

House Finance Committee FY08-09 Biennial Budget Hearing
March 5, 2007
Legislative Office Building, Room 210

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The University System of New Hampshire is very appreciative of the operating support provided by the Governor and Legislature in the current biennium, and the Governor's proposed increases of 4.1% and 4.2% in FY08 and FY09 respectively. This support has sustained an effective partnership to promote the New Hampshire's economic and social well being, with the State Appropriation growing by an annual average of 3.5% during the current decade, and when adjusted for the growth in the number of New Hampshire students, 2.2% per year. The Appropriation is 13.4% of current total operating revenues, and the USNH budget *request* asks the State to fund 13.9% of total revenue during the FY08-09 biennium. The Governor's recommendation would provide 13.2%, or a gap of \$10.1 million.

As noted by Trustee Dupont, this proposal comes as a result of a rigorous process that does not simply ask the State to fund all our needs. With a proven track record of being extremely cost conscious, USNH institutions spend significantly less than peers (for example, UNH expenses per student are 18% less than comparable universities). The USNH faces many of the same factors challenging higher education institutions across the country, and is actively and successfully engaged in numerous mitigating strategies. Thus any gap presents a serious obstacle to achieving the goals cited by Chancellor Reno.

The significant drivers of our request for 7.6% Appropriation increases each year (\$7 million and \$7.5 million respectively) are the need to:

- (1) maintain affordability of our tuition,
- (2) provide adequate financial aid for all New Hampshire residents, and target more aid to our most needy in-state students,
- (3) invest in proper operation and maintenance of our facilities,
- (4) address sharp increases in the costs of medical benefits, and
- (5) provide fair compensation to employees.

- The USNH proposed budget includes 4.5% annual tuition increases. This represents the continuation of the effort to keep the overall direct Cost of Attendance (tuition, fees, standard room and board, or "CoA") increases relatively modest. Despite numerous cost pressures and the moderate Appropriation funding increases per student, the average CoA has increased less than 6% per year during this decade. Why is a lower rate of increase important? As the public four-year higher education system, we have a particular commitment to first generation college students. These students, and many others, are "price sensitive" and the CoA "sticker price" may discourage capable students from enrolling. Appropriation increases are needed in this biennium, and will be needed in future biennia, to "catch-up" on the underlying level of State support and enable the reasonable tuition rate increases to continue. It is also essential to maintain non-resident tuition at a competitive price, as this population provides a subsidy for our in-state students (but please note that even at equal percentage rate increases of 4.5%, UNH resident tuition increases will be \$370-390 versus \$930-970 for non-residents).
- The USNH will continue to meet all financial need as defined by the federal methodology for direct expenses of *in-state students*, understanding that aid packages will include "self-help" components of work and loans. USNH students receive more than \$200 million in total financial aid each year, with more than \$50 million (and

approximately 62% of all grants) coming from USNH institutional sources. Since FY2000, USNH institutional grants/scholarships to in-state students increased 12.5% per year. More than 70% of degree candidates receive some form of aid, but the average debt for bachelor's degree recipients from USNH residential campuses in FY2006 still ranged from \$21,000 to nearly \$25,000. Given price sensitivity and the growing level of debt, a focus in this request is the expansion of the Affordable College Effort (ACE) – a program first proposed by Governor Lynch in his budget for the current biennium – to the second and third year of enrollment for the most needy New Hampshire students. The ACE program replaces the loan component of an Aid package with a grant, and this year includes all New Hampshire freshmen with an Expected Family Contribution (EFC) of less than \$1,000.

- The USNH is also committed to increasing the annual allotments to repairs and renovations (R&R) for academic buildings, investments that have multiplied by a factor of nine since the late 1980s. In the current year \$14.5 million (versus \$1.6 million in FY88) is budgeted for R&R, and will grow \$1,350,000 per year. Stewardship of all USNH facilities is a priority of the Board of Trustees and will continue to be until sufficient funds are expended annually to meet the ongoing costs of maintaining and adapting facilities to evolving academic requirements (the replacement value of USNH facilities, at least \$1.6 billion, equals, if not exceeds, the value of all other state owned facilities and therefore represents a substantial responsibility).
- Despite plan design changes and aggressive pursuit of cost savings (such as prescription drug discounts, consumer directed health care options, and purchaser alliances), the USNH employer medical plan costs have more than doubled in this decade and are projected to increase by double digit amounts in the foreseeable future, or more than \$5 million per year. As one consequence, the USNH employee contribution to a typical HMO family medical plan has increased from roughly \$200 to more than \$2,500 annually in last five years and is expected to increase significantly again over the next two years (for HMO Family plan, \$208 to \$2,553; single person from zero to \$426, two-person from \$104 to \$1,227. Total cost of HMO family plan as of January 1, 2007, is \$15,958). The employer medical plan increases alone are more than the Governor's proposed annual Appropriation increases of \$3.75 and \$4 million per year.
- While efforts to address salary deficiencies for some faculty have been relatively successful, the average salary of USNH staff still lags comparable positions by five to six percent. This gap is a barrier in the recruitment and retention of the well qualified personnel that are foremost in the delivery of high quality programs and services. Proposed annual salary increases of 3.5% to 4.5% are essential, but expected to do little more than keep pace with marketplace increases.

The University System is a partner with the State, and seeks other revenue sources to support programs and services that make significant contributions to the New Hampshire economy. Whether it is through the nearly billion dollar impact generated by annual USNH operating budget activities or the funding of seventy five percent of our needed capital investments from non-state sources, the USNH has demonstrated its capacity and willingness to engage in a wide spectrum of initiatives that provide substantial benefit. We ask your support to continue that shared commitment to improving the lives of New Hampshire residents and promoting the long term economic and social vitality of the State. The University System looks forward to working with all officials involved with the budget this session, and we are available to meet with any committees or individuals that have specific questions. Thank you.