



Testimony

**to the
Senate Finance Committee
and
Assembly Ways and Means Committee
on the
Proposed 2016-17 Executive Budget
for
Higher Education
February 8, 2016**

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*Representing more than 600,000 professionals in education and health care
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*Testimony of
Andrew Pallotta
Executive Vice President
New York State United Teachers
to the
Senate Finance Committee
Catharine Young, Chair
and
Assembly Ways and Means Committee
Herman D. Farrell, Jr., Chair
on the
Proposed 2016-17 Executive Budget
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Higher Education
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Senator Young, Assemblyman Farrell, honorable members of the Legislature and distinguished staff, I am Andrew Pallotta, Executive Vice President of New York State United Teachers (NYSUT). NYSUT represents more than 600,000 teachers, school-related professionals, academic and professional faculty in higher education, professionals in education, in health care and retirees statewide.

Thank you for the opportunity to testify today on the proposed 2016-17 Executive Budget for Higher Education. My testimony represents the concerns of nearly 80,000 faculty and professional staff who work in colleges and universities across New York state. These include the members of United University Professions at the State University of New York, the Professional Staff Congress of the City University of New York and the faculty and staff at nearly all the SUNY community colleges in this state.

I am joined today by Dr. Frederick Kowal, President of United University Professions (UUP), and by Dr. Barbara Bowen, President of the Professional Staff Congress (PSC).

A college degree is no longer just an option, but rather, a prerequisite for employment in many industries. During the New York State Education Commissioner's testimony on the education budget two weeks ago, she spoke of New York's skills gap. The Commissioner's testimony included a chart stating the demand for 44,000 new workers for middle-skill level positions, which are in health care and technology. Employers are having difficulty finding workers with

the skills for these jobs. Both SUNY and CUNY are the most economical options to close New York's skills gap. Yet, these institutions lack critical funding and the 2016-17 Executive Budget proposal does not include the level of funding needed to close this gap.

Our students are paying the price for the state's lack of adequate investment in their education both literally and qualitatively. They are paying more every year, and getting little in return from the state, which directly affects the quality of their education. This is unfair to our students. The consistent lack of adequate state resources has put our public colleges and universities under intense pressure to eliminate programs and courses, erode quality and slash opportunities for students in need. We know that public higher education's mission of teaching, research and health care is the key to a bright future for all New Yorkers and for our state's overall economic success. The ability for SUNY and CUNY to fulfill that mission however, gets more difficult every year because of austerity funding from the state.

We cannot continue to ignore the fact that we have had little, if any, real investment in public higher education in this state for quite a long time. The Deficit Reduction Plan (DRP) implemented in 2009, is the recent starting point for the trend of decreasing state assistance for our public higher education institutions. While the DRP implemented across the board spending reductions helped the state recover from the fiscal crisis, austerity funding to higher education continues with no end in sight. This year, unlike in recent years, the state has the resources to make a significant investment in public higher education. A recent New York State Comptroller report showed an approximate current year state surplus in the General Fund of \$5.4 billion. While a portion of this surplus is the result of a one-time financial settlement, over half is generated due to better than expected figures in recurring state revenue streams.

SUNY and CUNY Four-Year Campus and State Maintenance of Effort Funding

NYSUT strongly believes SUNY and CUNY four-year institutions should be fully funded and that this is the state's obligation. New York state has both a moral obligation and financial economic incentive to ensure that all New Yorkers have access to quality public higher education. We urge you to provide a significant increase to these institutions this year. Dr. Kowal and Dr. Bowen will provide specifics on this request.

The 2016-17 Executive Budget holds SUNY's and CUNY's core instructional budgets flat from last year's level of funding. This is the fifth straight year of flat funding to the core instructional budget. It is also important to note here that flat funding equates to a cut as mandatory costs increase from year-to-year.

Unfortunately, students are funding the increases in SUNY's and CUNY's budgets through annual tuition increases. Annual tuition increases were supposed to be invested in student academic programs, services and faculty. However, much of that funding is going to pay for mandatory costs of the universities and colleges which aren't covered by the current statutory definition of the state's maintenance of effort for funding SUNY and CUNY four-year campuses.

I would like to thank the Legislature for recognizing the need to address this issue and passing legislation, A.5370-A (Glick)/S.281-A (LaValle) of 2015, to amend the maintenance of effort definition to include mandatory costs, such as energy, inflationary collective bargaining costs and expenses for SUNY's hospitals. This legislation, which passed with overwhelming support, would have remedied the situation. Unfortunately, this legislation was vetoed and the governor stated in his veto message that this issue should be addressed in the context of budget negotiations.

Moreover, the Executive Budget does not modify the maintenance of effort (MOE) language to reflect the provisions included in the bill passed by the Legislature last year. The Executive Budget continues the MOE as is for SUNY and slightly modifies the CUNY MOE to require that the City of New York pay their representative share; parallel to the language requiring them to pay 30 percent of the costs for CUNY senior colleges.

The current definition only requires that the state provide the same level of funding and fringe benefits of the prior state fiscal year. This current definition falls far short of ensuring that both SUNY and CUNY have the resources they need to carry out their important missions and that the state pays its fair share in funding these institutions. My colleagues, Dr. Kowal and Dr. Bowen,

will provide you with specific details regarding the state's current share of funding for SUNY and CUNY.

NYSUT, UUP and the PSC are calling on the state to once again address the lack of a meaningful maintenance of effort provision in this year's budget. We are urging that the Legislature work with the governor in the course of budget negotiations to modify the maintenance of effort definition to include mandatory costs as outlined in the A.5370-A/ S.281-A of 2015. We cannot expect our public universities to provide the quality education that our students deserve on the same level of state funding year-after-year.

The Executive Budget proposes extending NYSUNY 2020 another five years and includes new language, that prior to instituting a tuition increase, the Board of Trustees must demonstrate administrative cost savings have been achieved to mitigate the need for a tuition increase. These savings are not to include staffing reductions. NYSUT questions how this language will actually be interpreted and applied. Who will determine whether or not administrative costs savings have been achieved and what threshold will they use? The determination seems to be arbitrary with no provisions for accountability or transparency.

Community Colleges – Increase Base Aid by \$250 per FTE Student

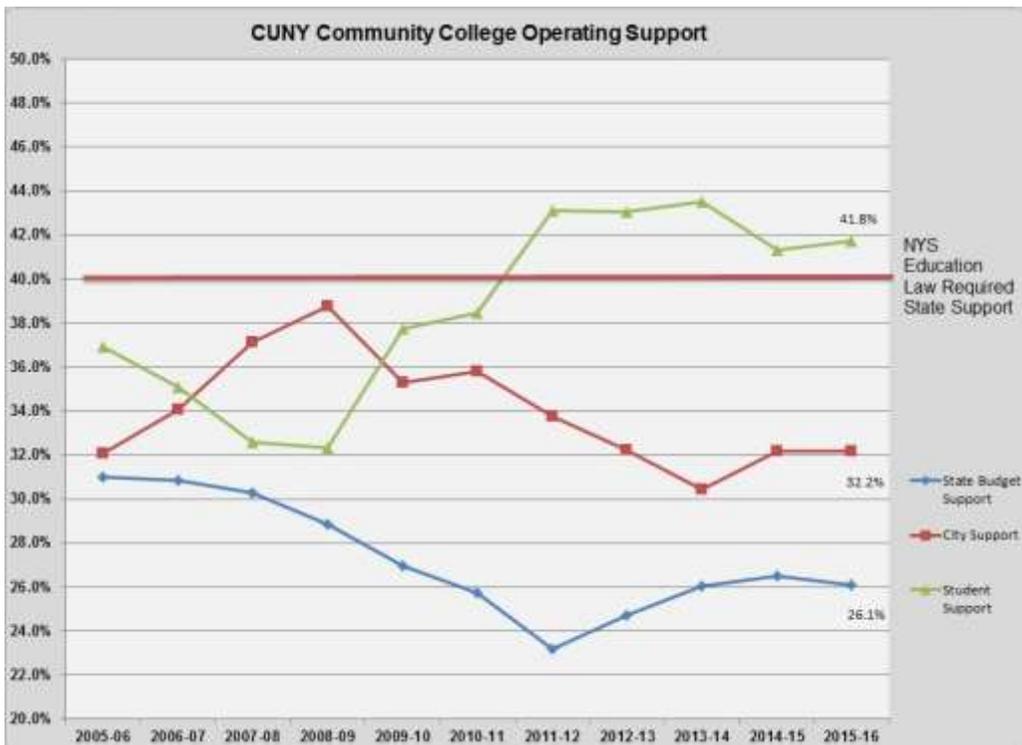
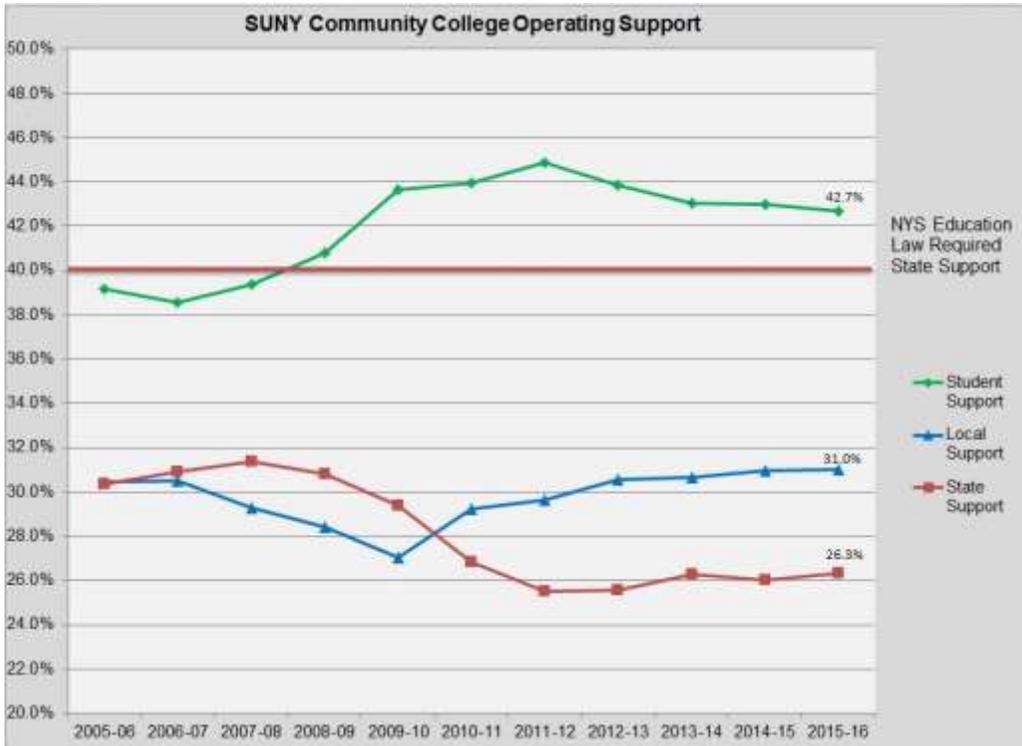
With respect to our community colleges, I want to first thank the members of the Legislature for all your efforts in supporting these campuses. I thank you for the state base aid increases you have provided to community colleges over the last few years. You obviously know how important these campuses are to our state's public higher education systems. Our members provide their students with a great education, notwithstanding the fact more funding is necessary to maintain the current level of academic programs and services. Since their inception, our community colleges have provided a high-quality education that has prepared our students to enter the workforce. Community colleges have been working with local businesses and industry for decades to tailor courses and skills to industry needs. Every year, thousands of students graduate from community colleges and go directly into the workforce. These campuses have historically played an instrumental role in providing local industry with a highly skilled and trained workforce.

Over one million degrees have been awarded from community colleges in this state. Students graduating from these campuses leave with a well-rounded education that enables them to think critically and analytically. They are well equipped to enter the workforce or to continue their education at a four-year college or university.

The Executive Budget proposes flat funding for community colleges which will likely necessitate these campuses to raise tuition. State education law stipulates that the state shall pay 40 percent of the operating costs of these campuses; however, the state is not meeting its obligation.

As the charts on the next page illustrate, both SUNY and CUNY community college students are paying the lion's share of operating costs of these campuses. In fact, over the ten-year period from 2005-06 to 2015-16, SUNY community college students went from paying 38.7 percent of the operating costs to approximately 43 percent. At the same time, the state's contribution for these costs went from 29.3 percent to 26 percent with the local sponsor's share remaining fairly constant at 32 percent and 31 percent, respectively.

When you look at CUNY's community colleges during the same time period, we see a similar story. The student share went up from about 37 percent to nearly 42 percent while the state share went down from 31 percent to 26.1 percent. The local share has remained relatively constant at 32 percent.



Notwithstanding your efforts in recent years, we are still below 2008-09 state funding levels for these campuses. We ask that you reject the Executive Budget's flat funding proposal and support a multi-year plan to honor the state's statutory commitment to fund 40 percent of the operating costs of these campuses. NYSUT supports SUNY's and CUNY's budget request of a \$250 per full-time equivalent (FTE) student base aid increase. This allocation would bring community college funding \$172 per FTE student above the funding level of 2008-09, the start of the recession. There are state resources available and we urge you to provide this funding.

Performance-Based Funding

The Executive Budget continues to set-aside \$30 million (\$18 million for SUNY and \$12 million for CUNY) as part of the state operating support for SUNY and CUNY to be utilized in both systems to pay for performance programs. We urge the Legislature to reject the use of funding for this purpose.

In recent years, the state has shifted an unfair level of the burden and responsibility for paying for higher education to the students. The money allocated for performance-based funding should go to the classrooms and fund a system where all students can succeed.

We also respectfully disagree with SUNY's initiative to create a \$100 million performance-based funding program. The vast majority of the funding for this program comes from existing SUNY system and campus funds.

It is unreasonable to take away limited funding to campuses and ask them to compete in the hopes of obtaining an award that will give them all or most of the funding that was taken away in the first place. Performance-based funding will not work when the system is designed to award funding based on the premise of doing more with less. NYSUT urges the Legislature to reject the set-aside of funds for these purposes and reallocate this much needed funding for hiring more full-time faculty to enhance quality and to provide more student advisement and counseling that students desperately need.

Performance-based funding is not a new idea and it will not address SUNY's and CUNY's funding problems. Other states have implemented performance-based measures with little, if any, success. Fourteen states have already abandoned this program and numerous studies have found no academic benefit of these decade old policy measures.

In fact, results have shown that these policies are ineffective at best. At their worst, they have had negative effects on student performance. A study released by Columbia University's Teachers College in 2014 entitled, "*Implementing Performance Funding in Three Leading States: Instruments, Outcomes, Obstacles and Unintended Impacts,*" found that performance-based funding can have the following unintended consequences: restriction of admission to broad-access colleges; weakening of academic standards, lack of funding to cover compliance costs and lack of institutional cooperation. Furthermore, it was noted in this study that it is difficult to determine the impact of performance-based funding on student outcomes, since any improvement could be influenced by other factors, such as modifications to financial aid policies.

This proposal should not be implemented and we urge you to reject it. Dr. Kowal and Dr. Bowen will provide more information on this issue in their testimony.

Full-Time Faculty and Staff- The Excelsior Excellence Fund

Once again, NYSUT is asking the Legislature to create a state endowment fund that would enable SUNY, CUNY and their community colleges to hire much needed additional full-time faculty and staff. We believe the time is right for the state to use a one-shot investment to create the endowment. NYSUT and our higher education affiliates believe strongly that the creation of this fund is crucial in preserving and enhancing the quality of the education that our students receive.

Capital

The Public Protection Article VII bill includes a proposal to create a new subsidiary of the Dormitory Authority of the State of New York to be called the New York State Design and Construction Corporation. This new entity, as proposed, would provide additional oversight and

project management for public works projects exceeding \$50 million. Any improvements or revisions to projects recommended by this body would have to be incorporated in order for the plans to continue.

Both SUNY and CUNY have existing Construction Funds which carry out the duties prescribed to the NYS Design and Construction Corporation. At this time, it is unclear as to why this extra layer of bureaucracy is needed. NYSUT is concerned that this organization may delay projects, as well as increase costs without an opportunity for the institutions to appeal and have any control as to whether or not they concur with the recommendations. We urge you to reject this proposal.

SUNY Hospitals

I would now like to talk about the SUNY hospitals. I want to thank the Legislature for again coming to the rescue last year and restoring the funding that was cut in last year's Executive Budget proposal. Unfortunately, the 2016-17 Executive Budget cuts the SUNY hospitals by \$19 million, which is the restoration you made last year.

This cut ignores the role and importance of SUNY hospitals in our state. Our hospitals are academic medical centers that provide much needed patient care, train and prepare the next generation of health care workers, engage in research to improve lives and create technologies to revolutionize health care and provide invaluable community services. The Executive Budget fails to uphold its responsibility to at least partially compensate the hospitals for their service to indigent populations and to help pay for the unique life-saving services they offer which are not typically provided in private hospitals. These include burn units, trauma care units and poison control. These hospitals also serve as a safety net for low-income communities, the uninsured and the underinsured. These communities rely on these hospitals for health care.

According to the SUNY's Academic Medical Centers Governance task force report, SUNY hospitals and clinics generate approximately 40 percent of the operating revenue for the entire SUNY system. These are critical components of the SUNY system, not financial drags on the system, which has been asserted in recent years.

We urge the state to make a financial commitment to these hospitals to ensure their survival. We are requesting that you provide \$59 million in additional funding to these hospitals in this year's budget. This will restore their funding level back to the 2010-11 SFY level of \$128 million. We cannot expect these hospitals to continue to operate and provide services to the indigent with their current level of funding. We also urge the Legislature to support a multi-year plan to restore fiscal stability to SUNY hospitals, which is needed to preserve their place in the community, caring for all patients and preparing healthcare workers.

I want to now turn to the ongoing problems we are experiencing with SUNY Downstate Medical Center. We all know the value of this institution, so I'm not going to reiterate it here today. I want to thank you for your heroic efforts in the past few years in supporting this great hospital. Without your efforts, there is no doubt that it would have closed.

This year, the Executive Budget fully reappropriates \$700 million in new capital funding to stabilize the health care delivery system in Kings County. These funds may be used for renovating or replacing inefficient or outdated facilities as part of a merger, consolidation, acquisition or other significant corporate restructuring activity intended to create a financially sustainable system of care that promotes a patient-centered model of health care delivery aimed at improving the overall health and well-being of a community. To date, no announcement has been made as to how these funds will be used, which is solely decided by the Commissioner of Health, without a competitive bidding process, pursuant to the language in the appropriation. We urge the Legislature to reject enactment of this reappropriation in its current form.

It has been widely reported that there are plans to use this \$700 million to build a new hospital in Brooklyn. We believe that to use this money for this purpose would very likely have serious negative consequences for SUNY Downstate and other Brooklyn hospitals. We believe that establishing up to 14 new ambulatory care centers across Brooklyn would be a much better use of this funding. The residents of Brooklyn do not need another hospital. What they do need is access to primary care that these centers would provide. They would, "create a financially

sustainable system of care that promotes a patient-centered model of health care delivery aimed at improving the overall health and well-being of the Brooklyn community.”

We urge you to enact our *Brooklyn Safety Net Hospital Plan*, which lays out this concept we introduced two years ago and have developed with UUP and other unions to address the hospital crisis in Brooklyn. We believe that this plan is the only one to address the needs of the resident and hospitals in Brooklyn.

Rumors have surfaced of a possible merger/affiliation agreement between SUNY Downstate and Kings County hospital, part of the Health and Hospitals Corporation (HHC). It is widely speculated that Kings County would absorb SUNY Downstate.

HHC has been dealing with financial issues as documented by the New York State Comptroller for a while and is not in a position to serve as the lead in any merger/affiliation agreement. Pairing SUNY Downstate with a fiscally struggling entity would only set the hospitals up for failure, thereby endangering health care services to residents. We ask that you maintain SUNY Downstate as a full-service state hospital staffed with state public employees. We urge you to oppose any such merger/affiliation agreement.

Teacher Preparation Programs

The Executive Budget continues to set-aside funding to SUNY state-operated campuses to implement a plan to improve educator performance by increasing admission requirements for teacher preparation programs and upgrading curriculum and requirements for these programs. No specific dollar amount is allotted for this purpose in the appropriation. NYSUT still has many concerns regarding the use of edTPA as a requirement for initial teacher certification. Moreover, there are many substantive issues that need to be addressed regarding the new certification exams.

You will hear more from Dr. Kowal on these issues as well as the need for teacher diversity and recruitment.

Student Financial Aid and Opportunity Programs

NYSUT urges the Legislature to continue to invest in student opportunity programs that provide greater student access and remediation for students in need. We urge you to restore the funding cuts to student opportunity programs in the 2016-17 Executive Budget.

We also support updating the 40-year old Tuition Assistance Program. This wonderful program has afforded so many students the ability to obtain a higher education in this state, but it needs to be updated. Renewal of NYSUNY 2020 as proposed by the governor would continue tuition credits for eligible students to provide assistance with paying for the difference between the maximum TAP award and the rate of tuition.

NYSUT asks the Legislature for a technical amendment relating to the tuition tap gap and the tuition credit in the governor's NYSUNY-2020 proposal, which uses \$5,000 as the maximum value for a TAP award and not the current value which is now \$5,165. We believe this is a drafting error that as written, would base tuition credits off the incorrect maximum dollar value increasing the overall costs of tuition credits to SUNY and CUNY, minimizing the amount of revenue available for other stated purposes. We urge the Legislature to amend the language to base the tuition credit off the maximum TAP award.

Moreover, too many students are now excluded from, or underserved, by TAP. A great way to start reforming this program is to enact the NY Dream Act, which is part of the Executive Budget. NYSUT is also pleased to see that the Executive Budget does not link the DREAM Act proposal to other programs to allow the issue to stand on its own merit. We urge you to enact this important proposal in this year's budget.

Retiree Issues

We would like to express our concern with a proposal in the 2016-17 Executive Budget not contained in the higher education portion, but of concern to those who work in the universities and colleges.

NYSUT urges the Legislature to reject the Executive Budget proposal to amend retiree NYSHIP premiums for state employees retiring after October 1, 2016. The premium payment cost for future retirees would be based on the years of service and those with fewer years would pay more. An individual with a minimum of 10 years of service would pay the highest premium rate and then, progressively, pay less of a premium with each additional year of service until they reach 30 years. This proposal would have an unanticipated negative financial impact on state employees with less than 30 years of service seeking retirement in 2016.

Conclusion

In conclusion, as I have already articulated, we ask that you provide long overdue increased funding to our campuses and SUNY hospitals. It is also extremely important to us that you address the definition of the state's maintenance of effort to SUNY and CUNY four-year campuses. Finally, we strongly urge you to reject the Executive Budget's performance-based funding proposal and repurpose this critical funding to a full-time faculty initiative.

Of course, the final level of funding for public higher education in this year's enacted budget all depends upon the higher education table target. In recent years it has been low, which has not afforded you the opportunity to fund SUNY and CUNY at the level that these institutions and their students deserve. This year presents you with a real opportunity to change the funding situation of these campuses. NYSUT urges you to set a high table target that will enable you to make a real and meaningful investment in public higher education.

Again, thank you for the opportunity to testify today. I will now turn it over to Dr. Kowal who will be followed by Dr. Bowen.