

**Statement of
Chancellor Mark A. Nordenberg
before the
Pennsylvania House of Representatives Appropriations Committee
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Once Again Facing the Threat of Enormous Budget Cuts

Because of the hard work done by so many, the University of Pittsburgh is moving through what should be another banner year, building on its enviable record of impact and accomplishment in education, research and public service. Pitt also is moving through an historically important year, with next week bringing the 225th anniversary of our founding, as a log-cabin academy situated at the edge of the frontier. Unfortunately, what almost certainly will prove to be most memorable about 2012 is that an already brutal budget year has been made far worse by another proposal for deep and disproportionate cuts. To put that proposal in perspective:

- It would take our cumulative two-year cuts in state support to well over \$100 million;
- It would reduce our state support, in absolute dollars, to levels that we have not seen since the mid-1980's, more than a quarter century ago and when the state's own budget was about one-third its current size; and
- It would reduce our state support, if adjusted for inflation, to the lowest level since Pitt became a state-related university.

In terms of proportionality, perhaps nothing is more telling than the proposed general fund budget's bottom line. Overall state funding would be reduced by less than one-tenth of 1 percent or \$22.456 million. The cuts proposed just for Pitt are more than double that amount.

For more than two centuries, Pitt has advanced the long-accepted values that access to higher education is a key to individual pursuit of the American dream and that a well-educated populace is essential for national and regional prominence and prosperity. These twin beliefs drove the conversion of Pitt and Temple, two well-regarded private universities to state-related status in the mid-1960's, a public status already claimed by Penn State. In effecting this change, there was a desire both to meet the growing demand from Pennsylvanians for reasonably priced, but high quality, university experiences and to invest in anchor institutions that could help fuel both social vibrancy and economic growth in Pennsylvania's two major urban areas, a role that has become increasingly important in the innovation-driven global economy of the 21st century.

The most thoughtful in a succession of state master plans, issued shortly after the creation of the State System of Higher Education, labeled Pitt, Penn State and Temple as the "Commonwealth Universities" and described their expected contributions in the following way: *The Commonwealth Universities . . . serve as the state's major public research universities. Together, these institutions offer a broad range of educational programs and services and carry special responsibilities for research, advance graduate instruction, and for education in the professions, including law, medicine, engineering, business and agriculture. . . . The scope and quality of their programs and their geographic distribution permit them to serve the needs of the state and nation in the fields of undergraduate, graduate and first professional education, research and public service. Along with the major independent universities in the state, the Commonwealth Universities are the principal centers for research and development in Pennsylvania.*

Pitt's performance in this assigned role has been nothing short of remarkable. The strength of our educational programs at all levels has made us a magnet for ambitious, hard-working, high-potential

students from across the country and around the world. However, consistent with our public mission, we have attracted particularly large numbers of Pennsylvania students, increasing the likelihood that, over the longer term, they will live, work and contribute here. We also have become an internationally respected center for pioneering research, ranking among the top five American universities in support attracted from the National Institutes of Health and among the top ten American universities in total federal science and engineering research and development support. During the last fiscal year, our research expenditures exceeded \$800 million – expenditures that are an accepted measure of institutional strength, fund important work and support, directly and indirectly, more than 28,000 local jobs.

Though our service mission takes many forms, none has been more important than the role that we play as an engine for economic growth and as a generator of jobs. We sit at the heart of the education and health services “super sector” – by far, Southwestern Pennsylvania’s largest employment sector and a source of what has been substantial and dependable job growth, even as the nation has struggled to move through the “jobless recovery” from the Great Recession.

Given this impressive record of success, the Commonwealth’s current retreat from support for its public research universities must be viewed as very problematic by anyone concerned about the next generation of Pennsylvanians or about Pennsylvania’s next-generation economy. Extending last year’s pattern of reductions, these institutions – despite a long record of unique and exceptional contributions to the progress of the Commonwealth – once again are being targeted for dramatically disproportionate budget cuts.

Successive Waves of Deep Cuts. To be fair, the budget pressures faced by state government are daunting. Dealing with them can involve painful funding decisions, with success depending upon a spirit of shared sacrifice. And to be clear, Pitt never has resisted doing its fair share. What we must resist – not only for ourselves but for the many who depend upon us – are disproportionately deep cuts that threaten Pitt’s ability to continue making critical contributions, either to deserving individuals or to a vibrant, more productive region.

This fiscal year began with a 22 percent – or \$40 million – combined reduction to our education and general appropriation and our academic medical center support lines. As another reminder, this 22 percent reduction to our state support came during a year in which overall state spending decreased by only 4 percent. Late in the fall, we also were notified that our annual capital projects support would be cut in half, from \$40 million to \$20 million. Then, in January, we were directed to put another 5 percent – or \$7 million – into “budgetary reserve.” To return to the issue of proportionality once again, the state-related universities, whose appropriations account for less than 2 percent of the state’s budget, were directed to shoulder nearly 16 percent, or about eight times that amount, of this mid-year reduction.

To this point, our accumulated cuts for this fiscal year total \$67 million. To be more contextually descriptive, let me give that very large number more practical significance. If we had tried to deal with a \$67 million cut solely through work-force reductions, that would have required us to eliminate more than 1,000 Pitt staff jobs carrying average levels of compensation and benefits. Or if we had tried to deal with a \$67 million cut solely through tuition increases, that would have required an average tuition increase of about \$2,600 for each of our in-state students. For an in-state undergraduate student enrolled in the arts and sciences on the Pittsburgh campus, that would have been an 18.5 percent increase and would have taken tuition to \$16,676 per year. For an in-state undergraduate student enrolled in the arts and sciences on a regional campus, that would have been a 23 percent increase and would have taken annual tuition to \$13,886.

We did not adopt either of those approaches. Instead, we worked to maintain employment levels – consistent with the still-rising demand for our services – while dealing with part of our deficit by delaying salary increases for most employees. We imposed more tempered increases in tuition of 8.5 percent to \$15,272 for in-state undergraduates in the arts and sciences in Pittsburgh and by 4.0 percent, to \$11,736, for in-state undergraduates in the arts and sciences on our regional campuses. And, in the spirit of shared sacrifice, we made up for much of this massive loss of state support through budget reductions that either were managed centrally or were distributed by senior leaders to the units reporting to them. Over the past four years, by imposing aggressive cost-cutting efforts, we have removed nearly \$200 million in ongoing operating costs.

After a past decade that brought cuts to our appropriation almost every year and a past year that brought the steepest cuts in our history, this year's budget proposal contains reductions that would be even more devastating. The Governor has proposed an additional cut of 30 percent to our education and general appropriation for the next fiscal year (on top of the 19 percent reduction suffered this year) and a 10 percent reduction to our academic medical center line items (on top of the 50 percent reduction suffered this year). This would be a blended reduction of about 29 percent (on top of a blended reduction of 22 percent suffered last year), totaling nearly \$42 million. This budget proposal also would totally eliminate a long-standing and well-targeted program that has invested tobacco settlement revenues into health-related research. The dollar amounts flowing to Pitt have varied from year-to-year but have averaged more than \$9.2 million annually over the course of the last 11 years and have been vital in building the research facilities that helped Pitt researchers attract record levels of external funding.

Diminished levels of state support stand as the primary contributor to rising public university tuition and its impact on access and affordability. Virtually everyone who has seriously examined these issues has fairly called for colleges and universities to do even more to control their costs in these challenging times but also has recognized that the key culprit is reduced state funding.

In his budget address, the Governor declared, "We cannot allow the debts of today to crowd out the dreams of tomorrow." Unfortunately, it is hard to look at the cuts proposed for Pitt and Pennsylvania's other public research universities without feeling that this is just what has happened – that dreams are being sacrificed in an effort to deal with current debt.

It might be said, in fact, that our basic activity is the business of building dreams. Pitt does that through the power of higher education, as we help position tens of thousands of students, each and every day, to more effectively pursue the dreams that they have for their own lives. And we do it, often more dramatically, through our programs of research. Sixty years ago, all of America was desperately dreaming about a cure for polio, and that dream became a reality through work done at the University of Pittsburgh. Thirty years ago, both physicians and patients were dreaming about a time when human organ transplantation might become a widely available treatment for a range of deadly diseases. That dream, too, became a reality through work done, to a large extent, at Pitt. Today, when people think of a world without Alzheimer's disease or cancer or diabetes or Parkinson's disease, they often look to the work of Pitt researchers. The same also can be said about dreams of a world made better by more accessible and less expensive energy or by the miracles of nano-technology or quantum computing or by any of a number of other advances.

In a very real sense, the Governor perfectly defined our challenge – to not let the debts of today crowd out the dreams of tomorrow. However, the deep and disproportionate cuts proposed will not let us travel to where we hope to be. In the weeks ahead, then, we hope to work with members of the Legislature, as well as with the Administration, to find better ways to continue building the foundation for a strong Pennsylvania, which should be our shared goal.

