



Testimony

**to the
Senate Finance Committee
and
Assembly Ways and Means Committee
on the
Proposed 2017-18 Executive Budget
for
Higher Education
January 24, 2017**

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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
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to the
Senate Finance Committee
Catharine Young, Chair
and
Assembly Ways and Means Committee
Herman D. Farrell, Jr., Chair
on the
Proposed 2017-18 Executive Budget
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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 2017-18 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).

We are pleased to see that Governor Cuomo has made public higher education and access a central focus of his budget proposal. As the governor noted in his budget briefing, you need a quality college education if you want to be successful. A college degree is no longer a luxury, but rather a prerequisite for employment in many fields.

The creation of the Excelsior Scholarship Program has the laudable goal of increasing access to public higher education for thousands of New Yorkers. We firmly believe that any such scholarship proposal must be paired with a substantial state investment in SUNY and CUNY.

State Investment – Multi-Year Plan

SUNY and CUNY are the most economical options to close New York's skills gap. Yet, these institutions lack critical funding and the 2017-18 Executive Budget proposal does not include the level of funding needed to close this gap.

The Executive Budget holds SUNY's and CUNY's instructional core budgets flat from last year's funding level. 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.

NYSUT, UUP and PSC urge the Legislature to adopt in this year's budget, a multi-year state investment plan to restore funding to SUNY and CUNY. The Deficit Reduction Plan (DRP) implemented in 2009 began the trend of decreasing state assistance for our public higher education institutions. While the DRP implemented across-the-board spending reductions and helped the state recover from the fiscal crisis, austerity funding to higher education has persisted. As a result, SUNY and CUNY have not had the resources to adequately address full-time faculty ratios, course offerings, as well as, other student supports and services. Ultimately, these factors impact a student's academic opportunity and collegiate experience.

State investment in our classrooms is an important component to student success and the ability to complete academic programs on-time, ultimately reducing student debt. Again, we firmly believe as discussions continue over tuition-free proposals, it must be paired with a multi-year state investment plan for SUNY and CUNY. In the absence of substantial funding to restore prior year cuts, our systems will be stretched even further with a potential influx of new students.

The Executive Budget extends the predictable tuition plan for five years and allows for annual increases up to \$250. For years, NYSUT has argued that tuition is the symptom of a larger

problem; lack of state investment. We believe students have already borne more of the burden due to years of cuts to public higher education. A multi-year state investment plan would also reduce the need for SUNY and CUNY to rely on tuition. It is time for the state to pick up its share of the cost of providing all students access to quality public higher education.

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 due to austerity funding from the state.

Full-Time Faculty

Key to the multi-year state investment plan is adequate funding for the hiring of full-time faculty. Due to years of flat funding from the state, SUNY and CUNY relied on the predictable tuition plan to fund public higher education. Once again, the proposed reauthorization of the predictable tuition plan would set aside revenue generated to support a number of initiatives, including the hiring of faculty. This revenue is not an adequate source to enhance full-time faculty positions, which our students deserve.

Increasing the number of full-time faculty will provide our systems with the ability to increase course offerings, as well as, reduce class size. Additional full-time faculty will allow for more time for mentoring, student advisement, office hours and research, all of which will go a long way to improve quality and help students graduate on time. We urge the Legislature to provide dedicated funding for full-time faculty in this year's final enacted budget.

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 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 either enter the workforce or go on to a four-year college or university. For decades, community colleges have been working with local businesses in an effort to tailor courses and skills to meet the needs of those industries. Every year, thousands of students graduate from community colleges and go directly into the workforce, playing an instrumental role in providing local industry with a highly skilled and trained workforce.

Notwithstanding the Legislature's commitment to community colleges, state funding to these campuses is not commensurate with the provisions of the State Education Law. As the charts attached at the end of this testimony illustrate, both SUNY and CUNY community college students are paying the lion's share of operating costs of these campuses. Over the ten-year period from 2006-07 to 2016-17, SUNY community college students went from paying 38.6 percent of the operating costs to approximately 42.1 percent. While the state's contribution for the same period decreased from 30.9 percent to 26.2 percent.

We see a similar trend for CUNY's community colleges during the same time period, where the student share increased from 35.1 percent to 40.1 percent while the state share decreased from 30.8 percent to 26.1 percent.

The Executive Budget proposes flat funding per full-time equivalent (FTE) student for community colleges, which will likely force these campuses to raise tuition. While state base aid funding is flat, some of our community colleges will receive less state funding due to enrollment fluctuations. In order for our campuses to maintain and enhance academic programming and supports, their state funding must remain stable. 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. NYSUT urges the Legislature to increase base aid by \$250 per FTE student.

This increase in funding will enable these gateway institutions to continue to provide first-rate academic programs and services that students need and deserve. SUNY has indicated that they

are possibly considering proposing changes to the funding formula to community colleges. While NYSUT is open to discussing ways to improve the funding methodology, we firmly believe we must preserve local control over state funding for these institutions. These campuses provide programs that directly respond to local economic needs and, therefore, should retain their local control.

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. Unfortunately, the 2017-18 Executive Budget cuts the SUNY hospitals by \$19 million, which is the restoration you made last year.

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, create technologies to revolutionize health care, and provide invaluable community services. The Executive Budget fails to uphold the state's responsibility to at least partially compensate these 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 are New York's true safety net providers, serving low-income communities, the uninsured and the underinsured. These communities rely on these hospitals for health care.

As New York braces for changes to the Affordable Care Act, SUNY's hospitals must be supported and positioned to continue to provide care to all, regardless of their ability to pay, as well as, train the next generation of healthcare workers. To that end, we urge the Legislature to enact the following proposals to restore funding to SUNY's hospitals:

- Restore the state subsidy to \$153 million. An additional \$84 million is required to restore care to the 2001 level of support. The subsidy not only supports the hospitals but also helps to support the state-run medical colleges.

- Reinstate state payment of hospital employee fringe benefits and debt service through a multi-year investment to be phased-in over five years. SUNY's teaching hospitals are the only state-owned/operated facilities required to cover debt payments and fringe benefit costs. In year one of the plan, we would urge the state to pay the employer portion of the Social Security payments at a cost of \$64 million.
- Authorize a new hospital bonding program. Enact a new \$600 million capital program (\$200 million per hospital). Our hospitals are in dire need of critical maintenance and infrastructure improvements.

We thank Senator Hannon and Assemblymember Gottfried for introducing legislation in 2016 (S.7947/A.10591) to ensure that SUNY continues to receive state matching funds for the Disproportionate Share Program (DSH). We have recently learned that the state has delayed the full share of the October DSH payment owed to SUNY hospitals for services rendered to uninsured, Medicaid, and dual-eligible patients. In the absence of state reimbursement to cover the full share of DSH funding owed, the fiscal stability of these institutions in the coming months will be jeopardized. We urge the state to promptly pay the remainder of DSH reimbursement owed.

It is time for New York to start recognizing that SUNY's hospitals are the state's hospitals, providing a public service for all. You will hear more from Dr. Kowal on these issues.

Revenue Sources for Multi-Year Investment

Increasing investment in SUNY and CUNY four-year campuses, community colleges and SUNY's hospitals requires resources. The Executive Budget continues to set-aside \$30 million (\$18 million for SUNY and \$12 million for CUNY) to be utilized in both systems per a plan approved by the Board of Trustees of the respective systems. In the past, this funding has been allocated to campuses for performance-based funding initiatives. While the Executive Budget language does not speak to performance-based funding, we believe SUNY and CUNY will use this funding for performance-based initiatives. At a time when every dollar of state investment counts, we once again urge the Legislature to reject the use of funding for this purpose.

It is unreasonable to take away the already limited funding provided to campuses and ask them to now compete in the hopes of obtaining resources that the state should already be providing. NYSUT urges the Legislature to reallocate this much needed funding to be utilized in the classroom. These resources should be used to hire additional full-time faculty, which will enhance the quality of programs and provide more student advisement and counseling which students desperately need.

Over the years the higher education table target has been low, thereby, limiting the funds available to meet the financial needs of our public higher education institutions. NYSUT believes that New York has a unique opportunity to create funding streams to support a multi-year investment for SUNY and CUNY. We are currently working with a coalition of organizations to assemble a comprehensive list of revenue proposals to ensure that individuals and corporations are paying their fair share. For example, the state could generate nearly \$5.6 billion annually from extending and expanding the Millionaire's tax and closing the carried interest loophole at the state level.

In addition, the governor's financial plan for SFY 2017-18 proposes a change to online sales tax collection, which is expected to generate \$68 million in the upcoming fiscal year and \$136 million the following year.

We urge the Legislature to consider dedicating a portion of these revenue streams to develop and support a multi-year state investment plan for public higher education.

Inspector General Proposals

The Executive Budget also includes a proposal to expand the State Inspector General's authority over SUNY and CUNY not-for-profits to investigate allegations of corruption, fraud, criminal activity, conflicts of interest or abuse. Additionally, the State Inspector General would also oversee their compliance with financial controls. While the memo accompanying the bill states that the intent of these proposals is to minimize corruption, fraud and abuse, we believe that

more oversight is needed. For years, NYSUT has raised concerns with the operations of these foundations and has urged for the passage of legislation to subject foundations affiliated with SUNY and CUNY to Freedom of Information Law requirements. We have also pushed for legislation (S.19B LaValle/A.5379B Glick) to require these entities to publicly disclose, on an annual basis, information regarding their finances and how they are disbursed. We thank Senator LaValle and Assemblymember Glick for continuing to seek more accountability and transparency of these entities. We believe now, more than ever, is the time to pass legislation subjecting these foundations to FOIL requirements and to require them to release public annual reports containing detailed financial information. NYSUT urges the Legislature to include these bills as part of the enacted budget.

These foundations oversee large sums of money intended to support the mission of the systems and as such, their finances should be transparent. Allowing for public scrutiny will serve as both a deterrent and a way to identify fraud, abuse or conflicts of interest.

You will hear more from Dr. Kowal on the need for accountability and transparency of foundations and their affiliates.

Student Financial Aid and Opportunity Programs

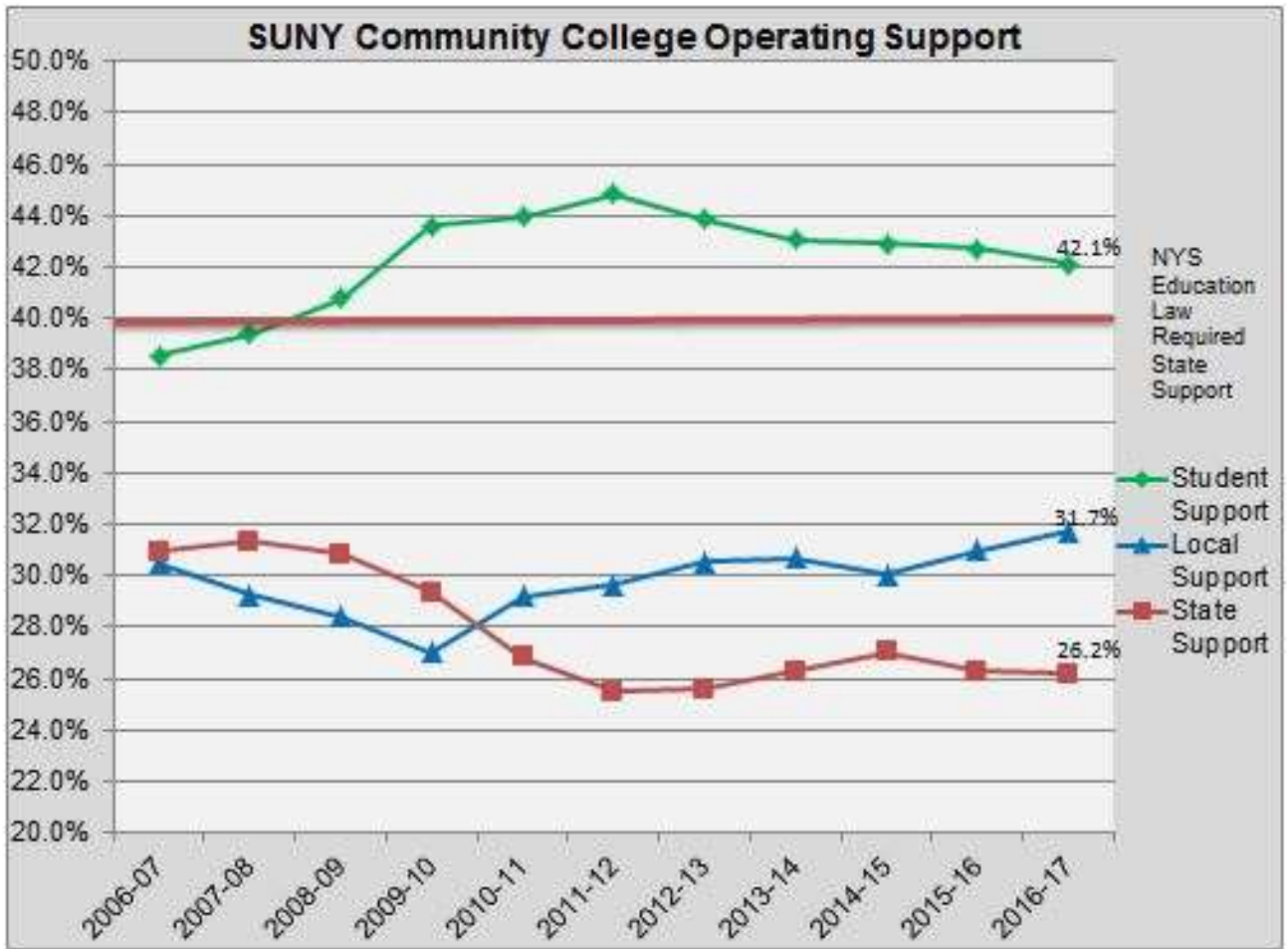
NYSUT urges the Legislature to continue to invest in student opportunity programs that provide greater student access and remediation for students in need. We urge you to restore the funding cut to student opportunity programs in the 2017-18 Executive Budget.

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. Too many students are now excluded from, or underserved by, the current tuition assistance program (TAP). A great way to help reform this program is to enact the NY Dream Act, which is part of the Executive Budget. We urge you to enact this important proposal in this year's budget.

Conclusion

In conclusion, again, we ask the state to adopt a multi-year investment plan to increase state investment in SUNY and CUNY. Extending and enhancing the Millionaire's tax and eliminating the carried interest loophole are common sense actions that would produce the revenue needed to achieve this goal.

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.



CUNY Community College Operating Support

