



Senate Higher Education Committee Hearing

Friday, September 24, 2010 at 1 pm

Testimony Submission from:

Chairman Carl T. Hayden

Chancellor Nancy L. Zimpher

Chief Operating Officer Monica Rimai

## **Testimony of Carl T. Hayden, Chairman of the SUNY Board of Trustees – 9/24/10**

Good afternoon, Senators. My name is Carl T. Hayden. I am a former Naval Officer and I was for seven years the Chancellor of the New York State Board of Regents. Thank you for allowing us to discuss with you the Chancellor's administrative reorganization.

The Board I chair is comprised of distinguished individuals from all walks of life, individuals nominated by three different Governors and thoroughly vetted and approved by this very committee. SUNY trustees are volunteers. We receive no salary. We are independent and we take our fiduciary responsibilities seriously.

We are also acutely sensitive to the pain and anguish being felt by thousands of New Yorkers as a direct result of an economic contraction of historic dimension. Because operating aid for SUNY has been cut \$634M in the last three years, no one knows better than we the utter imperative of finding ways to do more with less.

The resolution you wish to discuss was moved by Trustee Linda Sanford, a senior Vice President at IBM, and seconded by H. Carl McCall, once New York's Comptroller and a candidate for Governor. It was thoroughly debated and, subject to two abstentions, unanimously approved.

You have summoned us here to discuss the Chancellor's administrative reorganization, which includes \$190K in increased compensation for three of the Chancellor's senior aides, each of whom has been asked to take over in whole or in part work previously performed by others. I assume you will want, as well, to learn more about the broader plan of which these increases are but a small part, a plan that generates net savings of \$3.3 million dollars.

You are seasoned legislators. Because you are, you will know that no unit of state government in living memory has ever reduced its administrative expense by 25% in a single year. But that is precisely what this Chancellor, with the approval and support of this Board of Trustees, has accomplished in reducing an administrative budget of \$13M by \$3.3M. Economies at this scale are unprecedented in state government. And they are admittedly painful.

Please feel free to use this occasion to examine other implications, much more profound implications, flowing from support for SUNY having been reduced by more than 30% in three years. Cuts of this magnitude, an unprecedented disinvestment in public higher education, inevitably drive consequences, virtually all of them negative. Those consequences are already rippling through the state university, already adversely impacting both access and quality. There is triage occurring everywhere. Enrollment caps are popping up, majors and course offerings are being eliminated, and tenured professors are being replaced with untenured adjuncts. Everywhere. And I fear we are seeing only the tip of the iceberg. Surely, there is more of this ahead.

At my confirmation hearing, you expressed your interest in the state of SUNY's leadership. At the time, after a series of short-term Chancellorships, we had no Chancellor. I had the privilege of chairing the search that resulted in Nancy Zimpher's decision to come to New York. She is indisputably one of the most dynamic educational leaders in America. In just over a year, she has visited every one of SUNY's sixty-four campuses and put together, with input from every constituent group, a compelling and powerful strategic plan. And the realignment of her senior management team is one aspect of putting that plan to work. Now she needs to be permitted to lead.

Nancy Zimpher is the right leader for this moment, a moment of great peril (and great opportunity) for this great university. Her plan is sensible and visionary. If she is allowed to lead and allowed to implement the Power of SUNY strategic plan, not only will she see us through the immediate peril of the moment, but in the doing of it she will expand access for aspiring students, elevate the quality and standing of a SUNY degree and put SUNY at the cutting edge of New York's economic revitalization.

The Chancellor and the strategic plan enjoy the unwavering support of the Board of Trustees. What we hope you will conclude, as a result of this hearing, is that you, too, should back SUNY's bold initiative. What we need, beyond your thoughtful oversight, is support for the Chancellor and the strategic plan. Legislative support for a stronger, more accessible, more influential state university was abundantly clear in the other states where she headed higher educational systems. She deserves no less here. We should all be pulling together.

Finally, although it pains me to dignify such sleaze by remarking on it, there is no Taj Mahal under construction at SUNY Plaza. To the contrary, our Chancellor is leaving a very attractive office on the 12th Floor of the SUNY tower, and its commanding view of the Capitol, to go to much less sumptuous offices on the 4th floor where she and her senior leadership team can be together. She is quite literally coming down from the ivory tower.

The work underway is the latest step in a Capital Renovation Plan that has been underway for years. SUNY headquarters, the old D&H Railway Station, is an ancient structure with significant infrastructure issues, including obsolete electrical wiring, HVAC systems and friable asbestos. The 3rd and 5th floors were the first two to be remediated; the 4th in now being done in a manner entirely consistent with the plan.

Thank you for your time and attention. I yield the floor to the Chancellor. I will be pleased to respond to any questions you may have.

Carl T. Hayden  
Elmira

## Testimony of Nancy L. Zimpher, Chancellor of the State University of New York – 9/24/10

Thank you, Carl Hayden. I'm happy to contribute to this three-fold testimony and pleased to have the opportunity to present our views on governance, leadership, and financial transparency. My topic is **leadership**.

But first I want to acknowledge Carl Hayden, one of New York's finest native sons who has given his professional life in its entirety to this state through:

- the practice of law in Upstate NY;
- his civic commitment in service previously to the NYS Board of Regents;
- and now, thanks to the wisdom of the governor and this Senate, his service as chairman of the SUNY Board of Trustees;
- and of course Carl's countless hours to the betterment of his beloved Elmira.

I would simply not be before you today had Carl Hayden not been SUNY's chief recruitment officer.

You have heard from Carl on behalf of the SUNY Board of Trustees what was expected of me when they appointed me as SUNY's 12<sup>th</sup> Chancellor.

And here's why I accepted their offer:

- SUNY is without question the largest, most diverse, and I would add, potentially the most dynamic system of higher education in the nation. As legislative leaders, you have much to be proud of in your SUNY.
- It is your SUNY that continues to offer the highest quality education for the broadest base of New Yorkers, at the most affordable price. Not only is SUNY a Rockefeller legacy, SUNY is *your* legacy. And it is our collective responsibility to protect, uphold, and nourish the incredible uniqueness that is SUNY.
- It is your confidence in the members of SUNY's Board of Trustees (virtually a completely new and diverse board from earlier days) that also assures this sacred commitment to an affordable and accessible high-quality education that SUNY continues to offer to over 465,000 students because of the extraordinary faculty and staff who serve these students.
- And it is my job as SUNY's Chancellor to uphold this unique mission; this dream for NY's young adults and citizenry of every age.

Given my many years in higher education, as a teacher-educator and an academic administrator, I plan to keep my end of the bargain. What the Board of Trustees hired me to do,

and what you must hold me accountable for, is best understood by reminding you of my personal and professional approach to leadership and action.

It's really very simple:

First, as I have said many times, vision trumps everything. That's why I accepted the Board of Trustee's charge to create a vision for SUNY that would be realized not only for the good of SUNY but for the good of New York—using “the Power of SUNY” to move New York forward to the greatness it deserves. While you have not chosen to hold hearings on our Plan, it is in your best interest and the State's that SUNY is successful in implementing this plan, targeted most appropriately on using our mission of teaching, research and service toward the economic revitalization of the state of New York and its enhanced quality of life.

As I hope you know, SUNY's vision has been crafted at the hands of many. You know this from the very beginning of my 64-campus visit, the multiple statewide conversations we held, and the comprehensive launch of our plan. And now you are seeing us begin to deliver on our promise to power New York's economic recovery and enhanced quality of life. We will show you by our actions how mobilizing our 64 campuses and a constituency of nearly 500,000 students, 88,000 faculty and staff, more than 20,000 retirees, 2.4 million alumni, and the widely acknowledged support of business, community, and corporate partners that together we can move the economic dial for New York.

But how does this plan work in practice?

Well...that's real simple, too. As the leader of this magnificent institution, we will “work” this vision through our people:

- collecting around us the very best people we can find;
- and as Jim Collins writes, invite them to get on “the SUNY bus:”
- and through our collective actions find a way to move this monstrously big system in a decisive direction for the betterment of New York.

As such, I believe I have assembled one of the most dynamic leadership teams in higher education in the country. I have done so on the one hand because I inherited an amazing cadre of SUNY presidents, faculty, and student leaders, and an extraordinarily dedicated and diverse staff.

But at the heart of this huge and comprehensive system I needed a leadership team, which I have recruited largely from the talent that was already here.

Yes—I brought with me a colleague whose commitment to leadership, vision, and action is consistent with mine—and whose drive to create a high-quality and efficient SUNY is unrivaled. You all know her as Senior Vice Chancellor and Chief Operating Officer Monica Rimai.

But the remainder of my team is home grown!

Along with Monica and myself, I had the great good fortune to recruit SED Senior Deputy Commissioner Johanna Duncan-Poitier to lead SUNY's commitment to the education pipeline, from cradle to career, and now doubling her portfolio to take on the vacated position of overseeing SUNY's 30 community colleges.

As to David Lavalley, initially only promising me a brief tenure as interim Vice Chancellor and Provost, I have now convinced David (with great support from our campus presidents) to stay the course through June of 2012 and, oh, by the way, to take on several new roles created by multiple vacancies in the Provost's office.

And I have asked John O'Connor to reposition his services in leading SUNY's commitment to increased research revenues, more innovation, and enhanced entrepreneurship among our faculty, staff, and students—work that is at the heart of our new Strategic Plan. Already you are seeing John's hand at work in the expansion of SUNY business partnerships, reaching from Buffalo to Rochester, Utica, Long Island, and, of course Albany and the Capital District, and south to New York City and Long Island.

Just when this team rightfully began to embrace these new challenges, we have had cause to greatly reduce our capacity at SUNY Central through cost reductions and cuts that Monica will review, thus significantly expanding individual workloads of our leadership team.

While my charge from the Board of Trustees was about vision, it was also clearly about action, and ultimately about accountability. So I have had to return to each member of my leadership team and essentially ask them to do more with less. Realizing the significant increase in responsibility, I offered members of my leadership team some financial accommodation. Given the high standard of their work, I wish I could have done even more.

While I believe everyone can follow my logic, concerns have been raised about the response to these expanded responsibilities as reflected in their compensation packages, especially in light of our financial condition. While you will hear from Monica a clear accounting of SUNY's ability to cover these costs, it is critically important that we respond to any concerns that might emanate from any source, and deal directly with those concerns.

It falls to me as the chief academic officer of this great SUNY system to find the fix—the sweet spot between my obligation to my board and the integrity of their governance responsibilities; my responsibility as a leader to deliver on the tasks assigned to my leadership team; and yet appropriately address any concerns my colleagues in SUNY might have and your role in representing the public good. Today I believe I have found the proper accommodation to these complementary but somewhat conflicting goals.

Each of the principals in question today—all five of us, Zimpher, Rimai, Lavalley, O'Connor, and Duncan-Poitier—have anguished over a reasonable compensation package that recognizes new and expanded responsibilities in the face of our current financial condition.

Here is what I have resolved on behalf of SUNY's executive team:

**First**, I will stand by the salary increments extended to my team in recognition of significant expansion of their scope of work.

**Second**, and at their request, I am withdrawing their housing allowances. For as long as anybody can recall, a housing allowance has been part of the compensation package for SUNY Central Administrators. That ends today—not only for the two administrators affected by this proposal, but it ends today, as well, for me as Chancellor and Ms. Rimai as Senior Vice Chancellor and Chief Operating Officer. Instead, we will construct compensation packages that are fully funded at the base with no additional “allowances.”

**Third**, we will use cash generated by Ms. Rimai's and my housing allowances to fund the salary adjustments of the other three members of my leadership team.

And **fourth**, while we're at it, we will begin today to correct the inequities of a group of outstanding leaders in SUNY Plaza whom the State defines as “management confidential.” While their counterparts in organized labor have realized a 7% percentage increase in their compensation over the past two years (with UUP receiving an additional 2% discretionary pool increase), this cohort of MC employees has received no pay increase whatsoever. That's simply not fair and we will propose a correction for inclusion in the FY 2011 SUNY budget.

Let me clarify what I have just said in this way: By virtue of the authority vested in the SUNY Board of Trustees, the board has every right to assert that the compensation packages I proposed were appropriate. This is a sacred principle of governance that should not be denied.

Given my own commitment to the leadership tenets I have shared today and which I hold so dear, my responsibility is to lead, and lead I will. So I want to be equally clear that the decision to forgo housing allowances for System Administration was not driven, influenced or otherwise motivated by the character of the media coverage of this issue, or the spread of misinformation about how SUNY manages both its Capital and Operations budget.

Instead, the decision comes from my belief that a big part of leadership is compromise. As the Rolling Stones say, “you can't always get what you want.” (Witness the rough and tumble legislative session I just experienced!) So in keeping with my obligation to lead with compromise, I have proposed, and my chair has begrudgingly accepted my request to manage the compensation packages of my executive team in the manner in which I have just described. Let me be clear. I had to plead my case to my chairman. But in keeping with the governance responsibility of the board, I am not asking you to accept, confirm, or even agree to this concession I have proposed. I am only informing you that I believe I have found an acceptable

way to demonstrate my respect for the role of my board, the respect I hold for my colleagues, my desire to reimburse them appropriately, and my desire to respond to any remaining concerns about my actions. This is what leadership is about, nothing more, nothing less.

**Testimony of Monica Rimai, Sr. Vice Chancellor and Chief Operating Officer of the State University of New York – 9/24/10**

**I. INTRODUCTION**

How we decided we need to make 3.5M in cuts-

Back in the Spring of this year, as we began the process of building the FY 2011 System Administration Budget, we:

- Estimated our fair share of the reduction in state support for SUNY would be approximately \$1.4M (based upon what we were seeing in the Executive Budget, and the two one house bills)
- Calculated that we had a structural deficit (i.e. past cuts taken on only a one-time basis – e.g. Levin line out) of approximately \$3M
- Estimated that we were experiencing a reduction in revenue of approximately \$600k (e.g. unfunded inflation, reduction in parking, rent (SUCF, RF) and overhead revenue (fee we charge campuses for business services)).

This totals up to a 5M permanent shortfall.

After reviewing all the options, efficiencies and operations needs, we determined that we could permanently reduce our budget by 3.5M, and that the remaining 1.5 would be managed either through opportunities for further reductions as the year progressed, or continued one time solutions.

Principle for getting to these cost savings-

- Start with finding Other Than Personal Service (OTPS) savings first
- Let good operational efficiencies drive decision making, apart from financial condition
- Begin addressing structural problems

We did understand, however, that given the composition of the budget, i.e. approximately 90% of our expense budget in Personal Service (PS), managing any cut would by definition impact people.

## II. WALK THROUGH OF 3.5M IN SAVINGS

- **A variety of OTPS cuts were identified and taken first**

- First**, targeted other than personal service expenditure reductions totaling \$230,000 including elimination of bottled water service and food at meetings, reduced travel and reduction in newspaper subscriptions.

- Second**, an across-the-board OTPS reduction of 5% generated \$120,000 in savings.

- Third** a savings of \$17,500 associated with the OTPS budget for security personnel who were eliminated.

- Fourth** Savings generated by change in operations at the SUNY Global Center are another \$200,000.

- **We achieved 567,500 in OTPS savings, still leaving us over 2.9M [2,932,500] in savings to find.**

- **Since we still had a substantial gap, and, as previously noted, personnel costs are by far the largest component of our budget, we then had to look to a reduction in force.**

- Focusing on operational efficiencies, sixteen SUNY M/C positions were eliminated (two through planned retirements) for a fiscal year savings of \$1.5 million.

- Four funded vacancies were eliminated for a fiscal year savings of \$430,000.

- A total of 159 SUNY M/C positions were furloughed either 7 or 9 days at an anticipated fiscal year savings of \$445,000 dollars. Note that those employees making less than \$150,000 were furloughed 7 days, and those making over \$150,000 were furloughed 9 days.

- After conducting a thorough security review, conducted by our University Police (sworn law enforcement) and our facilities manager, we concluded that for a building that does not house students, and is open to the public only during regular business hours, the elimination of the public safety function was an appropriate next step. That decision generated \$364,000 in personal savings.

- Finally, we fully anticipated vacancy savings total \$200,000 going forward, based upon experiences in past years (i.e. working the float from turnover)
- Total savings from reduction in force, \$2.9 M

**Summary of SUNY Budget Reductions**

Action	Terminations/Retirements		Other Personnel Savings		OTPS Savings
	Positions Impacted	Annual Salary	Positions Impacted	Other Salary Savings	
MC Layoffs	14	1,252,500			
Planned Retirements	2	269,700			
Abolished Vacancies	4	430,000			
MC Furloughs			159	445,000	
Public Safety	11	364,000			17,500
Targeted OTPS Reductions*					230,000
5% Across-the-Board OTPS Reduction					120,000
Anticipated savings due to Vacancies/Turn-over				200,000	
SUNY Global					200,000
<b>Total</b>	<b>31</b>	<b>2,316,200</b>	<b>159</b>	<b>645,000</b>	<b>567,500</b>

**Grand Total Actions** **3,528,700**

\*reduced travel, eliminate newspapers, bottled water, food at meetings, etc

target	3,500,000
total	3,528,700
difference	+28,700

Let me now turn to the Capital budget, and specifically, the maintenance and renovation program for System Administration headquarters, known as SUNY Plaza. There has been a great deal of misinformation circulating over the course of the last two weeks, so I want to make sure you're informed of the facts.

## I. WALK THROUGH OF PLAZA RENOVATIONS

SUNY Plaza consists of four components: The former D&H Railroad Headquarters, the former Federal court house, a parking garage; and the surrounding 5.49 acres.

The State of New York has assigned use, and therefore responsible maintenance of these facilities, along with the thousands of other buildings across our campuses, to the Board of Trustees and the University as a whole.

The two historical and architecturally significant buildings that make up the bulk of SUNY Plaza are not only incredibly valuable and necessary to the University's day to day work, but a valuable asset of the State, especially downtown Albany.

Therefore, SUNY's Board of Trustees, Chancellor and leadership have a fiduciary duty to the State to maintain the value of this asset.

Indeed, this stewardship responsibility is the fundamental driving principle behind SUNY's Capital Plan and corresponding Capital Budget.

The New York State legislature supports this fundamental principle as reflected in the capital appropriations passed by the Assembly and the Senate allocating Capital dollars for SUNY's Capital plan, and very specifically, capital dollars for use in the maintenance and renovation of SUNY Plaza.

The legislative process has appropriated capital funding for the capital projects that collectively form the maintenance and renovation program for SUNY Plaza. This program ensures that the State and SUNY maintains and preserves its assets.

As you know, capital dollars are not interchangeable between operations and construction: as a matter of law, those dollars cannot be reallocated for operations – they cannot be used to offset cuts to SUNY's operating budget, and as such simply are not, by law available to avoid furloughs and layoffs.

In the last ten years the legislature has approved a number of capital appropriations for SUNY Plaza which resulted in approximately \$38.5M in major projects. Here's how we spent that money.

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**State University Plaza****Project History with Costs**

09/20/10

<b><u>Projects completed in the last 10 years</u></b>	<b>Project Cost</b>
Exterior Door Replacement & Security System Upgrades	\$1,734,000
Second and Partial Third Floor Interior Renovations & mechanical upgrades	\$8,100,000
Telecom Infrastructure Upgrades	\$1,335,000
Exterior Preservation Phase 1	\$6,829,000
Elevator Replacement	\$2,200,000
Roof Rehabilitation Plaza Building	\$952,000
Federal Building Roof Replacement & Exterior renovation / historic preservation	\$5,804,000
Window Replacement Phase 1	\$2,141,000
Replace Water Mains	\$507,000
Mechanical Systems Upgrades	\$2,461,000
Boiler Replacements	\$600,000
<b>Subtotal</b>	<b>\$32,663,000</b>
<b><u>Active Construction Projects</u></b>	
Exterior Restoration & Historic Preservation	\$3,660,000
Replace Windows Phase 2	\$2,200,000
<b>Subtotal</b>	<b>\$5, 860,000</b>
<b>Total</b>	<b>\$38,523,000</b>

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We have approximately \$7.9 million available that has been programmed for planned projects at SUNY System Administration.

Our first priority is to address some infrastructure needs at SUNY Plaza and at the same time reconnect it to the community – to invite those who live and work in Albany to use and enjoy our green space and to see the main SUNY Plaza Building’s first floor common space as a community asset.

Plans are underway to achieve this goal [Maybe talk about meeting with the Mayor]

Next phase of interior maintenance/renovation is the 4<sup>th</sup> floor of the building

The budget for this next phase is approximately 3M – absolutely consistent with maintenance and renovation costs for other floors of the building, 75% of which is associated with infrastructure issues, not finishes

Part of the fourth floor in the D&H building has been designated as office space for senior leadership. We work as a team. It is more efficient for us to be in better proximity to one another.

As you would expect, this fourth floor area include meeting and conference space – designed flexibly so we can get the highest and most efficient usage out of the entire space

All the space for the fourth floor, as with the other floor renovations, has been allocated consistent with space allocation formula used for the entire System (i.e. sf per person)

Plans contemplate appropriate finishes, that will stand the test of time so were not wasting money, but nothing lavish – no spa

Part of the goal in renovating and maintaining Plaza is the move SUNY personnel from outside rented space (e.g. corporate woods) into Plaza to save lease costs

## **II. CONCLUSION**

In conclusion, I think it's pretty clear that:

With regard to the Capital budget, what you may have heard about alleged lavish renovations is simply untrue. SUNY and the Constructions Fund are exercising great appropriate stewardship over a resource we have been assigned by appropriately maintaining and renovating SUNY Plaza to ensure efficient use for its intended purpose.

On the Operating budget side, I think it's equally clear that SUNY could have funded the salary adjustments at issue today from either OTPS savings or savings from abolished vacancies.

That said, as explained by Chancellor Zimpher, we have elected to fund those adjustments differently by:

- first, not allocating the newly authorized housing allowances; and
- second, reallocating the Chancellor's and the Chief Operating Officer's housing allowances to cover the cost of the base increases for Ms. Duncan-Portier, Mr. O'Connor and Dr. Lavallee, as well as generating additional savings.

When SUNY's financial condition improves, we will reconsider this funding stream.