

CHAIRPERSON: Senator Catherine A. Osten

SENATORS: Flexer, Formica, Hartley

REPRESENTATIVES: Baker, Betts, Dathan,  
Haddad, Hall, Kokoruda,  
Lavielle, Nolan, Rotella,  
Ryan, Walker

SENATOR OSTEN (19TH): How are you all? Nice to see you all. Up first is the President of the University of Connecticut and the Executive Vice President for UConn Health Center. If you gentlemen would like to come up and start your presentations. We don't need you to read them to us. If you could summarize what it is, and we'll read afterwards. Thanks.

THOMAS KATSIOULEAS: Good afternoon, Chair Osten, Senators and Representatives. Thank you for the opportunity. This is exciting. It's my first appearance before you as President of UConn. I am both delighted and humbled to be here. You do have longer remarks from me in your written testimony. I'll give a briefer version here if you don't mind.

By way of introduction, UConn is, of course, one of the many stars that make up the constellation of outstanding higher education institutions here in Connecticut, but as the state's public flagship university and the only public research university in the state, it's a really big and bright one. For example, UConn graduates more engineers each year than all of the other universities in Connecticut combined including both public and private. I included mention of a few of these recent key

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measures of success in the written testimony, and I won't repeat them now.

Now to the budget. The governor's proposed budget would fund UConn's Storrs and regional campuses at a level that is slightly below the FY21 level approved in the biennial budget. It would fund UConn Health at a level that is exactly in line with what was approved in the biennial budget. In addition, the governor is recommending \$33.2 million dollars in funding for UConn Health to offset the cost of the state's unfunded legacy costs, meaning unfunded pension and health care liabilities for FY21, which is estimated to be \$53 million dollars for UConn Health. We at UConn are very much appreciative of the governor and OPM working together to keep our block grant flat or close to it and especially for their support for aiding UConn Health in addressing the state's unfunded legacy costs. UConn Health does not have the ability to address that cost on its own.

Now, our requests. The General Assembly this year - - our requests this year are straightforward. First, we are hopeful that you're able to keep us at sea level with respect to our block grant, meaning in line with what was approved for FY21 in the biennial budget. That stability is incredibly valuable to us to allow us to invest in new revenue generation and fuel the growth of our mission without further cost to the state.

Second, we would ask for additional support to address the cost of the state's unfunded legacy liability which has a significant negative impact on virtually everything we do. If the state is able to identify additional \$19 million dollars for the next fiscal

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year to offset the full \$53 million in unfunded liability costs faced by UConn Health in addition to what the governor has proposed, it will ensure the continued sustainability of UConn Health and all its services. For UConn main campuses, the amount of the unfunded liability costs is an additional \$31 million.

I want to briefly comment on the impact of the unfunded liability. In total, our fringe costs have more than doubled since 2010 and now account for almost a quarter of our budget. This has made our faculty less competitive when applying for grant awards, as grant reviewers can see that too much of the award would be eaten up by legacy fringe costs at the expense of actual research. It also means that research dollars go further at our competitors than they do at UConn. I saw this as such an urgent matter that I reprioritized one-time funds to artificially reduce our fringe rate for grant-funded employees on the Storrs and regional campuses so that they were closer to our competitors. This will help in the near term, but it's a temporary fix and not a permanent solution. I'd like to thank the leadership of this committee for your efforts on this issue. I know you're familiar with it and have had a number of discussions with us on how we may be able to work together to identify a permanent solution. In addition, I saw that the Higher Education and Employment Advancement Committee has introduced education that would also address this issue, and we're very hopeful about that.

Beyond the impact on research, these costs have the effect of squeezing every other priority. I share those key priorities with you in the written testimony, and very briefly, and very briefly, they

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are doubling research and scholarship over the next seven to ten years, which will bring an additional quarter billion dollars a year in federal funding to state and feed the front end of an innovation plan to translate more of those discoveries into licenses, patents, startups, and jobs. A part of that plan is new data science initiative that will help to place UConn at the forefront of this critical emerging field. The key to unlock each of these most effectively is relief from the state's unfunded legacy fringe costs. These costs are like oil on the wings of a bird; without it, we are poised to soar.

Before I turn it over to Dr. Agwunobi who heads UConn Health, I'd like to make just a couple of comments on UConn Health. Under Dr. Agwunobi's leadership, UConn Health offers high-quality patient care, provides support to run an outstanding School of Medicine and School of Dentistry that trains the next generation of health care professionals for the state, performs high-value research, and provides specialty care to indigent patients and rare-disease patients that private hospitals do not. It is performing well in a competitive marketplace.

Under Dr. Agwunobi's leadership, clinical care revenue has increased by a remarkable 60 percent in the last six years. That said, it's important to understand that UConn Health is not a profit center and never will be. Small 200-bed academic medical centers never are. It was created more than 50 years ago to be a public agency carrying out a public mission for the State of Connecticut. Over that entire period, it has relied on the state for a portion of its operating cost, currently about 24 percent of the budget. We do not consider that

historic appropriation to be a deficit as it has been referred to in some recent stories; rather an intentional investment in a valuable mission. Not including the growth in fringe and legacy costs, the amount of state support for the operating budget and medical schools has remained basically constant over more than a decade.

So, in closing, I'd like to leave you with this. Part of the reason I came here is because Connecticut is known throughout the nation as a state that places utmost value on education. As someone who is new to Connecticut, I want to tell you that I see firsthand every day that UConn is an exceptional university and a very special place, and from my perspective, Connecticut is a beautiful, vibrant, and ambitious state that I'm proud to call my new home. I think its best days are ahead. I'm excited and optimistic about what we can accomplish together through this great public flagship university of ours. So, thank you, and I'll now turn it over to Dr. Agwunobi, and then we would be happy to answer questions and open to working with you in any way you suggest to address the legacy costs. Thank you very much.

DR. AGWUNOBI: Good afternoon, Chair Osten, Senators, and Representatives. Thank you, as always, for the opportunity. I'm Dr. Andrew Agwunobi. I'm the Chief Executive Officer of UConn Health and the EVP of Health Affairs. Joining me today in addition, of course, to the president and Scott Jordan is our chief financial officer, Jeff Geoghegan. I also will just give some brief comments. I've submitted the full testimony and won't read that.

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I'd like to start by thanking each of you for your leadership, your vision, and your support. I would also like to thank the governor, Secretary McCaw, and others in the administration who continue to work closely with UConn Health. Like the president, I've submitted the documents. The materials provide information about our budget and the work that we do, but in the interest of time, I'll just provide some brief comments and then take questions.

First, I'd like to emphasize that UConn Health, for any of you that have been to our campus recently, is a vibrant, high-performing public asset for the State of Connecticut. Thanks in large part to your leadership, at no time in history has it been so vibrant and accomplished. Research revenues have grown each year for the past three years. They're at record levels now of \$106 million. The Medical and Dental Schools, as was mentioned by the president, with over 600 students, they're at their largest size in history, and they give the people of Connecticut the ability to send their children to school, to affordable schools, to become nationally recognized professionals that can settle in Connecticut and contribute to both healthcare and the economy. And just as a little footnote, 34 percent of our School of Medicine residents remain in Connecticut and practice, and 73 percent of our first-year students are Connecticut residents. Those residents, by the way, doctors and dentists in training, allow us to draw down over \$122 million in federal funds to support their training, and we also have 320 or so graduate students.

Talking about research and technology transfer and economic development, our collaboration with Jackson Laboratories is strong. We have joint grant

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submissions already that have resulted in \$40.5 million dollars in awards and another \$100 million pending. Our biotech startup incubator is 90 percent, it's actually full. It has 35 companies that have raised \$77 million in debt and equity funding and have paid about \$1.2 million in state taxes.

But on the clinical side, I also want to urge anyone who has not seen and experienced care at UConn Health to visit us. We offer the highest quality care to all our citizens including the indigent, underinsured, and uninsured. Regardless of a person's financial situation, they get the same wonderful facilities, great patient experience, and high-quality care that our affluent patients receive. And that's why we get patients from every single city and town in the State of Connecticut. Of these patients, one in four are Medicaid recipients, and our Dental Service is the largest provider of dental care to the uninsured and underinsured in our state. We also provide much-needed mental health care, both on the inpatient and outpatient level, and our admissions to the hospital have increased every single year since 2013, and today our hospital is frequently at or near full capacity.

So, this brings me to one other, sometimes overlooked point regarding UConn Health and regarding good health. UConn Health's business fundamentals are strong. In fact, as a result of the growth of UConn Health, driven in part by the Bioscience Connecticut investment, the focused business development and marketing at UConn Health, and, of course, the hard work of our physicians, faculty, and employees, the revenues, as the

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president stated, have increased 60 percent each year for the past six years. But at the same time, if we look at the operating expenses, not including the fringe costs and legacy costs for John Dempsey Hospital, the operating expenses are less than those for the Connecticut hospital average and the peer group average. It is no surprise, therefore, that UConn Health generates \$2.2 billion in overall economic benefit to the state.

For all these reasons, we believe that the state can and should be proud of UConn Health, and it should be viewed as a driver of economic development today and in the future. However, we do have one key challenge which I would like to highlight today. The legacy costs that the state charges to UConn Health, and we understand why, but these are charges that UConn Health has historically managed to pay ourselves internally without asking for relief from the state. But as the costs have increased year after year, they've outstripped our growth in revenue and our ability to fund them. So for fiscal year 2020, the amount of these legacy costs that we were unable to cover from our revenues reached \$40 million. In fiscal year 21, that number increased to \$52.3 million, and we are grateful that UConn Health was appropriated \$33.2 million in fiscal 20 to cover a portion of these costs and that the governor has included the same amount in the fiscal year 21 budget. We look forward to continuing discussions regarding the remaining \$19 million or so in unfunded legacy costs for fiscal year 21.

But just to give you an idea of the challenge, the total of these legacy costs charged to UConn Health will grow to \$58 million in fiscal year 22 and \$63 million in 23. As you know, these are not costs

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that UConn Health itself created or has any control over.

In the interest of time, I'll just go to the conclusion and say that UConn Health supports the governor, OPM, and the Legislature's efforts to address the financial challenges of the state, and as a state agency, we're working hard to do our part to be good stewards of taxpayer funds while satisfying our public mission to the state and our strategy to drive economic development. So, thank you very much for your consideration and your leadership on these important issues.

REP. WALKER (93RD): Thank you, and thank you very much for both of your testimonies, and we all agree that the legacy costs are the sins of our fathers. Unfortunately, all of us are paying for those sins of our fathers. I hear you, but we hear it from everybody, and it's a reality; so, we have to move on on that. Okay. Representative Haddad. Sorry, I didn't mean to get you on a swallow.

REP. HADDAD (54TH): That's okay. The Chair says we have to move on from that, but I'm going to ask a bunch of questions about it. I see, I think, attached to both of your testimonies, there are a number of slides, and a lot of them have to do with the unfunded legacy costs. And I just wanted to make sure that I understand completely all of what's going on here. On the second slide, there is one called Fringe Benefit Rate Component SERS. It's a chart that looks like this. Do you want to just explain to me what that chart says first and then I'll ask a question about it?

SCOTT JORDAN: Actually it might not be the same on -- the second slide under your appendix, slide 13, I

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think it is in your deck. I think they're the same. You both attached the same Power Point deck, right? So this just talks about the fringe rate increasing over a 20-year period from 19 percent to very close to 60 percent, right? Yeah, that's the actual rate that the State Comptroller charges the University.

REP. HADDAD (54TH): That's the rate that the State Comptroller charges the University?

SCOTT JORDAN: That's right.

REP. HADDAD (54TH): Elsewhere, I know that you break out -- I think it's on the previous component, the previous slide, slide 12. You talk about the unfunded pension liability of legacy costs with retiree health, and that total of the 60 percent, that looks like it amounts to about 50 percent of those percentage points.

SCOTT JORDAN: Yes, that's right.

REP. HADDAD (54TH): And the normal costs. So, I'm going to ask about the normal costs just to begin with. If you plotted the normal cost of retirement for your non-block-granted employees over 20 years, would that be increasing or decreasing? The normal costs.

SCOTT JORDAN: Just the normal costs over ten years. I don't have the time series for that, but my guess is that that would be decreasing.

REP. HADDAD (54TH): Right. The normal cost for a Tier I employee. Do you off the top of your head know what the normal cost would be for a Tier I employee with their pension package?

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SCOTT JORDAN: No, I don't know, although because, I think, simultaneous to the -- intuitively as the state pension system has become less generous over time to new hires, you know, the Tier I system was more generous than I think we're at III or IV now. A new-hired employee, my understanding is that they bear no legacy costs, that the amount that's withheld from their paycheck covers most, if not all, of the cost of their benefits going forward, whereas a Tier I is at a much higher normal cost. So, I think the normal costs are --

REP. WALKER (93RD): Excuse me, I'm sorry to interrupt. Could you state your name?

SCOTT JORDAN: Oh, sure, I'm sorry. My name is Scott Jordan. I'm the Executive Vice President for Administration and CFO of UConn.

REP. HADDAD (54TH): I'm sorry. I just want to understand. The normal cost for a Tier I employee, they have a more generous package, but over a series of SEBAC agreements, the generosity of those pension packages has been tightened more and more, and, so, the difference between a Tier I employee and a Tier IV employee is a measurable difference in terms of the normal costs. I just didn't know if you knew what the percentages were.

SCOTT JORDAN: I think we have the same intuition, Representative, but we can get the exact numbers from the Comptroller.

REP. HADDAD (54TH): I asked the question, I guess, because I sometimes hear from my colleagues that one of the things that differentiates you from other state governing boards is here in Connecticut we negotiate retirement packages for all state

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employees including employees in higher education. And in other states, sometimes the governing boards are granted the ability to negotiate those retirement packages for their employees. That's your understanding as well, right? You came from Massachusetts, I think you told me, and in Massachusetts the governing board negotiates its own benefit package for its employees.

SCOTT JORDAN: Yeah, I think that's right. I know for certain that in Connecticut, employees at UConn and in the CSU system are state employees whose benefits are negotiated statewide through the SEBAC process, and, so, our pensions are the same. In some other states, the university system -- you know, California is probably the biggest one where the Cal University system has its own retirement system with its own pension programs, and those benefits are negotiated by the University with their employees.

REP. HADDAD (54TH): Right, but I'm curious to know where you feel like you are now with the normal cost for Tier IV employees, I guess. Because while you haven't negotiated those packages, those packages have been -- the normal cost of providing benefits and retirement for those employees has been lowered significantly over the course of a number of statewide agreements.

SCOTT JORDAN: Yes, I think that if we only bore the normal costs for our employees, our fringe rates would be very competitive with our peers.

REP. HADDAD (54TH): For a Tier IV employee for the pension cost, it might be two percent?

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SCOTT JORDAN: Yeah, it might be. Well, the four percent that's shown in this chart is the blended rate across all of our employees that are in service. So, yeah, it may be much lower than that for Tier IV.

REP. HADDAD (54TH): Right, and so it's only as we've started making payments for our legacy costs and building that into what we call the fringe rate that those costs have been expanding rapidly?

SCOTT JORDAN: Yes, that's right, and you can see on the chart on page 13, this chart that shows the rise in fringe costs has nothing to do with the actual cost of providing fringe benefits in state government. It has to do instead with policy decisions to begin to fund the unfunded liability cost, the biggest spikes being around 2013, 2014. I am sure there are others who know better than me the history of pension funding in Connecticut, but that was, I think, around the time when the legislature and the governor decided to seriously work at paying down this liability.

REP. HADDAD (54TH): Moving on then, I guess, not from this issue but to just give you an opportunity to explain a little bit about what the impact is. President Katsouleas, I think shortly after you arrived, you said that one of your goals was to be to research -- to double the amount of research dollars that come into the State of Connecticut, and, so -- anecdotally, I can tell you that when I -- I live in a university community, your university community -- when I sit on the playground, parents of other kids will sit with me on a bench and tell me all about their research grants and how much

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trouble they're having because they're dealing with the high fringe rate that gets incorporated into it.

I'm probably unique in the General Assembly in having that experience on the playground, though maybe Mae Flexer when she comes to the community center, she hears that stuff too. But, in fact, you've got some information here in the deck about not just anecdotal evidence of how the fringe process limited your ability to grow that third leg of revenue. So, your three legs are state appropriations, and we know what's been happening with that; tuition costs that get passed onto students; and then a pretty significant revenue source is research grants. It seems to be the only one that can grow without hurting a lot. And, so why don't you talk a little bit about what you've uncovered since your arrival about the impact of fringe rates on your ability to secure research grants.

THOMAS KATSIOULEAS: Yeah, it's had a three-fold impact on research funding in the state, and the consequence of that is federal dollars that would come into Connecticut are not coming into Connecticut because of the high fringe rate, and it happens in three ways. One is some of those parents that you sat next to on the bench watching your kids on the swings have left, and we have an example, I think it's with page seven. These are three faculty who have left for peer institutions taking with them about \$8 million dollars in federal research funding that would have come to Connecticut, and all of them said that they left because they wanted to go somewhere where their research dollar would go further. They wanted to take the dollars they had from the federal government and use it for research,

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not for an arbitrarily high, artificially high fringe rate.

The second way that we're losing revenue to the state is we have direct evidence from reviewer comments that our own faculty's research grants in a competitive marketplace are being turned down because the reviewers consider their proposal too expensive, and they point to the fringe rate as an example of an outrageous expense.

And the third example is this graph on page six which shows the sub-awarding and what we've started to see is that faculty who get research funds, especially if they're going to be hiring researchers who take national data, will partner with another university, say the University of Minnesota, and sub-award the research so that that employee will be hired at the University of Minnesota and take the data because it's cheaper for them; they don't have to pay the high fringe rate. So, those monies don't ever come to Connecticut; they go straight to Minnesota. I'm making up Minnesota; this could be anywhere, but you get the point. And so there are three ways in which this directly hurts us, and that's why, you know, I took it on myself to use one-time funds this time to immediately bring us down to something close to the mean of our peers, but these are one-time funds that will run out in the next two to three years, and then we're back where we were, and it'll be at the expense of federal funding for the state.

REP. HADDAD (54TH): Right, and so I just wanted to give you the opportunity. You answered that question; I'm sorry. So, one-time funds. Where

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have you accrued that funding from, and how are you spending it, and how long will it last before --

THOMAS KATSOULEAS: So, when we get a federal grant, there is an overhead rate that comes with it that pays for the cost of utilities, laboratory maintenance, upgrades to the laboratory facilities, and those kinds of things. So, we take that money in, and we usually expend it for those purposes. What we're doing is essentially deferring those kinds of investments, which we can do one time, and we're using it to offset the fringe for these faculty. But over time, eventually we have to repair the laboratories, and we have to do the other things that that money is given for.

REP. HADDAD (54TH): I give you credit for coming up with a temporary solution. I guess one of the things that we'd be interested in seeing on this committee is how that has impacted those grants that you're putting in that have that level of a subsidy because if you can demonstrate that it improves our ability to acquire those research grants, then that will be the kind of outcome that we would want to hear about so that when you no longer can subsidize your research grants, we can make an argument here maybe that that subsidy could [Crosstalk].

THOMAS KATSOULEAS: Right. We'll be keeping that data, and hopefully you'll see things like this graph on number six where of all the sub-awards are going up begins to turn back, and we'll see, and we'll share it with you.

REP. WALKER (93RD): Thank you. Senator Osten.

SENATOR OSTEN (19TH): Thank you very much. I just want to go back to the legacy costs of this

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discussion, and I think that constantly I'm trying to get people to understand that for years, we never appropriately credited what the cost was for the legacy costs. We ignored those legacy costs since the 1930s that was never incorporated into it. So, when you talk about the fringe rate as dramatically risen over the last 20 years, the fringe rate hasn't risen dramatically over the last 20 years. The accounting of that has risen over the last 20 years, and I think that that is something that we need to say because when people say the fringe rate has risen, the interpretation is that that means that the rate that people are being paid at has increased over the last 20 years, and that's not the case.

And I appreciate that you are starting to differentiate between the legacy costs and what would be referred to as the normal cost of a pension. So, Representative Haddad indicated as much also. If we looked at the normal cost, 36 percent of the workforce of the State of Connecticut is Tier III or Tier IV, and Tier III is slightly more than 3 percent, and Tier IV is 2.02 percent. So, I think that we have to say that in our documents and in our testimony because we're not accurately reporting to the people who are paying attention to you on TV right now. And I'm wondering have you looked at the OFA numbers which show that within two years, you'll see a decrease in both normal costs and legacy costs. Are you anticipating that decrease? So, again, Representative Haddad said where did you get the money from to help out with legacy costs of our pension system and how long can you keep that up for. Are you incorporating into your thought process the paydown on both the normal cost and the legacy cost of our pension?

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That has to start impacting your trajectory because the numbers are going to go down on both. And so I think that's another slide that should be in here to look at the long-term layout of costs of both the normal cost of the pensioners and your employees and the legacy costs. So, I would like to know if you have time to fit in another chart here which shows what that will be.

THOMAS KATSIOULEAS: Yeah, we'd be happy to do that, I guess for the workshop. I understand we have a workshop that follows. Just a comment on the timing of that. You're right; the legacy costs will eventually go down, but the forecast I've seen is for them to go up for each of the next two years after this.

SENATOR OSTEN (19TH): This year and the next year, and then go down.

THOMAS KATSIOULEAS: Or is it three years after that? I don't remember when it starts to turn down, but we only have enough one-time funds to probably cover this out for three years. So by that time, if it comes down, it'll be coming back to where we are now at best, so we will still be back where we are but without the one-time funds.

SENATOR OSTEN (19TH): But you're calculating this out a number of years, and I just think that we should start incorporating into the discussion the paydown of this because if we get to that point where we're starting to see a trajectory down, that will not only help out UConn with your grants that you're trying to get, it will also help UConn Health Center, and they will not need the dollars necessarily in those upcoming years. So, I think we

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need to make a calculation on when that's going to happen. We are finally starting to see a payoff.

When I looked at this over the last ten years, and it's not been a lot of fun to do this for the last ten years, we are finally seeing that the work that we have done will have payoff, will have actually dollars payoff so that we can see a return on the investment that we have made. And so I think we need to incorporate that and not talk about the doomsday scenario that we have been facing for year. Based on the fact that we are seeing a downturn on the costs, we should incorporate into our look out into the future because we should not just be looking at 2020. I'm certain that you have a forecast going out to 2030.

THOMAS KATSOULEAS: Sure.

SENATOR OSTEN (19TH): And I think that that gives us a fairer assessment of where we are. So, we appreciate the fact that you're dividing up between the two, both the normal costs and the legacy costs, and I think that would also stop people from leaving your institution to go to another place where their research dollars are going to give them more bang for their buck if they know that there's an end in sight. But because we're not giving them the end in sight, they have no way to know that there is an end in sight, and I think we have to start talking about the good things that have happened based on all of this. And, so thank you very much, Madam Chair. I might have questions, but right now I just wanted to make that clear.

THOMAS KATSOULEAS: May I add some credit to you all. The advantage of grappling with the challenge is that eventually the challenge goes away, and

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that's what you're getting at, and that does create a tremendous sense that the future is brighter than the present, and we all need that.

One other thing I'd point out is that the one-time funds that I am reprioritizing are \$6 million dollars a year for three years. It is not the full \$31 million; it just deals with the research piece of it; the other pieces are still there.

SENATOR OSTEN (19TH): Correct, I understand what you're trying to do. You're trying to maximize the dollars you can bring in to provide your staff with an ability to do what they are trained to do, and that is to research different projects to provide validity for them being there. That's what I think you're trying to do.

THOMAS KATSOULEAS: Exactly.

SENATOR OSTEN (19TH): And I applaud that. I'm just saying that maybe we can tell them that we're not necessarily facing a doomsday scenario any longer and we're getting there, and I'd like to give people the facts of the long-term look at the whole budgetary process. So, thank you.

THOMAS KATSOULEAS: Well said.

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

REP. LAVIELLE (143RD): Thank you. Good afternoon, and thank you all for being here. I know that the - - I'm aware of the weight of the legacy costs and their effects on the academic side of the university, and I applaud your use of the one-time funds. I understand, as well, from what you just said, even though they will go down eventually, down

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is a relative term. Right? So, I guess my questions would go sort of in the way of how's fundraising doing in the light of all this? How is it used to help since we have no transparency really into that process? How is fundraising increasing to deal with the ongoing impact of this issue? And secondly, when you're using your block grant funds, I am always just in the general way of things, whether UConn or somewhere else not in Connecticut, interested in the balance of spending on academics versus other. And I'm always concerned that there is not enough on academics versus other, and I just wondered if you'd have some comments on that generally, UConn-wise? And then I have one question for the Health Center.

THOMAS KATSOULEAS: Yeah, these are great questions. Thank you for asking about philanthropy. It's going very well, in fact. In the six months since we've brought in a new CEO of the Foundation, in my first six months really, we have raised \$58 million dollars, and to put it in perspective, last year we raised \$77 million for the whole year. So, we're on pace to blow the doors off all previous records, and I remain optimistic and grateful to our generous alums and benefactors and donors.

The thing to keep in mind about philanthropy, and it's going to be an increasingly important part of the future of UConn's budget. But at \$70 to \$80 million dollars a year, the way it divides up at typical institutions is it is about a quarter of that is -- well, first of all, all of the money is donor-driven. So, it's directed towards what donors care about, and about a quarter of that tends to be scholarships. So, you have about \$20 million towards making UConn more affordable. A quarter of

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it tends to be directed towards placing your name on a building or a renovation or a new lab. A quarter of it tends to be directed at faculty; so, an endowed professorship which allows us to hire another distinguished faculty member. And a quarter of it tends to go towards programs. So, we have a number of programs like that, like the Worth Institute for entrepreneurship, the Human Rights Institute which is one of the top human rights institutes in the country almost entirely philanthropically driven.

So that's the kind of thing that philanthropy drives. It doesn't really cover operating budget. It doesn't typically cover -- not that many donors are motivated to fund research. I mean once in a while you get a donor who cares about an issue; maybe it's cancer research and will give a million dollars towards that. But on the scale of our \$250 million dollar a year research budget, it's not a significant part of it. Corporate philanthropy is a big part of that \$250. A little more than ten percent comes from companies like Pratt & Whitney, Stanley Black & Decker, who fund research in partnership with our faculty. So, there's a piece of that there, and we hope to grow that part as we show our value to those corporate partners. I hope that answers the question. What's at scale here is a sort of \$250 million that we're at now per year in federal-funded research primarily and trying to get that to \$500 million a year, and the key there, from my perspective, is to create a level playing field for our faculty so they can go out and compete for those funds and win them.

REP. LAVIELLE (143RD): Thank you. Is there a model that you know of? I mean I know that the legacy

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cost thing is kind of out of proportion with the rest of what we see around us. But is there a model somewhere where a state university that you know of has coped with something similar and how they have gotten out of the crunch?

THOMAS KATSOULEAS: There are legacy costs in other states. Fortunately or unfortunately, I've not been from one of those states, so I haven't really seen the details of how they've gotten out of it. I do know that a few of our other peer institutions have lowered their fringe rates for researchers similar to what I did because they recognized the same thing. So, there is an example of that. But, what I will say from my prior experiences, we know we don't double research by acting faculty to work twice as hard. We have to invest in them, and we have to enhance their ability to compete by giving them seed funding to go get preliminary data, by making sure they have the best in laboratory resources and equipment and staff support and those kinds of things, and, you know, my goal is to generate revenue in any means possible in order to provide that support to enable that growth.

And so my plan was to try to raise \$25 million dollars a year towards that. It's going to be 25, 30, 35, and so on, and, so it's challenging when we have to start by being \$6 million in the hole, right? So, I wanted to do \$25 million in positive funding, and now I need \$25-plus \$6 to get to that positive funding, but I felt like I couldn't ask the faculty to go out there and compete if, you know, I couldn't give them a level playing field. So, I thought that was critical for us to get on this doubling a research path, and, so, you know, the rate at which we're able to implement these

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priorities, doubling research, implementing the innovation. We have an innovation plan that would take UConn to best-in-class in terms of translating that research into new companies, licenses, patents, and start-ups, and, you know, we need to identify resources for that too. So, all of that can be done if the oil is lifted from the wings so we could soar, and with the oil weighing us down, all that will be delayed.

REP. LAVIELLE (143RD): Yeah, no, I understand, but your solution at least for this year was creative. Of course the weight that falls on the Health Center is really something. I know that last year you approached some of us to talk about partnering possibilities and whether there was a way to engineer any of that, and I just wondered where you'd gotten on that front, if there is any possibility that we might be asked to consider.

DR. AGWUNOBI: Yes, and thank you. Thanks for the question. So, as you know, the legislature asked us to explore to seek a potential public-private partnership, and as you just noted, we did immediately go out, quite quickly after that, go out and put out a solicitation of interest and went down the path, I think quite professionally and quite quickly, to evaluate options out there. And we consider that our sort of phase 1, you know, exploring, seeing what's out there, what sort of partnership models might be out there. Not surprisingly, given the complexity, some of which we're discussion today in terms of our finances and our mission, we didn't immediately identify a partnership model that met all of our goals.

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So, we consider ourselves now to be in phase 2 which is sort of regrouping, looking at what might be possible going forward. We're in discussions with OPM, the state administration, to sort of understand and get guidance and input from them. So, at this point, it's still ongoing. The exploration is still ongoing, but we haven't identified any specific respondent or partnership model to bring to you at this point.

THOMAS KATSOULEAS: Was that your question, by the way; I'm not sure.

REP. LAVIELLE (143RD): Yeah, yeah. We had a number of discussions, and our answer was essentially, "well, sure, if you can tell us what the potential partnership is," and, you know, we were waiting to see what the actual ask was. But I realize it's a hard situation. I would just say as a general comment that I really don't know how you all do it without having -- you know, you have all the management responsibilities and yet not the leeway -- forget the legacy costs, but not the leeway to negotiate all those in-play costs going forward. I think that must be extremely difficult. If I'd ever had to do it in a business setting, I would have run screaming out of there.

DR. AGWUNOBI: Well, thank you for saying that. I mean it is complex. I think our focus sort of in the short-term, and it's really independent of a public-private partnership otherwise, is the unfunded legacy costs because that will always be a big piece of this. But in terms of the long-term public-private partnerships, one of the most important factors to us is that if and when we do find a potential partner to whatever extent, that it

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be something that strengthens UConn Health, strengthens our mission, because we really do see UConn Health as a true asset for the state and something that is a real solution to some of the economic development challenges that we have in the future. So, we don't want to take away from that. We want to make sure that we're fostering that, and that adds another layer of complexity to any potential public-private partnership discussions.

REP. LAVIELLE (143RD): Thank you. Well, thank you again, and I hope that, you know, these challenges do find resolutions sooner rather than later. Thank you very much.

DR. AGWUNOBI: Thank you.

THOMAS KATSOULEAS: Thank you, Representative.

REP. WALKER (93RD): Thank you. I just have one quick question. When UConn was doing the inmate medical health care, how many employees did you have.

DR. AGWUNOBI: We had about -- there were about 650 plus a little bit, 650 employees that were specifically dedicated to the Department of Corrections work that we were doing in the prisons and jails.

REP. WALKER (93RD): Okay, all right. Thank you. Senator Flexer.

SENATOR FLEXER (29TH): Thank you, Madam Chair. Good afternoon. It's nice to see you all today. Thank you for being here. I just have a couple of questions, and I want to pick up on the previous conversation with regard to legacy costs, and I want to drill down specifically on its impact on tuition.

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I feel like we say this every year, it's sort of frustrating. I'm tired of sounding like a broken record, but, you know, when we are putting this level of responsibility on the University for these Costs, we're putting it on students and their families, and it goes directly into their tuition bills. So could you talk about that a little bit, how much of students' tuition that they're paying is actually to pay these long-term debts that previous legislatures and governors created for them, and can you talk about, you know, the \$2.6 million dollar cut that the governor's proposed? It may seem like a small amount of money, but at the end of the day, that's \$2.6 million dollars in all likelihood you're going to have to take out a students' tuition, therefore, increasing how much of the legacy costs students are paying in their tuition and fee bills.

THOMAS KATSOULEAS: Yeah, thank you for the question. The simple answer is that it's roughly \$700 dollars of every student's tuition bill that is paying for the cost of unfunded retirement benefits for a generation that has nothing to do with teaching those students or anything to do with their education, and, so, that's roughly the number. And, so, yes, if we could get some relief on the legacy costs, it would allow us to keep tuition increases down. There's no question about it.

What we've done this year with our boards and our board support is we've approached tuition in a sort of algorithmic way, and what we're trying to do is recognize the strong support that the state has provided for the University historically. And, so last year when the state kept our block grant even, we wanted to keep our tuition as close to zero as possible. So, with our board we came to an

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algorithm or a policy approach where we would basically increase tuition by cost-of-living using the higher education cost index plus \$100 dollars, and the \$100 dollars is a building excellence fee to enhance the quality of the faculty over time, which is something that the students have repeatedly said they support. And that's it. And then any other increases in tuition would only be in response to reductions in net state support. And, so, to the extent that we can maintain the block grant, we can maintain tuition as low as possible for our parents and students.

SENATOR FLEXER (29TH): Okay, thank you. I appreciate that answer, and just brief commentary. When you talk about enhancing the quality of the faculty, I hope that there's a real focus at the University of making sure that the faculty is diverse and reflective of our state and of the student body so that students in any department aren't walking in where all they are exposed to are white professors.

THOMAS KATSOULEAS: I couldn't agree more, and shorthand, if we don't have a diverse faculty, it's not a high-quality faculty.

SENATOR FLEXER (29TH): So, keeping on the conversation about faculty and also going back to the previous conversation and slide 7 with regard to the faculty retention. What areas -- this list of faculty that left due to the impact of legacy costs on their research dollars -- what areas did these professors teach in including the ones listed here and the eight others? Just if you can speak in generalities; you don't have to necessarily list every single one, but just curious. Is this mostly

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engineering? Is this across all disciplines? Where are they?

THOMAS KATSIOULEAS: Yeah, these three faculty left before my time, but I believe two of them are in engineering and one is in computer science; so, they're mostly in the STEM fields which are the fields with the high research volumes typically.

SENATOR FLEXER (29TH): Okay, if you wouldn't mind getting that information for me, I'd appreciate it; it's be good to know. And then lastly I just have a question about UConn Health, and I think it's important to emphasize the services that UConn Health provides to people from all over the state. And I just want to express this mostly for my colleagues that, you know, I represent towns in addition to the town where the University is, also towns on the Rhode Island and Massachusetts border, and I know from many year of listening to my constituents that for many of them, the only place they can get certain kinds of health care is by going all the way to Farmington, which when you live in Thompson or Putnam is an hour and a half to two hours away.

And so, I think there's a value that sometimes is missed with how impactful UConn Health is in terms of being the only place that many people in our state can access key health care for them. So, when you were talking, Dr. Agwunobi, about your peer group average with similar institutions, can you elaborate on that a little bit more in terms of the difference between UConn Health's funding and other similar institutions?

DR. AGWUNOBI: Yes. So what our analysis shows based on data from the state is that when you --

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again, this is in some ways trying to normalize for the fringe and the legacy costs -- and just sort of taking that out of the picture and looking at operating costs. And when you look at operating costs, UConn John Dempsey Hospital's operating expenses, should I say, they are less than both the Connecticut hospital average -- so we're right sort of in the middle of that but a little bit less than the average -- and the peer group average in dollars and in percentages. And if you look at the salaries, and the same thing again, that on both a dollar and percentage-of-net-patient-revenue basis, our salaries are well within, in fact lower than, the average in terms of peer hospital and hospitals across Connecticut.

And I also wanted to just add, if you don't mind, on the issue of services that we provide, and we're talking specifically about clinical services, a lot of people don't realize that even though every hospital and every health system accepts Medicaid and accepts some uninsured and underinsured through the Emergency Department, particularly when it comes to specialty care, there are a lot of providers across the nation, in Connecticut, and elsewhere, that will not provide, you know, high-level specialty care to -- now I'm not talking about any specific entity, I'm just saying in general -- particularly Medicaid patients because Medicaid doesn't pay -- it pays 60 to 70 cents on the dollar of what the costs are. And, so having a public institution that not only provides that for everybody; it doesn't matter. And, by the way, the level of care that's provided, and this is why I mentioned about people coming to our campus. The level of care that's provided is state-of-the-art.

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So, it doesn't matter whether you have money or you don't have money, you get phenomenal care at UConn Health, and we provide that equally to Medicaid people in the state, to underinsured people, indigent, and uninsured, as well. So, it's important to have that in any state, I think.

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

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

REP. HALL (59TH): Thank you, Madam Chair, and welcome and thank you all for being here today. It's good to see you. A lot of the questions I had have been answered, but I have a couple of specifics to the legacy costs that you're looking for some additional help with. Can you give us a number specifically as to what you're requesting from the Appropriations Committee as far as additional aid in the legacy cost?

THOMAS KATSOULEAS: Fifty; 19 for the difference for UCHC for the Health System and 31 for the unfunded legacy costs for Storrs and regionals.

REP. HALL (59TH): Okay, okay. And then, you mentioned the one-time funding that you pulled from, and you mentioned \$6 million a year for three years; so, my question is in that particular funding, is the entire funded self approximately \$18 million, or is there more in that funding?

THOMAS KATSOULEAS: Yeah, there is more in the funding, but the funding is for the purpose of the overhead associated with the research. So, yes.

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REP. HALL (59TH): Yep, I heard you say that. So, exactly how much is in the funding for the laboratories and all the upgrades to the labs?

THOMAS KATSOULEAS: It is about -- according to the EVP here, it is about \$40 million.

REP. HALL (59TH): Forty million, okay. And the other actually for the working session not for now but because it's obviously not in our block grant, but I'd be interested in hearing about how some of the other drains on UConn's budget -- and I think we know what some of them are as far as the athletic program, particularly to the football program -- what you're looking to do to help with some of the other drains on your budget, you know, that come from other areas, not just the state funding that you get through the block grant. And I think that's it. I think all my other questions were answered. I just want to compliment UConn. I've been down to the facility and utilized UConn Health a couple of times, and the service and doctors and staff there are unbelievable, and it's a wonderful facility. So, I want to compliment you on it, and it's something to be very proud of for the State of Connecticut.

DR. AGWUNOBI: Thank you so much.

THOMAS KATSOULEAS: Thank you, Representative.

REP. HALL (59TH): Thank you. Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. Senator Hartley.

SENATOR HARTLEY (15TH): Thank you, Madam Chair, and Mr. President and group, thank you for being here with us and really for all of the great work that

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you do and the challenges that you take on so often. Now, I guess we're just up against our end-date. So let me just right now until we get into subcommittee just mention two things. Oh, and by the way, Mr. President, I hear you're pretty fancy on that skateboard, and I invite you to the Waterbury campus to show us your stuff.

THOMAS KATSOULEAS: You got it.

SENATOR HARTLEY (15TH): Okay. We've got a good place for skating, so we'll wait to see that.

THOMAS KATSOULEAS: I've been several times, but I've never brought my skateboard with me, but on your invitation, I will if you come and meet me.

SENATOR HARTLEY (15TH): Please know that it's an open invitation.

SENATOR OSTEN (19TH): I want to see Senator Hartley on the skateboard also. [Laughter]

SENATOR HARTLEY (15TH): I can't compete there.

SENATOR OSTEN (19TH): And I promise that I will come down there just for that.

REP. WALKER (93RD): And we say send videos, please.

DR. AGWUNOBI: And we have Orthopedics (Crosstalk), so [Laughter]

SENATOR HARTLEY (15TH): Have them in line, please. I will not dare that terrain. Well, anyway, just very quickly, I see the \$19.1 delta here, but my question is, is it really \$19.1 plus 6 that we're talking about on the burn rate with the administrative money that you're using to supplant the research?

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THOMAS KATSOULEAS: No, 19 is just on the Health System side, and the six is just on the Storrs research side, so.

SENATOR HARTLEY (15TH): But are you really asking for 25.

THOMAS KATSOULEAS: We're asking for \$19 for the Health System and 31 for the Storrs plus regionals which would -- that 31 would encompass the six.

SENATOR HARTLEY (15TH): Okay, that's what I needed to know, all right. Thank you very much. And then let me just say that your focus on research is pivotal to the University and its brand and this generation, and part of that also is the tech transfer because we do have the patents, and we do have the research, but that's the dead end there, and so how we can prioritize and really, you know, move that much more exponentially forward is something that I'm interested to hear more about when we get into subcommittee.

THOMAS KATSOULEAS: I look forward to that. Yes, we've been working very hard on a plan for that and would love to share it with you.

SENATOR HARTLEY (15TH): Okay. I'd be very interested. Thanks very much. Thank you, Madam Chair.

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

REP. DATHAN (142ND): Thank you very much, Madam Chair, and thank you so much for your presentation today. It was really informative. Really, I just wanted to kind of talk about the technology transfer and I didn't see a number representative in dollar

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amounts for technology that's either been sold or transferred out, and how is that structured. We can talk about it in the smaller committee, but I would love to see kind of like a trend analysis because I also think that there is a good correlation between how much we're doing research for and that. So, any sort of maybe multiyear analysis that you have on that, that would be great. And I'd also like to see where we are compared to our competitors that you see in the similar fields. So, how competitive are we with this sort of technology, IT, and things like that?

THOMAS KATSOULEAS: This is a great question. Thank you for it. As part of our innovation plan in response to the Finance Committee's legislation last year, actually the first step was to do a self-assessment and talk stock and compare ourselves to peers across the country. And to your point, Representative, you're exactly right. There is a very linear correlation between research volume among universities and the number of start-up companies, the licenses and tech transfer. We are nationally at about 80th in terms of research, and we're about 75th in terms of tech transfer.

We'd like to be much better in both, and, so, we've developed a plan which I think will take us there and is carefully focused on the metrics that we think are most important including start-up companies, the jobs that result from those start-up companies, and those kinds of things. And, so, we're, you know, setting out to keep track of exactly that. And we're, you know -- even though, we're hitting at about our weight belt if you look at the actual investment that this university has made in tech transfer compared to peers, we're in

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the bottom quartile. You know, if you look at it, Utah or something that would be at the top. They might have something like 10 to 15 people doing tech transfer, and we have two. Right, so, there's a huge potential upside for us, but we don't want to just imitate Utah; we want to do better than they do. So, we're thinking hard about that means.

REP. DATHAN (142ND): I would love to also hear in what industries a lot of these tech transfers happen, which industries are most concentrated in because I think, you know, in talking to some of the people in the investor community, it would be great to make sure that we're aligned.

THOMAS KATSIOULEAS: Yeah, right now our emphasis is in three areas really -- biotech, advanced manufacturing, and data science. The Governor's Office has created a Workforce Council, and they're collecting data on where the demand is greatest for workforce and innovation, and I'll be surprised if it's far different from that, but we'll be open to amending that. But, you know, one of the indicators of the promise here is if you look at the Stamford-Bridgeport area and you count the number of Fortune 500 companies that are principally data science companies, it's something like number 20 in the country regionally. Number one is San Jose-Silicone Valley, not surprisingly, but if you divide by per capita, guess what, San Jose moves to number two, and Stamford-Bridgeport is number one in the country per capita and concentration of Fortune 500 data science companies. So, we think there's a real opportunity to create a rich ecosystem there around innovation and data science. Every university I know in the country wants to grow in data science, but not every university in the country has that in

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their backyard to build on. So, I think it's a huge potential competitive advantage for the state and for UConn.

REP. DATHAN (142ND): I used to work for one of those data sciences companies that left Connecticut for San Francisco.

THOMAS KATSOULEAS: There's a reason why there're number one.

REP. DATHAN (142ND): Thank you so much. Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. Senator Flexer.

SENATOR FLEXER (29TH): Thank you, Madam Chair. I just have a quick followup to the conversation you just had with Representative Dathan. Is the University of Connecticut an official member of the Governor's Workforce Development Council?

THOMAS KATSOULEAS: Well, I am. I'm on the Workforce Council as an individual, so, I don't know if it's the University, but the Workforce Council is made up of a membership, and I am the member from the University of Connecticut.

SENATOR FLEXER (29TH): And you are on it, not ex officio?

THOMAS KATSOULEAS: I'm on it.

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

REP. WALKER (93RD): Thank you. Are there any other questions for many of the members? Yes, Representative Betts.

REP. BETTS (78TH): Thank you, and thank you all for your testimony. I just have a simple question

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really pertaining to UConn Health Center and your efforts to develop a partnership with somebody else. Could you give the committee an idea as to your timetable for trying to meet that goal? You've already, I think in your words, said you completed phase one, and phase two now you're looking at. But, you know, how much time -- what is the urgency in terms of being able to meet that goal, if you could give us some kind of guideline with that.

DR. AGWUNOBI: Sorry. Thank you for that question. We do not have a specific timeline for this phase of the exploration. As you know, when the legislature directed us to seek a public-private partnership, we went through a formal process to do that, and we did have timeline on that. We wanted to make sure that, one, we reported back to the legislature a couple of times; we did that, and that we went through that process. So, we have done that. Again, the process has not ended; it is still continuing. But phase one we had a timeline on. Phase two, I think we have to really look at -- so, in phase one, just to sort of explain a little bit more. In phase one, we went out to different potential partners, and we said, "here's who we are, here's what's important to us, what ideas do you have in terms of potential partnerships?" When they responded, none of those met our goals -- all of our goals.

So what we're doing now is we're saying, "Okay, we need to be a little more prescriptive." So that's number one, we need to be a little bit more prescriptive about what we need, and then we will see whether or not there are partners out there that are interested in partnering with us in the right way. That's going to take some time to do, I think, because, number one, we have other issues to address

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that are related to that but independent of it, in terms of things like our legacy costs and other issues. We have to continue to talk to the administration OPM about getting their input and their guidance in the process. We're not at this point in time talking to any of those respondents who are originally in the solicitation of interest process because we think that we need to do a little bit more internal planning. And then there are considerations in terms of making sure that we're constantly talking to our unions and keeping them abreast of what's happening. So, at this point, we're don't have a specific timeline, but I think we're moving forward in an appropriate manner and in a methodical manner.

REP. BETTS (78TH): Thank you. I guess my question in general is do you think it's possible to achieve that considering the legacy costs and other things that you're trying to address?

DR. AGWUNOBI: So, my honest answer to that is it's not going to be easy. It's going to be very difficult. However, I think there are different kinds of partnerships that can be discussed as we go forward. We actually right now have a lot of partnerships at different levels with different institutions, and I think we just have to decide. It really depends on the type of partnership that we end up looking for, but certainly I think that given our need to make sure that UConn Health's, particularly its academic mission, is constantly supported. You know, we talk about doubling the research. Well, you know, to double the research on our side, we've going to have to make sure we're supporting the academic mission. You know, our Medical and Dental School -- our Medical School was

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just named a Top 31 in primary care education, so we have to support all of that and make sure it's continuing.

So, there're a lot of boxes that would have to be checked, but I do want to say that the reason we have not stopped the process is that we're working very collaboratively, in a very open-minded manner with administration and others to say, you know, if there are ways to strengthen UConn Health through a partnership, of course we would be interested in doing that, but certainly there're are a lot of hoops that would have to be jumped through to make that possible.

REP. BETTS (78TH): Thank you very much. Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. Are there any other questions from any of the members? Thank you so much for your questions, and we look forward to seeing you in the committee. Thank you and have a good afternoon. Okay, next we have Mr. Ojakian for the Connecticut State Colleges and Universities. Good afternoon, Sir.

MARK OJAKIAN: Good afternoon. Okay, thank you, Representative Walker, Representative Lavielle, and members of the Appropriations Committee, thank you for this opportunity this afternoon to address the governor's proposed budget adjustments as the pertain to the CSCU system. For the record, my name is Mark Ojakian, and I'm the president of CSCU, and I am joined today by Ben Barnes, the Chief Financial Officer, as well as several college and university leaders and members of my executive staff.

REP. WALKER (93RD): You can summarize.

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MARK OJAKIAN: I am. I was told that that was the warning Senator Osten gave at the beginning of UConn, so I'm going to. I have eyes everywhere, Representative. So, I don't need to, I think, explain once again the importance of our system. We've been here many times to talk about the value that our system provides to the citizens of the State of Connecticut. No matter where you live -- big city, small town -- our institutions serve all communities equally and very, very well. We were here last year before you to talk about the system's economic impact on the State of Connecticut, and if you remember correctly, we were proud to announce that the system contributes more than \$11 billion dollars a year to the economy of the State of Connecticut, and that for every dollar that the state invests in our system, there's a \$12 dollar return on that investment, and that's why we're thrilled to be a part of Governor Lamont's Workforce Council and working very closely with members of the economic development team and the newly revitalized CERC on their strategic plan.

The governor's budget adjustments are generally positive for the system with no proposed cuts to our block grants or fringe benefit support. The budget proposal also provides a much-needed \$2 million dollar down payment allocated toward the implementation of Guided Pathways which, as I've talked to many of you on many occasions, is a nationally proven model of increasing student success and equity and will have an impact in a positive direction on enrollment, retention, and the overall fiscal health of our community college. While this is positive news for us, we do expect a continued need to draw down on institutional

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reserves in the short-term, about \$6.4 million at the state universities and \$13 million dollars at the community colleges. As I indicated, this is a very short-term strategy, and as you will see, in a couple of years we will be in financially sustainable position.

Because we have making progress on our finances, the Board of Regents, as many of you know, decided to hold tuition and fees flat at our community colleges, leaving tuition flat at Charter Oak while actually reducing fees, for an overall decrease of 2.7 percent to our students, and increasing tuition and fees at the universities by an average of 3.8 percent.

I just want to quickly note the remarkable turnaround at Charter Oak, in particular. A few short years ago, as you know, they were facing an uncertain position. Now, thanks to their efforts and thanks to additional funding that you appropriated to the institution, they have significantly improved their enrollment and their financial position. This, to me, speaks volumes about the need to continue to enhance our online opportunities for students in the State of Connecticut. And while the universities are seeing demographic-driven enrollment declines, they are working very hard to expand the graduate programs and collaborating with our colleges to transfer students who pursue their first two years at a community college seamlessly into the universities.

The tuition increase at the universities is higher than I would have liked to have seen, but it ensures that the institutions have the resources they need to operate and while continuing to be very

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affordable, high-quality options for all of our students. And we'll be working closely with the university presidents, Ben and I, to make sure that any contemplated tuition increase in the next biennium is as low as possible.

At our community colleges, we not have credible path towards fiscal sustainability. Our five-year projections for the colleges show, beginning in '22, we will see our finances stabilize, and by 2023, we will be able to begin rebuilding our reserved and putting much-needed support back onto the campuses in terms of student services. And this is only possible because of savings already achieved and projected under Students First. Indeed, this plan has already produced annual net savings of \$10.9 million dollars in fiscal year 20, and these net savings will grow to \$24 million in fiscal year 2023 and thereafter. Without these savings, as I've said many times before, the community colleges would face a structural deficit of approximately \$20 million dollars annually which would lead to depletion of reserves as soon as next year, putting access to our institutions and services provided at significant risk.

But even with these savings, we're hardly out of the woods because these rely on assumptions that overall state aid will remain unchanged and that no wage increased will be provided in collective bargaining agreements. So, in other words, any cuts in state aid or wage growth that exceeds what we receive in state aid will diminish the colleges' financial performance compared to this projection.

The other important assumption I want to talk about today related to this model deals with tuition-free

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community college, known as PACT, the Pledge to Advance Connecticut, which we believe will yield significant enrollment growth. To that end, I have some concerns about how the program rule change in the proposed budget would affect enrollment. As you know, the legislature included PACT in its most recent biennial budget, but there was not a specific dollar amount associated in the budget or a permanent funding stream identified that was able to be transferred over to the program. We do believe that under the bill that was passed last year as part of the budget, the program could be administered for \$6 to \$8 million dollars this fall. The administration's proposed budget invests \$2 million dollars in PACT scholarships and \$500,000 in marketing, but also makes changes that I believe would significantly limit access to the program.

It would make families with an estimated family contribution of \$7500 dollars or more ineligible. This would have the effect of shutting out many middle class families. Second, it would limit the program to students who graduated from high school in the past year, shutting out both young adults who entered the work force immediately out of high school and also our older working adults who recognize that a college education would improve their employment opportunities. The proposed changes put our colleges and the system in a difficult position. We have an obligation to implement the law as was written last year including a very robust marketing campaign. This has already been initiated in earnest.

We have a traditional advertising campaign as well as broad-based outreach to constituencies across the State of Connecticut. I've been traveling to school

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districts, meeting with associations of superintendents, talking to the NAACP, and going and talking to principal groups to talk about the value of this program. And it's a powerful message that the state is willing to invest in higher education by providing this as a free opportunity. And the interest we're seeing from potential students and their families has been like no other initiative we have undertaken. Even students who would likely currently qualify for free community college because of their income status but never thought they could afford it or their family had the ability to help them transition to college are now considering going to a community college. I believe that moving away from this initial commitment of free community college would not only threaten potential enrollment gains, but it would also, I think, undermine our credibility in the eyes of middle class families we have promised an educational opportunity to.

As I travel around the state, the excitement from school principals and school superintendents who understand that this is an opportunity their families are welcoming is just incredible. I was recently at an event in the Northwest part of the state at Northwestern Community College, and there were three principals there who were incredibly excited about the program as were the families that they serve.

I'm not going to go and read the rest of my testimony in regard to Students First. It's my stump speech which you've all heard before and you'll hear time and time again. I just want to make you aware that we are making incredible progress towards the one college model, and I just want to reiterate that despite all of the great

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efforts that are going on on all of our campuses, we realize that there is a need to drastically improve student outcomes and equity measures at our community colleges. I've been told by folks I shouldn't talk about this because it makes folks feel bad. I think if you don't talk about it and address it, it's never going to improve. So, I continue to talk about the disparities we have in our system. The most recent data for the community colleges, just as an example, show that the graduation rate for black students stands at just eight percent compared to 21 percent for white students, and success rates which are graduation and transfer of just 25 percent for black students compared to 39 percent for white students.

I think what we're trying to do here, in closing, is build a bridge, build a stronger bridge to the future. I think our students deserve better, our businesses demand better, and as higher education leaders, we must do better. Thank you again. I look forward to being with you tonight to hear the students. Again, they are the most compelling reason why higher education should be an investment in your futures, and with that, I'm happy to answer any questions or bring anything to subcommittee, if my voice holds out, sorry.

REP. WALKER (93RD): Thank you for your testimony. I have a couple of questions. First, I want to ask your finance director, who is going to identify himself, I'm sure, in looking at the fringe -- we've listened to UConn talk about their fringe rates that were affecting their research grants and opportunities -- can you talk to us about how do you handle it within the CSCU system?

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BEN BARNES: Yes, absolutely. I'm Ben Barnes. I'm the CFO for the CSCU. We are all part of the same system as UConn, so we receive a block grant, and it is the employees who are paid from that block grant, their fringe benefits are covered by the state as part of the appropriation to the Office of the State Comptroller. But then to the extent that any of our costs for salaries of our employees exceeds the block grant, those individuals in that extra part, we have to pay for the fringe benefits ourselves. With respect to the community colleges, in recent years, in recognition of the sort of special challenges that the community colleges have faced in recent years, the legislature has added, I think we're now in the current year about \$24 million dollars of supplemental fringe benefit assistance to us, so you, in addition to giving us a block grant, you give us funding to defray a significant portion of the remaining fringe benefits that we have to pay. That amount is, and again I reiterate my boss's remarks that we are very pleased in some respects with the budget that was presented. One of the respects that is most beneficial for us is the increase in the fringe benefits afforded to the community colleges that is scheduled to go into effect next year.

Right now, for next year, the amount of fringe benefits that the community colleges will be supporting beyond the state appropriation and the supplemental fringe benefit assistance is relatively small. It is in the order of under \$10 million dollars; so, most of the fringe benefits are covered there. The universities, however, have, while there are some differences in the numbers between the universities and the University of Connecticut, the

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basic problem is very much the same. Within the state university system, there are -- I think their contribution is toward fringe benefits for the universities -- while all told fringe benefits cost \$214 million dollar this year for the universities, and we receive about \$144 million dollars in block grants and \$134 million in fringe benefits. So, we are paying now more than \$70 million dollars' worth of fringe benefits for university employees beyond the block grant. So, that is coming out of operating funds which are made up of tuition and fees.

THOMAS KATSOULEAS: That was the point I was going to make is that the operating fund dollars are from tuition and fee payments by students and their families.

REP. WALKER (93RD): Okay. My second question. I went to a breakfast at Gateway, and then I met with some students from Southern, and it was a couple of days of visiting the colleges in my area. And most of my students talked about the -- the students at Gateway really talked about the free community college tuition. One of the things that they emphasized, which I think I've talked to you about, is the fact that the majority of them have to work because they don't have the opportunity to just go to school. So, in the definition of what we're talking about for the free community college, I have a problem with because it will basically negate most of my community college students in there, and I think that's an unfair circumstance, and I think we need to revisit that especially because what we're saying is we want you to go out and earn your living and maintain and support yourself, but we're not going to help you, and that is not fair. I think we

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should help them even if they don't have family that can afford them to be full-time. I think we should be affording all students support no matter what their circumstances, so I just want to put that on the record.

And I am extremely concerned about the completion rates for your minority students. So, can you tell me what do you have planned in trying to address this, both with the community college and for the university system?

MARK OJAKIAN: Certainly. So, part of the Students First effort is to increase those numbers. And the way that you do that is by our Guided Pathways. One way is through our Guided Pathways initiative. And that is a nationally proven initiative where there are a number of advisors that are assigned specifically to students once they go to even enroll in an institution. They stay with the student from day one through completion and actually help them find employment. Now, as you know, we have a ratio of advisors to students that is unacceptable right now, and the national model we are looking to replicate is one advisor to 250 students. The \$2 million dollars that the governor put into the budget will give us a down payment in providing some initial relief in that area. But we need additional support to be able to hire more advisors to get, you know, to get those advisors, you know, in place. I think as we move towards a much more commonly aligned curriculum that will help students be able to take courses wherever they choose, they will not have to reapply from one institution to another institution. We're looking to create more distance learning, hybrid courses, so a student will be able to take a course from home with another class on a

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different campus. There are a number of initiatives that we're doing to try to increase, you know, those numbers because they're not acceptable.

REP. WALKER (93RD): So, one of the things that I do notice is that many of your community colleges, especially the ones that have high minority populations are from cities and towns, have a high remediation rate when they come into the community college. Is our remediation rate still as high as it was before for entering freshmen in the community college system?

MARK OJAKIAN: That's my sense. I can get you a specific, you know, number; I can bring it to subcommittee, but it is my sense that that has not improved.

REP. WALKER (93RD): Okay, that's not good either. And my final one was when I visited Southern Connecticut, some of the stories that I heard from some of the students were heart-wrenching because of their financial circumstance. I think I met two or three people who actually were either living on friends' couches or they were actually living in their car in the parking lot where they could hide away from the campus police because they didn't want to be told to move. I am seeing a rise in students that need food assistance and living accommodations, etc. Is that something that is becoming more common with all our universities? Are you starting to see an increase in that?

MARK OJAKIAN: I think we're starting, you know, to understand the magnitude of the problem. I'm not sure it's increasing or decreasing. I just think now we understand what is happening. You know, the fact that you go to ribbon-cuttings at a food pantry

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at a community college as part of your job responsibility is just frightening. You know, when we talk about funding for institutions, we typically talk about, you know, research and academics and those kinds of things. I think what we failed to talk about are the services that students need on a daily basis just to be able to go to school. Transportation, child care, food, housing, mental health services -- all of those things that we're not able to do the job we should be doing because we don't have the resources currently in place, you know, to do it.

And, so, it's something that I'm very concerned about, and I think it's something that we're providing some momentum in trying to turn that around. I mean, we have a U-pass system because I recognized it on day one.

REP. WALKER (93RD): And I applaud that [Crosstalk]

MARK OJAKIAN: And the same things with books, but I think we need to do, you know, a better job. I know there's a task force that just came out on mental health with recommendations, and we're working very closely with them because I think we not only need resources on campus but we need to partner better with our not-for-profit partners in the community to provide those services that our students need.

REP. WALKER (93RD): Well, I want to applaud Southern, though, because Southern was the first time I was introduced. President Joe was doing a fundraiser for their food pantry, and then while I was there, I actually spoke to some of the students who were frequent users of that food pantry. And it broke my heart then, talking, because of the fact that they just want to have an opportunity, and

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they're doing whatever they can to do that, and I think it's so important, and I'm appreciative that the university and the community college that are in my neighborhood understand that and address it. I just hope that all people understand it because kids need to have that support besides the academic, but they need the social support, too, and that's critical, so thank you for that.

MARK OJAKIAN: You're welcome, and I would just want to reinforce the fact that this is not only happening at institutions in your district, but these efforts to try to combat homelessness and food insecurity and provide students with, you know, financial services they may need in exigent circumstances are happening at all of our universities. And one of the things that we are going to be taking a look at if we're able to make free community college a success, is how --

REP. WALKER (93RD): We will, we will.

MARK OJAKIAN: From your mouth to God's ear. Is how do we redefine our institutional financial aid? How do we redesign that so that it's filling the gaps that are now becoming more evident in terms of those things that you just, you know, talked about? Is there more aid we can provide to part-time students who are going under full Pell right now, to provide them with stipends that they would need so they wouldn't have to work two jobs? Can we provide more work-study money on campus so they can work on campus as opposed to a minimum wage job off campus? So, we have a lot of work to do.

REP. WALKER (93RD): Okay. Thank you.  
Representative Haddad.

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REP. HADDAD (54TH): Thank you, and just to pick up where we left off, my Senate co-chair of the Higher Education Committee and I, as you know, have been trying to visit food pantries at community colleges all across the state. I think that we visited maybe six or seven or eight or something like that over the course of the interim, and that comes on the heels of the requirement that the Higher Education Committee passed last year for you to do an analysis or study of what those needs are and what they look like on college campuses. I can't recall yet, right now as we sit here, if we've gotten that report from you, but know that I'll make some time to sort of sit down and talk with you about what those are because what we saw anecdotally is very different operations at different campuses, right? The Quinebaug Food Pantry looks very, very different than the Manchester Community College Food Pantry, and we're just trying to figure out what the best model is for each of the campuses so that we can figure out ways to be helpful to you as you try to -

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MARK OJAKIAN: The only thing I would just say, Representative, is that while I think the idea of food pantries was designed with students in mind, we do provide food to faculty and staff at times, who are also going through very difficult situations.

REP. HADDAD (54TH): Yes, right. No, we heard that, as well, that some of the food pantries -- we all know adjunct faculty, what they make. We heard that, you know, there are faculty members who actually avail themselves of the food pantries, as well, and it's something we all need to work on, continue to work on.

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And in regard to mental health, I'll just share with you, you know I think that sometimes, you know, the Task Force, one of the things the Task Force, I think identified was that there's a real shortage of services on the community college campuses because they're so short-staffed and short-funded but that the need is not any less there than it is at the four-year residential colleges. The problem, especially when you have suicides on campus, seems to be more clearly named when that happens on campus with a residential student. UConn has had two in the last eight weeks. I think there was one recently at Eastern, or I might be mistaken about that.

But anecdotally when we were visiting folks at Eastern Connecticut or visiting the non-profit provider of mental health services in Eastern Connecticut, they said that there have been four times that they were called out to Quinebaug to provide some sort of assistance to instances where there were community college students who had committed suicide. Those don't make the papers because they don't live on campus, they don't get labeled that way, but it's a serious problem, and I think that we need to -- we'll be looking with you at the results from the Task Force and seeing what we can do to provide additional extra services, particularly at community colleges where I think that there is a dearth of those services.

Going back to legacy costs and legacy impact on tuition, we heard from UConn that they believe that the legacy impact adds about \$700 dollars to tuition and fees for each student at the University of Connecticut. Have you done an analysis like that? And can you provide for us by category of

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institution, I guess -- state universities and then the community colleges -- how much each individual student might be asked to pay greater than -- what portion of their tuition and fees is going to pay for legacy costs? Is that possible?

BEN BARNES: We certainly can do that. We've begun to do some -- refresh our analysis from last year as this conversation has been going on for several years. I haven't looked at it terms of the dollars per student, but I certainly can do that. The numbers are going to be relatively large. It will be, you know, thousands of dollars per student, I believe.

REP. HADDAD (54TH): Yeah. I mean the reason why I ask is that I think it's important just to know that if you're the parents of a student in Connecticut, you're currently paying taxes in the State of Connecticut that go to pay for unfunded pension liability, and you're experiencing a reduced level of services because of the changes that we've had to make in our state budget to accommodate the payments for those legacy costs. If you then send your kid to a state university, you're paying again, and, so, those parents don't pay any less towards legacy costs based on their general tax obligation because they sent their kid a state university. They really area paying double, and I guess it's a point that I think -- I think it's unconscionable, frankly, that we're asking this generation of college students through tuition and fees to pay for an obligation that is owed by every citizen in the State of Connecticut and that by virtue of them being a citizen in the State of Connecticut, they're already paying at home, but that when they go to a state

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university, they pay again, and that's an important thing, I think, to remember.

But, moving on from that, a couple of sort of housekeeping things. Things that I'm going to ask you to bring to the working groups and subcommittees, could you provide for us reserves -- the amount of reserve by institution -- and you'll have the change in the reserves that you proposed by using 6.4 million for the state universities and \$13 million for the community colleges -- how that breaks down per institution. That would be helpful. And as a followup to that question, does the System Office maintain a reserve, as well, separate from the reserve balance by each individual institution.

BEN BARNES: Yes, we do maintain reserves at the System Office. To your first question, I don't know that I -- because we haven't adopted spending plans by institution, the universities nor the community colleges, for the '20-'21 year -- I may not be able to give you an institution-by-institution breakdown beyond the current year. But we have a good projection for the current year, for next year, until we go through the process which we tend to do after you're done in May and June, I won't be able to know that. But if you look at the historical patterns, I think they remain consistent. But we do have System Office reserves. They amount to -- the community college System Office reserves are \$11.5 million dollars and the System Office reserves for the universities is \$22 million dollars.

REP. HADDAD (54TH): Okay. What are those reserves typically used for? I guess in my head I can figure out why an individual institution maintains budget reserves. But the money that's collected at the

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Central Office, as I understand it, is collected primarily through assessments to the universities to do provision of core services from the Central Office. And, so, then when I hear that there is a reserve I'm trying to figure out how does that reserve accumulate over time and what do you use that for?

BEN BARNES: Well, in my experience, which is limited, but in the year that I've been here, we've only used reserves other than to subsidize operating losses, and then we drew down a million dollars of System Office reserves in the community college system to fund a promotional campaign for the free college program which you're certainly aware of. The way that those reserves have been created is it does include if we have a positive year -- one year we budgeted \$10 million dollars and we only spent 9 -- the million dollars that're left would go into the System Office reserves.

But we tend to operate the System Office very close to the bone, so, you know, there might be a small variance at the end of the year, but we typically don't. We would reduce our assessment to the individual campuses if we didn't need the money at the System Office, but the System Office reserves are calculated each year based off our gap basis financial statements. So, we take our gap basis reserves, which is unrestricted net position, and we back out the negative values for unfunded pension and OPEB liability which are so large as to make numbers meaningless if you include them. So, what we describe as system reserves is our gap basis unrestricted net position less the impact of unfunded pension and OPEB liability.

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What that means is that over time, when the state makes capital contributions to the either portion of our system, those capital contributions, unless they are -- sometimes they end up going onto the books of an individual campus so when we build a new Gateway campus, there is a large capital contribution that will show up on Gateway's audited financial statements. However, when over the last decade the state made very large investments in rebuilding the entire IT infrastructure of the community college and CSU system, and those capital contributions largely show up less depreciation on the books of the System Office because the System Office manages central IT infrastructure for the system, so that you'll see that the System Office reserves increased pretty consistently over the last decade. I think a lot of factors went in, but the largest of them, I believe, is the significant investment in capital IT purchases that the state supported us in making, and that ends up showing up in our reserves. The board can use those reserves for whatever -- these are at the discretion of the Board of Regents. I will point out, though, that in the community college system, we have been treating the community college reserves as a single pooled set of reserves for several years. There are a number of community colleges with unrestricted net positions that are negative, and, so, the System Office reserves, to my mind, are completely committed toward buttressing the fiscal strength and aggregate low levels of reserves of those community colleges that don't have reserves.

REP. HADDAD (54TH): Right. There are accreditation standards that exist for institutions in terms of the amount of budget reserve that would be ideal for

them to have, right? And as I understand it, that accreditation standard is the same for private universities as for public universities. I'm not sure if there is any specific accommodation made for the differences between the private institutions [Crosstalk].

BEN BARNES: They tend not to be very specific regarding [Crosstalk].

MARK OJAKIAN: And they've been aware that we have adopted a practice of pooling the reserves so that we won't have to consider looking at other financial sort of --

REP. HADDAD (54TH): And that works to our benefit, I guess, because if you have at least on paper or otherwise an institution with a negative budget reserve there's a word for that. In the private sector, it's called bankruptcy, I think. But here it works for us because they have faith that you have the ability to cover their costs and that the state basically has your back with running those things. And, so, those institutions haven't been, I think, unnecessarily dinged for having reserves that are not where they probably ought to be.

BEN BARNES: One of the main purposes of reserves from the standpoint of the creditors is to ensure that you have liquidity and that you're able to pay your bills when they come due, and because the state provides us with liquidity. The state makes our payroll every two weeks, which is pretty much all of the expense we have. We're hugely driven by payroll. So the state's meeting of our payroll provides us with a level of liquidity that private institutions would not be able to imagine. So we really essentially don't have liquidity problems; we have

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structural balance concerns, but because we don't have liquidity problems, the creditors, I think, appreciate that our reserve levels are, I'm not going to say appropriate on the community college side but that we probably don't need the same level of reserves that a free-standing private organization would require.

REP. HADDAD (54TH): Right, okay. Moving on from that, I just wanted to ask one other -- there was one statistic actually, it's in your Attachment A for your results and it's the five-year financial forecast. And the fifth point under results says that the combined impact of the initiatives that you've listed ahead, which includes the debt-free college and some of the other structural changes you're making, is to convert a projected enrollment decline of four percent over five year into an enrollment growth of 27 percent. I think that that underscores -- so, if you feel comfortable with your five-year forecast, I think it seems to me like it's tenuous at best, given that projected increase in enrollment, and it just speaks to the necessity of making sure that we do a robust debt-free college program.

I imagine that most of that enrollment growth, maybe not all of it -- this Guided Pathways, I think is a great initiative and will yield results in terms of completion and keeping students in school until they can complete. But the PACT program seems to be the primary -- correct me if I'm wrong -- the primary driver of increased enrollment. And if we add conditions to the PACT program, then you just don't get the enrollment increase that we've seen happen in other states where they've done a true free

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college program that doesn't have income guidelines or restrictions on graduation requirements.

MARK OJAKIAN: I think you're correct, Representative. A robust PACT program will lead to significant enrollment growth. We also have a number of other initiatives that we're working on, as well, as part of the one-college endeavor that will also increase enrollment, but I think you're right. I think free community college not only benefits the folks that are going to take advantage of it but benefits the system as a whole because it markets and provides a showcase for our community colleges as part of this initiative.

REP. HADDAD (54TH): Thank you very much for your work, and we'll have more to talk about as we move forward, but know that when we get to the subcommittee level, I will also be asking for -- and I've already asked all a favor but I'll ask you too -- for different permutations of reasonable limitations on the PACT program to bring it more in line with what we have identified as a funding source which is the iLottery system. In the out years, I think we were all comfortable with how much iLottery is projected to raise. On the Higher Education Committee, I'm not involving myself very intimately with that conversation. It's a different committee's jurisdiction, but clearly it raises, you know, somewhere between \$50 and \$120 million dollars a year that can be invested into this program.

But the growth in the program and the growth in that revenue stream seems to be sort of where we, I think, need to come to some agreement and negotiate some sort of agreement on how we can implement PACT with the revenue stream as it grows. And so that

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might require us to look at some of the things that the governor is suggested -- limitations for nontraditional students, for example, and that's where I stopped. But I'd also like to add Representative Walker's concern, if it is possible for you to start to do some modeling over what would happen to the costs of the program if we didn't limit it just to full-time students. That would, I think, be helpful to us in trying to figure out how to best make the choices that will need to be made to make sure you can implement this program as robustly as possible this fall.

MARK OJAKIAN: And just to put a footnote on that conversation, I really believe that if we don't have a successful launch in the fall of 2020, we're not going to see this happen at all in the future. If we have to go back to students and their families and say we promised you free, but we don't have enough money for free, so when you're signing up for free, we're only going to give you half-free and if you come back tomorrow, it might be a quarter-free, you know, it's not, I think, an acceptable way to market an initiative like this, which is why for our current marketing efforts we are proceeding under the legislation that passed as part of the budget last year.

REP. WALKER (93RD): Thank you. Senator Flexer.

SENATOR FLEXER (29TH): Thank you, Madam Chair. Good afternoon. Thank you for being there today. To follow up with what you were just talking about with Representative Haddad in regard to PACT and the free college program, I'm really grateful to hear what you just said in that the BOR is moving forward with the law as is because I'm sure you know there's

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incredible confusion out there, and what had been an incredible promising program -- bless you -- that was generating a lot of excitement has now been in the last couple of weeks mired in confusion. So, to see this clear concise leadership from the institutions, I think is incredibly important, and, so, thank you for that. And, so I think some of the numbers that you were just talking about with Representative Haddad will really help us do what we need to do to fulfill that commitment and make sure we can hopefully quickly eliminate this confusion and reiterate our commitment to the program in spite of what Governor Lamont may think is a good idea.

MARK OJAKIAN: The sooner the better, Senator. The sooner the better.

SENATOR FLEXER (29TH): I agree. Well, the Governor's wrong on this; very, very wrong.

MARK OJAKIAN: If you pass a budget in March, we could be all done.

SENATOR FLEXER (29TH): [Laughter] I don't know about that, but I think we can speak with loud voices in terms of our commitment, those of us that still have a role to play in the decision-making process. We can speak with loud voices as to our commitment to this program and solidifying the work that you all have already done to roll this out and prepare the institutions for this new program.

Getting a little bit more local, I'm very concerned about what is happening with the community college campus in Willimantic, and, you know, for many years, the entire time that you have been in this role, while making difficult and controversial decisions, some of which you and I have disagreed on

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for a long time, you have maintained a commitment to keeping the physical presence of all of the colleges. And yet the one in Willimantic has really just about disappeared, and I'm wondering what needs to be done to solidify that? That's the satellite campus that Windham Tech that --

MARK OJAKIAN: Yes, Ben has been very involved in that. This is an area that we need to remedy, and we need to remedy this permanently. The temporary fix that we had given real estate conversations that we all had back in the day and previous leadership, both the campus and the other, you know, satellite, I think, led us to where we needed to go in the short term. It's always been my sense that we needed a permanent presence in downtown, and toward that goal, Ben and his team have been working with folks in the community on trying to find exactly where that, you know, might be. You know we're still entertaining any free offers if people want to donate real estate to us, but, Ben, if you could like maybe explain where we are in that process.

BEN BARNES: Sure. I mean I obviously share your concern. Quinebaug Valley has suffered enrollment declines, and if you look at their enrollment declines over the last five years, it's all Latino students. And if we could bring back a couple hundred extra Latino students that they used to matriculate, their enrollment picture would look much better, and their finances would look much better, and their community engagement and mission satisfaction would be much better. And I think Rose Ellis, the president there, agrees with that very much.

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We are looking. Obviously the location in the vo-tech school is not working out as well as anybody would help. They are limitations on hours of operation. It's not as centrally located and not as visible. We are looking at a couple of pieces of real estate in Willimantic that would be appropriate for this. You know it's a challenge. We're not exactly flush with extra money; so, we're trying to figure out a way to acquire an appropriate location for this. We have begun the discussion with DAS who has to acquire real estate on our behalf, about our desire to do that.

Actually a delegation from Quinebaug Valley and Eastern and the System Office looked at one piece last week -- one building which, you know, if very promising and would be wonderful. We're now, based on that review, going to put together an evaluation of what the program would look like so that we can go to the Board of Regents and see whether this is something that we can go forward with. But there are a couple of other alternatives that we are also planning to look at -- other alternative locations. There probably are a few different variations. I know Eastern has a compelling interest in being a good neighbor in Willimantic and being part of this solution. I expect that we'll look at a number of variations that involve collaboration between Eastern and Quinebaug Valley to operate something like this.

I don't know exactly how it's going to play out because, you know, real estate's expensive and operating one of these programs is going to be fiscally challenging, but I think all the folks involved are committed to making it happen, and we will certainly look to consult with the delegation

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and the committee and everybody else who is involved once we have a few viable, different alternative paths forward that we think are worth considering and that we have a good idea of what they would cost.

SENATOR FLEXER (29TH): Thank you. I appreciate that very much, and I am happy to help in any way that I can because I think what has happened in Willimantic is horrific, and it needs to be rectified immediately, and I'm glad that you are definitively on top of it.

I'll just ask a few other questions that are really just things to bring to the next smaller meeting that we'll have. If you could talk about, you know, what your plans are in terms of keeping tuition at our state universities in line and low for the next couple of year. A complaint that I have heard from students at state universities is how come the community college has got one level of tuition and ours was different. So if we could hear a little bit more about tuition at the state universities, that would be helpful. If we could also hear about the monies that go from the state universities and the community colleges back to the Board of Regents and have that dollar breakdown, that would be helpful.

And also, in line with the conversation you were having with Representative Haddad, the enrollment growth that's projected on page five, if you could break down, if you can, you know, how much of that is attributed to PACT, how much of that is the potential consequence of Guided Pathways and the new support for students there, and how much is from Students First. That would be helpful. And also if

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you have the documents that the Board of Regents is preparing to submit to NECHE as part of the next step with your conversations with them for approval of Students First. That would be helpful, as well.

MARK OJAKIAN: So, we do not have that document prepared. We are preparing as we speak, and that will go to the Board at the Board's March 26 meeting, and at that point in time, that will be available to be given to the legislature, as well.

SENATOR FLEXER (29TH): So, those documents are going to your Board on March 26, and when are they going to NECHE?

MARK OJAKIAN: To April. We appear next in April before NECHE to give them our two-year implementation plan.

SENATOR FLEXER (29TH): What day in April?

MARK OJAKIAN: The 20th, 21st.

SENATOR FLEXER (29TH): So there's like a three-week period where those documents will be public before they're presented to NECHE?

MARK OJAKIAN: Correct.

SENATOR FLEXER (29TH): Okay, thank you.

MARK OJAKIAN: Yes. We don't want to make -- I mean, first of all, they're not completed yet. We have teams working on all of the documents, and before the Board would approve and endorse the plan, then we will put them out for public comment.

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

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MARK OJAKIAN: If I could just add to one of the questions you asked, the information is in the table on page 10, provides a breakdown. There are three tables there; the one on the bottom provides a breakdown of the projected enrollment changes, broken down between PACT and the advising.

SENATOR FLEXER (29TH): Thank you. I missed that color coding. Thank you very much.

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

REP. HALL (59TH): Thank you, Madam Chair. Most of my questions were answered. Just a quick question regarding the \$6 million from the state reserve for the state universities and \$13 million; I think, representative Haddad touched on this. What specifically were you taking those reserves for? Is it just for the general budget, or does it go to the college, the free college, I mean? And then the next question I have goes to the \$6 to \$8 million that's projected per year for the free college numbers. So, I guess my first question goes to what were the reserves taken for? And then the \$6 to \$8 million, is that in your budget?

MARK OJAKIAN: So, the reserves go to balance the budget, operating expenses of the budget, number one. Number two, the \$6 to \$8 million estimate is not in our budget currently. The legislation that passed last year, I think envisioned that the iLottery would be up and running in time to provide scholarships for the fall. Since that has not happened, and the budget then also required the governor to provide funding in his budget adjustment document to be able to fund it for the fall of '20. So that money has not been put in our budget yet,

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and we're hoping it will be before the end of the session.

REP. HALL (59TH): Okay. So, you're asks for dollar numbers would be at least the \$6 to \$8 million for the fall?

MARK OJAKIAN: We think based on the legislation that passed last year, that we could implement the program for the first year with a \$6 to \$8 million dollar appropriation for scholarships.

REP. HALL (59TH): Okay, okay. All right. I think that's it. The rest of mine have been asked by the good Senator Flexer. So, thank you. Thank you, Madam Chair.

REP. WALKER (93RD): Thank you. Are there any other questions from any of the committee members? Representative Lavielle.

REP. LAVIELLE (143RD): Thank you. Good afternoon. I have a small question, and then a more general one. I was just looking on the budget sheets, and I saw this little item transferring funding from the O'Neill Chair of \$150,000 dollars. Is that because the endowment for the chair is not going forward, or is it because you're actually taking money away from the endowment and spending it on operations?

BEN BARNES: The way that that option was described to me is that the governor has proposed the same amount of money would be sent to Central, and this go to university system into Central, but that the requirement that \$150,000 dollars of that total amount of money be used to support the O'Neill Chair would be eliminated. So, therefore, either it would be at the discretion of the Board of Regents as to

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whether we would eliminate the O'Neill endowed Chair or dedicate the \$150,000 dollars to its continuation anyways. So, I don't know that that -- other than presenting the Board with the option to eliminate that expenditure, there's no effective change that the governor has proposed.

REP. LAVIELLE (143RD): Okay. I get alarmed whenever I see money being taken out of academics and put toward something else. I mean, I know we're short everywhere, but I always feel like the main role of a university is to provide, you know, an academically viable education, so that was just the reason for my question.

The other one that I have is broader, and having just gotten this, and I know you've talked about it a little. I see the enrollment forecasts. I see that the baseline is, you know, does go down a little; at least, it doesn't rise. And then there are some assumptions through the free college and the Guided Pathways that entail growth, and obviously that will play out in time whether than growth is realized or not. I mean, none of us has a crystal ball, and I get that. And I appreciate your efforts to address the declining enrollment. All the time that I've been here, and that's 10 years, I've seen it go down. I've seen it go down both in the colleges and in the community colleges, or I should say in the universities and in the community colleges. And I wish that weren't so because I am a big partisan of higher education. I love it. I did too much of it myself, and you can't ever do too much, actually. But I would love to see all of them attract more people than they do.

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But this is my question. Hopefully this works, but what I have always asked myself all this time is when do you get to the point -- I mean what is it that forces you to make a decision when you get to the point where you say, you know, it's not coming up? It's not going to burgeon. It's not going to increase. Maybe we have a system that isn't geared to the size of the student population in Connecticut. What is the determinant of that?

MARK OJAKIAN: Well, I think, you know, to start at the beginning of your sort of observation. When you see enrollment declines, enrollment declines happen for a number of reasons. First of all, the demographics are changing drastically, and there are fewer high school students than ever, and there are more institutions competing for a limited pool of folks. And secondly, we tend to unfortunately benchmark enrollment declines year-to-year-to-year, and 10 years ago, we saw our biggest enrollment increases when the unemployment rate was significantly high, and we had more students coming out of high schools. And so we were able to see a very robust enrollment effort because people needed to retool their skills in order to go back to work. But as the unemployment has declined, we've seen fewer and fewer folks who have had that need.

I also think, and I've said this, we haven't done the job we probably should have done, but now we are in the process of doing, to attract more adult learners to our campuses. It's one of the reasons why when we're talking about the PACT program, having more adult learners that could go full-time into the program, I think would be helpful. We're optimistically comfortable with these projections, and if you look at the colleges, if you look at an

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enrollment pattern of about 30,000 to 32,000 students, which I think we get to in '22 or '23, that will help us be sustainable financially into the future. So, given the current appropriation levels that we're getting from the state, given the enrollment that will be increasing up to the 30,000 to 32,000 mark, and given our Students First initiative, we believe that the community college system will be sustainable from that point on. As you said, it's a projection. It's an estimate based on the best data that we currently have.

Now some would argue, not me, that maybe we need to retool the access that exists for our students and maybe have fewer places for students to go to fit into this economic model. I think we have an obligation to do everything we can to retool the model, to come up with a better model, so we don't have to decide which access stays and which access goes. Because as you see at every institution you go to, students have a challenge just getting to that institution and completing a degree at that institution. So, I'm going to continue to think the glass is half-full, at least for a little while longer, as an old Tier I person, and, you know, I'm going to do everything I can to make sure that we have a sustainable system into the future.

REP. LAVIELLE (143RD): You know, when you look at local school projections, typically -- I don't think anything's typical these days -- but typically you would see them go up and then go down over a fairly predictable cycle of years. And was the -- the same thing -- was that trend pretty much exactly mirrored in higher education? You mentioned when enrollment is going down in high schools. Has that typically

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been the case that they're dependent on -- that the higher education is dependent --

MARK OJAKIAN: No, because I think, Representative, that's been one factor in terms of the high school enrollment and graduation, but an equally important factor is the numbers of adult students that have come back for education. There was reason the governor's Go Back to Get Ahead program was so successful because students that were out there that had a certain number of credits but had never completed were now given free credits. They could go and get three or six, I don't remember exactly the amount, credits for free to complete their education. And a lot of folks took advantage of that, but then the funding ran out.

I think we need to be a little bit more innovative about how we attract different segments of the population to our institutions, but I also think having a better opportunity to work with high school principals and counselors to have their students understand that they can go to college, that if they fill out a FAFSA form that they might already be eligible for full Pell support. Or that their families wouldn't have to provide any sort of financial assistance. Many of our students in our system are first generation. So, they come from families that have not had the experience of going to college or filling out these incredibly difficult forms to fill out and have never had, I think, family support to say, "You can go to college." So, I think we need to do a lot of things to make it easier for students to understand what their opportunities could be, and I think we're doing a lot of those now.

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BEN BARNES: I would only add one observation. Based on the data, we already have these students. You know if you go to a conference of community college people, they'll talk about retention is the new enrollment and that focusing on retention is the best way to drive enrollment up. So, in their projection about how many students we would gain from implementing Guided Pathways, one of the big components in there is we take a look at the number of students who show up the fall and then don't come back in the spring, and if we can take ten percent of those students who go off and maybe they come back and maybe not, who knows. But of those students who go away and don't come back in the spring, if we can keep ten percent of those students there, that's worth millions of dollars a year in additional tuition revenue. I mean I was doing this from a financial perspective. It's also worth, you know, hundreds of students who will continue on. So, we actually already get a whole lot of students in, but when you have a completion rate in the 15 percent, or in the case of African-American students eight percent or nine percent, that leaves you with a very large group of students who come in and try and don't complete. And if we can get them to persist and complete, we will increase our enrollment dramatically without even bringing in any new students, and we also have the PACT program and other initiatives in our system to try to bring in new students, as well. So, I think the combination of those two factors plus the fact that we are just an incredible bargain will give us a real possibility of meeting those ambitious targets.

REP. LAVIELLE (143RD): Well, thank you, and let me clarify. I'm not asking because I don't think that

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you're doing the maximum to get people to come and to stay. I think you are. I mean, I really believe you on that. I follow you, and I don't have any argument with that. I'd like to see everybody be able to go to some form higher education, whether it's college or something else, but I wouldn't dispute that for a second.

MARK OJAKIAN: I didn't take it that way, Representative.

REP. LAVIELLE (143RD): Well sometimes, you know, I do say that kind of thing, but this was not that. There's something bigger that's troubling me, and it's not something you're doing. I think that, you know, we're all operating under some constraints that are particular to our system, and it has troubled me from day one where I have wondered, and I just throw it out there -- I don't expect us to do anything sitting here today -- but with the way that our model has been set up and all of the things that have to be paid for and the way that it's organized, in some ways it's asking you to do the impossible. It's almost as though we're trying to create a student body to fit the organization of community colleges and universities that is sort of immutable, as opposed to shaping that whole university offering to fit the student body that exists. And I don't mean, you know, offering them trades or offering the opportunity to come back, I mean how much of it there is and how many available students there are. I don't know, but it has troubled me, and I just don't want us to forget that maybe there is something out there that's hampering our ability to do this even faster and with more attention to education itself.

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MARK OJAKIAN: Thank you.

REP. WALKER (93RD): Thank you. Thank you for your testimony. Before you leave, are there any presidents here.

MARK OJAKIAN: Yes, yes, we have the whole amphitheater of presidents -- the team.

REP. WALKER (93RD): Please could you identify them so that we give everybody -- Oh wow. Look at all [Crosstalk]. Elsa, I timed it; I knew you were coming through the door. I'd just like them to introduce themselves, please.

MARK OJAKIAN: We have representatives from each campus. Just one second. Senator Flexer.

SENATOR FLEXER (29TH): Thank you, Madam Chair. Just a quick followup. Mr. Barnes, you had said on page 10 that there was a breakdown. You referred me to that chart with regard to PACT versus Guided Pathways versus Students First, and this chart combines advising and Students First, so it would be helpful to see Guided Pathways and Students First or an explanation if you think there are inextricably linked.

BEN BARNES: The only portion of the Students First program that we believe is going to have a material impact on the number of students that we could quantify is -- I mean that is Guided Pathways, so that is the impact of advisement on retention and persistence and what that would do to enrollment. So, the other features of Students First --

MARK OJAKIAN: We'll take a look at that, but I [Crosstalk] we think they're linked.

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1:00 p.m.

REP. WALKER (93RD): Thank you, and I want to thank everybody for coming, and I would just invite the presidents or the representatives from the colleges to please feel free to talk to my colleagues about your budget. Thank you. We will reconvene at 5 o'clock for the student panel presentation. Thank you.