CHAIRPERSON: Representative Toni Walker

SENATORS: Flexer, Formica

REPRESENTATIVES: Baker, Betts, Case, Haddad, Hall, Kokoruda, Rotella, Santiago

REP. WALKER (93RD): Are we ready? Let's go! Let's rock and roll! Good morning, everybody. Good morning. I'd like to call the Appropriations Higher Education Subcommittee to order. Let me just give you the rundown for the day because it is a very long day for all of us. At 10:00 a.m., we have Office of Higher Ed. At 10:30 a.m., we have the University of Connecticut. At 11:30 a.m., we have UConn Health Center. We have a recess from 12:00 p.m. to 2:00 p.m. And from 2:00 p.m. to 3:00 p.m., we have the Connecticut colleges and universities, and then at 5:00 p.m., we have the student panels from the various universities, and at 7:30 p.m., just as if we didn't have enough of a long day, we have public hearings starting at 7:30 p.m. So I just wanted to make sure everybody understood that this was going to be a very long day. So get your caffeine on. It's going to be good. [laughing]

Okay. Okay, so, good morning, sir. And welcome in your new position. It's good to see you.

TIM LARSEN: Well, thank you very much, Representative Walker. I have with me today Jacqueline Johnson who runs our AmeriCorps Program and Mark French who works specifically with the governor's Scholarship Program and several others intact. So I was just like to take a moment and
sort of lay out where we are sort of fundamentally and then go forward.

So you have a document in front of you with regards to our going forward budget, which, you know, 90 percent of which is scholarship money; the other is sort of what I will refer to as our operation and our personnel piece. That document and budget was put together last September before I arrived, so I've had not a lot of opportunity to review it and sort of get guidance of the details. I think in as much as this agency, as you are aware, on several different occasions has tried to merge and unmerge and so forth, so we're literally trying to put the pieces of this back together. So I'm trying to -- and even as we speak today, we are physically, again, moving our office space to a, the seventh floor of 450 Columbus Boulevard in an attempt to allow the Department of Education to have a continuum on one floor. They had a division on the seventh floor that was up with the Agricultural folks and Commissioner Wentzell and I decided that she would like to bring those people to one floor so she would have control and our office would fit. So we, we're swapping that office space out today. We hope to have that moved and finished by tomorrow and Monday, sort of figure out where the wires are and go forward. So we are still functioning --

REP. WALKER (93RD): So we know how to find you if we don't like anything you say, right? [laughing]

TIM LARSEN: Right. Right. So, I'm not exactly sure where you would like me to start or what you would like me to walk through, but I gave an overview which was prepared for by staff that talks about our agency summary, what we have done over the
past, history, some of the current staffing that we have and proposed, for example. In this proposed budget, my understanding is, and I'm not a hundred percent on this, because I'm still going back and forth, where we either have 27 or 33 positions that are available. And I'm not asking for 33 positions. I would at least respectfully ask for that 27 number --

REP. WALKER (93RD): Mm-hmm.

TIM LARSEN: -- to be held until I can sort of -- and I have positions for them. For example, in our licensing and accreditation --

REP. WALKER (93RD): Well, why don't we do this. Why don't we start from the top and go through --

TIM LARSEN: Okay.

REP. WALKER (93RD): -- because we have a lot of new people on our Committee and they're not familiar with the office and what you do and what are the actual responsibilities. So that would help. And then we'll go from there. Okay?

TIM LARSEN: Certainly.

REP. WALKER (93RD): Mm-hmm.

TIM LARSEN: Okay, so I just, for a background, I thought I would, you know, lay that out so that, inasmuch as I'm not trying to avoid questions, I'm not certain as to yet I can really dive into that. But I have two people who will.

REP. WALKER (93RD): I think they'll back you up.

TIM LARSEN: Okay.
REP. WALKER (93RD): Your back-up singers are [Crosstalk]

TIM LARSEN: So if I could just read this into the record, the Office of Higher Education was created in 2001 as part of a re-organization of the Connecticut higher education. Its major responsibilities, as outlined in General Statutes 10a, are to assure postsecondary and independent colleges meet standards of quality for benefit of students and taxpayers, to administer financial aid to enable students to enroll and succeed in college.

Led by an executive director, the Office of Higher Ed employs currently 21 people and of its $37 million-dollar budget, $34 million flows directly in the form of primarily the Roberta Willis Scholarship. Its major state responsibility as the agency: license and accredits academic programs in the 20 institutions with the non-profit and for-profit sector; approves academic programs by eight out-of-state colleges and universities; oversees 95 private occupational hospital-based schools; administers the Roberta Willis Scholarship Program; administers the Minority Advancement Program; administers the Minority Teacher Incentive Grant Program; operates the Alternative Route to Certification. As well as federal responsibilities, the Office of Higher Education: administers Connecticut AmeriCorps Program; serves as the state approving agency for veterans; and administers the John R. Justice Grant Program.

I have outlined staffing at these various levels and looking to just overlay last year to this year. We've provided a copy of the submitted budget on 9/18 by Mr. Norton, who at the time was the
executive director. And then we go into various topics of academic affairs, student financial aid, programs for students, and grant programs. And with that, I'll entertain --

REP. WALKER (93RD): Questions.

TIM LARSEN: -- questions. And I will -- Mark French is here with us who runs that grant program, as well as Jacqueline, and I would rely on their expertise, as they've been with the agency for quite some time.

REP. WALKER (93RD): I, because we started talking, did you state your name for the record?

TIM LARSEN: My name is Tim Larsen.

REP. WALKER (93RD): And you are?

TIM LARSEN: I am the executive director of the Office of Higher Education. Thank you.

REP. WALKER (93RD): Okay, I just wanted - Thank you. Yes, CTN would be texting me right away if I went any further. So I don't want to have that happen. Thank you, and thank you for your presentation, and we are aware of the fact that you're getting accustomed to the Higher Education Department. So I'm just gonna ask, start out with the first question.

How much are you receiving in federal funds? Are you receiving any federal funds or funding grants in your budget? And please make sure you press the button down there so that little red thing goes on, and you state your name before you speak so I can remember I heard it. [laughing]
JACQUELINE JOHNSON: Absolutely. My name is Jacqueline Johnson. I'm the division director within the office of higher education. Currently, our office receives a federal passthrough monies that supports the national service initiatives throughout the state. That total dollar amount is close to 20 thousand, 20 thousand, $20 million that we receive. We receive this money internally through the Feds to us, and then we subgrant it out to nonprofits across the state. The agency also receives federal funds to support veterans' initiatives, as well as federal funds that supports, I believe there are --

UNKNOWN: [Off Mic] John R. Justice [inaudible 00:10:50]

JACQUELINE JOHNSON: -- John R. Justice, correct. The John R. Justice Program. And I believe that is the total of federal funds that the agency receives.

REP. WALKER (93RD): Could you provide us with that, with the breakdown on all your federal dollars?

JACQUELINE JOHNSON: Absolutely.

REP. WALKER (93RD): So you get $20 million dollars. It's a passthrough to nonprofits.

JACQUELINE JOHNSON: Correct.

REP. WALKER (93RD): What -- Explain to me what is the, what are the criteria for that.

JACQUELINE JOHNSON: So the National Service Initiative is one that is a federal mandate. So every state in the country has a federal mandate to administer AmeriCorps programs throughout their state. Our state has nine currently nonprofits that
have applied for this federal money to support volunteers that do national service throughout the agency. And so programs like Teach for America, like Jumpstart, those are some well-known AmeriCorps programs that operate in our state, including Public Allies. They have grants that range from $120,000 to $3 million in order to support the numbers of volunteers that do service throughout the state.

REP. WALKER (93RD): Okay, so we would like that breakdown.

JACQUELINE JOHNSON: Absolutely.

REP. WALKER (93RD): And you said the John R. Justice? Is that, those are for veterans?

UNKNOWN: [Off Mic]

MARK FRENCH: -- Mark French. I'm the director of Student Aid for the Office of Higher Education.

REP. WALKER (93RD): Mm-hmm.

MARK FRENCH: The John R. Justice Program is through the Federal Department of Justice. It is a program that provides loan repayment benefits to prosecutors and public defenders who work for the state. And we get about $34,000 dollars a year on that program.

REP. WALKER (93RD): Oh! Really!

MARK FRENCH: Yes.

REP. WALKER (93RD): I did not know that. Thank you. Learn something new every day during Appropriations hearings. So, and this has been going on for quite some time?

MARK FRENCH: We've been running this program since about 2010, I believe.
REP. WALKER (93RD): Okay. Wow! That's great. All right. With that, I will ask the chair if he has any questions.

REP. HADDAD (54TH): Yes, thank you. And thank you very much for your testimony today. And I'm glad, Mark, you came up to the front desk because I wanted to ask some questions about the Roberta Willis scholarship. A couple of years ago, we were doing, you know, legislatively, we reduced funding to the Roberta Willis scholarship, and we also implemented a statutory limit on the amount, limits on the amount that you can award in need-merit grants.

MARK FRENCH: Yes.

REP. HADDAD (54TH): Right?

MARK FRENCH: Yes.

REP. HADDAD (54TH): So right now, I think the statutory limit, it says that you have to provide no less than 20, no more than 30 percent --

MARK FRENCH: Correct.

REP. HADDAD (54TH): -- of the line item to need-merit grants.

MARK FRENCH: Correct.

REP. HADDAD (54TH): My guess is that you're at 30 percent.

MARK FRENCH: We do 30 percent, yes, right.

REP. HADDAD (54TH): And the reason why I knew that is 'cuz, 'cuz I feel like that portion is underfunded.

MARK FRENCH: Yes.
REP. HADDAD (54TH): And that's what I wanted to ask about. The stated purpose of that section is really to find some of the best and brightest students in Connecticut who are graduating from high school who have need --

MARK FRENCH: Correct.

REP. HADDAD (54TH): They're all, they all have demonstrated needs.

MARK FRENCH: Correct.

REP. HADDAD (54TH): So it's not a merit -- There's no pure merit portion of the grant?

MARK FRENCH: No, no pure merit. No.

REP. HADDAD (54TH): But they -- And they can apply directly to the Office of Higher Education for a scholarship.

MARK FRENCH: Correct.

REP. HADDAD (54TH): And we do that to incentivize them to stay at a Connecticut school.

MARK FRENCH: Yes, exactly. The money can only be used at a approved Connecticut public or not-for-profit private institution.

REP. HADDAD (54TH): Right. And I guess the trouble I'm having is that for the last several years, I think it's a combination of both, the under, the level of funding that we've provided the Roberta Willis and the 30-percent limit, is that we don't currently, as I understand it, award those scholarships to incoming freshmen.

MARK FRENCH: That's correct. The 30 percent allows only enough money to fund the returning students who
are going into their second, third, fourth, or fifth year of undergraduate study. So we haven't been able to fund any first-year freshman students.

REP. HADDAD (54TH): Right.

MARK FRENCH: Coming out of high school. We accept their applications. We hold them, and they may be eligible going into their second year.

REP. HADDAD (54TH): Right. And so at the time that they're trying to make their decision about whether or not -- We have a program that was established to help encourage students to make a decision to go to a Connecticut institution --

MARK FRENCH: Correct.

REP. HADDAD (54TH): -- but when they're making that decision, we don't make the award.

MARK FRENCH: True.

REP. HADDAD (54TH): We wait until they've already made the decision --

MARK FRENCH: Correct.

REP. HADDAD (54TH): -- and they're a sophomore, junior, or senior.

MARK FRENCH: Yes.

REP. HADDAD (54TH): And it seems to undermine the intent of the program.

MARK FRENCH: Yes.

REP. HADDAD (54TH): And so I guess I'm curious to know what your thoughts on that, if that's, if that situation's gonna -- How do we rectify that problem? You know, as students graduate out of the program --
MARK FRENCH: Mm-hmm.

REP. HADDAD (54TH): In fact, I kind of expect that his happened already, which is part of the reason why I'm asking the question. As they graduate out of the program, do we expect to be able to reward scholarships to freshmen? When can we get back on schedule? How can we make that happen?

MARK FRENCH: Well, the only way we could make that happen, really, is either an increase to the overall appropriation to the program, which in rough numbers would probably be somewhere in, raising to about $50 million, so we'd have enough using the 30 percent, or removing the 30-percent limit. But right now, the 30 percent provides you just enough -- It's even a little short. We even had to short some of the returning students this year, 99 students, to cover those three plus years of returning students each year. It's just enough money, barely, to cover them.

REP. HADDAD (54TH): Right, because you made the judgment, I guess, that -- The underlying assumption is you've made the judgment that it's better to award the dollars for their sophomore, junior, and senior --

MARK FRENCH: Right. You don't want to pull the rug out from underneath somebody who is already established in college and maybe they face withdrawal.

REP. HADDAD (54TH): Right.

MARK FRENCH: Because they don't have enough money.
REP. HADDAD (54TH): Right. Because you don't, so you don't want to do it for their freshman, sophomore, and junior year?

MARK FRENCH: Correct. It's easier, in a way, to not award it to the first-time student, the freshman student. Their families can, in effect, determine other ways to finance the education or pay for it than a --

REP. HADDAD (54TH): Or not.

MARK FRENCH: Or not, yeah. Or it's --

REP. HADDAD (54TH): I mean, my fear is you never get to your sophomore year --

MARK FRENCH: Right, right.

REP. HADDAD (54TH): -- until you get through your freshman year.

MARK FRENCH: Or a student who is already going into their junior year and suddenly pulling the award that they've been counting on for two years, out from underneath them to give to a new incoming. It's a very difficult situation.

REP. HADDAD (54TH): Right.

MARK FRENCH: Sort of a "less of two evils."

REP. HADDAD (54TH): I would just say, expect that we'll have more conversation about this when we have our working sessions.

MARK FRENCH: Yes.

REP. HADDAD (54TH): But what would be helpful to me is for you to actually, not in rough numbers --

MARK FRENCH: Mm-hmm.
REP. HADDAD (54TH): -- but in a real calculation, provide us with two things. One is -- Well, actually I guess it's -- I mean, I'm gonna ask you for three numbers. One is if we were to add money to the Roberta Willis scholarship, what would the number have to come up to in order to restore funding for freshmen for the need-merit grant? The second is what would the percentage have to change to in order to do that, and what would the impact be on the need portion of the scholarship if we did that? And then the third would be, you know, is there a way that we can change -- What would happen if we decided to change the award amount to spread it over four years as opposed to just three years?

MARK FRENCH: Mm-hmm. Yeah, that third option right now, we're kind of locked in by the statutory language of the Roberta Willis Program, because the need-merit award must be higher than the need-based awards.

REP. HADDAD (54TH): Okay.

MARK FRENCH: So we can't -- And the need-based awards are capped at $4,500 dollars, so we can't reduce anything down to spread the money further.

REP. HADDAD (54TH): Yeah. Yeah, without a legislative change.

MARK FRENCH: Correct. Yes.

REP. HADDAD (54TH): Great. Okay, thank you.

REP. WALKER (93RD): Yeah, we could always change that.

MARK FRENCH: Yes.

REP. WALKER (93RD): Just sayin'.
REP. HADDAD (54TH): It's funny, we're called lawmakers.

REP. WALKER (93RD): Yeah. [laughing] It's doesn't always work out. Even though we create the laws, it's never followed through all the time.

MARK FRENCH: Thank you.

REP. WALKER (93RD): You're welcome. Senator Flexer. I was giving you a chance to get yourself set.

SENATOR FLEXER (29TH): Thank you. Thank you, Madam Chair. Good morning. Thank you for being here this morning. I just wanna follow up a little bit on the questions that Representative Haddad was asking. And, in addition to the information that he just asked for, could you also give us some information about the, right now, what the awarding of the scholarship dollars, how it works out with the expected family contribution, you know, what the average is for the students who are getting those awards right now?

MARK FRENCH: I don't have average. I can get that for you, the average family contribution. Right now, the maximum would be for the need-merit awards, any family who has a family contribution of $10,999 or less would be considered, or any student, would be considered for that award.

SENATOR FLEXER (29TH): Okay. Yeah, I would be curious to see where that actually breaks down in terms of, you know, the various income levels that are within zero to that top range.
MARK FRENCH: We can do it by EFC and income levels if you want. Because they differ. They don't line up.

SENATOR FLEXER (29TH): EFC is fine.

MARK FRENCH: EFC's fine?

SENATOR FLEXER (29TH): Yeah. Thank you. And then, switching gears a little bit. Can we talk about where your office is with the strategic plan? For higher education and how you've, you know, how your office, now that you are charged with implementing it and then being the overseer of it and how we can work cooperatively with you to make sure that's being updated and that it's actually working, frankly.

TIM LARSEN: Yes.

SENATOR FLEXER (29TH): Good morning?

TIM LARSEN: Good morning, Senator. How are you?

SENATOR FLEXER (29TH): I'm good. It's nice to see you.

TIM LARSEN: It's good to be seen. Thank you very much.

SENATOR FLEXER (29TH): [laughing]

TIM LARSEN: Listen, I appreciate your question. You know, as I had previously announced coming in that we're looking at a budget number that was put together last September. I have now 30 days into the opportunity, and we are like physically moving our plant today. So once we have our feet underneath us, it's our goal to start working in that particular direction. So we've started to meet
with a couple of different folks. Staffing in our particular office is an issue.

SENATOR FLEXER (29TH): Mm-hmm.

TIM LARSEN: Because we don't have staff. And so, in order to work on some of these initiatives, we need to, you know, we're in the process of looking at that and staffing up and so forth. And once those are in play, I can meet with you and, you know, zero in on that initiative specifically. But the charge that I've been given by the governor is to sort of, you know, put all the pieces of this agency together and develop outcomes from our veterans' program, from our AmeriCorps program, from these scholarship programs that equate to a certificate in a job. So getting together with large corporations, small corporations, people who are employing individuals in the state of Connecticut and matching that up, becoming that bridge, and facilitating all of these programs towards that particular end. So once I have had an opportunity to meet with staff individually, drill into what their outcomes and expectations are, gather that information, and then funnel that towards that experience, that's what we're trying to get to.

SENATOR FLEXER (29TH): Thank you. I appreciate that. I would just say that from my perspective, I think the strategic plan could actually be really helpful in the endeavor that you were just describing. And I wanna make sure that we, as people who led the, or our predecessors, and Representative Willis in particular, who led the creation of the strategic plan, we wanna make sure that we're being good partners with your agency in
ensuring that this isn't just something that ends up on a shelf and that can -- I really believe it's critical, not just to supporting our system of higher education in Connecticut, but also how it relates to many of the things that you were just describing in terms of keeping Connecticut at the forefront.

TIM LARSEN: Well, to your point, Senator, I'm confident that once we have a full handle on the outcomes of each and every one of these sort of divisions that I'm overseeing that we will sister those projects up to that plan and then plan accordingly and implement that strategy. I think that part of what I've seen in just a very brief period of time is that we have divisions, and the divisions do a very good job at what they're doing. But I don't think at the end of the day anybody is tying all of that initiative together. For example, Jacqui is a tremendous asset for us in this AmeriCorps program. We met with the YWCA here in Hartford to talk about a potential extension of an AmeriCorps program with what the YWCA is already doing. They have a program where women in the Hartford area, etc., are employed at the Aetna. And there's a program through the YWCA that is working. We wanna see if we can come behind that with an AmeriCorps program and invite more people to the table, perhaps introduce that as well with United Technologies through this Women Who Code program --

SENATOR FLEXER (29TH): Mm-hmm.

TIM LARSEN: -- and start a wrap around a lot of these services, but implement the outcomes of each of these divisions towards a thread that gets us to where we need to be. I'm, you know, I'm discovering
the budgets in each of these individual divisions, if you will, and finding that there's a way to data mine this and use some of the federal money that we're getting to complement state money and push that initiative forward.

SENATOR FLEXER (29TH): Okay. Thank you. Thank you very much.

TIM LARSEN: Absolutely. Thank you.

SENATOR FLEXER (29TH): Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. And I just wanna piggyback off of what Senator Flexer was talking about. I know we have a process and we have to do a budget. And we have four weeks to sort of hash that out. So in making those decisions, we'd like to do it in an informed way that has sort of parallel expectations that you have for your agency. And in order to do that, sometimes we have to put a little bit more pressure on what is your direction and what do you want us to consider in doing your budget for the next two years. So I would really, really, really urge you to come prepared with some ideas and direction, even outlines. We don't -- I mean, it doesn't have to be a full-blown, but give us some directions and outline on the things that you want to do. For example, I'm sure somebody's gonna ask you about the minority teacher program, and how does that fit into your plan. So just, I know you're new in this one, so I'm not putting -- But I'm -- I want you to be able to take advantage of this worktime that we have set aside for you. Okay?

TIM LARSEN: I appreciate that. And to, for that exact point about the minority teaching program, we do have dollars available.
REP. WALKER (93RD): Mm-hmm.

TIM LARSEN: I think we have to figure out a way to develop that pool of talent --

REP. WALKER (93RD): Mm-hmm.

TIM LARSEN: -- and money to work with these folks in the agency to figure out how we develop that pool of talent, if that's driven by, you know, one of the colleges or institutions or some nonprofit, but developing that pool so that we can zero in on those funds and use those strategically to make sure that we're fulfilling that commitment. I think that that's a very, very high priority for us. I think that, you know, you don't have to look too much further than what we already have in our hand. It's actually developing that talent pool and then getting those individuals lined up with those appropriate programs.

REP. WALKER (93RD): Okay.

TIM LARSEN: So that's a long-winded answer to --

REP. WALKER (93RD): We gotta move on so we get -- Senator Formica? Question? No. Representative Hall.

REP. HALL (59TH): Thank you, Madam Chair. Good morning, Director Jacqui. Thank you for being here. Just a couple of questions. Director Larsen, you did talk about a shortage in positions. So it kind of leads me to my first question. So of the authorized positions that you have, how many are filled and how many are vacant right now?

TIM LARSEN: I gave you a overview on like page 2. So let's look to page 2. So here's current staffing
on the left side. The proposed staffing is in the right column. And so what I'm looking for is a division director in Finance and Academic Affairs. All of this, by the way, is included in the governor's current budget, so I'm not asking for any additional funding. It's included. As well as, I need an executive assistant and two senior consultants and a support services, which would be sort of a part-time floater position, if you will.

So the division director of Finance and Academic Affairs is gonna be charged with sort of really drilling into the amount of monies that we're having, looking at how we can sort of make sure that we're identifying federal funds where available, and maximizing those commitments. For example, I know that there is a state match for the AmeriCorps program. In recent years, it has been looked at. In some years, it has been cut. And to be able to eloquate to you how we can maximize the state share against the federal share into that program that drives the outcome, if you will. The executive assistant is fairly straightforward; however, in this particular instance, my executive assistant would also work cross purposes with everyone in the agency, both directors, and then also serve as my legislative liaison, track bills, be sort of a contact point for legislators, if you will.

The senior consultants, the first one I'm looking for is to support our licensing and accreditation area so that Sean Seepersad who is the sole individual in there has some support so that we can do some outreach to all of these particular colleges, make sure that they are being supported, make sure that their program analysis is lining up
with what we're looking for with regards to participation and outcomes for the state.

And the support services clerk is that, if you look at the way that this agency is sort of constituted -- For example, I have one individual in Licensing and Accreditation. He does get a vacation. He does -- So I need somebody to sort of come in behind and sort of fill in on, you know, data processing, collecting phones, doing some of that sort of detail. This would not be -- All of these individuals would also be cross trained along all of the disciplines with regards to what is the ultimate goal, are these outcomes and driving a mission of the agency.

SENATOR FLEXER (29TH): Okay. So, so it's five additional positions from what I can see.

TIM LARSEN: Well, in -- Actually, it is really two and a half. Currently, the -- Prior to my coming along, there was a acting director, who has since left the agency, and there was a human resources office manager executive assistant who retired. So we're sort of backfilling two of those positions with these. And then the senior consultant is actually, the two senior consultants are new, and the support services clerk is new as well.

SENATOR FLEXER (29TH): Okay, so on your current staffing --

TIM LARSEN: Yep.

SENATOR FLEXER (29TH): -- on the left side of this page, can you tell me how many are vacant now?

TIM LARSEN: None.
SENATOR FLEXER (29TH): None. Okay, so which ones -- Tell me again, which ones have left. Because, obviously, there are some gone if you've had people leave, correct?

TIM LARSEN: Right. So --

REP. WALKER (93RD): Do you wanna get back to us with that?

TIM LARSEN: Let me get back to you. I --

SENATOR FLEXER (29TH): Okay. I just, I'm looking for number totals, so vacant positions that aren't filled right now and I can see what your requests are on the right. So it would help to have what's vacant and --

TIM LARSEN: Yeah. I can provide that for you.

SENATOR FLEXER (29TH): That's be great. Thank you.

TIM LARSEN: Yeah. I understand that.

SENATOR FLEXER (29TH): And then I just have one more quick question if that's okay. So the student grant, Roberta Willis, is just, for folks watching, is strictly for state colleges. So the private colleges can't apply for that grant. Is that correct.

TIM LARSEN: That's my understanding.

MARK FRENCH: No, sorry.


TIM LARSEN: Mark, you better answer this.

SENATOR FLEXER (29TH): That'd be great.
MARK FRENCH: The Roberta Willis Program is for residents of the state of Connecticut who attend an eligible public or private not-for-profit college or university in the state of Connecticut.

SENATOR FLEXER (29TH): Okay. So the private colleges are eligible for that scholarship money.

MARK FRENCH: Yes.

SENATOR FLEXER (29TH): Okay, great. And then I have one more quick question and I don't know --

REP. WALKER (93RD): Could they bring the answer to the -- 'Cuz we're behind and I still have two more people to --

SENATOR FLEXER (29TH): They could. It -- I'll ask the question --

REP. WALKER (93RD): Yeah.

SENATOR FLEXER (29TH): -- and they can bring it to the working group if that's okay.

REP. WALKER (93RD): Thank you.

SENATOR FLEXER (29TH): Is there any reason why you couldn't or shouldn't absorb the New England Board of Higher Ed? You bring those answers to the working group. That's fine. Thank you. Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. Thank you and I, I'm not trying to rush you, but we're well over and that will end up having a problem for the rest of day. So I'm going to -- Senator Hartley's next and then Representative Kokoruda. And I ask everybody to try and keep questions, because we're not here to try to play "stump the executive director." We just
wanna, you know, get the questions to you so that you can bring them to the work group.

TIM LARSEN: I'll be happy to play this game in another month.

[laughing]

REP. WALKER (93RD): Thank you. No, we don't wanna play this game ever.

TIM LARSEN: Right.

REP. WALKER (93RD): Senator --

SENATOR HARTLEY (15TH): Yes. Thank you, Madam Chair. Aw, shucks! I was hoping to have some fun here, Tim. No, very quickly, I'm just gonna ask you in the working group, I wanna drill down on -- Yes, you're right, Madam Chair, the MAP Program. We'd like to see the experience of that over the last five years in detail. And then this National Service Act, my question, and we don't have to talk about it now is, is there any other way to leverage that to a greater degree with regard to federal funds? How do we compare to other states in terms of that number we're bringing in? It's just a -- Obviously, we're passing through. And I would like a breakdown of that act and to talk about the program. Specifically, I'm interested in the Teach for America, and if you could give me the history of the Teach for America for the last five years, where we were in the state, that would be very helpful. Thank you. Thank you, Madam Chair.

REP. KOKORUDA (101ST): Thank you, Madam Chair. Jacqueline, it's great to see you as always.

JACQUELINE JOHNSON: Hi.

REP. KOKORUDA (101ST): I know you continue to do a wonderful job for us.

JACQUELINE JOHNSON: Thank you.

REP. KOKORUDA (101ST): My question actually is about the Roberta Willis scholarship and it can be something that can be brought to the working group. I was surprised yesterday to hear about the two components of the breakdown of need and merit and need. And to tell you the truth, personally, I felt it was actually flipped. So in our working group, if you could actually -- Is it like 70, 30? Is that sort of what it is?

MARK FRENCH: Yes, the total appropriation.

REP. KOKORUDA (101ST): So if you could bring in the, just give us some background on how that happened. I mean, I keep hearing about all these -- Is there opportunities for kids with merit to get other scholarships? What's driving this? Because as we talk about remediation and children not staying in college, it almost seems like we're not investing in the group we have the most opportunity with. So just as our work group [inaudible 00:35:29] I was just surprised to see that number yesterday, that discrepancy between the merit-need, and just need.

MARK FRENCH: We can provide you with sort of a history of what led up to that.

REP. KOKORUDA (101ST): Okay. Thank you.
REP. WALKER (93RD): Thank you. Representative Baker.

REP. BAKER (124TH): Thank you, Madam Chair. Senator Hartley tentatively asked some of my questions with regards to national service, but just a little bit of clarification, if you could, just, when you come to the work group, if you could give more of a outline. Because when I was looking back on page 12, it talked about the, I guess the federal grant of being $16 million. But I was told there was $20 million. If you can give more of a detailed background. And then I know it talks about a matching -- Is this the matching grant? If you can kind of explain the dollar amount. And does that reflect the -- If I look at my budget summary, does that matching grant reflect into the budget summary? If you could just elaborate that when come in the working group. Thank you.

REP. WALKER (93RD): Oops. Thank you, sir. Thank you. Are there any other questions? If not, we look forward to seeing you in the working group. Thank you. Have a good day. Next, we have the University of Connecticut. Don't everybody jump up at once. [laughing] UConn Medical is after the University of Connecticut

[long pause]

SUSAN HERBST: Good morning! How are you?

REP. WALKER (93RD): This is your last, your last --

SUSAN HERBST: I know! I was gonna make a joke! Well, you've taken my joke away.

REP. WALKER (93RD): [Crosstalk] [laughing]
SUSAN HERBST: Hi, everybody. So, I'm Susan Herbst, president of the University of Connecticut and this is Scott Jordan, who you've met before, and he's executive vice president and chief financial officer. So, yeah, this is the eighth and final time that I appear to you as the president of UConn to talk about the university state appropriations for the biennium. Any future appearance will be just for fun. That was my joke. [laughing]

REP. WALKER (93RD): [laughing]

SUSAN HERBST: All right, it's not -- But I do, I want to thank you so much for the time, the thought, the energy that you put in, not this year, but all the previous years that we've come to you. Thanks so much for your patience. Hearing me and every other agency had appeared before you pleading for shares of the state's limited resources, year after year, probably gets old. But you listen and you're patient, and we're grateful for that. We know that this General Assembly and the state of Connecticut are committed to investing in and supporting higher education as a staple for the state's future. And we at UConn are deeply grateful for that. So I'll be brief today, because I'd love to hear your suggestions, critiques, questions, and just focus on a few areas.

So, in Governor Lamont's proposed budget, UConn and UConn Health are flat funded from the previous year plus collective bargaining increases. Given the state's financial situation, we're very grateful for this level of support, as it could've been set much lower, obviously. We're hopeful that the General Assembly can maintain the governor's recommended levels as the state budget process unfolds, because
additional cuts will further impact our academic quality and student services. We know the proposed funding of $328.6 million dollars in fiscal 20 for both UConn and UConn Health combined reflect the state's fiscal realities. At the same time, I'd note that if approved, it would mean that UConn will receive the same level of appropriation in 2020 as we did way back in 2008. So that's 12 years ago.

So, excellent graduates, as you know, and a powerful research output don't just fuel scholarship, innovation, and discovery at the university; they fuel our economy here in Connecticut and the workforce. The cuts that we've had, rescissions, and fund sweeps over the years have had been offset by tuition. Tuition and fees now constitute the largest portion of our operating budget, rather than the state.

Like every state agency, the cost of fringe benefits at UConn has grown exponentially, mainly due to the unfunded pension liability, as you all know very well. Unlike every other state agency, however, UConn and UConn Health's nonstate funds, like tuition, grant funds, and clinical revenues are required to cover the majority of fringe costs for its employees. Since 2011, our share of employee fringe costs have risen by 132 percent, from $118.4 million dollars to $275.1 million. Fringe costs are forecast to rise again over the biennium adding an astounding $84 million dollars to our fringe costs over the next year alone. This cost is playing a central road, role, in crowding out critical priorities and it's impacting our ability to be competitive for external grant funds. I know we're not alone in this respect, but it's an area that
creates the greatest fiscal pressure for us and has had the most significant negative impact.

This past year, UConn fell from number 18 to $22 million dollars in the U.S. News and World Report rankings of public research universities, in large part because of the reductions in the financial resources we're able to devote to academics. So no ranking system is perfect, but U.S. News does measure key aspects of a university's performance, including UConn. So we'd like to reverse this negative trend, keep UConn moving upward for our students, our state, our shared future. And so we ask that you continue to do all you're able to do to advance that cause. So thanks so much for your time this morning. Happy to answer any and all questions.

REP. WALKER (93RD): Thank you, and thank you for your testimony. And, as usual, we always have a good exchange and it's all for the benefit of the state, especially for UConn. And we will miss you, 'cuz your humor has always been priceless. Thank you.

I'm gonna go right to your account. And first off, I'm gonna say -- And I'm not sure who we owe the thanks to, but we have a one-page breakdown of your budget for close to $200 million dollars, and to us, that's difficult. How do we know what's going on and how do we know what we can help with and things like that. And so, in some regards, I will say I'm pretty annoyed with the one page. I will say that. So what we will end up having is we will keep coming back to you and asking you for expansion of those line items. And in order for us to come up with a good solid solution for you, it's going to require
us to expand on those line items. So I just want to offer that. Yes?

SUSAN HERBST: Uh, yeah, well, I don't know. I see so much data on this, so I'm not exactly sure what it's turned in to, but we sure have a lot right in front of Scott here.

REP. WALKER (93RD): Hi, Scott.

SCOTT JORDAN: Hi. Good morning.

REP. WALKER (93RD): I mean, is there an appendix or?

SCOTT JORDAN: No, I think, I imagine, Representative, that the one-pager is this same one that we're all looking at.

REP. WALKER (93RD): That's what I got, yeah.

SCOTT JORDAN: And that's, I think that's a function of the way that the state has funded us over the last number of years through the block grants.

REP. WALKER (93RD): Okay. So then we will have, we'll have that conversation with the administration then.

SCOTT JORDAN: Yeah, well, and we're happy to --

REP. WALKER (93RD): -- for our guide policy [Crosstalk]

SCOTT JORDAN: -- as much detail as we can too.

REP. WALKER (93RD): Okay.

SUSAN HERBST: Well, what -- Did we give you something in the past that was different?
REP. WALKER (93RD): Well, OSA gave us something. So we'll use that.

SCOTT JORDAN: Yeah, this is because it's just a block grant.

REP. WALKER (93RD): Oh, we have more? I have UConn's -- Aha! Oh! I apologize. I've got thousands of slides here. So, thank you.

[laughing]

SUSAN HERBST: I figured, I never heard of us doing anything on one page before, so I, I mean, I was kind of impressed.

REP. WALKER (93RD): Yeah. Okay. We did -- I sincerely apologize.

SUSAN HERBST: No, no problem.

REP. WALKER (93RD): Okay, could you just quickly -- Of the, your head count 2,413? Of the 2,413, how many of those positions are filled and how many are not filled?

SCOTT JORDAN: They're all filled. You know, when you look at the OSA and OPM numbers, what you see is the number of positions that the state funds through the block grant --

REP. WALKER (93RD): Mm-hmm.

SCOTT JORDAN: -- and so they're always all filled because the total count at the university is more than 5,500. So we've got the block grant funds about 50 percent of the staffing level at the university. University sources, tuition, fees, and other revenue pay for the rest. So we're always at
100 percent filled with regard to block grant-funded positions.

REP. WALKER (93RD): Okay. The other question then would be, of all the federal dollars, can we get a breakdown or is it in your packet so that if I go through the packet later on, I'll be able to find your federal dollar breakdown?

SCOTT JORDAN: Yeah, you should be able to. If you'd like it in a different format, we could provide that or --

REP. WALKER (93RD): Okay. Did you introduce yourself? I'm sorry.

SCOTT JORDAN: Oh, yes, my name is Scott Jordan. I'm the executive vice president for Administration in CFO at the university.

REP. WALKER (93RD): Good to see you again.

SCOTT JORDAN: Nice to see you.

REP. WALKER (93RD): So if not, we would like to have the breakdown of federal dollars so that we understand who is paying for all your staffing for this year.

SCOTT JORDAN: Sure.

REP. WALKER (93RD): So, with that, I will go to Representative Haddad.

REP. HADDAD (54TH): Thank you very much. And it's good to see both of you here today. I keep bumping into these folks at our local Starbucks.

UNKNOWN: [Off Mic] [laughing]
REP. HADDAD (54TH): I have two cups of Starbucks in front of me now. So I feel at home. [laughing] You know, I appreciate your testimony, specifically as it relates to the increased impact on the university of rising fringe rates. I'll just say as an aside that I wanna be clear that we're not talking about the normal cost of fringe to employees. In other words, the ongoing costs of fringe benefits for state employees is I think a small fraction of the total amount that we set aside for pension liability. The growing part and what we call fringe rate is actually repayment of our past debt.

REP. WALKER (93RD): Mm-hmm. Past loans.

REP. HADDAD (54TH): Unfunded pension liability, and as a result, I think you handed in this, on part of your testimony, there's a slide, it's slide number 3, I was hoping that you could just very quickly --

SCOTT JORDAN: Sure.

REP. HADDAD (54TH): -- work through the box that's on the right-hand side of the slide, which talks about the breakdown of fringe, the fringe rate.

SCOTT JORDAN. Sure, I'd be happy to, Representative. The university is charged a fringe rate, that is, a percentage of payroll that we pay to the state for fringe benefits for our employees. And as I said earlier, about half of the employees at the university are paid through the block grant that we receive each year. The other half are paid through university resources, so when a university employee is paid from the block grant, then the state's fringe appropriation pays for fringe benefits for that employee.
REP. HADDAD (54TH): Right.

SCOTT JORDAN: All right, but when a university employee is paid, either with tuition funds or fee revenue or research dollars, the university is charged a fringe rate by the state comptroller's office to pay for fringe benefits for those employees. What you see on slide 3 is a breakdown of that fringe rate for a typical employee at UConn. And this would be an employee that chooses the state employee retirement system. At UConn, employees, most of our employees can choose either to participate in the state employee retirement system, the pension system, or a defined contribution system, like a 401k that we call the ARP or the Alternative Retirement Program. When we talk about fringe and rising fringe rates, we are talking about those employees that are, with regard to university budget pressure, those employees that are paid with university funds or research funds, not through the state appropriation, that have chosen the state employee retirement system. So that's what's on this slide. Within the fringe rate that we're charged for each employee, we are charged an amount that is the same as everybody else for health insurance and for life insurance and for FICA.

So, we're not talking about those today; what we're talking about is in the box on the left, the top number, which is the charge for participation in the state employee retirement system, which is 64.3 percent. So for an -- That means for every dollar we pay an employee out of say tuition funds, we're paying 64 cents into the state employee retirement system. Moving to the right, a breakdown of that 64.3 percent into component parts shows that 33.6 percentage points of the 64, so about half, are to
reimburse the state employee retirement system for unfunded pension liabilities from the past, that is, you know, money that should've been put in years and years ago. That -- In the end, that 33 percentage points is a lot of money. It equates -- and I can switch over to slide, slide 6, where we break down the value to UConn of those percentage points, and we, on this chart we show at the top Storrs and the regional campuses, and then at the bottom, UConn Health. But the logic's the same on either. When we think about total salary costs at UConn are $553 million dollars, that's just our total payroll. Total fringe costs are $300.5 million dollars. This is for fiscal 19. Of which the state, when we're sort of working on the rows here, state appropriation, $153 million is paid by the state, and the remainder is paid through tuition fund, research fund, or other funds. So either, to simplify, either paid for through tuition and fees or research at the university. So either our students or, for the most part, federal research grants.

And then moving further to the right, the next two columns, when we think about the fringe costs attributable just to the state employee retirement system, and then that's the 64 percent, and then breaking that down further to the 30-some odd percentage points, the cost to the university is $16.5 million dollars a year for those 33 percentage points, and to UConn Health, it's $26 million dollars per year.

REP. HADDAD (54TH): Right. And so I just want to -- This might be an issue of semantics, but when we say "tuition fund and other auxiliary" --
SCOTT JORDAN: Mm-hmm.

REP. HADDAD (54TH): -- really, it's tuition, through their, it's students through tuition and fees who are paying for those.

SCOTT JORDAN: That's right. "Other auxiliary" is sort of our way of talking about room and board.

REP. HADDAD (54TH): Right.

SCOTT JORDAN: So students are paying --

SUSAN HERBST: Which is coming from student [Crosstalk]

SCOTT JORDAN: Right. Right. Students are paying either way. They don't differentiate [crosstalk]

SUSAN HERBST: No students have, and this is the big story, I think for UConn these days, financially, is that our students are paying for the unfunded pension liability in the state of Connecticut.

SCOTT JORDAN: Right. So --

SUSAN HERBST: And it's, you know, [crosstalk]

REP. HADDAD (54TH): So a bit of a finer point on that, and I think it's a good point. You have mom and dad who decide to send their kid to UConn are our taxpayers in the state of Connecticut. They're paying state tax rates that everybody else pays in the state of Connecticut, a large su, an increasing portion of which is going to pay for unfunded pension liability.

SUSAN HERBST: And then they get hit again.

REP. HADDAD (54TH): Or, or they're experiencing fewer services in the state of Connecticut because
of the reductions in services that we're being forced to make to accommodate the growing part of our state budget that goes to unfunded pension liabilities. Their kid goes to UConn. Their, a portion of their tuition and fees also goes to pay for unfunded pension and liability.

SCOTT JORDAN: That's right.

REP. HADDAD (54TH): And I understand, you know, the complicated reasons why this is. I mean, there's only so many ways that we can collect the dollars that we need to pay for our unfunded pension liability. But I think that that's an important point. And I think as we talked about, about this issue, I think it's just important to remember that this is having an impact. When you talked about the growing deficit between your operating fund and what it costs to run the university and what you're collecting now in terms of state grants, the state block grant, and tuition and fees, it looks like moving forward that tuition and fees is gonna continue to fund an ever-increasing portion of the operation of the University of Connecticut. I wonder, at what point does, do those increases in tuition and fees impact the choices that students are making. In other words, you guys are living in a competitive environment. You know, students have choices about where they wanna get their education. They can go to UConn and pay your tuition and fees, or they could go elsewhere. They have choices, if they go to UConn, about whether they'll live on campus or off campus. Increasingly, in our community, we see a growing number of students living off campus. And I understand that, you know, for the first time in recent history, you have, you had some vacancies in the fall in your housing, I
think part, a large part of which is because students are perceiving it to be ever too expensive. And so they're choosing what they believe are less expensive alternatives by living off campus. It's another parochial issue entirely, but --

SUSAN HERBST: But Greg I do think that's -- It's not that they're looking for cheaper -- They have nicer housing.

REP. HADDAD (54TH): Yeah. Although [crosstalk]

SUSAN HERBST: You know what, you know what I mean? [laughing]

REP. HADDAD (54TH): I don't think it's very nice if their refrigerator is empty.

So I guess, I mean, one of the challenges I think that we face as we make funding decisions for the university is that we have to remember that whether it's, that you're really an enterprise that operates in the real world and has to compete for students. The same goes for our community colleges, which has a huge number of vacancies, student vacancies, and our state universities, where the census is dropping. The same goes for the Health Center, where there's clinical revenue, where patients have a choice about where they're gonna go. And they can either choose to pay the rates or not. And I wonder if you would just wanna comment on whether or not the unfunded pension liability and the way that we choose that require you to pay for a portion is impacting, you know, what is essentially your other revenue streams.

SUSAN HERBST: Yeah, no, it's impacting them greatly. So we have here our vice president for
Enrollment Management, Nathan Fuerst. So he's the expert. But what we're trying to do every day is make sure that our tuition and fees, whether they're in-state or out-of-state, are competitive with our peers. We are going head-to-head with private universities like BU or public universities like Maryland or Penn State, or those places. It's really important, if we're gonna get great students to UConn, to not price ourselves out, whether that's for in-state students or out-of-state. So to do that, in order to prevent getting, you know, out of whack and making ourselves uncompetitive, you know there's tremendous pressure on the operating budget and other places. So, for example, faculty hiring, which is really the heart of how you make a research university better, more productive, a force for economic development, and so forth. I mean, we can hire far fewer faculty, whether it's English and philosophy or computer engineering or medicine, because we are trying to keep competitive with regard to tuition. So I would say, you know, that's the most glaring pressure on the budget, and it's the one that will hurt us the most as a research university and our rankings, and all the kind of things we care about.

REP. HADDAD (54TH): Thank you. I'm sure we'll talk about this more in our work sessions.

SUSAN HERBST: Sure.

REP. HADDAD (54TH): I'll let other members ask questions as well.

SENATOR FLEXER (29TH): Thank you. Thank you, Madam Chair. Good morning. Good to see you here this morning, and just one quick question. I don't need the answer to it right now, but in some of your materials, you said that your alumni live in 99 percent of the towns of Connecticut. I wanna know what that one town is.

UNKNOWN: [laughing]

SENATOR FLEXER (29TH): If you guys could find that out, that would be great. And I also wanna echo the questions of Representative Haddad and just really reinforce a point that I think this legislature should frankly be ashamed of itself for how much of these liabilities we're putting on students at UConn and at all of our public institutions of higher education. It's a real shame and we need to step up and do our job and pay for those costs, and not put them on the backs of students and their families who are already so overburdened with the high costs of higher education. It's just, it's just wrong.

And along that tract, I wonder if you could talk with us a little bit about the funding for Next Generation. And you know that I love being invited to your campus to celebrate the opening of a new building. And every time you give me the pleasure of speaking, I say, "This is great. I'm so glad my colleagues are here to open this brand-new building. But where's the money for the faculty and staff that are necessary to support the students that are gonna be in those buildings?" And so, in the budget that's in front of us, the governor's budget does not include a wage increase with the Next Gen line items. It doesn't, it doesn't seem to keep on track
with the planning. [Crosstalk] the Next Generation. And it never does.

SUSAN HERBST: Yeah, and it never did. Yeah, yeah. It never did. Yeah. We're incredibly grateful to have the buildings. And we've got one more very important building, we're calling it Science 1, that's vital to doing 21st Century science. But the operating part of Next Gen Connecticut was never fulfilled. And so, we understand we're part of the sacrifice and that that's hard for the state, but, absolutely, if we don't have the talent for those buildings, then we're not gonna get the research, productivity, and economic development that was the paradigm for passing the legislation. So it's, yeah, it's problematic this year, but it has been for the last three years.

SCOTT JORDAN: It has, and to the effect that -- Just a comment that when we talk about UConn's funding not increasing since 2008, and you can go back where if you split UConn and UConn Health, you can go back to 2001 or 2 or 3, depending on how you count the money for the rest of UConn, that's actually combining the block grant and Next Gen. So when, if we, when the Next Gen line item was created, it wasn't really an incremental increase; it was a calling out of the Next Gen effort. But when it comes to budgeting the university and running the university, the block grant plus the Next Gen is what we use to pay faculty. And that's -- And so net, net, we've not really seen growth as a result of Next Gen.

SENATOR FLEXER (29TH): So I guess my follow-up question to that would be, what was the scheduled increase supposed to be for Next Generation and
what, how much money is it, what were the staffing levels? Like, what are we missing between what it should be and the number that's in front of us?

SUSAN HERBST: And go back a few years.

SENATOR FLEXER (29TH): Yeah, please.

SCOTT JORDAN: We can, well, we can pull those numbers for you specifically. I don't have them here in front of me today, but the, I know that the enrollment increase that was projected was to be 5,500. And we got to about 2,500 before we, without really any additional support from the legislature. This was mostly through tuition and university resources that we've, that we've added those additional students. We've, we do have reports that show how many faculty we've hired with Next Gen, but while the Next Gen effort has hired faculty, we have seen attrition, right, so people are coming and going all the time. And net, net, we're really not up by very much. We're about the same size university as we were [Crosstalk]

SUSAN HERBST: But we'll still, we'll get you very straightforward number of what we're missing in terms of operating budget that, I can't say we were promised for, but it was the plan of the legislation.

SENATOR FLEXER (29TH): That you be great.

SUSAN HERBST: Sure.

SENATOR FLEXER (29TH): And if you could also get us that same schedule when it comes to the bonding dollars that have been spent for the capital portion of Next Gen and how that's progressed so we can see the difference between the two sets of resources --
SUSAN HERBST: Yes.

SENATOR FLEXER (29TH): -- that would be really helpful. And then in the larger packet that you gave to us, the one that's attached to President Herbst's testimony --

SCOTT JORDAN: Mm-hmm.

SENATOR FLEXER (29TH): -- in slide 45, you talk about what the university has done to address cuts and I, you know, many of my colleagues here in this building I think sometimes don't appreciate the decisions that have been made at the university to try to deal with the fiscal reality that you're facing, again, in my opinion largely due to the fact that we are not supporting public higher education as a legislature the way that we ought to be. So could you just talk about these decisions a little bit?

SCOTT JORDAN: Sure, and these are, this is a small list, but there's really a thousand small decisions that get made all the time at the university to save money. We've, you know, the big things that we've done is we did the last time that there was a window open within our CBAC agreements for lay-offs, we had more than a hundred lay-offs, mostly in IT and staffing, you know, staff-level jobs. We don't lay off faculty, of course. We've closed the Torrington campus several years ago, a campus that only had about 200 students at it.

We've -- UConn and UConn Health have been merging administrative departments for the last several years, and we've, we are now in a place where most of the administration of the university is a single administration. We call it One UConn. That
includes our public safety department, police and fire, HR, and procurement, General Counsel's office, communication office, you know, we have a single administration over UConn.

We've also been pushing budget cuts averaging about 3 percent per year into every department of the university. And that's, as I said, there's a thousand small things, from not buying office equipment to not hiring folks or delaying the hiring of people and slowing down spending.

And we have enhanced revenues. We've done things like outsource our bookstore operations to Barnes and Noble, and which, which has just netted the university about four and a half million dollars as a result.

And, of course, what you don't see on this list, but I think we've all talked about is that we do have to increase tuition and fees each year. So we, we have been year over year averaging about one-half to one-third, or one-third to one-half of the budget cuts go into our tuition increase with the remainder being cuts across the university.

SENATOR FLEXER (29TH): Thank you, and then related to that last point that you made, the percentage of the university's budget that comes from the state of Connecticut today --

SCOTT JORDAN: Mm-hmm.

SENATOR FLEXER (29TH): -- versus what it was, let's say in 1995, because I think you use that year a lot in many of the statistics that you've given to us about the university especially, in terms of the
growth of enrollment and applications. What's the difference?

SCOTT JORDAN: We're at about 25 percent now and I think back then we were at about 50 percent. And that --

UNKNOWN: [Off Mic] So 20 --

SENATOR FLEXER (29TH): So support's been cut in half?

SCOTT JORDAN: Yes. And I think just as important and something we've talked about before is that when we say that university is supported 25 percent by the state, that includes that fringe reimbursement, or the frin, the covering of fringe benefits for those employees that are paid by the block grant. And as the cost of fringe has gone up, the real purchasing power of the block grant has gone down. Right. Any dollar spent on fringe is a dollar not spent on a faculty member or in a classroom. Right. So there's a crowding out that's happening with the fringe, for the, both block grant, in real dollars, we're getting, you know, we're getting less as the state has to pay for more, but also the actual purchasing power, that has declined.

SENATOR FLEXER (29TH): Okay. Thank you. Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. Senator Formica. Yes, did you ask --

SENATOR FORMICA (20TH): I did. Yes, I'm sorry.

REP. WALKER (93RD): Okay. [laughing]
SENATOR FORMICA (20TH): I didn't, I didn't hear you. I think you kind of turned away from the microphone.

REP. WALKER (93RD): I'm sorry. Mm-hmm.

SENATOR FORMICA (20TH): That's okay. Thank you, Madam Chair. Good morning, Madam President. Thank you for coming today. I just have a couple of comments with regard to the fringe benefit rate and requests for the work group, if you possibly could. Fringe rate is a function of payroll, a multiple of payroll, and if the fringe rate is going up, my assumption is payroll is going up. And I looked briefly at your, you know, number of pages that you've provided in the few moments that I had to look before I asked you this question. And it says you have about $503 million dollars in payroll. And I'm wondering if you, for the work group, could go back a few years and identify what that payroll number has been so that we can see the escalation of that, which I imagine has to do with the employee contracts that, as a result of the CBAC agreement --

SUSAN HERBST: Mm-hmm.

SENATOR FORMICA (20TH): -- and the different benefits that have occurred over the last year and the coming two years that are gonna -- Those rates apply to workers in your organization? [Crosstalk]

SUSAN HERBST: Yes. Yeah, absolutely.

SENATOR FORMICA (20TH): Okay. So if you could give us --

SUSAN HERBST: Sure.
SENATOR FORMICA (20TH): -- kind of a five-year history of what that is and the fringe rate. And I couldn't agree more with you on the fringe rate. I've been at the - When I was First Selectman, a Resident Trooper town, you know, there were 57 Resident Trooper towns in the state of Connecticut that we all paid Resident Troopers for, that we had to pay the same fringe rate as everybody else. And so our small communities were paying for part of this back pension that, when larger cities who had their own police forces didn't have that opportunity to do so. So the inequities go throughout the system, and that's a result of the conversation that I've had with the comptroller about how do we do this. How do we change it? Have you had conversations with the comptroller in asking, is there a different way to fund the 64 percent or is there a different way for you to manage your labor market though the University of Connecticut?

SCOTT JORDAN: Sure. We have a pretty regular staff level discussion about how the rate is calculated and that sort of thing. We have tried to elevate the discussion through members of the General Assembly and to OPM around the overall statewide strategy on how to pay for this. And so we're really appreciate that you all are talking about this today, because this is -- It is a -- There's a methodological problem, right, Senator, to your point that fringe is a function in payroll, but it's actually, the fringe rate itself, for us, a problem that we think we're facing, is it's actually, there's a negative relationship with FTE count or with payroll. So that is to say, the unfunded pension liability is a fixed cost. That is, it's a number. It is what it is. And the way the
comptroller's office divides that cost up amongst agencies is by dividing that number by payroll to back into a fringe rate. And if state government as a whole is shrinking, even as UConn might be growing because maybe our enrollment's growing or we're doing more research, that's, that means that, I think unintentionally, but it means that the, that the fringe cost is shifting more onto UConn, and by the way, Board of Regents too. We've faced this same problem. And so, it's not that challenge that we face, that our fringe rates are going up even as our total headcount is not really growing substantially, in part because the rest of the state government's getting smaller.

SENATOR FORMICA (20TH): And again, I couldn't agree more. But that applies to taxpayers, to businesses --

SCOTT JORDAN: Right.

SENATOR FORMICA (20TH): -- to residents throughout the entire state.

SCOTT JORDAN: Yep.

SENATOR FORMICA (20TH): Not just the tuition that funds not only UConn, but all of the other organizations that pay this fringe rate. And I've had the argument about this fringe rate where, did you know that they charge the same fringe rate on overtime?

SCOTT JORDAN: Right.

SENATOR FORMICA (20TH): That they do on straight time.

SCOTT JORDAN: Mm-hmm.
SENATOR FORMICA (20TH): You pay overtime in some areas.

SCOTT JORDAN: Yeah, yes, we do.

SENATOR FORMICA (20TH): So I couldn't quite understand why we're paying 96 percent on straight time, which includes unemployment, group life insurance and health insurance --

SCOTT JORDAN: Mm-hmm.

SENATOR FORMICA (20TH): -- and we pay the same number on overtime, which seems to me a duplicative effort on health insurance, unemployment comp insurance, and life insurance.

SCOTT JORDAN: Right.

SENATOR FORMICA (20TH): 'Cuz you only pay once based on a 40-hour distribution, right, or 35, whatever the contract is. So I'm glad to hear you have that cost, and, you know, I'm saddened to hear the tuition is going up as a result of this, but this is more of a systematic problem here in the state of Connecticut, you know, the fact that the comptroller has to have one rate --

SCOTT JORDAN: Mm-hmm.

SENATOR FORMICA (20TH): -- for federal regulations, and I've had this argument, so -- but -- And did you speak out against the CBAC agreement? I remember we talked a couple times about you -- or -- I'm sorry, we didn't talk. I heard, I think in this room, you mention you wanted to negotiate your own labor agreements. Am I -- Did I remember that correctly, or did you not --
SUSAN HERBST: I don’t remember that. We wouldn't be -- We would like to talk about that.

SCOTT JORDAN: In the future.

SENATOR FORMICA (20TH): Maybe that's what you said and I, I misheard.

SUSAN HERBST: Yeah, we're open to talking about that. It would be -- You know, I think when it comes to labor matters, it is, it's really terrific when it's a community, if the management in that community and the employees can talk together, and on a smaller scale, because the environments are all different, different agencies or the universities, university system. So, yeah, we would love to discuss that further.

SENATOR FORMICA (20TH): Well, thank you very much. Thank you for your time and tenure and I look forward to getting that information on the payroll going backward. So thank you for your service.

SUSAN HERBST: Thank you, Senator.

SENATOR FORMICA (20TH): Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. And I don't want to get, continue the philosophical, but I will say that the unfortunate part is we're paying for the sins of our fathers, so I mean, and grandfathers.

UNKNOWN: [Off Mic]

REP. WALKER (93RD): So I think that it is, it's established, and it's unfortunate, but it is. But your point about the fact that as we shrink government staffing, the percentage gets higher.

SCOTT JORDAN: Right.
REP. WALKER (93RD): So we need to remember that and think, remember that we have to, we have to pay for it, no matter what. And everybody has to pay for it right now because that's what we're left with. Senator Hartley.

SENATOR HARTLEY (15TH): Thank you very much, Madam Chair. And good morning to you both. Madam President, this is not your last time with the university, but your last round in that capacity, so I wanna recognize your leadership over these last is it eight years? And also recognize the fact that -- and please correct me if I'm wrong. Are you the first female --

SUSAN HERBST: Yes.

SENATOR HARTLEY (15TH): -- president of the university, our major research institution in the state of Connecticut, so you could talk about being a leader in this whole area. So, there's a lot to talk about and, yeah, we do have the OSA one-page summary and then we've got the benefit of some slides. But we do not actually have your line item budget, because we have this thing called the block grant. I always feel like when I'm looking at this budget, I have a blindfold on. Because I can't quite get there. So I have a lot of questions. I'll try abide here by our rules. So since we're talking about fringe, let me just ask you in a comparative way. So about half of the fringe expense is truly fringe; the other half is this make-up scenario. How do we compare to our peer institutions with regard to fringes and I also wanna know on salaries?

SCOTT JORDAN: Sure, I can --
SUSAN HERBST: I'll take the salary, then you can take the fringe.

SCOTT JORDAN: Yeah.

SUSAN HERBST: Because salary's the easy one. On salaries, so we do, we hired a outside HR company maybe five or six years ago to constantly compare management salaries, UConn versus our peer institution, and there we do incredibly well. I mean, we're right at the median or below for nearly all the positions in management. On faculty, that's pretty easy, because The Chronical of Higher Education on other entities, collect data on pretty much every type of faculty by institution, by the level, you know, by rank, that sort of thing. And, yeah, so there, we're a little bit above average in most faculty positions. But it's case by case, especially when you're trying to recruit new people from outside. It's just idiosyncratic, depending on the hire and what it takes to bring them to the University of Connecticut. What was the other question? Was --

SCOTT JORDAN: The que, it was --

SENATOR HARTLEY (15TH): So that, if I, not to interrupt you. So can I actually get the rate [crosstalk] --

SUSAN HERBST: Computation [crosstalk], yeah.

SENATOR HARTLEY (15TH): -- numbers showing us on faculty and the comparison? That's --

SUSAN HERBST: Sure, for sure.

SENATOR HARTLEY (15TH): Okay. Thank you.
SUSAN HERBST: Yeah, we, at least the management study, we give to the legislature every year, but the faculty, I don't know. So we'll get you that.

SCOTT JORDAN: Yeah, we'll make sure that you get that. The -- With regard to -- You also asked, Senator, about how we compare to our peers with regard to our fringe rates, and I, in the slides that we gave to you, the slide package titled "Fringe Benefits," slide 8, actually provides a good comparison. When we -- These numbers are slightly different than what we talked about earlier, because the federal, the fringe rate that we charge for federal grants is using a methodology we negotiate with the federal government. It's a, it's like a three-year average rather than the annual rate that the comptroller's office charges us. But on slide 8, you'll see UConn and UConn Health research fringe rates, depending on what type of employee is being charged, faculty, professional employee, or special payroll. Special payroll are sort of summer workers or temp workers, research assistants, that sort of thing. But the -- Just comparing the professional employee, which is more likely to be in the state employee retirement system, at 70.6 percent is the fringe rate we charge to federal grants, and comparing that to those schools that we compete head-to-head with for research grants most often, big public R-1 schools like us, Michigan State is at 45 percent, University of Georgia is at 47 percent, Indiana's at 38 percent. So these are the sorts of schools we compete against, and we tend to be substantially higher than them.

SUSAN HERBST: So let me just say how this manifests itself in actual research. So suppose we're competing against -- And we don't just compete for
research grants against those particular schools. We also compete for research grants from the NIH and from the NSF with MIT or with Princeton or with Berkley, so it's a little --

SCOTT JORDAN: Right. And MIT's is 25 percent.

SUSAN HERBST: Right. So what it means is that if I'm a professor and I'm conducting research in say genetics and I apply to the NIH for a big grant, multimillion-dollar grant to do my research in genetics, in genomics, or genomics, the NIH says, oh, well, she has great research there at UConn, but I have, the part, the research grant that I get, 70 percent of it will be taken up by the fringe rate -- Is it --

SCOTT JORDAN: Well, it's 70 percent of the payroll.

UNKNOWN: Of the payroll?

SUSAN HERBST: Yeah. Will be added on for the fringe rate, as compared to, if I give the grant to this researcher doing the same level of research at MIT, it's only gonna be --

SCOTT JORDAN: Twenty-five percent.

SUSAN HERBST: Twenty-five percent. So, you know, the NIH, the NSF, they want as much money going to the science as possible and as little going to something like the fringe rate. So what it does is it puts us at UConn at a horrible disadvantage when it comes to competing for national, you know, federal funds for research. It's brutal. I mean, and that's, it's one of the things that's gonna hurt our research mission into the future, and therefore, our ability to perform direct to economic development for the state. Because when we talk
about UConn being an engine for economic development, a bit part of that is bringing in federal money that then has a multiplier effect on the state economy.

SENATOR HARTLEY (15TH): Right. I totally get that. And I'm understanding -- What I'm interested in is how we compare without you having that additional assessment, so to speak, on your rate. I do think it's incumbent upon us to try to deal with this, because we are completely noncompetitive as a result of that. So, you know, how we talked about SERS, how we talked about TRB, I mean, I think we have to deal with. The other thing that became very evident to me when we were working on this last round on the biennium is that the whole scenario of the negotiation process. And it's my understanding that there really are no other peer institutions that do not do their own negotiations. Is that true?

SUSAN HERBST: Very few. I mean, I think that at SUNY, for example, they, that negotiation is done in the --

SCOTT JORDAN: In the state level.

SUSAN HERBST: At the state level. But, yeah, on the whole, universities, they, if they have bargaining, I mean, if they are unionized, then typically the president of the administration bargains with the unions at the university.

SENATOR HARTLEY (15TH): So, to be continued. All right, so with regard to the working group, I would like, if you could please, bring for us a breakdown, and maybe a three-year look over, of your overtime expenses.
SCOTT JORDAN: Okay.

SENATOR HARTLEY (15TH): A three-year look on your administrative costs, and I'd also like to see what your three-year history is on the money you're bringing in on your concessions.

SUSAN HERBST: At both venues, at the XL and at the Ren?

SENATOR HARTLEY (15TH): Yeah, break it down.

SUSAN HERBST: We don't, okay, we don't get -- We don't make the money on those concessions.

SENATOR HARTLEY (15TH): So --

SUSAN HERBST: That's a rent in the XL Center. We don't get to keep that money. That's --

SENATOR HARTLEY (15TH): What about on campus?

SUSAN HERBST: Yeah, campus. Yeah, it's not mu -- It won't be impressive. [laughing] [inaudible 01:21:11] venue.

SENATOR HARTLEY (15TH): Let's -- let's look at that, okay?

SUSAN HERBST: And we don't, we don't sell beer. Hence our low performance on that. And we don't want to.

SENATOR HARTLEY (15TH): [laughing] Okay. So anyway, we had this program, which couldn't have been more to the issue of what this university is about, and that was Finish in Four. I see your slide here on the Finish in Four. I would like to see a breakdown of Finish in Four on all of your locations just to kind of have the full look on that. And then, with regard to adjuncts, I have a
number here which I think maybe was shared with us from OFA, regarding adjuncts. If you could give us a breakdown on adjuncts, and we wanna take a look at that across all of the university locations, that would be I think very instructive.

And then, engineering, I think you need to take bow on the engineering initiative. Because I can remember being in this room or other rooms and when we were talking about flat engineering at graduation. And you really did step up. Of course, sometimes it's easy to have a nice robust percent increase when you're up against a zero. It grows it looks like a very good number. But nonetheless, you have really stepped up. But what I'm really interested in too, Madame President, is the number of minority and women who are in those programs who have graduated. Give us a, you know, a five-year profile of that, because in every sector that we're dealing with, we're talking about the fact that women just aren't present there.

SUSAN HERBST: Mm-hmm.

SENATOR HARTLEY (15TH): And I think, actually 60 Minutes did something on it just last week. So you are our flagship, and so we, you know, are depending

SUSAN HERBST: Yeah, now we, you know, we're happy to get that to you, because those numbers are really terrific for us in engineering, women engineering, men are already engineers, so we're really, we've worked at it tremendously. So I think we're one of the leaders in the nation. That said, there are fields of engineering where you do better and fields you do worse. For example, lots of women going into biomedical engineering, environmental engineering;
women are not going into computer engineering. And there's all kinds of cultural reasons for that, but it's -- We're trying to push, you know, by subfield too. Because, you know, the overall numbers look good, but computer engineering across the country, it's a problem.

SENATOR HARTLEY (15TH): Yeah, absolutely. Thank you so much. Thank you, Madam Chair. Thank you.

REP. WALKER (93RD): Thank you. Representative Hall.

REP. HALL (59TH): Thank you, Madam Chair. Just a couple of questions for the working group. If you look back to 2015 and you bring your budget forward, the UConn grant, through the lapses and rescissions over time, you chose to, in your budget, to reflect the block grant reductions in your Next Gen. So, specifically, instead of the general fund and the overall budget --

SCOTT JORDAN: Mm-hmm.

REP. HALL (59TH): -- can you just kind of with the working group bring some numbers as to why you chose to take it there and I mean, you spoke briefly about the numbers, originally the projections that you expected, and that being about half, so that might have something to do with the answer, but I'd love to hear more detail on that specific reduction. Thank you.

SUSAN HERBST: Sure. Happy to. Thank you.

REP. WALKER (93RD): Representative Lavielle.

REP. LAVIELLE (143): Thank you, Madam Chair. Good morning. Haven't seen you in a while. Welcome to
Appropriations. This is really -- I can say this because you didn't do it. [laughing] This is really alarming. This is like alarming beyond belief. And it has always been difficult for me to imagine how a large institution can manage its business without having some say in how its large, large, large workforce is paid. And I know that we, Representative Walker mentioned the sins of our forebears and that's a large part of it, but there's also a large part of it that's current. And I would be, as some of my colleagues have asked for various pieces of financial data, I would really like to see how the, your discretionary money that you have to spend has fluctuated since the extension of the CBAC contract. And exactly what the impact of that is. And the things that that has, in your view, prevented you from doing. You're probably at a bit more liberty to say that sort of thing now, and I would like to hear it. I also would be very interested in your observations on the effects of not, of UConn's not being able to negotiate its own contracts. And anything you think might be done differently. I am curious as to when these sort of thing has happened in other states, not necessarily at their universities, but we can look at Rhode Island, where they've had a change -- Of course, they're state employee benefits have always been legislated by statute, but nevertheless. When a lot of that was exposed, there was kind of a change in attitude among the state employees when they realized what was happening. I'd be interested in any observations you would care to share with us on how you think the employees, the faculty, everybody is looking at this situation. Is that anything you'd feel comfortable talking about? Just what you said.
SUSAN HERBST: It's not something that faculty or staff sort of think about in their daily goings about, I mean, they kind of, they go about their business in the, this level of things, you know, how the CBAC affects us and whether we'd like to negotiate with our own unions, it's not something that, yeah, they discuss much because they can't control, you know, then how any agency in it, so -- You know, I mean, I think that they'd be glad to talk to you themselves. I mean, if you wanna hear from our unions, for example, then they could speak for themselves.

REP. LAVIELLE (143): Well, any observations that you would like to share with us in the work group about the situation.

SUSAN HERBST: Mm-hmm.

REP. LAVIELLE (143): And how it could be improved. I --

SUSAN HERBST: Yeah, we're happy to do that, and I have been at universities, for example, at Temple University, the unions, all the bargaining was done between the, between management and the president's office and the unions and, yeah, that went very well.

REP. LAVIELLE (143): Well, as I say, I just don't see how this is sustainable over the next, what is it, eight years, that this thing continues. I just don't. And of course, it's falling on students, as you said, and it's falling on your research grant. And I don't know how you can sustain a university under those circumstances. I would just end with a, just remark. There's a parable here for our towns, because UConn has not been able to negotiate these
things, the fringe benefits, and still has to pay the cost. Our towns haven't been able to negotiate it, but they haven't been paying the cost. I know they're being asked to. And here's the result. This is what you see. You just see a very unsustainable situation, which could possibly collapse if it goes on. So I thank you for bringing that to our attention. It's one of the most alarming things I've seen in this whole series of budget hearings, which ends today. So we'll welcome your further information in our work groups. And please get in touch with anything you think is relevant. Thank you.

SUSAN HERBST: Thank you.

REP. WALKER (93RD): Thank you. And I just wanna clarify a little something, because I'm a little confused in maybe some of the conversations that we've had. Because I think you, on slide 3, you pointed out the unfunded pension liability --

SCOTT JORDAN: Mm-hmm.

REP. WALKER (93RD): -- that is part of the --

SCOTT JORDAN: Fringe rate.

REP. WALKER (93RD): -- the retrieval, so -- I mean the bulk of the unfunded is from the sins of our fathers and grandfathers.

SCOTT JORDAN: Yeah. Yes.

REP. WALKER (93RD): It's not because of anything current in as far as negotiations of salaries and, you also, you also have the ability to negotiate the salaries of your staffing, of your teacher staffing yourself, correct?
SCOTT JORDAN: We do.


REP. WALKER (93RD): Yes, yes. So the only salaries are part of the collective bargaining are the maintenance and the support staffs that are within your college. It's not the professors. You make those determinations as well as you can within the constraints of your budget. Is that correct?

SUSAN HERBST: That's right, but remember that all -- We don't cut people's salaries.

REP. WALKER (93RD): Right.

SUSAN HERBST: So all we can do is not hire people, you know, when a budget is pressed.

REP. WALKER (93RD): Yeah, but if I'm hiring you to teach, I have the ability to negotiate your salary.

SUSAN HERBST: Well, AAUP, and UCP, UP, they're all ours.

REP. WALKER (93RD): Yes. That's, that was kind of what I was trying to -- I just wanted to make sure because I think I got it lost in some of the translation that I, you know, heard just recently. So the 33 percent is part of the problem with the fringe. If the, if our pensions had been paid for as they came on line --

SUSAN HERBST: Sure.

REP. WALKER (93RD): -- then that 33 would have made us more competitive.

SUSAN HERBST: Oh, absolutely.
REP. WALKER (93RD): So I guess the problem was that some of the people in the earlier years did not have enough insight to know the impact that they would do to government now, so.

SUSAN HERBST: Absolutely, mm-hmm.

REP. WALKER (93RD): I mean, unfortunately, we live with that. So thank you and we look forward to working with you -- Let me make sure. Working with you in the working group. And thank you, thank you, ma'am for all you've done for Connecticut and UConn --

SUSAN HERBST: Sure, happy to.

REP. WALKER (93RD): -- and being a part of this. But you're gonna be here, so now you get to sit back and relax and watch and say, "That's not my problem anymore."

SUSAN HERBST: That's right. I'll cheer you on.

REP. WALKER (93RD): Yeah. Thank you. Thank you and we'll see you then. Thank you. Next, we have UConn Health Center. Good evening, or, no, good eve -- I am so, I am so tired. [laughing]

ANDREW AGWUNOBI: [laughing] It's been a long day already.

REP. WALKER (93RD): I'm sorry. It's been a long week, okay? [laughing] Good morning, still!

ANDREW AGWUNOBI: Good morning, Representative, Senators.

REP. WALKER (93RD): I think I'm trying to fast forward things a little too much. Yes, thank you.
Go right ahead. I'm going to find your testimony. But go right ahead.

ANDREW AGWUNOBI: Thank you very much. I'm Dr. Andrew Agwunobi, the chief executive office of UConn Health, and I'm joined today by Jeff Geoghegan, our chief financial officer. We've submitted our testimony, and I'm not going to read it word for word in the interest of time. But I will just, I will just read a little bit of it and highlight some key themes.

The first theme is that you can be very proud of UConn Health. UConn Health is an amazing organization. As you know, we train doctors and dentists and others, we do cutting-edge research, and we provide exceptional care.

The second theme that I'd like to touch on today is that we see UConn Health, we truly deeply believe that UConn Health is part of the solution when it comes to economic development for the state of Connecticut, and the reason I'm saying that is that, you know, as you know, we train professionals who, most of them, the vast majority of the people we train are actually people from the state of Connecticut, citizens of Connecticut, and the great thing about it is they're typically citizens from families that might not otherwise have been able to afford such a great education. But just as importantly, those professionals, doctors, surgeons, dentists, they stay, a large percentage of them stay, comparative to other institutions across the country, stay in Connecticut. They open practices, they work here, they hire people, and they contribute to the economic development that we have here. As we train those individuals, we also bring
in direct dollars to the state of Connecticut. For example, we bring in almost $120 million dollars annually in federal funds to Connecticut hospitals to support, from the educational mission. In research, again, research, as you know, it leads to not just cures for the future and inventions for the future, but it also bring in direct, it brings in funds and we've seen about $100 million in external research grants that have been brought into the state of Connecticut. We also have an incubator program, which is more direct economic development, where we have about 30 companies, 30 start-up companies, on our campus, again, supported by the state of Connecticut and by you, that have upgraded companies and have already brought in about $97 million dollars in funding and $30 million in grants and revenues. And they employ over 140 employees. We also have our partnership, as you know, with Jackson Laboratory, and that partnership involves joint research, joint hiring, a lot of economic development, and funding. And in fact, UConn and Jacks Lab have both, we've jointly applied for over $100 million dollars in grant funding and have received $33 million of that.

So, I just wanna highlight those points to say that not only is UConn Health, and I really believe and we believe in UConn Health that this is something that the state of Connecticut has done extremely well and can be extremely proud of. And it's not just about economic development today, as I've stated; it's about economic development in the future. And we're really well poised to do that.

But in addition, UConn Health, the state of Connecticut has also created I think one of the best hospitals in the state. I'm saying the best. I'm
being modest here, but one of the best hospitals in the state for the people of Connecticut. And the people are responding to that. Our volumes have been growing steadily. We've been growing, right now, we grew appropriately 4 percent last year when you take both our inpatient and outpatient volumes, but we grew 9 percent in the hospital. Our hospital, several weeks over the last few months, we've not, we've had one or two beds available in the hospital. So we're becoming very full and that I think reflects the fact that the care, the neurosurgery care, the orthopedic care, cardiology care, all of these are equivalent to any hospital in the state of Connecticut. And the reason they're so good is in part because we hire people from great institutions to come and work at University of Connecticut. One of the wonderful things about that is that we care for the vulnerable in the state of Connecticut, but we also care for anyone in the state of Connecticut that wants great care and everyone gets the same level of wonderful care.

So the fourth theme that I'd like to just touch on is that as a state agency and as an enterprise, an academic health system, our financial wellbeing is linked to the finances of the state, as has been said here many times. But it's also linked to our strength as a business in the marketplace. The good news is that our strength as a business is we are very strong as an organization, as an academic clinical enterprise. And by the way, the overall budget of UConn Health, which is $1 billion, of that, 51 percent is paid by patient care revenue. So it's us as an enterprise out there like any other health system in the market, providing great patient care. And as I've said, we're growing and, you
know, our market share is up, our volumes are up, and in fact, over the last five years, our net patient revenue has grown by 40 percent. Now, going back to sort of our wellbeing being also linked to the state, at the same time, over the same five years, our fringe benefit rates have increased by 56 percent. We see that in fiscal 20, our net patient revenue will increase to, will increase, will be at 51 percent growth over the last six years, while our fringe rate will increase to 86 percent. So it's just a, really, the story there is that on the good side, we don't, we have an institution that is very strong fundamentally, and doing everything that it should be doing for the state of Connecticut. But at the same time, we have a large amount that we have to pay each year to be able to fund the fringe benefit rate differential.

So unfortunately, the fringe benefit costs are outstripping our efforts to grow revenues and control expenses and they essentially become unsustainable. Now, one thing I'd like to point out is that for the past ten years, because we have been growing our revenues and decreasing our expenses -- So for example, our fiscal 19 financial improvement plan, we plan to save about $22 million this year. And each year, it's somewhere between $10 to $15 million that we've saved a year. So the good news about that is that over the last ten years, we've been able to absorb the increasing fringe benefit rate internally. We have not come to the state for additional funding to address this increased fringe benefit rate for a decade.

Unfortunately, that is going to end for this next biennium. This fiscal year ending, this fiscal year 2019, we, although we will have an internal
operating deficit, we will fund, we will figure out ways to fund that internally again from the growth of our clinical enterprise. But going into fiscal 20 and fiscal 21, because of an additional increase of, we project that we will have a $40-million-dollar increase in fringe benefit costs more than last year's costs. And because of that $40 million dollars in fiscal year 20, we will not be able to balance the books as we have been able to balance them in the past. So, unfortunately, and I've been here in my role for four and a half years, and as I said, even for five years before that, we have not come to the state for additional funding. Unfortunately, in fiscal year 20, we anticipate that we will need additional funding, because of these increases we talked about, of approximately $30 million dollars.

And so we have already started discussions with OPM, and I wanna say those discussions have been wonderful, very collaborative, very helpful in helping us to talk through and work through how we might address this. But it is an issue that we're going to have to address for the next biennium. State fringe benefit rates are set by the Office of the Comptroller and are charged to entities like UConn Health that are not fully funded by the general fund. And we've talked about this in detail, so I won't go into more of that.

I'll end my comments by just saying that we have a lot to be proud of. I believe we will get through the next few years, and we will continue this growth trajectory so that we can continue the economic development that UConn Health, Bioscience Connecticut, and everything else has been involved in. But we do have some short-term concerns. We've
talked about a public-private partnership. We are in the process of looking at that. We've tried to do everything we can to make sure that we're doing our part. But we wanna be clear that with or without a partnership, the high fringe benefit costs would have to be addressed. Because any potential partnership, number one, would not want to take that on, and number two, would not yield the financial benefit to UConn Health in the upcoming biennium. So with those comments, I'll stop there, Madam Chair, and turn it over for questions.

REP. WALKER (93RD): Thank you, and thank you for your testimony. I want to first to ask, as I've asked every agency, we have a listing of 1,698 employees. Of those 1,698, how many of them are filled? That's my first part.

ANDREW AGWUNOBI: Yes.

REP. WALKER (93RD): You don't have to give it to me now.

ANDREW AGWUNOBI: Yes.

REP. WALKER (93RD): Bring it to the working group. And I'd like to know how many, because in our line items, we don't have PS; we only have operating expenses, et cetera, et cetera. So I'd like to know how many of, how much of your $113-million-dollar, no $130-million-dollar block grant, $128-million-dollar block grant is PS in the budget. I also would like to know what are your federal dollars that you get for your budget going forward with that, and with that I'll come back and ask my additional questions. Representative Haddad.
REP. HADDAD (54TH): Thank you very much and thank you for your testimony. You know, I don't want to belabor the point on the fringe benefit rate, but just to revisit this again. On your slide, you showed the same numbers that the University of Connecticut did. That's because the fringe rate that's charged to you is not really reflective of any particular, your particular employees.

ANDREW AGWUNOBI: Right.

REP. HADDAD (54TH): It's a fringe rate that's established by the state comptroller across all state agencies, right?

ANDREW AGWUNOBI: Correct.

REP. HADDAD (54TH): But the fastest growing part of the fringe rate, year over year, would that be correct to say that that's for the portion that's assigned to unfunded pension liability?

ANDREW AGWUNOBI: Yes, yeah.

JEFF GOEGHEGAN: Yes, good morning. Jeff Geoghegan, CFO for UConn Health.

REP. WALKER (93RD): Thank you.

JEFF GOEGHEGAN: Yes, we would have to agree. Again, the fringe rate for all of those components are set. So there is one rate, which is that 64 percent. So the growth line is probably in two aspects, the unfunded pension, but also the postretirement state health is also part of that also. So those are the growths that we've been seeing.

REP. HADDAD (54TH): Right. So if we were just talking about the pension liability portion, right,
the unfunded pension liability portion is of the total number of 64 percentage points, 33 percentage points are, go to unfunded pension liability. The normal cost -- I just want to be sure I understand it. The normal cost, the ongoing part, like if you, if we were, for example, to magically label one, be able to separate your employees out of the current CBAC pension pool and allow you to negotiate the new normal costs for your employees, really what we'd ask you to renegotiate is that 5.3 percent.

JEFF GOEGHEGAN: Correct. That would be the difference that's there. I would say in the aspect of that also is again, that's the difference between what the employees' benefits are and then what we are just charged by the comptroller.

REP. HADDAD (54TH): Right, right. So but just to be clear, so 84 percent of what we pay for pension costs goes for past debt and only this, these 5.3 percentage points go to the sort of ongoing normal pension costs for the employee that's right in front of you. That represents a payment for all of their future, that covers, that's the actual required number to pay for their benefits once they retire.

JEFF GOEGHEGAN: For the current employees. Correct. We believe so.

REP. HADDAD (54TH): Okay. And so when we, so when the people are suggesting that, you know, allowing you to negotiate new pension programs, we're not, you know, I think it's important to remember, we're not, that doesn't change the 33 percentage points that's for unfunded pension liability. It would only affect the 5.3 percent going forward.
The other thing I just wanted to ask -- I mean, I could go on and on about pension, fringe rates. I won't. You know, we heard a lot of testimony in the Higher Education Committee with a bill that will come to this Committee hopefully around -- And a lot of your employees, the people who write grants for research, testified in front of the Higher Education Committee about the impact that the fringe rate has had on their ability to secure federal grants. And if we're interested at all in maximizing federal funding, I think that we should listen very closely to the testimony that was provided.

But I wanted to ask a different question, completely different. You know, you used to manage the Department of Corrections --

ANDREW AGWUNOBI: Yes.

REP. HADDAD (54TH): -- Facility. You still have the hospital portion, right? So if a depart, if a prisoner needs to be hospitalized, you have the locked floor at your --

ANDREW AGWUNOBI: Yes.

REP. HADDAD (54TH): -- at your hospital. My understanding I think is that the Department of Corrections is considering or has put that out to bid as well?

ANDREW AGWUNOBI: Yes.

REP. HADDAD (54TH): Right. So it, meaning, I'm sorry, it is out to bid right now?

ANDREW AGWUNOBI: My understanding, yes. The inpatient and outpatient is out to bid, yes.
REP. HADDAD (54TH): Right, if -- Yesterday, we were talking in preparation for this meeting and I was surprised to learn that there might be, aside from just the loss of the business, if you want to call it that --

ANDREW AGWUNOBI: Yes.

REP. HADDAD (54TH): -- that there might be sort of a domino effect in terms of the ramifications if you were to not continue, to continue to provide those services.

ANDREW AGWUNOBI: Correct.

REP. HADDAD (54TH): Could you just talk a little bit about that? I think it’s around pharmacy costs.

ANDREW AGWUNOBI: Yes. Just for clarification, so when we had the Department of Corrections contract before we decided to relinquish that contract, we were doing, in the simplest, simple terms, we were doing two big things. One was we were actually providing the care in the prisons and jails, and then we were providing care when people come to us to our locked unit on our campus or to our clinics on our campus. And including things like pharmaceutical care, lab care, radiology care, et cetera. So the part that you are referring to is the on our campus care and the radiology and the lab, et cetera. So that part of the contract, along with some other aspects of it, has been RFP'd out by the Department of Corrections. We’re not interested in running the care in the prisons anymore. We have relinquished that and we're not interested in that. We do want to continue to provide the care on our campus. And part of the reason is that a lot of investment has gone into our campus in the state to
do that. So security-wise, you know, locked unit, things like that, and so we're very good at giving the care on our campus. We are invested for that. We want to do that as a state organization. But another reason that it's important to us is because we get what's called 340B pricing for discounts for pharmaceuticals that helps our organization and the state, and that is calculated based on the amount of Medicaid care that you give. And if we lose a large amount of Medicaid care associated with the prisons, then that is at risk. And that could be in the multiple of millions of dollars. I think, how much were we talking about earlier?

JEFF GOEGHEGAN: Approximately over $20 million to the hospital.

ANDREW AGWUNOBI: Over $20 million dollars. So again, we are, we have submitted a bid. We think we have submitted a very competitive bid. It has to be, again, evaluated objectively. But we have obviously made it known within the state that should it not be awarded to us, then there will be a financial impact. Or there may be a financial impact.

REP. HADDAD (54TH): And I guess I, and I mean I, I find that interesting. Because the Department of Corrections, in making the determination about who should win the award in response to its proposal, doesn't take that loss of revenue to another state agency into account, as I understand it. And it just seems to me that, you know, like it's sort of like, penny wise and pound foolish, I think. I mean, it just raises a concern I have about when we, when an agency puts out an RFP about what, kind of the criteria that they're using to make the
determination. I know that the Department of Corrections is looking to minimize, manage its own budget and to maximize the, sort of the value that they have. But it just, you know, it's interesting that there's an impact to another state agency. I suspect that, you know, if that were to happen, that would have an, we'd be talking next year about how to manage the implications of the loss in revenue --

ANDREW AGWUNOBI: Right. Yeah.

REP. HADDAD (54TH): -- here at the Appropriations Committee.

ANDREW AGWUNOBI: Well, thank you for bringing that up. I think that's very fair. My, our hope is that because we are such I believe a high-quality organization, and we do have all of the facilities necessary for both the outpatient and inpatient care, and we have been doing that for many years on our campus, my hope is that we will be a winning bid for that, but obviously, if it doesn’t occur, then there will definitely be discussions that have to happen.

REP. HADDAD (54TH): Thank you. That's all my questions.

REP. WALKER (93RD): Are there any other questions? Senator Hartley.

SENATOR HARTLEY (15TH): Thank you very much, Madam Chair. So just to continue -- And welcome.

ANDREW AGWUNOBI: Thank you.

SENATOR HARTLEY (15TH): I always find your presentations very thorough and instructive. What's
the timeline on this RFP now with regard to finding out about the 340B?

JEFF GOEGHEGAN: I don't know. The RFP was put on the street. UConn Health did respond. Now it's in the hand of Department of Correction. So we're just waiting to hear about anything back from them.

SENATOR HARTLEY (15TH): So it'll be in this biennium or report.

JEFF GOEGHEGAN: Yeah, we would --

SENATOR HARTLEY (15TH): Before the start of this biennium?

JEFF GOEGHEGAN: We would have to defer to that

[inaudible 01:54:44]

ANDREW AGWUNOBI: Yes, I mean, I think, if I recall rightly, they had said it would be sometime early this year, but we're not sure what their deliberations are since then.

SENATOR HARTLEY (15TH): Okay. Okay, thank you very much. Yeah, no, the whole conversation of the fringes is obviously very concerning to us. On the question of RFPs, we had this global one that we were talking about in trying to seek a partner. And I've followed that probably not as best as I should. So we went out, we got some response, it just wasn't connecting. Are we going out again?

ANDREW AGWUNOBI: I think what we're doing now is -- So the process is still on at this point. So we haven't, you know, we haven't terminated the process. We're still in it. We're at a point now where we are looking, we're sort of looking to develop, potentially develop our own proposal with
our internal stakeholders, with other stakeholders, in discussions with OPM, and if we can put together a proposal or a structure that does meet all of our objectives, then that would be a point where we would go out to speak to potential other parties. But that's going to take some time. Because there's a lot of work that needs to be done there. And also because one of the realizations we had through this process is that outside parties are not interested in taking, sharing financial risk with us when we have this fringe benefit issue, fringe benefit rate increases every year. And the differential between what is paid out there in other hospitals, for example, let's just say it's an average fringe benefit rate of about 30 percent, and our average fringe benefit rate, due in large part because of the pension liability, of an average of 70 percent. So it's very difficult to have those conversations with any entity out there until we've addressed that. So I think that's on a slower track, but it's still a viable exploration. But what we're really trying to focus on in the shorter term is addressing some of these issues that we've talked about today.

SENATOR HARTLEY (15TH): Thank you very much, Andrew. And then just to talk about something in a different lane. So the School of Medicine and the dental school are growing in terms of enrollment, and I'm just interested, and I know this is always a very difficult thing with the mixes of in-state versus out-of-state students, and then also the associated tuition for those students.

ANDREW AGWUNOBI: Yeah. So we will bring that information to you. I believe it's a large percent, I think I remember 80 percent or something, 80
percent in-state versus 20 percent out-of-state. But we'll get you the specific numbers.

JEFF GOEGHEGAN: Yeah, and we will do that in our school also. After the first year, it is a full-time curriculum. During that time, the second-year through fourth-year students, the majority all become Connecticut citizens and pay in-state tuition for it, but we do have the breakout in those numbers we'll share.

SENATOR HARTLEY (15TH): And then I'm also interested in the research arm, if you will, and I'm noticing you have the NIH grants and also Jackson Lab, which is obviously not a state entity, but for all intents and purposes, we have, we are very invested in it. And so I see the description here. I'm just interested in knowing in more detail about that collaboration, that they in fact are partners engaged and working with you. And then on a broader note, how the John Dempsey is collaborating with other entities, other private universities, colleagues, Yale, and so forth. We have this big discussion going forward about precision medicine, genomics, microbiome. So we wanna leverage those collaborations and we wanna know that they're real. So however, you can share information to show us that we're moving in that direction, that would be really helpful.

ANDREW AGWUNOBI: We definitely will. And thank you for your support.

SENATOR HARTLEY (15TH): Thank you. Thank you, Madam Chair. Much appreciate it.

REP. WALKER (93RD): Thank you. Are there any other questions? Yes. Representative Hall.
REP. HALL (59TH): Just in the interest of saving time, I'll email, I've got five very detailed questions, so I won't go into them now. I'll email them through the chair and get them to you for the working group.

ANDREW AGWUNOBI: Thank you, Representative Hall. I appreciate it.

REP. HALL (59TH): Thank you. Thank you.

REP. WALKER (93RD): Thank you. Thank you for your testimony. I too wanna talk about the DOC circumstance.

ANDREW AGWUNOBI: Yeah.

REP. WALKER (93RD): So what I'd like to know is how many employees did you have under the contract before it was terminated and where were they deployed?

ANDREW AGWUNOBI: Yeah. We had about, we had over 650, somewhere between 650 and 700, and they were deployed to the Department of Corrections.

REP. WALKER (93RD): They were, they were deployed. Were they on site?

ANDREW AGWUNOBI: They, most, many of them were on site in the, I don't know if you want, many of them in the actual prisons, in jails, but we did have some in our, on our campus.

REP. WALKER (93RD): Okay. So that, so it was a blended population. Could you get us the numbers --

ANDREW AGWUNOBI: Yes.
REP. WALKER (93RD): -- and everything and where they were deployed? And I think we will try and have that conversation about the pharmacy RFP and trying to figure out how do we work with this. Because we are one family.

ANDREW AGWUNOBI: Right.

REP. WALKER (93RD): So we do need to make sure that happens. But there were some errors that happened, and somehow, I think that we're gonna end up with a lot of response from the public about some of those errors, because we still are.

ANDREW AGWUNOBI: Right.

REP. WALKER (93RD): And we have to address them.

ANDREW AGWUNOBI: Mm-hmm.

REP. WALKER (93RD): So somehow addressing those might help us to pave that way. So, thank you very much. Thank you for your testimony. Thank you.

ANDREW AGWUNOBI: Thank you.

REP. WALKER (93RD): We will now recess from now until 2:00 p.m., where we will reconvene for Connecticut state colleges and universities, and then we will reconvene again at, no -- Will we reconvene at 5:00 p.m.? For the panels, and then we will re, we will adjourn, and then restart for public hearing at 7:30 p.m. So everybody get their coffee. Thank you.