

UNITED UNIVERSITY PROFESSIONS



TESTIMONY

**Testimony
on the
2013-2014 Executive Budget**

Presented to

**Senator John A. DeFrancisco, Chair
Senate Finance Committee
and
Assemblyman Herman D. Farrell, Jr., Chair
Assembly Ways and Means Committee**

By

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President**

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Chairman DeFrancisco, Chairman Farrell, distinguished members of the Senate Finance and Assembly Ways and Means Committees, thank you for providing the United University Professions (UUP) the opportunity to comment on the governor's 2013-2014 Executive Budget.

I am Phillip H. Smith, President of UUP. We represent more than 35,000 academic and professional faculty and staff serving hundreds of thousands of students and patients—at the academic institutions, the health science centers, and public teaching hospitals directly administered by the State University of New York (SUNY).

Let me begin by expressing our deep appreciation for the actions you took to restore \$88 million to SUNY's three teaching hospitals in the 2011-2012 and 2012-2013 enacted budgets. The loss of the entire \$128 million state subsidy, as proposed in the 2011-2012 Executive Budget, would have presented insurmountable problems with respect to maintaining an adequate level of health care for citizens in the communities served by our public hospitals.

Now that SUNY has a predictable tuition program and the assurance of "maintenance of effort" funding, we might feel justified in relaxing our vigilance concerning SUNY's financial status. That would be a critical mistake. The Executive Budget for 2013-14 continues the trend, begun last year, to shift more of the University's costs—previously financed by the state—to the University's operating budget; in effect, from state support to tuition. When viewed in the context of the University's own financial resources, serious issues regarding the content of, and accessibility and funding for SUNY's undergraduate degree granting programs are likely to occur within a relatively short time.

Underfunding of SUNY threatens the very purpose for which SUNY was created—to ensure that every New Yorker capable of benefitting from a baccalaureate degree program has access to such a program of learning, regardless of affordability. Clearly, underfunding makes no sense. In effect, SUNY is being forced to move away from providing solid, employment-related baccalaureate degree programs in favor of enhanced graduate programs at the University Centers. That will only make the financial survival of the many comprehensive and technology colleges more difficult. I am gravely concerned that in time, the present "maintenance of effort" plan will have a severe negative impact on those 20, or more, campuses that provide core undergraduate instruction. What ultimately may occur is a situation where reduced state funding leads to diminished course offerings, lower enrollments and curtailed student access.

Historically, SUNY has relied on two revenue sources—state support and tuition/fees. Unfortunately, a dangerous pattern is now evolving. That pattern is the University's increasing need to rely upon tuition increases as the primary source of its revenue growth. The University cannot survive on tuition alone. After suffering losses of \$685 million in state support over the past four years, the University's operating budget relies heavily—nearly 75 percent—on tuition and fees to fund its daily operations. In contrast, in the late 1990s, 75 percent of SUNY's operating budget came from state support. As a result, over the last four or five years, SUNY has not had funding to improve quality or to manage an enrollment increase of 20,000 students. Instead, SUNY is now working to replace the state cutbacks with student tuition and fee revenues. Inflation, which has remained at historically low levels, will once again become a significant cost factor. There are limitations on how high undergraduate tuition can be raised, as

well as limitations for increases in graduate and professional programs. In most cases, raising graduate level tuition does not actually produce sufficient revenues to support the programs because of graduate student internships and administrative offsets.

We fear that in time, students from low- and moderate- income families will increasingly become at risk as SUNY campuses seek, or are forced, to limit the outflow of financial aid by admitting, for the most part, those students who can pay the full tuition charge. State aid must be increased. The rational tuition program should not be an excuse to withhold additional state support. We must make public higher education a priority for the restoration of state funding in the 2013-2014 budget.

With respect to capital funding, the state of New York has historically shouldered the responsibility for providing the necessary funding to build buildings or perform critical maintenance, with one glaring exception: SUNY's public hospitals.

With the enactment of provisions for NY/SUNY 2020, the campuses are now taking responsibility for funding new buildings, centers, and projects except for a small amount provided directly by the state called "seed money." To fulfill its responsibility under this program, a campus must use other state support (which could go toward undergraduate education), issue bonds backed by other campus-available revenues, or find other ways of self-financing these projects. In every case, a dollar expended to finance one of these projects is a dollar that could have been used to help finance undergraduate education. So far, the cost of these projects to the University will exceed \$800 million over time, which could go a long way toward improving educational quality.

Unfortunately, the 2013-2014 Executive Budget again targets SUNY's three teaching hospitals for reductions with a proposed \$28 million cut in the state subsidy – bringing the funding level back to \$60 million for 2013-2014. Once again, we ask you to intercede by restoring the \$28 million the governor proposes to cut, and by providing an additional \$40 million to return the subsidy to its historic \$128 million operating level.

Even though the subsidy relates to funding public hospitals and not academic institutions directly, the three hospitals combined support more than \$250 million of the operating budgets of the state's medical schools. To the extent the subsidy is reduced, state support for the medical centers is reduced. There is no logical basis to suggest that the subsidy should be outside the maintenance of effort. In fact, when the 2012-2013 budget was enacted, we do not recall that anyone commented that the hospitals were to be excluded.

We are very concerned about the direction that these initiatives are taking. What we see is a movement away from traditional undergraduate programs, a movement toward SUNY's assumption of a large portion of its capital program, a movement away from stronger state support for the state-operated campuses, and an increasing reliance on student tuition. If this were all to occur, there could be no doubt that access would be severely limited and affordability highly compromised.

At its February 8 meeting, the SUNY Board of Trustees voted to ask the state Health Department for permission to close University Hospital of Brooklyn at Long Island College Hospital. In addition, Article VII language in the Executive Budget creates the possibility for a private entity to take control of the remaining portion of University Hospital at Downstate Medical Center. If both those actions occur, there could be a reduction of more than 6,000 employees. That would be an enormous decrease in health care services for the Brooklyn community, a significant reduction in the number of primary care physicians available for the New York City area, and an economic blow to the community that could be worse than any other over the last 20 or 30 years.

We have spoken with many of you, and we have traveled across the state expressing our concern about the severe impacts this situation may produce, and may produce soon. We all know that Downstate's medical school trains most of the primary care physicians required by the city, we all know that the medical school primarily serves students of color. We all are aware that thousands of people who work at Downstate are people of color and that a quarter of the population served by the hospital earns less than \$15,000 annually and lives in a community with one of the highest unemployment rates in New York.

The state Comptroller, in a January audit report of Downstate, affirms UUP's assertion made several years ago that taking over the virtually bankrupt Long Island College Hospital would only lead to a situation where Downstate's bankruptcy would become more certain. Neither SUNY's Board of Trustees, nor the state University administration, nor the New York State Health Department, saw fit to pay attention at a time when these issues might have been put aside. Now there is language in the 2013-2014 Article VII bill, which allows business corporations to own and operate two hospitals located in the state, subject to establishment approved by the Health Department and the Public Health Planning Council. The bill requires that there be some affiliation with a medical school in Brooklyn. The likely candidate is Downstate Medical Center. If that's the case, then massive layoffs will occur, and the economic impact will certainly be horrific. Businesses will close. People will lose their homes. Unfortunately, this may become a classic example of unintended consequences.

Thank you for giving me an opportunity to provide UUP's first perspective regarding the Governor's 2013-2014 Executive Budget submission.