

Appropriations Committee Testimony
President Susan Herbst
University of Connecticut
-February 21, 2012-

Senator Harp, Representative Walker, Senator Kane, Representative Miner, and members of the Committee:

Now that we have concluded our conversation about the Health Center's budget, I would now like to focus my remarks on the Storrs and Regional Campuses. Before I discuss how we will manage through these difficult budgetary times, I will share some positive information about how we are doing and report on some of the important initiatives we are undertaking this year. I will then explain how we have been addressing our budget challenges and provide you with an overview of our implementation of the McKinsey Report recommendations.

UConn remains a tremendous investment that pays great dividends to Connecticut taxpayers. We are now ranked 19th among public research universities by *U.S. News and World Report*, which continues UConn's movement into the top echelons of public research universities. In 2011 we had approximately 28,600 applications for our freshman class of 4,600 (at all our campuses). As of last week, we had almost 30,000 applications from Connecticut and beyond for the class that will enter in Fall 2012.

Our record enrollment includes the most academically talented and most culturally diverse student body in UConn's history. We are awarding the most degrees ever, which means more talented young people are available to Connecticut's economy than ever before. (All these data points are documented in the handout we provided to the Committee.) Applications to the graduate programs, the law school, the School of Social Work, and the Medical School continue to rise.

These students seek admission because of our academic reputation and because, for a Connecticut resident, UConn offers greater value, higher quality, and more affordable choices, by far, than any competitor. Recently, the University was ranked in the top 30 best value public colleges for in state costs by *Kiplingers Personal Finance*.

As the state's only public research institution, UConn continues to take its role in driving innovation and economic development seriously. University faculty have developed 242 patents over the last 13 years and the University has 97 active technology licenses and options currently. By the end of 2011, the University was home to 22 incubator companies which generated more than \$30 million in revenue and employed 81 employees.

In the Stem Cell arena, our faculty have created four new human embryonic stem cell lines and an invention has been disclosed for cartilage replacement. At our Center for Entrepreneurship & Innovation, we have assisted more than 535 companies from a wide-range of industries since January 2007.

We were pleased that the Governor's budget for FY 2013 funds the Eminent Faculty program and includes \$1 million for our new faculty hiring plan.

The Governor's and General Assembly's commitment to a second Eminent Faculty team and investment in the first building of a Storrs Technology Park will enable us to expand upon the economic achievements I referenced earlier. I am excited to report that the University has already raised more than the required industry match of \$2 million for the Eminent Faculty team and recruitment efforts are underway for the new team that will be critical to the Park's success.

Since design money was awarded in August for the Technology Park's first building, we have selected an architect. We also have completed a visioning process for the Park with Connecticut industry partners which included UTC, GE, Covidien, IBM and several smaller companies. This valuable industry input helped us to determine that Advanced Manufacturing and Advanced Materials will be the initial building's focus. This strategic direction aligns with both the industrial assets of Connecticut and the direction of Federal research priorities.

We commend the Governor for his support of our new faculty hiring plan. Professors in the classroom and the students they teach are the heart and soul of a university. The 290 new professors this plan will allow us to hire will go a long way in helping students get the courses they need to expedite their graduation. It will have a dramatic, positive effect on our students and our overall research capacity for years to come.

This plan is long overdue. The extraordinary growth in UConn's student enrollment has far outpaced the growth in faculty. From the fall of 1995 to 2011, undergraduate enrollment increased by 53 percent – from 14,667 to 22,472 – while the number of faculty at UConn has increased by only 16 percent over the same period – from 1,148 to 1,330. UConn's student-to-faculty ratio was 14-to-1 in FY 1996; it is now 18-to-1. The University's goal is for the ratio to be 15-to-1, which this plan will accomplish.

The budget will allow us to pursue a bold and aggressive strategy of faculty hiring that will transform our institution by providing excellent teaching and service to our undergraduate students, generate research that has national and international impact, increase innovations that create jobs, build great graduate programs and address our state's workforce shortages. To this end, I have asked the Deans to develop hiring plans that:

- Are thematic and developed around targeted areas of impact;
- Will increase existing academic or research strength or generate a new strength in particular areas;
- Interface with major initiatives like Bioscience Connecticut and our new Technology Park; and
- Involve interdisciplinary hires that benefit multiple departments.

Additionally, many of the new professors will be in workforce shortage areas like Engineering, the Life and Physical Sciences, Pharmacy, Nursing, Allied Health and Education, particularly in the areas of special education and urban school reform.

While we are appreciative of the Governor's and General Assembly's support, our budget situation is not without its challenges. The University has been a full partner in assisting the State in addressing its fiscal crisis. The University now receives just 28% of its revenues from the State of Connecticut. The remaining 72% is raised primarily through research grants, tuition and fees and philanthropy.

Between FY 2009 and FY 2012, the University has absorbed state operating cuts of \$26.3 million (including fringe benefits) and fund balance reductions of \$23 million for a total decrease of \$49.3 million during that timeframe. Our state block grant of \$205.6 million (actual projected allotment) in FY 2012 is \$28.9 million less than our FY 2008 appropriation of \$234.5 million. The FY 2013 level of funding reflects adjustments related to the SEBAC agreement.

We recognize that there is more we can do to respond to the economic pressures and to ensure our long-term fiscal health. With that in mind, in late 2010 the University hired McKinsey & Company (McKinsey) through a competitive selection process and embarked on a Strategic Redesign Initiative – an exhaustive review of key areas of UConn's non-academic operations which would result in

recommendations aimed at reducing costs, streamlining and improving processes and generating greater non-tuition revenue. This review applied only to the Storrs and regional campuses, not the Health Center, which has already completed a similar project.

The University secured the services of McKinsey to have an experienced external entity to help us take a hard, critical look at core services and find those services which can be improved. The primary purpose of the engagement was to show the University how its non-academic operations could be improved, not to congratulate UConn on all that we do well.

Significantly, the report notes that many of the issues that were encountered at UConn are common at large research universities. The report also states: “In many instances, UConn’s costs are in-line with peer universities” and that the goal of this effort was to move UConn’s operational efficiency “from ‘about average’ towards best-practice.”

The report’s recommendations are the first step, but equally important is taking action. To that end, the University has begun implementing a number of the McKinsey recommendations. While implementation will be a multi-year process, it should be noted that the University will recover the entire cost of hiring McKinsey in the first year alone. It is also important to note that savings resulting from the implementation of McKinsey recommendations only allow UConn to break even with the Governor’s recommended budget for the University in FY 2013.

It should be emphasized that the McKinsey Report acknowledged that they did not consider the public policy implications of the recommendations but that UConn should. By considering the public policy implications, some recommendations will be deemed impractical or inadvisable. For example, some of the suggestions McKinsey made in the procurement area call for the University to buy goods and materials in bulk to achieve savings. However, if we implemented this recommendation completely, it might negatively impact Connecticut business’ ability to win University contracts and affect UConn’s ability to meet set-aside goals for small businesses and companies owned by women and persons of color.

Listed below are some of the cost-saving measures currently underway:

- **PROCUREMENT.** The initial implementation of the McKinsey recommendations started in early fall 2011. Procurement sourcing teams were formed with faculty and non-faculty members with the goal of finding ways to centralize and standardize items such as office supplies, office furniture, janitorial supplies and other goods and services. The projected savings through standardization and consolidation in the first year (FY 2012) will be at least \$4 million. When all the procurement improvements are implemented by the end of FY 2016, savings in this area are projected to be in excess of \$20 million.
- **CENTRAL FACILITIES OPERATIONS.** The initial phase of implementing the McKinsey recommendations is underway. Over the next several months, the Facilities staff will be dispatched in a more planned and organized way which should result in better planned and more efficient work days; organizational structures will be changed; and the deployment of personnel will be adjusted which will improve service delivery. The savings in the first year (FY 2012) are projected to be \$1 million. The University has an opportunity to save over \$6 million yearly when all the changes are implemented by the end of FY 2016.
- **CENTRAL INFORMATION TECHNOLOGY.** The University’s information technology structure is being centralized to include both University Information Technology Services (UITS) and IT functions within colleges, schools, departments and other units. As an initial step in this process, these independent units have now been consolidated under the Provost’s direction. By the end of FY 2016, savings could be over \$4 million yearly.

- FINANCE, HUMAN RESOURCES AND GENERAL ADMINISTRATION. Implementing recommendations from McKinsey, in conjunction with the implementation of the new financial reporting system, will provide greater centralization in these areas, improve work-flow and reduce redundancies. Savings by the end of FY 2013 may exceed \$1 million and as much as \$7 million by the end of FY 2016.

Beyond the recommendations that are already being implemented, there are additional recommendations contained in the report which require further review. These recommendations will continue to be studied to determine if they are appropriate and workable. It must also be noted that UConn is a public agency and must operate according to state laws and regulations as well as the collective bargaining contracts of its workforce, including the most recent SEBAC agreement with the state, when determining which recommendations are feasible or beneficial.

We are continuing this work to ensure that our operations have the effectiveness and efficiency needed to maximize the resources that can be used to advance our academic goals.

We hope this provides an overview of our budget situation and our major priorities for this year. As always, I would like to thank you for your continued support of the University of Connecticut and would be happy to answer any questions.