

Appropriations Committee Testimony

President Susan Herbst

University of Connecticut

-February 24, 2015-

Co-Chairs, Ranking Members, and members of the Committee, thank you for inviting us here, and for all of your support for the University of Connecticut.

With me today is Dr. Andrew Agwunobi, our interim Executive Vice President for Health Affairs at UConn Health, Wayne Locust, our Vice President for Enrollment, Scott Jordan, our Chief Financial Officer, and Sally Reis, our Vice Provost.

I will be speaking first today about the university as a whole and then turn it over to Dr. Agwunobi to discuss UConn Health specifically.

Let me begin with what I think we all agree is the most pressing issue.

The size of the deficit that the state expects to face next year is well known and I know that closing it will be an incredible challenge for the governor and the General Assembly.

That said, the recommended budget released last week proposes to make a severe cut to UConn's state appropriation, which, if enacted, would create a gap of roughly \$40 million between the state funding needed to operate the university next year, and what the university would actually receive.

A reduction to the appropriation in that amount would without question have a devastating impact on every aspect of university operations, faculty teaching and research, and student success.

It would go a long way toward undoing the immense progress that has been made at UConn over two decades and begin the process of hollowing-out the major investments Connecticut has made in UConn during that time.

The greatest consequences of this would be the effect it would have on our students, our academic programs and the role UConn must play in the state's future, economic and otherwise.

It would be a giant step backward.

I want to make it clear that we at UConn will strive to be the great university that Connecticut deserves, no matter what. That's our job. But we need the tools to do it.

When faced with more modest reductions in recent years, the university has closed deficits through institutional cost cutting – always working to protect the academic core – and by reallocating one-time funds, as we did in the most recent fiscal year.

At this point, there are no useable one-time funds left that could even begin to close a financial gap of that size.

To put this in perspective, the prospective reduction in the state block grant this year alone represents slightly more than the entire operating budget of the School of Engineering or the combined operating budgets of the Schools of Law, Nursing and Social Work.

To address the gap this would create, our cost-savings and revenue options will include: strategic workforce reductions and, to the extent permitted by collective bargaining obligations, unpaid furlough days for all employees including management and unionized workers, reductions to student financial aid, closing academic departments and programs – including in Storrs and the regional campuses – and ending certain degree programs.

Any cost cutting will be guided by one key principle: the need to protect core academics and teaching excellence, in particular. This means doing all we can to fund high-performing faculty and research and keep our course offerings and availability up for students in critical fields. This helps students get the courses they need, when they need them, so they can graduate on time. This approach is intended to protect overall academic quality. That is what brings great students and faculty to UConn in the first place, and we cannot sacrifice it.

What are the outcomes of state investment over two decades that are now at risk?

While enrollments at many other private and public universities and colleges in the region are on a downward trajectory, mirroring demographic trends, the opposite has been true at UConn.

In the fall of 1995, UConn received about 10,800 applications. This year, it was more than 32,000, an increase of 198%. More importantly, the academic quality and diversity of our applicants and our students continues to rise. In that time, enrollees' SAT scores have shot up by over 120 points. And about one third of students in our most recent freshmen class are members of minority groups. In 1995, that number was 15%.

In each of the last three years, each freshmen class the university has enrolled has been more academically qualified and diverse than the class that came before it – with the most recent being the best in the history of the university. We are home to more honors students, valedictorians and salutatorians than ever before.

UConn is keeping the state's best students here in Connecticut, helping to reverse what is often called the "brain drain."

At UConn, our freshmen retention rate is 93%, including for minority students. That is well above the national average of 61%.

Our six-year graduation rate – which is the standard measure – is 81%, and is 78% for minority students, which are among the very highest rates in the entire nation, and far above the national average of 57%.

Our average time to a degree is 4.2 years, which is also among the best in the nation.

And in addition to the percentage rates, the actual numbers themselves continue to rise. In 1995, UConn awarded about 4,700 degrees. This year, that number is expected to be over 7,700. And once they graduate, most of our alumni continue to live and work in Connecticut.

The effects of Next Generation Connecticut are already visible – construction has begun on a new 725-bed Science, Technology, Engineering and Math residence hall on the Storrs campus, as well as significant increases in the number of students applying to our Engineering and Science programs. Planning for new academic buildings and additional residence hall space to accommodate anticipated growth in our student population under NextGen is also underway.

Great students in every state, especially in the Northeast, have no shortage of options when it comes to the college or university they may attend.

They look primarily at the academic quality, the quality of facilities and campus life, and affordability. Today, UConn is able to offer all four.

This is neither a coincidence nor a happy accident. It is primarily owed to two things. The first is the far-reaching and meaningful investments in UConn over two decades by you, Connecticut's leadership. And second is the thoughtful and strategic management of those investments on the part of the university.

With respect to our overall state appropriation: UConn is grateful for every penny that the state is able to provide both on the operating and capital side. State funds provide approximately 29% of our budget this year, and we could not function without it. But it has declined already.

When the reductions to the block grant are combined with budget rescissions and fund sweeps by the state since 2008, as well as the prospective \$40 million cut to our appropriation this year, the reductions to the university's operating budget in the last seven years will approach \$100 million.

During this same period, the cost of operating the university, especially with respect to financial aid, has increased dramatically as UConn works to recruit and retain great students: in 2008, our financial aid budget was \$43 million. In 2015, it will be \$93 million.

Falling state appropriations have also led to increased tuition and fees for students nationwide. However, today, I can tell you that we will not be asking our board of trustees to approve any mid-year or additional tuition or fee increases to help close our anticipated deficit in fiscal year 2016 beyond the four-year tuition plan approved by the trustees in 2011.

Despite these fiscal challenges, with careful planning and prudent management, the university continues to thrive and be successful.

An additional cut of \$40 million would derail that success.

You may have been told that UConn has quote-unquote “reserves.” This is a misleading term, because it suggests that the university has centrally socked away money as a way of holding on to it, similar to a savings account or rainy day fund.

That is not the case at all.

UConn’s fund balances are either committed for a specific purpose or need, or have been set aside because we are required to have a certain level of funding on hand.

For example, the university maintains funds equal to 1.24 times our annual debt payments. In addition to being a fiscally prudent practice, this is necessary to maintain our bond rating so we can continue to borrow.

Funds are also kept on hand for things like supporting faculty, including laboratories, as well as capital needs on our campuses, such as repair, renovation and construction projects, as is required under the UConn 2000 legislation.

Unfortunately, in order to close past deficits, portions of these funds have sometimes been reallocated, meaning taking funding away from a particular project. This means that something that needed to be done wasn’t done, because the university used the funds to help close a deficit instead.

Our combined fund balances have declined by one third since fiscal year 2012 in order to close deficits centrally. It would be unwise to continue this practice.

UConn’s current funds available would cover only 28 days of the university’s operations, which is well below the 90-day level we should be at.

In theory, other than those funds set aside for a statutory or bonding reason, all fund balances could be swept and used to close the deficit we face next year, but then we would fail to meet countless obligations and cease to function in the most basic and fundamental ways.

I would ask that you consider this: the state has come so far and done so much to make UConn a truly great university to serve the state of Connecticut and its residents. Each and every investment in UConn has paid dividends, exactly as they were intended to.

And we are hardly at an end point; rather, UConn is only now just beginning to realize its potential. We are among the best public universities in the nation; but UConn can be so much more and do so much more for the state of Connecticut.

Like UConn 2000 before them, Bioscience Connecticut and Next Generation Connecticut can continue to transform our university. But success will not be found in the construction of

buildings alone; it will happen by ensuring that we can put the people and resources inside those buildings that are necessary to do the work that needs to be done.

That requires strong capital and operating budgets. Because having great structures that are partially empty or capital funds that sit idle because the university lacks the budget necessary to operate new facilities, or to recruit outstanding faculty, or enroll talented students, would defeat the far-reaching goals of those initiatives – and the purpose of the university itself.

We all appreciate the daunting task before you with respect to addressing the state's budget, but I would ask that you do all that you can to help ensure that the university is spared the kind of severe cut that would unravel so much of the good that has been done. Instead, we ask that you act to help keep UConn on the path forward and invest in the future.

As I said, we will strive to be a great university no matter what, because that is our job. But we need the tools to do it.

Thank you.