



**THE STATE UNIVERSITY OF NEW YORK**

**Joint Legislative Hearing**

**of the**

**Senate Finance and Assembly Ways & Means Committees**

**On the 2009-10 Executive Budget  
&  
2008-09 Deficit Reduction Plan**

**Testimony of**

**John J. O'Connor  
Vice Chancellor  
& Secretary  
Officer in Charge**

**Carl T. Hayden  
Chairman  
Board of Trustees**

**H. Carl McCall  
Chairman  
Finance Committee**

**January 15, 2009  
Albany, NY**

**State University of New York  
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## **Introduction**

Good morning, Chairman Carl Kruger and Vice Chairwoman Liz Krueger, Chairman Farrell, Chairwoman Stavisky and Chairperson Glick...members of the Senate and Assembly...and legislative staff. It is a privilege to come before you today on behalf of The State University of New York to comment on the 2009-10 Executive Budget and 2008-09 Deficit Reduction Plan.

I am John O'Connor, Vice Chancellor and Secretary of the University. In anticipation of the conclusion of our Chancellor Search I have been appointed Officer in Charge of the University. I am most pleased to be joined today by Carl T. Hayden, Chairman of the SUNY Board of Trustees, and H. Carl McCall, Chairman of the Finance Committee of the SUNY Board of Trustees.

Together, we will address where the University stands today, the impact of the Executive Budget and Deficit Reduction Plan and how, with your support, we envision the University being an integral part of the economic recovery of New York State.

## **The State University Today**

The State University is the largest, comprehensive system of public higher education in the nation.

- Our enrollment is at a record high of almost 440,000 students - 12,000 students more than last year.
- Community colleges make up over 50% of the University's total enrollment, and their growth is expected to continue by as much as 5% in the upcoming academic year.
- This includes over 85,000 minority students, accounting for 20 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 student-faculty ratio at state-operated campuses is 16.7 to 1. When we factor in community colleges our systemwide ratio is 22 to 1. However, only 61.0% of faculty at our state-operated campuses are full-time and at our community colleges it is only 31.9%.
- 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 billion in direct and competitive external grants, one-third of which are generated from our Academic Medical Centers, creating an estimated 29,000 new research funded jobs in the state.
- Philanthropy has become a key component of SUNY's external funding. In the past five years, our presidents, with the support of their local foundations, have raised over \$2 billion and will soon surpass our goal of \$3 billion well within the targeted goal of 2012.

I would also note that New York's public universities, SUNY and CUNY, educate 61% of all minority college students in the State (22.3% SUNY; 38.7% CUNY), as well as the largest percentage of low income students, representing 60% of state TAP recipients. While some speak of SUNY and CUNY as separate entities, the fact of the matter is that we are New York State's public university systems of higher education...providing education from community colleges through post-doctoral degree education. SUNY and CUNY are paramount to New York's success and economic recovery and we welcome the collaborative efforts with our sister-system to enhance public higher education and economic development in New York State.

### **The SUNY 2009-10 Budget Request as compared to the Executive's 2009-10 Budget Proposal and 2008-09 Deficit Reduction Plan**

I must note the seriousness of the financial crisis facing this state and nation during these budget negotiations. The State faces a current and upcoming budget deficit eclipsing \$15 billion, with out-year estimates of over \$50 billion. The State University sees itself as a partner with Governor Paterson, and with you in the Legislature in marshaling our broad constituencies to address these challenges in a straightforward and constructive fashion. We understand that this will take shared sacrifice and we must focus on real solutions.

It is in the face of this economic uncertainty that the importance of a strong public higher education program to assist the State in its economic recovery cannot be overstated. This is the premise on which the State University's 2009-10 Budget Request is built. It allows the University to step up and help itself, while asking the state to simply cover its basic obligations, and at the same time establishing a plan to allow the University to partner with host communities through public-private partnerships, generating millions in revenues needed to support the University and also help local businesses. Our request has four main points; we refer to them as "pillars":

**Pillar One** – a Rational Tuition Policy to enable the University to continue the current level of academic support and provide incremental revenue to develop and expand programs to serve our current and future students

**Pillar Two** – Building Public-Private Partnerships to unleash the entrepreneurial opportunities that exist on SUNY campuses and generate millions in campus-based revenues to help support our academic mission;

**Pillar Three** – Management and Operational Reforms and Efficiencies to enhance SUNY's operational efficiencies and respond to the growing needs of the residents, businesses and local governments in our host communities; and

**Pillar Four** – A state budget that provides funding to cover the mandatory costs associated with the state government's negotiated contracts, energy costs, current student enrollment (which is not fully funded), and the continued expansion of the recruitment of world-class research faculty and the local training of critical, high need jobs.

Since the beginning of the current fiscal year, April 2008, the University has absorbed \$203 million in state support reductions, along with an additional \$40 million in state support and Medicaid reductions to the three SUNY hospitals, from the enacted state budget levels. These reductions have been instituted at the campus and System levels. While our campuses have tried to absorb much of the cuts through the use of one-time resources and reduction of services, inevitably, if we are limited in our ability to secure and retain additional external funds and resources, those campuses may have no option but to look towards increased class sizes, eliminating course sections and possibly decreases in positions. I should note that, to date, while there have been hiring freezes and not filling vacant positions, there have yet to be major layoffs or retrenchments. Our Presidents are doing excellent jobs in managing their institutions with the support of their faculty and staff.

At the System level, spending reductions have caused us to make cuts across the board. We have instituted a full hiring freeze and been forced to reduced valuable system-wide programs.

As we are a panel here today, each of us will discuss varying aspects of the SUNY request. I will begin with Essential State Support. Chairman Hayden will discuss the Rational Tuition Policy. Trustee McCall will discuss flexibility and the concept of public private partnerships.

In the Executive Budget Proposal and DRP, the Governor and the Division of the Budget have put forth a budget proposal which invests in the public higher education from the standpoint of covering most of our mandatory costs, energy needs, inflationary costs, plus an investment in SUNY through the sharing of the revenues from the enacted SUNY tuition increase. While the proposals do all that, we would like to comment specifically on the specifics as the University has some differing opinions as to the impact of the proposed actions. For our state-operated colleges, the University asked the Executive for \$143.6 million in state support for base level needs to fund GOER negotiated contractual agreements, energy costs and support 12,000 students not currently recognized in state funding formulas. In addition, we sought a \$10 million investment for research faculty and high needs job training as these funds would help SUNY continue its valuable contribution to the state's economic recovery.

In the Executive budget, the University received \$80 million for collective bargaining, the Executive Budget also proposes a tuition sharing policy for undergraduate, graduate and 1<sup>st</sup> professional tuition that would net the University \$7.6 million in 2008-09 and \$25.1 million in 2009-10, while asking the University to direct \$132 million in student tuition revenue to the state's general fund for deficit reduction purposes. Chairman Hayden will address this action at greater length during his testimony.

The Executive Budget proposes placing a 10% tithe on federal contract indirect cost recoveries which will reduce \$7.9 million of campus funds secured by individual researchers. The State University is concerned by this action as it will make SUNY researchers less competitive with national peers in seeking competitive awards, disrupts overhead cost negotiations with federal agencies and decreases the University's ability to create intellectual property and technology transfer.

The Executive Budget redirects \$40 million in general campus revenues from student and user fees for general fund deficit reduction needs. This money represents fees for technology, campus services and other entrepreneurial activities and is not available for general operating purposes.

The Executive Budget eliminates and reduces 37 legislatively added and University-wide programs for a deficit reduction savings of \$22 million. Such programs include: the SUNY Maritime Cadet Legislative Appointment Program, a University at Albany Nanoscale Science and Engineering program, the Stony Brook University - Cold Spring Harbor– Brookhaven National Laboratory consortium – a partnership which recently resulted in a multi-million dollar gift, Faculty Diversity Programs and our SUNY Student Assembly organization. These and the other programs are important to our campuses academic and research programs.

The Executive Budget also has a major impact on SUNY's Academic Medical Centers. These AMC's are subject to funding the GOER negotiated salary agreements including fringe benefit costs, and in turn, the state provides partial support. The University requested a state support increase of \$38.3 million to cover a portion of those costs. The Executive Budget responded with a \$25.4 million (16.4%) reduction in the state support for these institutions, putting them \$63.7 million in the red for the upcoming fiscal year. This is a major impact given their public health mission and the fact that they are the largest economic contributors in their host communities, not to mention the gateway for most health professionals who get their education and stay in New York State, whether they are doctors, nurses or medical technicians.

The Executive Budget and the Deficit Reduction Plan proposes a reduction to SUNY's Community Colleges. The proposal, based on a sliding scale formula, would decrease community college aid by \$11 million in the current fiscal year and an additional \$34.7 million for the next fiscal year. SUNY is particularly concerned by the DRP proposal that impacts the community colleges in this fiscal year. This will prove to be a hardship to our campuses as our students are registered, faculty hired and, in many cases, classes have begun. SUNY does not support the sliding scale formula and requests this funding be restored. Our goal is to keep the door of opportunity open for all New Yorkers who seek to retool and retrain themselves in this economy.

There are bright spots in the Executive Budget for which we are appreciative in light of the difficult budget and one is in the Capital Facilities Program where SUNY received its second year of a five year commitment of \$550 million in

capital facility critical maintenance funding. This installment goes towards our \$3.2 billion in deferred critical maintenance at SUNY's state operated campuses. In addition, SUNY's community colleges received \$42.9 million in capital projects as requested by the University.

The University requested and would like to implement a \$250 million self-supporting Greening Initiative for access to state bond proceeds for energy reduction and sustainable energy projects. There would be no cost to this program as the bonds would be repaid by campus energy savings.

The Executive Budget also included \$350 million for a new student loan program called New York State Higher Education Loan Program (NYHELPS). We commend Governor Paterson for this proposal. With today's economic circumstances and tight credit markets, students and their families are finding it more difficult to obtain the loans they need to afford college. At SUNY, where our tuition is the lowest in Northeast and one of the most affordable in the country, we have seen our applications grow by as much as 40% at some campuses. As a point of reference, last year we received over 288,000 applications for 64,000 student slots. In addition to an increase in freshman applications, we also anticipate a larger number of transfer students from Community College and four year colleges this year given economic factors.

### **I will now yield to Carl Hayden, Chairman of the SUNY Board of Trustees**

Thank you. I have had the privilege to serve this state as Chancellor of the Board of Regents, overseeing the state's education system, and USNY. Now, as Chairman of the SUNY Board of Trustees, I am honored to lead the largest, youngest, most comprehensive system of public higher education in the country.

Vice Chancellor O'Connor provided a look at SUNY's current condition and addressed many aspects of the University's budget request. I will continue the conversation by addressing a basic premise...the "mission" of the State University: "to provide the people of New York educational services of the highest quality, with the broadest access... [and] to meet the needs of both traditional and non-traditional students and to address local, regional and state needs and goals".

To help meet this mission, SUNY has been studied no less than three times over the past twenty-five years. *The Challenge and The Choice* in 1985 set the stage for the original statutory changes call "SUNY Flex"; and *Rethinking SUNY* in 1995 lead to further devolution. In 2008, *New York State Commission*

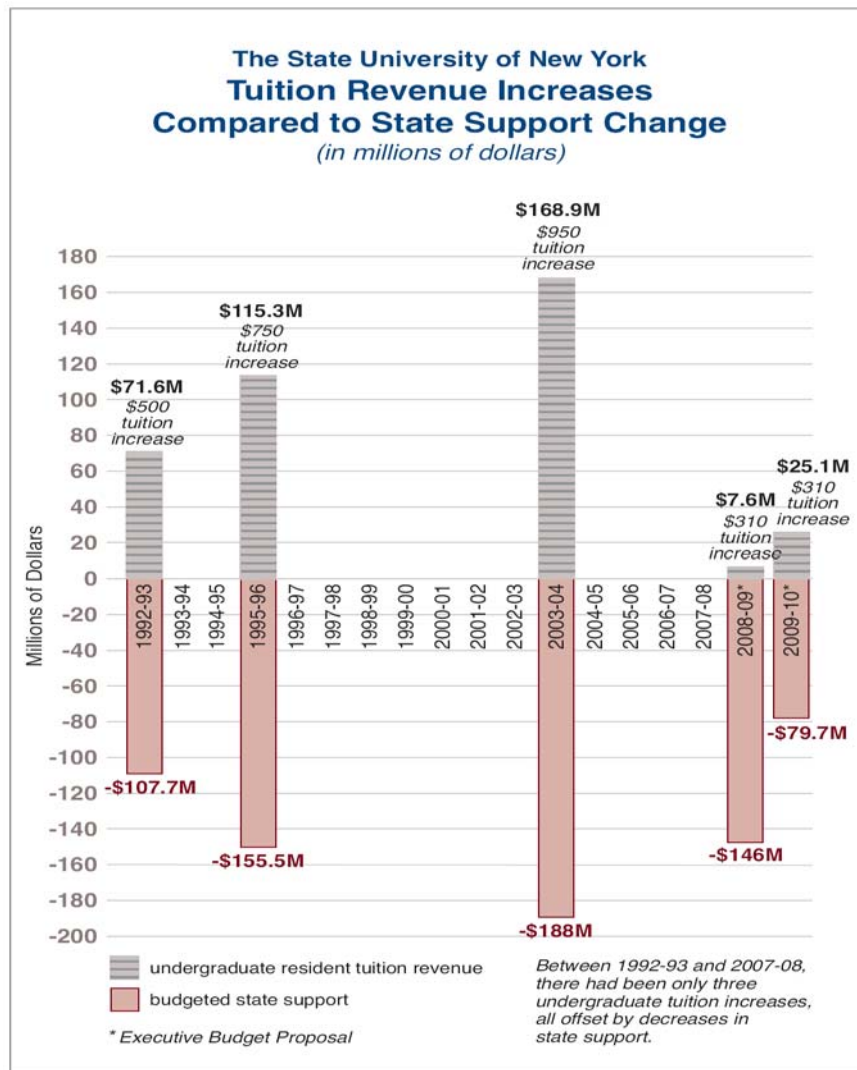
*on Higher Education*, of which I was a member, set forth a blueprint for transforming public higher education in New York State. It calls for a more competitive state university, one with a global reach, and one that can serve as an engine for economic development. It recommends that SUNY be freed of the regulatory stranglehold in which it finds itself. It recommends enhanced freedom and accountability for both SUNY and CUNY. It contains a host of recommendations that you should examine closely and act upon favorably.

The CHE recommendations represent an extraordinary opportunity for transforming the state university. They can be thought of as an architecture for SUNY in this new century as SUNY becomes New York's primary creator of intellectual capital, the currency of the emerging global economy. It will be SUNY research that will power New York's economy in the future and, properly supported, will lead us out of this recession. We neglect SUNY's research capacity at our considerable peril, especially at this tenuous moment in our state's history.

New York has never before confronted a financial crisis of the magnitude the Governor and the Legislature are asked to deal with in 2009. Governor Patterson's proposals for deficit reduction are a responsible point of departure for engaging the problem in all its awful magnitude. All of us, SUNY included, owe a public responsibility to participate in New York's response to this crisis.

SUNY, in recognition of that responsibility, has borne more than its fair share in responding. In this fiscal year, SUNY has endured more than \$210 million in spending cuts. These cuts, representing more than 10% of state operating support, threaten SUNY's capacity to discharge its core mission and to meet the needs of New York's citizens and the state itself.

In November, 2008, the SUNY Board of Trustees responded further by adopting a rational tuition policy. We did this for several reasons: (1) our students and parents need a transparent, predictable tuition policy to plan for the funding of their education without fear of an unforeseen tuition spike; (2) tuition is the means by which educational quality is acquired, in additional faculty and enhanced capacity; there have been only two tuition increases in the past 14 years, but each was so huge that even the possibility of higher education was lost for many students and many families; and they did nothing to enhance educational quality because the state simultaneously reduced operating aid in an equivalent amount; (3) our campuses need the ability to plan; small, predictable tuition increases allow for strategic investment in academic quality initiatives such as full-time faculty, library resources and technology.



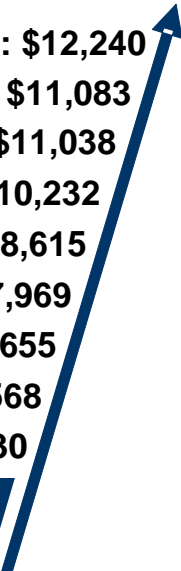
Later today, you will hear from Jacob Crawford, a University at Albany graduate student who is president of the SUNY Student Assembly. Jake represents the 440,000 SUNY students on our Board of Trustees. I mention this because the Student Assembly voted to support a rational tuition policy for the State University. This is a remarkable gesture on behalf of our students. This vote shows that they are willing to do their part in confronting this crisis. They are fully prepared to assist in preserving the quality of their degrees. But let me hasten to add that they acted on the reasonable belief that the money would go to that purpose. More on that in a moment.

The rational tuition policy adopted by the Board begins with a \$310 increase in the Spring 2009 semester, with an incremental \$310 increase the Fall 2009, as well. Out-of-state students will pay \$2,260 more per year, with \$1,130 coming due in Spring 2009. To put this modest increase in perspective, after the new tuition rate became effective, SUNY's undergraduate tuition is still lower than

that of any public university in the Northeast and well below that of major competitors such as Wisconsin (Madison), UC Berkeley, Texas at Austin, Maryland (College Park), UMass (Amherst), Michigan (Ann Arbor), Rutgers and Illinois (Champaign-Urbana).

## University Center Tuition Comparison

### Annual Tuition & Mandatory Fees



<b>Illinois (Urbana-Champaign): \$12,240</b>
<b>New Jersey (Rutgers): \$11,083</b>
<b>Michigan (Ann Arbor): \$11,038</b>
<b>Massachusetts (Amherst): \$10,232</b>
<b>Texas (Austin): \$8,615</b>
<b>Maryland (College Park): \$7,969</b>
<b>California (Berkeley): \$7,655</b>
<b>Wisconsin (Madison): \$7,568</b>
<b>Georgia (Athens): \$6,030</b>
<b>SUNY (Average): \$5,888</b>
<b>Florida (Gainesville): \$3,022</b>

These actions will generate \$76 million this fiscal year and an additional \$154 million next fiscal year. These funds are essential if SUNY is going to have any prospect of sustaining both quality and access. We already have access concerns. Last year 288,000 prospective students sought 60,000 available postings at SUNY. We know anecdotally that our campuses, particularly community colleges and comprehensives, are experiencing a huge surge in new applications. The implications for access are alarming.

The SUNY Trustees were not pleased to raise tuition, but we believed that doing so, given our exigent circumstances, was consistent with our fiduciary responsibility. Campuses have billed and collected this tuition for the current semester and it currently resides in state special revenue accounts. However, without your action to appropriate these funds, they cannot be used to sustain the quality of our student's education. We ask that you do this as soon as possible.

I am sure you are also aware that the Division of Budget has proposed taking away, in reduced state operating aid, almost all the funds represented by the tuition increase. DOB intends to take 90% (\$68.5 million) this year's tuition revenue, and 80% (\$63.6 million) of next year's tuition revenue. Instead of tuition being used for campus-based educational purposes, a nearly equivalent sum would end up being swept into the state's general fund to reduce the state's deficit.

We need your support to prevent it. And we need you to authorize SUNY to use 100% of this tuition revenue for its intended educational purpose. We ask you to provide the spending authority for the \$76.1 million in tuition revenue in the 2008-09 Deficit Reduction Plan, and for the \$88.7 million in tuition revenue in the 2009-10 Budget so we can use those students' funds positively impact our students' academic pursuits.

As I said earlier, SUNY has done and will do its fair share to deal with the deficit. If you believe it is in the state's interest that SUNY be further assessed, a step we deem strikingly counterproductive, please do not do it formulaically. Instead, give us the number we need to achieve and allow us and our distinguished presidents to manage to that number.

Last year SUNY awarded 80,141 degrees and certificates, the highest number in the history of the State University. With 81% of SUNY's graduates staying in the state, these young men and women will live and work in New York, enrich the workforce, become taxpaying citizens, and join the ranks of over 2 million SUNY alumni, 58 of whom serve in the State Legislature. The times call for an even more vital state university, not one that is marginalized.

I close with an acknowledgment of the distinguished service of several retiring trustees. Gordon Gross (Buffalo), Father John Cremins (Queens), Randy Daniels (Manhattan) Chris Conners (Albany) and our former student trustee Donald Boyce all gave of themselves tirelessly and to great effect. They were trusted and respected colleagues.

And special recognition is due Thomas F. Egan, SUNY's immediate past Board Chair. We have just learned of Trustee Egan's decision to retire from the board. He gave selflessly of his time and considerable abilities for thirteen years. He was devoted to SUNY and as board chair oversaw a period of extraordinary growth. Please join me in thanking Tom and all our retiring trustees for their distinguished service.

Since my appointment, we have had the pleasure of welcoming four new members to the Board. It is an honor to introduce H. Carl McCall, Linda Sanford, Ambassador Carl Speilvogel and Dr. Pedro Noguera. Each has led a life of conspicuous achievement and each will bring formidable capacities to service on behalf of SUNY. We are pleased they have chosen to join our ranks.

### **I will now yield to Carl McCall, Chairman of the SUNY Board Finance Committee**

Thank you. Senators and Members of the Assembly, it is a pleasure to appear before you today to speak on behalf of the State University of New York. As Vice Chancellor O'Connor mentioned, I am the Chairman of the SUNY Board Finance Committee. As a former member of the state Legislature and State Comptroller, I have been intricately involved in many aspects of our state government and I can think of no other institution so vital to our state's future, in terms of education and economic development, than the State University of New York.

SUNY operates in a highly regulated and cumbersome administrative environment which limits both its efficiency and responsiveness. New York's current system of oversight of SUNY causes redundancy, delays, lost opportunities and wasted resources. Multiple layers of administrative review and approval at state agency levels, specifically pre-audit of contracts and expenditures by the Office of the State Comptroller and Attorney General, prove more costly than any, with no additional benefit if those responsibilities were to be devolved to the SUNY system and its campuses. I would also point out that New York is one of only four states in the country that requires its public university system to use pre-audit of expenditures...the other three states are Kansas, Mississippi and South Dakota. While they are lovely states, this is not the company New York should be keeping with regard to public university oversight when our peer institutions in states like California, Texas, Wisconsin, and Virginia have much more latitude.

SUNY's progress in achieving administrative flexibility has been slow and incremental, beginning with the Blue Ribbon Commission in 1985, and continuing in the mid 1990's with Rethinking SUNY. Despite this progress, SUNY continues to lag behind most public university systems in its ability to manage its resources effectively free of burdensome State oversight and regulation.

The 2008 New York State Commission on Higher Education set forth recommendations to devolve such authority to the SUNY Board in an effort to transform public higher education in New York State to achieve greater levels of performance in educational pursuits and to advance the State's economy.

SUNY is not asking for this enhanced flexibility "carte blanche". SUNY is well aware of its responsibility to protect the public trust in the state funds appropriated for our use. The State University employs a system of internal controls over contracts and all other financial transactions to efficiently and effectively meet its objectives while maintaining strict compliance with laws and regulations. While we are seeking increased operational responsibility, SUNY fully accepts the accountability and will constantly monitor activity to ensure that transactions are appropriately processed, through our internal processes and a post-audit review that comes with the increased administrative flexibility the University seeks.

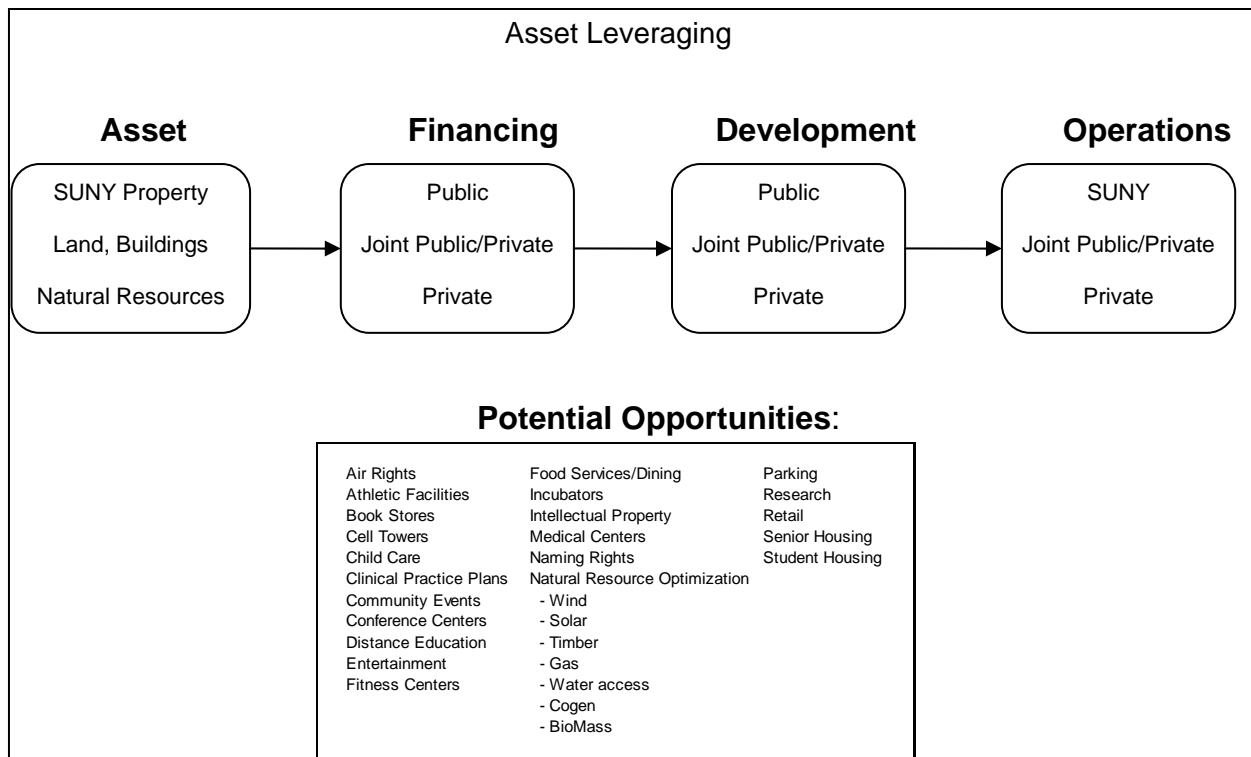
Land use is another area examined by the New York State Commission on Higher Education which opined that, for SUNY and CUNY, "statutory change should be sought to lessen regulation", noting, "SUNY's Board of Trustees should have authority to lease SUNY property for purposes that support SUNY's mission without prior legislative approval".

The Governor's "Article VII" bill which recommends administrative flexibility for SUNY in terms of: Post-audit of expenditures for SUNY campuses and the Construction Fund, access to OGS centralized contracts for affiliated campus organizations, health care facilities ability to enter into managed care networks, cost effective capital project delivery methods and performance bond threshold increases.

The newly established State Asset Maximization (SAM) Commission, of which I am a member, is also examining SUNY's ability to use its lands for asset maximization. The SAM Commission issued a preliminary report which recognizes the benefits that may be achieved through giving SUNY the statutory authority for decisions on use and leasing of campus lands, the use of innovative financing through the state Dormitory Authority (DASNY) and the employment of expedited delivery method for capital construction. The potential to generate tens of millions of dollars in supplemental operating and capital revenue rest in such flexibility that can help improve educational quality and expansion of opportunity for access to higher education for many New Yorkers.

The SUNY Board adopted a policy that could maximize the use of its assets in areas such as:

- Expand public/private partnerships to promote commercial and community based activities such as retirement communities, student housing, health care facilities, incubators, food service, telecommunications and retail facilities.
- Maximize utilization of natural resources including gas, timber, minerals and water.
- Pursue using SUNY land in creative ways such as producing bio-mass fuels, co-generation facilities, or developing solar and wind farms.
- Maximize rental income by making facilities available for community events or conferences.



We now need your approval to unleash SUNY to allow it to better serve its students, be an active partner with the citizens and local businesses in our host communities, and fully develop the economic opportunities that exist on each of its many campuses.

It should be noted that The City University of New York (CUNY) has such statutory authorization and has used it to effectively plan and maximize opportunities to better serve their students, and save and generated substantial funds for the system in support of their campuses.

I will leave this issue here and yield back to Vice Chancellor O'Connor.

## **Conclusion**

In his State of the State Address, Governor Paterson said that "the road to economic development runs right through our schools." We could not agree more as higher education is the key to the state's future economic development and betterment of its citizenry.

As part of his American Recovery and Reinvestment Plan, President-Elect Barack Obama is focusing on energy efficiency and in making immediate investments in equipping tens of thousands of schools, community colleges, and public universities with 21st century classrooms, labs, and libraries. In addition, he wants to invest in the science, research, and technology that will lead to new medical breakthroughs, new discoveries, and entire new industries.

SUNY is ready to put into action the Governor's and President's vision for a better future for New York through advances in education, health care, energy and innovation. But we need your support to sustain our ability to respond to these challenges.

SUNY has health care institutions that serve New Yorkers of all ages across our State, research that drives clean and sustainable energy solutions and environmental innovation, and colleges and universities that are preparing the skilled workforce of New York's future.

We thank you for your time and attention to our presentation and we are happy to answer any questions you may have.