Joint Legislative Hearing

of the

Senate Finance and Assembly Ways & Means Committees

On the 2006-07 Executive Budget

Testimony of

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Introduction
Good morning, Chairman Johnson, Chairman LaValle, Chairman Farrell and Chairman Canestrari...members of the Senate and Assembly...and legislative staff. It is a privilege to come before you today as Chancellor of the State University of New York to comment on the 2006-2007 Executive Budget recommendations for the State University.

As the past president of two SUNY campuses, Maritime College and the University at Albany, I can attest to the value of your investment in direct state support. In my time as Chancellor, I have gained an appreciation of the impact of that investment, and have seen first-hand the benefits brought by your much-needed capital support to the University. With that in mind, before specifically commenting on this year's Executive Budget, I want to briefly outline where the University stands today, and where, with your support, we envision moving in the future.

Facts and Figures about SUNY
The State University currently enrolls 414,171 students. Minority enrollment is 79,810 students, reflecting over 19% of the student population. The quality of our students continues to improve each year and our market share of college bound New York State high school graduates also continues to rise. SUNY also has 1.2 million enrollments in continuing education programs throughout the state. I know you are all very proud that the State University is providing access to public higher education to over one million New Yorkers.

SUNY has made great strides in raising non-state revenues, an absolute necessity. Sponsored research at the University exceeds $895 million, up 97% since 1995. In 2005 alone, this led to 245 invention disclosures, 193 patent applications, 34 patents, 78 licenses and over $13.5 million in royalties, supporting some 10,000 research projects and providing over 18,000 additional jobs statewide.

Philanthropy at SUNY campuses has also increased greatly in the past five years, with campuses raising $1.38 billion since 2000. Our goal remains to raise $3 billion in philanthropy over the next six years.

Vision
The mission of the State University is “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.

Looking back to 1995, with your support and that of the Governor, *Rethinking SUNY* served as the blueprint for the University's successful transformation for higher academic aspirations and greater operational authority and accountability for performance devoted to campus leadership.

We must now look ahead, and with your guidance and support, develop a new ten-year plan that will continue to move the University forward. The state of the University is very good, but it can and must be improved. It is time to make it exceptional. It is time to demonstrate how a strong, responsive, higher education system, serves the State of New York and its citizens while playing an even stronger role in economic development.

With the sustained leadership and financial partnership of the Executive and Legislature, along with the continued good work of our campus presidents, faculty, staff, students and alumni, SUNY can and will achieve excellence and attain national leadership over the next ten years in:

- Academic Quality and Performance
- Economic Development
- Access and Affordability, and
- Efficiency and Effectiveness

I recently released the first in a series of reports on performance at the State University. This report, "Achieving Efficiency at the State University of New York", spoke to the reality that the SUNY system and our campuses are accommodating increased demands with existing resources. From online applications to enrollment planning, energy savings, cost avoidance and procurement efficiencies, we have developed a series of best practices that are shared throughout the University. The bottom line is that we are efficient and continue to examine ways to be even more efficient in the coming years.

Future reports will address issue areas that will provide further insight into the University and how it inter-relates with public policy issues and the future of the economy of New York State. I will transmit the first report to you this week and look forward to sharing the subsequent reports to continue the dialogue.

Some facts you should consider when contemplating the value of providing the University with additional funds.

- The number of college bound high school graduates is growing more than SUNY's ability to accept them into the system. As community colleges continue to be the entry point for many seeking higher education, the system needs capacity to accept the growing number of community college transfer students, as data shows many are beginning to leave the state to continue their education.
• New York is currently under-producing by 11,000 the graduates necessary to replace the retiring workers and those positions demanded by companies in the New Economy. The gap is acute in the areas of information science, engineering, nursing and allied health. These are among the highest cost disciplines to teach, so we need to provide incentives for our colleges and universities to add and expand these programs.

• Each student offered a place at a SUNY four-year college will earn nearly $1 million more over his or her lifetime because they hold a baccalaureate degree.

• With more than 80% of SUNY graduates remaining in New York State, a substantial amount of this additional income is spent in New York.

• The wages of the 2004 SUNY graduates will be $47 billion greater over their lifetimes because of their SUNY education.

• Every $1 million in grant money brought in by a full-time faculty member creates 29 jobs.

• Every dollar of direct state support in SUNY generates more than $8 for New York’s economy.

• SUNY campuses and hospitals are often the largest or amongst the largest employers in their host communities.

Budget Request
The State University’s 2006-07 budget request has two main focuses:

• To support the mandatory and base-level needs of our campus’ faculty, employees and students; and

• To increase the number of full-time faculty to meet the academic needs of our current and prospective students, and to better serve the state’s economy. While the total number of faculty has increased, the percentage of full-time faculty has continued to decline; reaching a low of 62.2 percent for the current academic year. This trend must be reversed. While adjunct faculty provide wonderful instruction and are a necessary part of the campus community, they do not provide the level of student counseling and mentoring, nor the total program support and quality control of their full-time peers.

The budget request was a result of a collaborative process with and among SUNY campuses. It took into account the significant fiscal challenges facing New York State over the next several years, but was mindful of the need to provide adequate resources to support the statutory mission of the University.

It was a disciplined budget request. More than 75 percent of the additional dollars requested are necessary to simply support base-level costs. It was also strategic, with funds targeted to economic development and performance initiatives that will have an extraordinary positive impact of New York’s economy. It focused on all of this, but yet, represented a state investment of less than 3% of the University’s all funds budget.
On behalf of the Board of Trustees and the entire University, I would like to thank Governor Pataki for including in his Executive Budget Proposal a number of the items outlined in the University's budget request.

We are pleased that the Governor's budget recognizes most of University's base budget costs such as collective bargaining agreements, fringe benefits, and general inflation. We are particularly grateful for the State tax dollars recommended for SUNY's unanticipated energy cost increases in the current year and projected escalation next year.

The Executive Budget also recognizes the contributions the State University is making in economic development throughout the state. The University is proud to be host to three of the five Centers of Excellence the Governor has established at leading universities throughout the state. The Governor, along with the Legislature and our corporate partners, have invested billions of dollars in the SUNY based public-private partnerships in nano-electronics at State University at Albany, bioinformatics at the State University at Buffalo, and wireless and information technology at the SUNY's Stony Brook University. These Centers are prime examples of how the State University is helping position New York State as a global leader in high-tech business growth and private sector development.

The Senate's Ge*NY*sis and the Assembly's RESTORE programs are also great contributors to the state's economy through the investment of over several hundred million dollars at numerous State University campuses in conjunction with private partners. We are grateful for this support.

A new key initiative called the Empire Innovation Program in the Executive Budget builds on the Board of Trustees' proposed Excelsior Faculty Initiative. It will enable our campuses to recruit 200 of the most promising new research faculty over the next three years. New faculty will be hired in clusters focused on areas the University is already demonstrating national and international strength, including our Centers of Excellence in nanotechnology, bioinformatics and wireless technology. By 2011, we expect that these additional faculty will attract nearly $300 million in new federal and private research and development grants, resulting in over $1 billion of growth in New York State's economy.

Meeting today's workforce needs in the areas of economic development and public health was also addressed in the Executive Budget. The $1 million investment will help the University begin to increase the course sections and faculty in high need areas, thus increasing the number of graduates demanded by our economy and communities for engineers, information technology specialists, nurses, and allied health professionals.

The University's contribution to public health is centered at our three hospitals at Stony Brook, Downstate in Brooklyn and Upstate in Syracuse. These hospitals are integral elements of SUNY's research, teaching and public service missions. They provide a full array of patient care services designed to meet the needs of the communities they serve, while providing a unique environment to train the next generation of health care
professions—the majority of whom remain in New York State to care for its citizens. I look forward to ensuring that SUNY’s hospitals are efficient and economically viable, and continue to serve the critical health care needs of their host communities and regions.

The Governor also proposed a rational tuition policy that would lock in tuition for the 2006-07 academic year and begin indexing tuition with the 2007-08 academic year. I support this plan and strongly believe that our students, prospective students and their parents deserve a predictable tuition plan. A rational tuition plan will also provide a great benefit to the University by allowing the campuses to plan long-term investments in academic quality for full-time faculty, technology, academic equipment and other educational resources needed by the students. I hope to be able to work with you this session to implement a rational tuition policy.

We believe the Executive Budget provides a good base on which the University looks forward to building upon in partnership with the State Legislature in the coming weeks and months.

The University Request
As previously mentioned, the Executive Budget recognizes most of the University’s mandatory and base-level costs, as well as several initiatives, however, we are asking the Legislature for $120.9 million in direct state support because the proposed Budget anticipates that campus revenue will pay for these items, which include:

- Negotiated collective bargaining increases
- The $50 million “Hold Harmless” restoration
- Educational Opportunity Centers (EOC) contractual salary increases
- The Empire Innovation Program
- High need economic development and public health programs, and
- Increases in the cost of transportation, supplies and materials and other general campus non-personal service expenses

While we recognize and understand the Governor has not directed the University to increase tuition, the University has few options for revenue enhancement outside of increasing tuition, which directly impacts our students and their families, and is something the State University and its Trustees want to avoid.

We have outlined the $120.9 million in total costs as it is important to understand that our needs go well beyond the $85.3 million revenue appropriation that seems to be the focus in public discussions regarding SUNY funding.

As you know, we have been strong proponents of a rational tuition policy that would provide for increased tuition, but the University believes that any increase in tuition should be additive to our budget and targeted towards enhancing academic quality,
not applied to meeting our mandatory base-level costs and other essential needs. It is due to this principle that the University seeks these funds.

In addition to support for our base-level needs, the University is also seeking funds to enhance the educational opportunities and academic quality at our campuses. These initiatives will also help drive the state's economy and meet the state's workforce needs. They include:

$25.5 Million for Enrollment Growth and Full-time Faculty
This initiative funds the enrollment necessary to meet the needs of New York State. As I indicated earlier, we are underproducing by 11,000 graduates a year the current need of employers in the state. We also need to accommodate more community college transfer students, as well as qualified freshman, to stop the outflow of these students to other states due to our inability to accept them.

Over the last few years, the University has authorized targeted enrollment growth to meet the New York State demand for access to public higher education. This growth and greater retention rates have increased our student population, leading to capacity limitations that restrict the University's ability to accept qualified freshman applicants and community college transfers. This affects over 6,600 students and the $25.5 million will enable us to add 313 new full-time faculty throughout the University.

$7.6 Million for High Need Economic Development and Health Programs
As mentioned earlier, the State is in particular need of graduates in engineering, technology, math, science, nursing and allied health. The $7.6 million is additive to the $1 million appropriation in the Executive Budget and would add 58 new full-time faculty in these fields.

$18.5 Million for Community Colleges - The State's 1/3 Share
The State University requests $18.5 million to allow the state to meet its traditional 1/3 share, which requires base-aid funding of $2,600 per AAFTE, or $150 per AAFTE above the Executive Budget's $100 per AAFTE increase. As community colleges are the initial higher education access point for many New Yorkers, their affordability needs to be sustained. As local sponsor contractual agreements and inflation continue to add to the cost of operating these institutions, the state needs to provide a sufficient level of support to guarantee affordable access for state residents who chose community colleges.

$1 Million for Honors Colleges
Honors Colleges provide our best achieving students with premiere academic study programs in smaller class settings. This funding will enable the University to expand the Honors College opportunities. It is important to keep the very best talent in New York State and this initiative will help achieve that end.
$10 Million for Campus Performance Initiatives
Attracting the best students is only the beginning, retaining them and helping them graduate in a timely manner is also crucial. This money will help campuses achieve our goals in retention and graduation rates, as well as help improvements in sponsored research.

$9.2 Million for Tuition Sensitive Student Scholarships
Public higher education also has a mission of providing access to as many qualified individuals in the state as possible. Minorities and underrepresented students are often in need of financial aid beyond TAP, so the state provides scholarships for these students. However, these scholarship programs have not kept pace with tuition increases. SUNY seeks to bring the aid formulas for scholarship programs into compliance with current tuition rates. These include the Empire State Minority Honors Scholarship Program, the Under-Represented Graduate Fellows Program, the Graduate Opportunity Program, the Economically Disadvantaged for Professional Studies Program, and the Employee Tuition Waiver Program.

Campus Specific Requests
- $900,000 for Cornell County Cooperative Extension Program due to Cornell under their Land Grant status which was not funded in the Executive Budget
- $750,000 for Stony Brook University Marine Science Program that was not funded in the Executive Budget

"Rolling Capital Plan" for New Capital Construction Projects
Quality facilities are key to providing a quality educational experience, not to mention ensuring the general safety and welfare of our campus community. The University is extremely grateful for the $6 billion the state has invested in our facilities since 1995. We are also pleased the Executive Budget includes $48 million for new projects at our state-operated campuses. To help the University properly plan and execute capital construction projects, and to maximize the efficiency of the capital plan, the University is requesting a "Rolling Five-Year Capital Plan" which would add an additional annual investment by the state of approximately $550 million per year. Such a rolling plan is an affordable enhancement to the current multi-year capital plan which will assist SUNY and its campuses with long range planning and ensure SUNY's ability to maintain a steady, annual investment in capital facilities.

$45 Million for Community College Capital Projects
Community Colleges are also in need of capital improvements, and while the Executive Budget added $42 million for specific projects, the University supports an additional $45 million in capital construction projects for our community colleges who have secured local sponsor support.

$75 Million for Technology and Academic Equipment
In order to compete in a global economy our students must be educated using up to date equipment and technology. However, we are falling behind in this area. To
adequately prepare our students to assist our businesses to compete, we need to update our equipment. For this purpose, the University requests additional capital funding for equipment totaling $50 million for state-operated campuses and $25 million for community colleges.

**Conclusion**
Higher education is the key to the state's future economic development and betterment of its citizenry. The state's investment in higher education is returned multiple times through a better educated citizenry and a fully employed workforce. We stand ready to work with the Legislature as you move to conference committees in consideration of the future of higher education in New York State.

Thank you and I would be happy to answer any questions you may have.