, and making sure every student is prepared for college.

Second, in terms of job creation, SUNY has the ability and the responsibility to help create jobs for a 21st century economy.

By spinning off discoveries from our research labs into mainstream demands for new products, services and healthcare outcomes, SUNY has already created high quality, stable new jobs for this great state.

But we can do much more.

If we had the freedom to partner with the private sector and to direct our procurement activity, SUNY could directly employ new faculty and staff in university facilities and indirectly through new construction projects.

By unleashing SUNY’s existing resources, SUNY could literally create 10,000 new jobs in the next five years, such that all those new graduates, produced by a repaired education pipeline, will find quality jobs so that they can live and prosper right here in New York.

We are driving down two parallel tracks to make this happen:

The first is SUNY’s systemwide Strategic Plan, and the second is the Public Higher Education Empowerment and Innovation Act.

You could say that the plan is our roadmap, and the legislation is our license to drive.

But the bottom line is that they are both critical to SUNY’s ability to reach its goals in terms of educational and economic opportunities.

**SUNY’s Strategic Plan**

When I was appointed Chancellor, I did so with a charge by the Board of Trustees to engage a strategic plan that would guide and – quite frankly – transform – the State University. One of the reasons I was hired for this job is that I had led two major projects of institutional transformation, and the Trustees wanted that kind of experience in its new leader.
As Peter Drucker, the original management guru, once said, “the best way to predict the future is to create it.” In other words, the only way we can meet our goals is by making a plan to get there.

That’s why I have been so riveted on strategic planning at all three of the universities I have led. Mindful of my charge by the Board, I hit the ground running when I arrived at SUNY last June, and started the process on the first day of my statewide tour. The Campus Tour provided me with an invaluable perspective on the current state of SUNY and an initial understanding of SUNY’s most pressing issues and possibilities.

Through the process, seven key themes emerged to serve as a foundation for Phase II development activities, which are a series of what we call “Statewide Conversations”.

Those themes are: the education pipeline, arts and culture, quality places, energy and sustainability, health affairs, globalization and diversity in the world.

At each of these conversations, which are being held throughout the state, 200 stakeholders gather to have a structured dialogue, organized in a way for participants to consider, evaluate, and prioritize the challenges and opportunities facing SUNY.

While the conversations continue, what has emerged from the process is a big idea for a big system of public higher education:

**SUNY can be a key driver of New York’s economic recovery and enhanced quality of life in our communities.**

SUNY is uniquely positioned to play a key role in the state’s planning. The diversity of our system-wide offerings will advance our missions and increase our capacity to better serve all New Yorkers.

With our geographic and demographic reach and our sheer magnitude of human and intellectual capital, I submit to you that public higher education can and **must** play a critical role in New York’s economic recovery.

Now, in concert with the plan we are building, we have an opportunity to unleash the power of our public university systems to reinvigorate the economy. That’s because we now have before us the enabling legislation for this vision.

**The Power of Innovation**

On January 15th, the Governor made an announcement that rocked our world.

I’m talking, of course, about **The Public Higher Education Empowerment and Innovation Act.**
We like to call it the “SUNY-CUNY Empowerment and Innovation Act” because it creates an unprecedented cooperation and partnership between SUNY, CUNY and New York State.

It is also a major step toward achieving the promise of broad access and economic growth through top quality public higher education – from Community College to Research Center – as first envisioned for New York decades ago.

I am most encouraged by the newly energized partnership between SUNY and CUNY, and I want to thank Chancellor Matthew Goldstein for his leadership in this process.

The Act uses high-impact, zero-cost solutions to create jobs, build the foundation for tomorrow’s economy and strengthen public higher education, all while building New York’s revenue base.

In terms of impact – here is a critical headline:

We estimate that over the next 10 years, these reforms will help SUNY campuses create more than 2,200 faculty and 7,800 campus jobs, and invest over $8.5 billion in capital construction, which will support 65,000 construction industry jobs.

It would be impossible to overstate the magnitude of this proposal, which is truly a milestone in SUNY’s 60-year history.

One of my first experiences after being appointed Chancellor was coming to Albany for SUNY’s 60th Anniversary celebration. As we were looking back on SUNY’s history, and talking about the future, what I heard more than anything was the lament that SUNY has been hamstrung by an outdated regulatory structure.

The SUNY-CUNY Empowerment and Innovation Act reforms our 1960s operational model and brings us into the 21st century, unleashing the City and State Universities to maximize their capacity to better educate and to act as economic engines for the state.

There are five major policy areas covered in the legislation: operational efficiencies, entrepreneurship, tuition policy, financial independence and transparency.

**Operational Efficiencies**

First, it streamlines business practices, eliminating the pre-audit of University expenditures and contracts, but still subjecting those activities to post-audit.

I might point out that New York in one of only four states in the nation that requires pre-audit of their University expenditures; the other three states are Kansas, Mississippi and South Dakota.
The legislation also provides for efficiencies in our operations, including access to the state Office of General Services (OGS), centralized contracts for goods and services, state protections from liability for students in clinical internships, alignment of the SUNY and CUNY master planning process with that of independent colleges and universities, and defining retirement options for medical, dental and optometric residents.

**Entrepreneurship**

The Act also helps our campuses become more entrepreneurial.

SUNY-CUNY Empowerment and Innovation will allow the University to enter into land lease agreements, public-private partnership and joint ventures with the approval of a newly created State University Asset Maximization Review Board. For these activities, it provides for union worker rights protections, prevailing wage, MWBE access to projects, and for the use of project labor agreements. The Act also provides for the use of modern delivery methods for capital construction projects and efficiencies in contracting for the SUNY Construction Fund.

Such authority will enable SUNY to create stronger and better partnerships with the private sector, build and diversify revenue streams, and be more effective in cost-containment, all while staying true to campus academic missions. It will also facilitate a reinvestment in our campuses to bolster our program and academic offerings. While the Act eliminates the need for special legislation to enter such agreements, legislative oversight is preserved by the establishment of this new board.

These joint ventures and public-private partnerships will also increase our Academic Health Centers’ capacity to not only educate the next generation of health care professionals, but also to deliver a stronger public health safety net in our communities.

SUNY’s model of success in public-private partnerships is the University at Albany’s College of NanoScale Science and Engineering and the Albany NanoTech Complex.

CNSE now has over $5 billion in investments through public-private partnerships, including leading companies like International SEMATECH, Tokyo Electron and IBM. CNSE was also the catalyst that drew Global Foundries, a major chip manufacturer, to the Capital Region.

In addition, this regional development in Nanotech has led to new workforce training programs at Hudson Valley Community College.

These partnerships have also benefitted other communities in New York, like Utica-Rome – where IBM and New York State are making major investments in nanotechnology and chip development with the SUNY Institute of Technology.

We hope to replicate this model throughout the state.
Tuition Policy and Financial Independence

Of course, all of this comes down to our students, who ARE New York’s future.

That’s why the SUNY-CUNY Empowerment and Innovation Act sets up a funding model that protects student tuition and fees, and other campus-generated funds, from other uses – such as deficit reduction – by moving those revenues off-budget and depositing them with the University.

The act also:

- authorizes the SUNY and CUNY Board of Trustees to implement rational and differential tuition rates;
- adopts out-of-state maximum enrollment percentages;
- invests all student tuition, fees and other campus-generated revenues, including hospital fees, with the University by bringing them off-budget; and
- repeals the tuition sharing statute adopted in last year’s budget, properly restoring the student tuition dollars back into the hands of the University.

The legislation will enable the creation of a fair, equitable and responsible tuition policy that takes into consideration tuition rates based on campus and program, driven by educational costs and market rates.

This comprehensive tuition policy will be fair because it will be predictable. Our students and their families will be able to plan for the cost of their college education and not worry about the “tuition roulette” they have come to fear each time the state has to deal with budget deficits.

The policy will be equitable because it relies upon the Higher Education Price Index (HEPI) which is tied to data driven by actual costs. This annual inflation index is an essential planning tool for projecting future budget and funding increases required to maintain purchasing power and investment.

And the tuition policy will be responsible because each campus will consult with its recognized student government organization and get the recommendation of its College Council before any proposed tuition recommendation can be forwarded to the Chancellor.

Moreover, a comprehensive tuition policy controlled by SUNY would allow the University to direct a portion of its tuition revenue into the TAP program to ensure continued access to our institutions for low- and middle-income students.
Transparency and Accountability

Finally, the SUNY-CUNY Empowerment and Innovation Act will establish a higher standard of accountability and transparency. The Act requires semi-annual reporting by SUNY to the chairs of Senate Finance and Assembly Ways & Means and to the Budget Director, and similar reporting by CUNY, on the following:

- the allocation of state funds to the state-operated campuses, system administration and university-wide programs,
- revenue derived by each state-operated campus from tuition, fees, and other sources and activities intended to be self-supporting;
- expenditures made by each state-operated campus for personal service and non-personal service;
- programs and activities funded by tuition revenue derived from differential tuition;
- enrollment at each state-operated campus; and
- any such other information requested by the Budget Director

Furthermore, going “off budget” with tuition revenue makes it possible to show legislators, students and their families that tuition dollars are being invested in their institutions, and to see how that money is being spent.

* * *

So these are the highlights of this groundbreaking legislation.

In the long run, these reforms will allow SUNY and CUNY to more effectively and transparently invest resources in support of their missions and the sustained economic growth of the State of New York.

Given the state’s fiscal crisis, and the long-term outlook of state support for public higher education, we simply can’t afford not to seize this opportunity.

Now let’s talk about the impact of the current economic environment on SUNY.

**Financial Impact of Past Budget Cuts**

I take very seriously the promise I made to change the way business is done at the State University.

When I arrived at SUNY, I was immediately confronted with the mid-year Deficit Reduction Plan, which reduced state funding to SUNY campuses by $90 million.

As a former campus president, I took the initiative to deal with this reduction in a new way. I convened a Budget Task Force made up of presidents, provosts, vice president of finance and research and, for the first time in recent history, SUNY looked to its campus leaders for advice on how to best allocate this reduction.
The result was a recommendation built from the bottom-up, not the top-down, which treated each campus individually based on their needs, not strictly by a formula as used to be the case. This was not an easy process, but it was fair, and an important step toward our financial planning for the long-term.

This new process is part of pressing the re-set button on our way of doing business, and also establishes a better model for working with you as we face these challenges in the future.

I will tell you that SUNY System Administration and our campus presidents have worked diligently to mitigate the impact of these reductions on the academic quality of our offerings to students.

But the fact remains that the $90 million mid-year reduction brings the total of state aid cuts to SUNY to $424 million over the past two fiscal years. Given the fact that we have added an additional 25,000 students over the past year, there is even more pressure on our campuses to do more with less.

- To date, 596 positions have been or are being reduced at state-operated campuses. This represents 2.3% of the workforce. At the same time, enrollment at those campuses grew by more than 3700.

- At one comprehensive college, 9% of the workforce has been eliminated or vacated while enrollment has grown by 11%.

- Campuses are also going into their reserves to make ends meet. State operated campuses have used or are planning to use 25% of their reserves. Many are using 50% or more and three campuses are using 60% or more. We project $147.4 million in reserves to be tapped this year across the SUNY System.

So SUNY has certainly been feeling the pain of budget cuts. And we stand to feel much more.

*Executive Budget Impact*

The Executive Budget reduces state support to the State University by $326 million from what the SUNY Board of Trustees requested for the upcoming fiscal year. This breaks down as follows:

**State-Operated Campuses: $158.9 million**

The Executive Budget makes permanent the $90 million 2009-10 Deficit Reduction Plan cut, recognizes collective bargaining, fringe, general inflation and energy costs, but then reduces state support by $117.9 million for SUNY’s state-operated campuses, and by $18.4 million for the SUNY colleges at Cornell and Alfred universities. On the positive side, the proposed budget moves SUNY income funds for tuition, fees, and other campus generated funds off-budget, thus, allowing the State University to deposit and expend funds more efficiently.
The proposed budget also includes a payroll savings target of $33.5 million, which must be negotiated with the unions.

**Community Colleges: $67.2 million**

The Executive Budget utilizes $83.3 million in federal Stimulus funding to replace state funds, an increase from last year’s level of $35.4 million. While it recognizes the enrollment growth of over 22,000 new students, it carries forward the $130 per FTE Base Aid reduction in the 2009-10 Deficit Reduction Plan, and further reduces base aid by an additional $285 per full time equivalent student. The proposed budget also eliminates the “chargeback” formula for the Fashion Institute of Technology (FIT) for baccalaureate and master’s degree students.

**Hospitals: $99.1 million**

The Executive Budget keeps funding for our three hospitals flat year-to-year, which means the hospitals will have to cover $99.1 million in state-negotiated collective bargaining agreements. It moves the hospital funding to the “Aid to Localities” budget, thus reducing its vulnerability of being used for state deficit reduction purposes without legislative approval. SUNY hospital funding will also be negatively impacted by the recommended changes in Medicaid funding.

**Capital funding: $550 million**

The Executive Budget recommends additional Capital funding of $550 million for Critical Maintenance Capital projects on State Operated Campuses and $22.4 million for the State's 50% share for Community College projects. The State’s continued Capital investments through the multi-year Capital budget are elevating SUNY’s facilities to a State of Good Repair while providing a significant economic benefit to the state.

* * *

We do understand that there are tough choices to be made.

But we also must acknowledge that these are significant cuts – especially when added to the reductions of prior years – and if they can not be moderated, they will seriously affect the ability of our institutions to serve students, families and local communities.

As the legislature continues its budget negotiations, we are hopeful that fair consideration will be given to supporting all sectors of public higher education.

**Partnering for New York’s Future**

All of this has been a long way of saying that I want to be your partner, and the State University of New York wants to be your partner, in driving New York’s economic recovery. That is why we are so enthusiastic about *The Public Higher Education Empowerment and Innovation Act.*
I have been impressed by the positive and continuing news coverage and editorial support that this proposal has received from Buffalo to Long Island, New York City, Syracuse, Binghamton, and in dozens of other communities throughout New York State.

People are recognizing that this is a big idea whose time has come.

Given the backdrop of the State’s fiscal crisis, this legislation provides a way to protect the SUNY campus in your community from the winds of economic change.

If you support this Act, you will be positioning the State University of New York to be your strategic partner for the revitalization of the state’s economy, and for increased opportunities for our people.

These are unequivocally our top priorities.

I welcome your questions on any subject you feel is important to SUNY and the budget process. However, I am hopeful that we can discuss the strategy I believe is the key – not just for SUNY’s future – but also the path to sustained economic vitality for this state.

This is the promise: give us the reasonable reforms and independence the Empowerment and Innovation Act provides, and, in return, we will give New York unprecedented opportunities, jobs and hope.

Thank you for giving me this time to lay out my vision of what I believe public higher education can do for the State of New York.

I am happy to take your questions.

###