

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE HEARING

STATE CAPITOL
MAIN BUILDING
ROOM 140
HARRISBURG, PENNSYLVANIA

MONDAY, MARCH 5, 2012
2:50 P.M.

PRESENTATION FROM
STATE SYSTEM OF HIGHER EDUCATION

BEFORE:

HONORABLE WILLIAM F. ADOLPH, JR., MAJORITY CHAIRMAN
HONORABLE JOHN BEAR
HONORABLE MARTIN T. CAUSER
HONORABLE GARY DAY
HONORABLE GORDON DENLINGER
HONORABLE BRIAN L. ELLIS
HONORABLE MAUREE GINGRICH
HONORABLE GLEN R. GRELL
HONORABLE TOM KILLION
HONORABLE DAVID R. MILLARD
HONORABLE MARK T. MUSTIO
HONORABLE BERNIE T. O'NEILL
HONORABLE MICHAEL PEIFER
HONORABLE SCOTT PERRY
HONORABLE SCOTT A. PETRI
HONORABLE TINA PICKETT
HONORABLE JEFFREY P. PYLE
HONORABLE THOMAS J. QUIGLEY
HONORABLE MARIO M. SCAVELLO
HONORABLE CURTIS G. SONNEY

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BEFORE (cont.'d):

- HONORABLE JOSEPH F. MARKOSEK, MINORITY CHAIRMAN
- HONORABLE MATTHEW D. BRADFORD
- HONORABLE MICHELLE F. BROWNLEE
- HONORABLE H. SCOTT CONKLIN
- HONORABLE PAUL COSTA
- HONORABLE DEBERAH KULA
- HONORABLE MICHAEL H. O'BRIEN
- HONORABLE CHERELLE L. PARKER
- HONORABLE JOHN P. SABATINA
- HONORABLE STEVE SAMUELSON
- HONORABLE MATTHEW SMITH
- HONORABLE GREG VITALI
- HONORABLE RONALD G. WATERS

ALSO IN ATTENDANCE:

- EDWARD J. NOLAN, REPUBLICAN EXECUTIVE DIRECTOR
- MIRIAM FOX, DEMOCRATIC EXECUTIVE DIRECTOR
- HONORABLE MATT BAKER
- HONORABLE VANESSA LOWERY BROWN
- HONORABLE PAUL CLYMER
- HONORABLE DOM COSTA
- HONORABLE PAMELA DeLISSIO
- HONORABLE GEORGE DUNBAR
- HONORABLE JOHN EVANS
- HONORABLE DAN FRANKEL
- HONORABLE MARK GILLEN
- HONORABLE JOE HACKETT
- HONORABLE MARK LONGIETTI
- HONORABLE HARRY READSHAW
- HONORABLE RICK SACCONI
- HONORABLE SAINATO
- HONORABLE WILL TALLMAN
- HONORABLE MIKE TOBASH
- HONORABLE JAKE WHEATLEY

**JEAN M. DAVIS, REPORTER
NOTARY PUBLIC**

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1 P R O C E E D I N G S

2 * * *

3 MAJORITY CHAIRMAN ADOLPH: Good afternoon,
4 everyone. I would like to call to order the House
5 Appropriations Budget Hearing. This hearing is on the
6 State System of Higher Education.

7 With us this afternoon testifying is Dr. John
8 Cavanaugh, Chancellor of the State System of Higher
9 Education.

10 Good afternoon, Chancellor.

11 MR. CAVANAUGH: Good afternoon, Chairman Adolph.

12 MAJORITY CHAIRMAN ADOLPH: I first want to
13 apologize for the hour. The morning session went a little
14 longer than expected. I appreciate your understanding.

15 MR. CAVANAUGH: Sure.

16 MAJORITY CHAIRMAN ADOLPH: Prior to making an
17 opening comment, Chancellor, would you please identify the
18 folks that are sitting at the table with you?

19 MR. CAVANAUGH: Sure. On my far right is
20 President Javier Cevallos from Kutztown University. On my
21 immediate right is Joanna Catalano, who is a senior pre-med
22 major at Clarion University. And to my left is the
23 Chairman of our Board, Mr. Guido Pichini.

24 MAJORITY CHAIRMAN ADOLPH: Thank you.

25 Would you like to start with an opening comment,

1 Chancellor?

2 MR. CAVANAUGH: Sure.

3 And with your permission, Mr. Chairman, I would
4 like to turn it first to Mr. Pichini.

5 MAJORITY CHAIRMAN ADOLPH: Sure.

6 MR. PICHINI: Thank you.

7 Good afternoon, Chairman Adolph and Committee
8 members. Thank you for this opportunity to appear before
9 you today to discuss something I care very deeply about,
10 the Pennsylvania State System of Higher Education.

11 As a proud graduate of Kutztown University of
12 Pennsylvania, where I am also a member of the Council of
13 Trustees, I can speak from personal experience how much
14 each of these universities mean to our students.

15 It's because of the education I received at
16 Kutztown that I'm where I'm at today. I am here also
17 representing PASSHE's Board of Governors, which is
18 responsible for overseeing the State System in developing
19 overall policies that help guide the 14 PASSHE
20 universities.

21 The Board is committed to ensuring each of our
22 nearly 120,000 students receives a quality, affordable
23 education, the same kind of education that I received and
24 that many of you received as well, the kind of education
25 that will benefit both them, as individuals, and the

1 Commonwealth, as a whole.

2 As we face what is without a doubt the most
3 challenging time in our history, there have been those who
4 have raised questions about whether all of these campuses
5 can survive. As Pennsylvania's public universities, each
6 of our 14 institutions plays a vital role in Pennsylvania's
7 economic future. All are essential to our communities and
8 their regions and their entire Commonwealth.

9 Allow me to cite two examples to hopefully put
10 rumors to rest. Mansfield University remains the central
11 provider of higher education in the northern tier. In
12 addition to many other programs, Mansfield is working
13 closely with the shale industry to develop programs for
14 this rapidly growing industry.

15 Clarion University, through both its main campus
16 and its branch campus in Oil City, is continuing to offer
17 essential programs in fields such as Allied Health and also
18 is working closely with industries throughout the region to
19 meet vital workforce needs.

20 Although PASSHE looks closely at all of our
21 university performance, I can assure you that there have
22 been no conversations concerning the possible closure of
23 either of these two universities.

24 The Board has been very actively engaged both in
25 efforts to control costs to assure the affordability of our

1 institutions and to continually enhance the quality of our
2 educational offerings.

3 Under the Board's direction, the PASSHE
4 universities participate in strategic sourcing of goods and
5 services, which has resulted in significant savings through
6 our volume purchasing.

7 We have encouraged the universities to better
8 utilize State contracts for the purchase of electricity,
9 natural gas, and other projects. We have directed
10 universities to undertake a variety of projects that have
11 made campus buildings more energy efficient, which has
12 produced even more savings.

13 An example is West Chester University, which is
14 in the process of converting all of its buildings' heating
15 and cooling systems to GO thermal, which not only will
16 result in significant cost savings in the future but also
17 will significantly reduce its carbon footprint.

18 The Board of Governors more than a year ago
19 directed the universities to complete a comprehensive
20 review of all their academic programs to ensure the
21 programs being offered meet the needs of both students and
22 Commonwealth employers. This review identified programs
23 that needed to be updated as well as some that were no
24 longer relevant and were either placed in moratorium or
25 discontinued. All students are given the opportunity to

1 complete their degree before any program is discontinued.

2 As a result of this and other programs being
3 used, PASSHE universities in the last four years have
4 reorganized more than 60 programs and either placed in
5 moratorium or discontinued more than 130 others. They also
6 have introduced 23 new programs and another two dozen at
7 various stages of development.

8 Most of these are in the areas of science
9 technology, engineering, mathematics, and Allied Health
10 where the workforce demand is the greatest.

11 Under recently adopted Board policy, all new
12 programs must be designed specifically to address workforce
13 needs and must involve collaboration between and among
14 universities to take advantage of our outstanding faculty
15 across the system, which makes the best use of available
16 resources.

17 I'm sure you are aware PASSHE was one of the
18 first public university systems in the nation to
19 voluntarily adopt performance funding. The Board initiated
20 that program more than a decade ago and remains firmly
21 behind it, endorsing the recent changes that were developed
22 under Chancellor Cavanaugh's leadership that will place an
23 even greater emphasis on student learning outcomes.

24 Performance matters, especially in these
25 challenging fiscal times, and we need to encourage our

1 universities to keep getting better. And this program has
2 done that. Certainly, great challenges are ahead.

3 Nearly 75 percent of our budget is in personnel,
4 including salaries and benefits. Not all of our costs are
5 directly under our control. Most are contained within
6 contracts within our various labor unions. With the
7 cooperation of several of those unions, we have begun to
8 make changes in contract language that will result in
9 significant long-term savings.

10 We must continue to do more. All of us must
11 share in this effort if we are to continue to meet our
12 mission on behalf of our students in the Commonwealth.
13 With 90 percent of our students being Pennsylvania
14 residents and 80 percent of our graduates remaining here to
15 take their first jobs or to continue their education,
16 PASSHE must remain strong if the Commonwealth is to move
17 forward. Your continuing support of the State System is
18 appreciated and needed.

19 I will be happy to respond as the hearing goes on
20 to any questions you might have about the Board's role in
21 guiding and assisting universities in achieving the vital
22 mission on behalf of all the citizens of Pennsylvania.

23 Thank you.

24 MAJORITY CHAIRMAN ADOLPH: Thank you.

25 Chancellor, do you have anything that you want to

1 add to it or would you like to get right into the
2 questions?

3 MR. CAVANAUGH: Let me just add a couple points,
4 Mr. Chairman, if I might.

5 MAJORITY CHAIRMAN ADOLPH: Sure.

6 MR. CAVANAUGH: I'd just like to emphasize
7 Mr. Pichini's remarks about the challenge of our fiscal
8 future under the proposed cuts.

9 It's been said that what we see as a serious risk
10 to our historic affordability, which is part of our core
11 mission, access and affordability, is actually little more
12 than a marginal reduction.

13 But the \$192 million actual and proposed
14 reduction equates to 12.4 percent of our total operating
15 revenue. And that actual or proposed loss would happen
16 within only an 18-month period. That amount of loss over
17 that short a period of time would challenge any business in
18 tough times or not. And it's certainly not marginal.

19 Over the last decade, the Commonwealth's
20 appropriation per FTE student in constant inflation control
21 dollars has declined by 44 percent. Even in the tough
22 times we're experiencing, no business could easily weather
23 a loss of 44 percent of key revenue per unit if it's a
24 business or per student in higher ed without taking some
25 action to stabilize revenue in some other way. Worse yet,

1 in nominal dollars, our proposed funding per FTE student
2 will be lower next year than it was in 1983.

3 Add to that the fact that the programs we are
4 implementing, the very programs the Commonwealth needs the
5 most, are among the most expensive to deliver.

6 STEM programs, Science, Technology, Engineering,
7 and Math, and Allied Health, for example, need modern
8 teaching labs. So the challenges that we face are not
9 marginal at all and go exactly, in effect the most exactly,
10 where the Commonwealth needs to go and represents the heart
11 of our rapid expansion in academic programs and in
12 proportion of students getting degrees in the STEM
13 disciplines over the last few years.

14 So with that, Mr. Chairman, I believe you have
15 the rest of my testimony in writing anyway, so thank you
16 for the opportunity.

17 MAJORITY CHAIRMAN ADOLPH: Thank you, Chancellor.
18 And thank you, Chairman.

19 I guess my first question would be, you know,
20 this time last year the Governor had a proposal on the
21 table of decreasing the funding to the State System -- and
22 correct me if I'm wrong -- about 30 percent.

23 MR. CAVANAUGH: The proposal was 50.

24 MAJORITY CHAIRMAN ADOLPH: It was 50. Okay. And
25 what did it end up, 18 percent?

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MR. CAVANAUGH: Eighteen.

MAJORITY CHAIRMAN ADOLPH: Okay. All right. You made my point a little bit better than I started out.

I'd like to hear from you. I know you stay in contact with the presidents throughout the system. How did the universities do this past year considering the 18 percent decrease?

MR. CAVANAUGH: Well, first of all, Mr. Chairman, I would like to express our appreciation to you and to all the members of the House for all that you did last year to change it from a 50 percent proposal to an 18 percent reality. That two-thirds restoration made an enormous difference for our students.

To get to your question about what the campuses did, let me speak in general and then ask President Cevallos for a couple specific examples from Kutztown.

In general, what we did is not hire. And at the present time, we have over 900 vacancies either in positions that have been eliminated or ones that are relatively permanently, at the present time anyway, on hold or being held vacant.

Secondly, you heard Chairman Pichini talk about the number of programs that we've either eliminated or put in moratorium. We've been very cautious in adding new programs. And almost all of them have been in STEM or

1 Allied Health to meet the needs that we talked about
2 earlier.

3 Third, we've increased class size and reduced the
4 number of sections which have put pressure on the faculty,
5 have put pressure on students to get the courses that they
6 need. And we have continued along the lines that we have
7 that Mr. Pichini also outlined in terms of efficiencies and
8 economies of scale in our areas of purchasing and energy
9 and shared administrative services and things of that sort.

10 So let me turn it over to President Cevallos for
11 some specific examples from Kutztown University about how
12 one university dealt with that.

13 MR. CEVALLOS: Thank you, Mr. Chairman. Thank
14 you for the opportunity to be here and to talk about what
15 it meant to us.

16 Over the last couple of years, we have had to do
17 a lot of things that have been very painful. Last year in
18 particular we eliminated 49 positions. We tried to manage
19 vacancies, so we try not to replace people to minimize the
20 impact on the community. But nevertheless, we had to
21 actually lay off 14 people that were in positions that were
22 all managers. We tried to protect our academic core as
23 much as possible. So we eliminated as many managing
24 positions as we can.

25 At this point, I have eliminated, for example,

1 the vice presidency, the Vice President for Student Affairs
2 and consolidated that under provost. We eliminated an
3 office of diversity. And we eliminated the Dean of the
4 Graduate School.

5 All these things are consolidated to deliver
6 service to the students in a different way. We really are
7 making it much more difficult for us to be able to continue
8 to provide the excellent quality that we provide for our
9 students.

10 We, in addition to that, had to eliminate some
11 academic programs. We eliminated French and we eliminated
12 Theatre, which is a very sad thing to do. And we also
13 closed our nursing program. And in addition to that, we
14 had to close or eliminate two athletic programs. So we
15 eliminated men's soccer and men's swimming over the last
16 couple of years.

17 So those are some of the things that we have had
18 to do to react to the realities of the budget.

19 MAJORITY CHAIRMAN ADOLPH: Okay. That was what
20 you've done to exist under an 18 percent decrease from last
21 year. The Governor has proposed another decrease, 20
22 percent.

23 Chancellor, you can comment. The President of
24 Kutztown, how would this 20 percent decrease affect the
25 system across the board or Kutztown University in

1 particular?

2 MR. CAVANAUGH: Well, I think in terms of across
3 the board, Mr. Chairman, we would certainly need to
4 continue doing the things that we have before.

5 President Cevallos spoke specifically about
6 position elimination. We would try to minimize the impact
7 on people. But I think another significant decline, let's
8 say 20 percent, would mean a fairly significant number of
9 positions. I'm not sure how much longer we would be able
10 to completely protect the academic side. We would hold out
11 as absolutely long as possible on that. But if the
12 vertical drop continues, eventually it's going to hit that
13 as well.

14 We now would be at the point -- you heard about
15 some program elimination. We would now be at the point of
16 having to look at programs that have significant numbers of
17 students in them. Those are things that you can't close
18 overnight. You heard Mr. Pichini talk about the
19 requirements to finish students in the pipeline.

20 And we would be highly unlikely to add very many
21 new programs, particularly in areas that are in high
22 demand. We would not be able to increase our ability to
23 deliver Allied Health programs, which are among the highest
24 demand programs that we offer.

25 Let me turn it over to Javier to speak more

1 specifically about what would continue to happen at
2 Kutztown.

3 MR. CEVALLOS: Once again, we would have to look
4 at everything we do. The majority of our budget is tied up
5 in the academic side. We are a university. So it is
6 logical. About 70 percent of our budget is in the academic
7 side. And to absorb a cut of this magnitude, there is no
8 way we can do it without affecting the academic programs
9 that we have on campus.

10 So we would have to look at the possibility of
11 closing additional programs that at this point are
12 benefiting our students and benefiting the Commonwealth.
13 And certainly, that would be very sad too.

14 MAJORITY CHAIRMAN ADOLPH: Tuition. Tuition is
15 about 6,200 for a full-time Pennsylvania resident,
16 Chancellor?

17 MR. CAVANAUGH: Right.

18 MAJORITY CHAIRMAN ADOLPH: Okay. What type of
19 increase took place last year with an 18 percent decrease?

20 MR. CAVANAUGH: Last year we had a decline in
21 funding of about \$800 per student. We raised tuition \$436
22 per student. So we made good on our continuing promise not
23 to balance the cuts on the backs of students.

24 Having said that, one of the difficulties that we
25 face is that because of the cycle and the conversation that

1 we always have with the General Assembly, our decisions are
2 made late June, July. So it puts a lot of pressure on
3 students. That was one of the highest tuition increases
4 we've had in quite some time. We had been around CPI for a
5 number of years.

6 Actually, let me ask Joanna to comment on what
7 she and her colleague students experienced with the timing
8 of the decision and the pressure on students.

9 MS. CATALANO: Hello. Can everyone hear me?

10 MAJORITY CHAIRMAN ADOLPH: You can move that
11 microphone closer to you.

12 MS. CATALANO: Okay. Thanks.

13 In response to the budget cuts from last year, a
14 lot of the student fees were raised. And this was done
15 very late in July, leaving students only several weeks to
16 scramble for that extra money. And a lot of the answers
17 the student turned to was take out additional loans on top
18 of the loans they already have, which is disappointing to
19 go further into debt.

20 MAJORITY CHAIRMAN ADOLPH: Okay.

21 Thank you, Chancellor. There's a lot of members
22 that have some questions and some comments. This is a
23 period of time that gives the State System an opportunity
24 to have a dialogue with the Appropriations Committee while
25 we put these numbers together.

1 So feel free to give us as much information as
2 possible regarding the effects of a proposed 20 percent
3 decrease.

4 Chairman Markosek.

5 MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman.

6 You asked my question. I was going to ask the
7 young lady how this affected her. And I think we got that
8 answer. I think it's true with, you know, all of our not
9 only State Systems but State-relateds and community
10 colleges, etc. And we're also cutting PHEAA. At least the
11 budget proposes to cut PHEAA as well. They're going to be
12 here next. So I just wanted to point that out.

13 I really didn't have any other questions. I will
14 allot my time for the members.

15 Thank you.

16 MAJORITY CHAIRMAN ADOLPH: Thank you, Chairman.

17 I'd like to acknowledge the presence of Reps.
18 John Evans, Matt Baker, and Todd Stevens. Thank you for
19 joining us.

20 The first question will be by Rep. Dave Millard.

21 REP. MILLARD: Thank you, Mr. Chairman.

22 Chancellor Cavanaugh, as we look at the past
23 decade, we see enrollment at our universities increase
24 really by leaps and bounds. When you look ten years ago
25 and look at today, it's what we hoped our economy would

1 look like as far as a graduated scale.

2 And I think that that tells us something. That
3 tells us that we have got a good education in our State
4 System. It's affordable. And we have got a lot of
5 students who are interested in furthering their education.

6 And I know that for myself personally, I'm a
7 graduate of Bloom University. It took me 12 and a half
8 years of night school to obtain my degree because of the
9 financial situation within my family. When I started out,
10 it was \$33 a credit hour. Of course, we can't make that
11 claim today, obviously.

12 But the point that I'm trying to make here is
13 that the system is known for having first-generation
14 college students of which I'm one. I'm hoping someone can
15 tell us, if you can tell us, what the percentage of
16 first-generation college students are that attend our State
17 universities.

18 MR. CAVANAUGH: Sure. We still are around 40
19 percent of our students are first generation. That's a
20 very proud point for us. It goes to our mission of access
21 and affordability and the reason that the institutions were
22 created in the first place, in Cheney's case, 175 years
23 ago, to give people an opportunity to further their
24 education who might not otherwise have it.

25 REP. MILLARD: And I know that right along the

1 lines of accessibility and affordability, that many of the
2 students that attend, and certainly, again, myself a prime
3 example, work one or two jobs. You know, it makes it
4 difficult when they're in that situation to graduate in a
5 four-year period of time.

6 And if they have to go into the next year, you
7 know, there's always, in addition to the credit cost, all
8 the other fees and everything that are attached to that.
9 It becomes a burden to them.

10 I'm wondering if you have any percentage on
11 students today that work part time.

12 MR. CAVANAUGH: Sure. The most recent statistics
13 we have indicate that 60 percent of our students work part
14 time. That number has doubled since 2008 I think in large
15 part because of the pressures on -- even though we've tried
16 to keep -- and I think the Board has done a great job --
17 tuition down. Particularly last year, even though we only
18 covered about half of the -- a little bit more than half
19 the cut, it still puts a lot of pressure on students of
20 modest financial backgrounds. And that is the bulk of our
21 student population.

22 REP. MILLARD: And do you know how many work full
23 time?

24 MR. CAVANAUGH: That I'd have to look up. We
25 could certainly get that information to you.

1 REP. MILLARD: I'd be interested in having that
2 if you could share that with the Chairman.

3 One final question. Chairman Adolph went into
4 what it would equate to as far as tuition and highlighted
5 the fact that, you know, this is a blueprint in process.
6 This is a proposal. We're going to work our way through
7 it.

8 But the Governor's budget cuts not only your
9 education in general appropriation, but it also eliminates
10 all the funding the system receives for maintenance of its
11 facilities. And it severely reduces capital funding as
12 well.

13 How in the world will you cope with that? I'm,
14 again, visioning Bloom University. And growing up as a
15 teenager, I saw all the -- in addition to the increase in
16 enrollment but the buildings that were put up to be
17 supportive of expanding what the university offered as far
18 as degrees and expanding being able to offer those
19 classrooms for the students.

20 With this being eliminated, what are you going to
21 do to address that?

22 MR. CAVANAUGH: Well, that's a very good
23 question. Of our roughly \$5 billion assessed value, if you
24 will, of our physical plant, we've got about a \$2 billion
25 deferred maintenance issue. And in the back of our

1 appropriations request book, there's a chart that shows you
2 that more than half of our buildings are over 25 years old.
3 And you figure the usual life cycle and everything, 30
4 years, you need to do something significant.

5 With the loss of the Key 93 money, that
6 maintenance money that you referred to, we now have to make
7 choices out of our operating budget whether to, for
8 example, replace the badly outmoded electrical grid, if you
9 will, at Lockhaven University or do we do something else in
10 terms of student services with those funds?

11 Because if the only place left is your operating
12 budget, then those are the choices that we're going to be
13 faced with. And those are very, very difficult choices.
14 Are you going to renovate the teaching lab so pre-med
15 students like Joanna can get the latest experience on
16 equipment or are you going to fix a leaky roof? Those are
17 the choices that we're going to be increasingly faced with.

18 REP. MILLARD: And, Chancellor Cavanaugh, when we
19 see these improvements, as a member of the community in
20 which Bloom University is located, you know, it gives me a
21 sense of security that one of the big economic engines, and
22 it really is in our community, when we see these
23 improvements, we, as members of the community, know that
24 it's going to be there for a long time. So thank you for
25 your response.

1 Mr. Chairman, thank you.

2 MAJORITY CHAIRMAN ADOLPH: Thank you,
3 Representative.

4 Rep. Scott Conklin.

5 REP. CONKLIN: I want to thank you, Mr. Chairman.

6 I want to thank the folks for coming here today.
7 And as someone who just had another child graduate from the
8 State-run universities, I'm glad I got him out before the
9 tuition increases hit even higher. So there is an upside.

10 And he got a job the week before he graduated
11 because of what you've done, which brings me to something
12 that I think gets totally lost on higher education.

13 I think we're beginning to get a debate going
14 that is missing the point that some folks running for
15 higher office don't need higher education. Some folks
16 saying that we need strictly trades. And that somebody who
17 went to trade school but paid for other folks to go to
18 four- and five-year degrees.

19 Just tell us a little bit about those hands-on
20 jobs. I think people are totally missing some of the
21 aspects of our State-run universities, is that they aren't
22 equating with those hands-on jobs that you're teaching
23 these young people.

24 Could you just give us a few of those what most
25 folks don't consider those two- and four-year degrees but

1 as a day-to-day operation for you?

2 MR. CAVANAUGH: Sure. And then I want to ask
3 Mr. Pichini because he's had the perspective of not only
4 being a graduate but seeing many of his classmates and as
5 a member of the Council and the Board an even broader
6 perspective on this.

7 The system offers a very wide range of
8 opportunities for citizens of the Commonwealth. We offer
9 workforce certificates. We offer job training skills,
10 particularly above I-80 where there are no community
11 colleges. As you are well aware, the branch campuses of
12 our institutions up there are doing a phenomenal job with
13 that 80-plus-thousand course registrations just for
14 workforce education courses alone.

15 We have a number of two-year degree programs that
16 we offer. Some of those are stand-alone. Some of those
17 articulate quite nicely into four-year degree programs when
18 the student is ready. So we do an awful lot of that. In
19 fact, a lot of people won't think of us for truck driving,
20 but we actually do that, too, as part of our mission in the
21 northern tier.

22 So you're right, we do an awful lot of the
23 hands-on things. And we've also had graduates come out of
24 the system to go on and do things that people wouldn't
25 normally associate with us.

1 I'm sure that many of you have clicked once or
2 twice at least on You Tube. You Tube, of course, was
3 invented by a fine arts grad from IUP, Chad Hurley. And XM
4 Satellite Radio was invented by a grad from East
5 Stroudsburg. So while you're driving around in your car
6 listening to XM, that's a system graduate. And we've have
7 students and faculty and others who have gone on to
8 wonderful things.

9 So let me turn it over to Mr. Pichini for some
10 personal issues and also his experience on the Board.

11 MR. PICHINI: Well, the Board is committed to
12 listen to the needs of the community and industries in our
13 communities. We meet on a regular basis with the
14 industries in our area. We've met with people in the
15 Marcellus Gas industry outside of Mansfield University.
16 And we've created some unique programs where we call them
17 two, two, and twos.

18 So you go to a technical school and you might
19 have a really good interest in a technical field. And that
20 might be what you're real interest is at that point in your
21 life. And then when you graduate from the technical
22 school, you have some credits that automatically transfer
23 to an Associate degree program at a community college.

24 And when you graduate from there, you can then
25 get a job in your community, but you may want to go on to

1 own your own business with your technical background. And
2 as you mature in life, you may want to become a manager
3 within the industry itself. So now we have an Applied
4 Science Degree program within the system.

5 So you get the two years at the technology school
6 that transfers into credits at the community college which
7 then become credits that you can use to gain an Applied
8 Science Degree and become a manager or supervisor or a
9 company owner.

10 Looking back at the people who graduated with me
11 from Kutztown, they're all over the place. And they're
12 doing all kinds of jobs, from owning electric companies,
13 power companies, to doing plumbing, to teachers, college
14 professors. I think that we have a small scope of what the
15 system really produces.

16 And if somebody would have told me I'd be doing
17 what I'm doing now when I went to Kutztown University and I
18 went there to become a political science teacher in high
19 school and to coach tennis -- I know that's tough to
20 realize. That's 100 pounds ago and 100 years ago to coach
21 tennis -- and come out to be a business owner and a former
22 Mayor, I think that I would have said, you're crazy.

23 But once you get an education in a background,
24 you can do many things with it. Thank you.

25 REP. CONKLIN: And just finish up by telling us

1 what's the average income level of the family, not just the
2 individual attending, but the family themselves.

3 And maybe even the young lady can explain that's
4 why it's so important for us to keep those tuitions low
5 enough to keep them attainable.

6 MR. CAVANAUGH: Sure. Let me first say that our
7 average family income is still below \$60,000. And let me
8 turn it over to Joanna for comments from a student
9 perspective on the decisions that families and students
10 have to make on financing.

11 MS. CATALANO: Yeah. It's really hard to try to
12 pull together all this money within a short period of time
13 to pay for it without taking on additional loans. And so I
14 know me and my fellow senior peers, the loan was more of an
15 option just because it was like a one-time thing.

16 However, incoming freshmen are a little worried
17 about it because if this trend continues, it will soon
18 become a point where they can't afford to go to school
19 anymore. They'll probably have to take off a year and work
20 and then come back. We don't want to see that.

21 REP. CONKLIN: Thank you.

22 MAJORITY CHAIRMAN ADOLPH: Thank you,
23 Representative.

24 Rep. Gordon Denlinger.

25 REP. DENLINGER: Thank you, Mr. Chairman.

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Good afternoon, everyone.

Chancellor, I guess I would like to move over to the topic of labor negotiations. I believe that last year when you met with us, recalling the contracts within the system expired on June 30th of 2011. And you were not, for reasons of propriety, wanting to comment too much on the progress of negotiations at that point.

There was a push last year within education for some of our public schools to attempt to negotiate a one-year freeze or moratorium on increases, if you will.

I'm wondering within the State System, was that push also occurring at some of the universities? And the second part of the question, can you bring us up to date on negotiations? I realize they expire June 30th. Have they been put in place with new contracts? And what transpired in the interim there?

MR. CAVANAUGH: Sure. Actually, we have some contracts that are finished and some that are not. Of those that are finished, as Mr. Pichini noted, there is some net cost savings in those contracts.

The AFSCME contract, the financial parts of it, are negotiated by the Commonwealth, not by us. But we also have addenda to those contracts that we actually do negotiate.

We were able to work with AFSCME. And they

1 agreed to some significant work rule changes that will save
2 us some substantial amounts of money as well as some other
3 things in part of the contract negotiated by the
4 Commonwealth. So the net cost of the AFSCME contract per
5 employee over the life of the contract is a little over
6 \$600, which is quite modest.

7 Our police union contract, we negotiated the
8 entire contract ourselves. Again, through conversations
9 around work rule changes, we have substantial savings that
10 offset salary increases with savings in other areas.

11 For health care and the police contract, there's
12 what's called a me too. So whatever ends up being the
13 health care plan for managers, that's what they will get.
14 So that piece isn't entirely finished yet.

15 And with our other two major unions, APSCUF and
16 SCUPA, faculty and the professional staff, those
17 negotiations are ongoing. We've had a number of meetings
18 since the contracts have expired. The meetings, I believe,
19 are appropriately characterized as cordial. Progress has
20 been made in some areas. And we look forward to continuing
21 discussions.

22 REP. DENLINGER: For those unions where you have
23 no contract in place, what happens with regard to
24 increases? Do they remain at a flat level or do they move?

25 MR. CAVANAUGH: Sure. In the Commonwealth, the

1 way it works is that the benefits package continues. So
2 whatever cost increases that are associated with health
3 care, for example, are locked in. Nothing changes in the
4 benefits package. So that's the important part. Whatever
5 the benefits were when the contract expired continue.

6 On the salary side, nothing happens. So no
7 salary increase, no benefits changes. It's essentially
8 status quo. And as long as both sides are continuing to
9 talk, that's where we stay.

10 So I just want to make it clear for everybody
11 that in the Commonwealth, there's no right for management
12 to impose any changes in terms after a contract expires.
13 That is, in fact, what happens in many other states. It is
14 not what happens in Pennsylvania.

15 REP. DENLINGER: Okay. And then one other quick
16 question, if I may.

17 MR. CAVANAUGH: Sure.

18 REP. DENLINGER: Over the last number of these
19 hearings, we have been having a discussion about the
20 implementation of an enterprise software system within
21 PASSHE, SAP, I believe, is what it was.

22 Can you share with us the status of that
23 implementation and how many of the 14 schools are
24 participating in it?

25 MR. CAVANAUGH: Okay. The SAP system was

1 implemented a number of years ago for Finance and Human
2 Resources. And several years ago, we moved away from SAP
3 on the Student Information System implementation and
4 working with the presidents went to more of a decentralized
5 approach in which institutions helped each other
6 implementing primarily two different platforms.

7 Eight of our campuses went with a product called
8 Banner. Four of our campuses went with PeopleSoft. And
9 then the other two campuses, one went with GensetBar and
10 the other went with Datatel.

11 The support that the campuses give each other
12 keeps the cost of implementation down, the cost of
13 consulting down because once one campus becomes expert,
14 they then help others.

15 When the process of taking that the next step,
16 the implementation of the Student Information Systems, is
17 drawing to an end and should be finished in the not-distant
18 future, that will allow us to take a look at perhaps
19 regional operational centers to provide even more, I guess
20 the best way to call it as in-sourcing into the system
21 because we've developed the expertise.

22 We also are in the final stages of moving the
23 data center that used to be at the office of the
24 Chancellor. We're moving that to Millersville. And that
25 will now be the prime data center instead of the office of

1 the Chancellor. That allows some significant cost savings
2 there. So again, that's all part of taking a look at where
3 the expertise is and moving to those models.

4 We're in conversations with the presidents and
5 the campuses on some additional ways of doing that to
6 assist at the system level of data collection, data
7 analysis, data mining, to make our reports to the Federal
8 Government and to you more effective and efficient. And
9 we're talking with a couple of campuses about how we might
10 do that again, at very significant cost savings.

11 REP. DENLINGER: I appreciate that update. In
12 regard to this budget and in our consideration today, do
13 you view this budget, which is, you know, I mean, some
14 tough numbers here frankly, as severely limiting your
15 ability to upgrade your IT systems?

16 MR. CAVANAUGH: It's going to put pressure on
17 everything. At this point, if we need to invest in
18 technology, we have to figure out a way to generate that
19 money from someplace. Usually that means eliminating
20 something else.

21 And so particularly in looking at another 20
22 percent cut scenario, we really are at a point where if we
23 need to invest, which we continue to need to do, then we're
24 going to have to find savings from someplace else in order
25 to invest to upgrade.

1 REP. DENLINGER: Very good. Thank you for that
2 update.

3 And thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN ADOLPH: Thank you.

5 The next question is from Rep. Matt Smith.

6 REP. SMITH: Thank you, Mr. Chairman.

7 And thank you all for your testimony today. I
8 just had a couple follow-up questions. First a statement.
9 I think the most appropriate way to look at the cut that
10 the Governor has proposed this year is really on a two-year
11 basis. And if the Governor's proposal goes through as
12 submitted this year, it will be about a 34 percent cut over
13 a two-year period for the State System, a total of \$170
14 million. And as was alluded to earlier, Chairman Adolph
15 discussed the 50 percent disastrous cut that the Governor
16 proposed last year and hopefully we'll be able to work
17 through that again this year.

18 But I think that level of two-year cut, 170
19 million, 34 percent, you know, threatens the affordable and
20 accessible nature that you talked about earlier of your
21 institutions.

22 And I'm just wondering -- I know last year's
23 education investment cut resulted in a 7 and a half percent
24 tuition increase. Have you gone through any model or
25 forecasting as to what kind of tuition increase we'd be

1 looking at if this year's 20 percent budget cut goes
2 through?

3 MR. CAVANAUGH: Well, certainly the Board will
4 have those deep conversations at their summer meeting as
5 they always do. And in large part, those conversations are
6 deeply formed by what happens in the General Assembly and
7 what ultimately the budget that the Governor signs. So at
8 this point, nothing more than an arithmetic exercise
9 worse-case scenario.

10 Like we did last year, we absolutely don't want
11 to balance the budget on the backs of students. I mean,
12 you've already heard from Joanna the pressure that that put
13 on students this past year.

14 We're trying to get a handle on other ways that
15 we can do this. Looking at, as we pointed out, other
16 places where we can extract some additional savings through
17 collaboration or consolidation. But, you know, those are
18 starting to hit the wall in many areas. But at this point,
19 nothing more than a straight arithmetic exercise.

20 REP. SMITH: And have you gone through any
21 analysis? One of your, I think, great strengths is the
22 wonderful and talented professors and faculty leaders you
23 have at all of your institutions. And at the same time
24 Pennsylvania is decreasing higher-ed investment. We have
25 almost all of the states around us, Maryland, New Jersey,

1 West Virginia, increasing investment in higher education.

2 Have you gone through any analysis or can you
3 offer any thoughts, any of you, on how much this two-year
4 34 percent cut will hinder your ability to attract and
5 retain those top-flight faculty and professors that you
6 have right now?

7 MR. CAVANAUGH: I can tell you that it's going to
8 become increasingly difficult to do that. And it's also
9 going to be difficult to retain the managers and
10 administrators for the same reason.

11 And it's not so much from other public sectors.
12 It's the private institutions that are coming in and cherry
13 picking, not just in Pennsylvania but across the country,
14 as, in general, State support of public higher education
15 declines, the private sector has taken advantage of that,
16 shall we say, and come and lured individuals away to their
17 institutions because they can provide better compensation
18 packages.

19 REP. SMITH: I don't know if anyone else wants to
20 speak to that particular issue or not.

21 MR. CEVALLOS: Sure. We have been very
22 fortunate, as you mentioned, to be able to recruit some
23 outstanding faculty. And certainly we are pleased to have
24 people that come from some of the best universities in the
25 world that are teaching for us.

1 As the Chancellor indicates, we are starting to
2 lose some of them. We have had some people that come and
3 spend two or three years with us and they are lured by
4 other places. So we are going to be losing some of the
5 faculty. We're also going to be losing a lot of the
6 managers because, quite frankly, a lot of people are
7 offering incentives to move to other states and to other
8 institutions.

9 Again, it's something that concerns me quite a
10 bit. This is something that we have to pay attention to.

11 REP. SMITH: Thank you.

12 And one last question. I think one of the
13 understated benefits that the State System schools offer to
14 their particular communities, whether it's Indiana,
15 Kutztown, California, and Slippery Rock, is really serving
16 as an economic engine in those particular regions and
17 towns. I know in Indiana, the development of the
18 Kovalchick Center up there was a tremendous economic boom
19 as well as a lot of other capital investments that were
20 made were a tremendous economic boom for Indiana.

21 Can you go through a little bit of that briefly,
22 what we might lose in economic development through some of
23 these cuts?

24 MR. CAVANAUGH: Sure. Certainly because of where
25 we are located, most of our campuses are either the biggest

1 or one of the top two or three employers, not just in the
2 community but in the county, particularly in the north and
3 west. We are the dominant economic force in those regions.

4 The loss of whether it's construction jobs with
5 the reduction of capital or impacts that you have been
6 hearing in terms of leaving positions vacant, these are
7 good-paying jobs in these communities.

8 And when you think about the multiplier effect,
9 people talk in terms of \$3, the \$4 return for every dollar
10 invested in jobs like these, it has enormous impact on
11 small businesses on Main Street, you know, the coffee
12 shops, the bookstores, the other shops around town.

13 And so we're very concerned about the overall
14 economic impact not only on our campuses but on Main
15 Street.

16 REP. SMITH: Thank you, all.

17 And thank you, Mr. Chairman.

18 MAJORITY CHAIRMAN ADOLPH: Thank you,
19 Representative.

20 Rep Jeff Pyle.

21 REP. PYLE: Thank you, Chairman Adolph.

22 Chancellor, thanks for being here with us today.

23 As Rep. Smith alluded to, Indiana is in my
24 backyard. My question pertains to Marcellus development.
25 And there's been a lot of attention paid to Mansfield and

1 whatnot. As you're well aware, Indiana, Clarion, and
2 everything in the central west has the very same thing.

3 My question is this: Have you ever done a deed
4 search to find out who exactly does own your gas and
5 mineral rights underneath these campuses?

6 MR. CAVANAUGH: I know Leo Pandeladis is
7 somewhere in here. And the last -- Leo is in the corner --
8 conversation we've had, the best information that I have --
9 and I'm looking to Leo to either cut me off or tell me I'm
10 wrong -- is that the Commonwealth does unless the land is
11 owned by a foundation.

12 REP. PYLE: So should like a Clarion or a
13 Slippery Rock have a big open field that they feel is a
14 good candidate for a Marcellus well, which would provide
15 free heat for your buildings and a little royalty, that
16 explorer would actually come to the State to make that
17 deed. Is that correct?

18 MR. CAVANAUGH: I'm going to ask if Leo would
19 come up to the microphone here.

20 MAJORITY CHAIRMAN ADOLPH: If you would, sir,
21 state your name for the record.

22 MR. PANDELADIS: Leonidas Pandeladis, chief
23 counsel for the State System of Higher Education.

24 MAJORITY CHAIRMAN ADOLPH: Okay.

25 MR. PANDELADIS: The mineral rights that are

1 underneath the properties that are owned by the system, we
2 don't have any legislative authority for us to actually
3 utilize them. So that if we were to try to enter into an
4 agreement with an exploration company or a gas company to
5 extract the proceeds of that, without specific statutory
6 authorization, that would be deposited into the General
7 Fund.

8 There actually are legislative proposals for
9 those proceeds to benefit the individual campuses and to
10 the system. So there is already legislation that has been
11 introduced. But without specific legislative authority, if
12 we enter into an agreement, the proceeds get deposited in
13 the General Fund because there's no specific statutory
14 authority to direct them to the system.

15 REP. PYLE: That's good to know. Thank you.

16 The next question, Chancellor, earlier you
17 alluded to that you are -- you didn't use the word
18 hamstrung, but that's how I heard it. You're hamstrung by
19 all these contracts that you have to achieve. And you
20 mentioned you had a number of unions you had to deal with.

21 Who negotiates these on your behalf?

22 MR. CAVANAUGH: Well, for AFSCME, it's the
23 Commonwealth. They negotiate a master contract for --

24 REP. PYLE: All 13?

25 MR. CAVANAUGH: Well, actually for the entire

1 Commonwealth, us and whoever else has AFSCME employees.

2 In our case, the rest of the ones that are not
3 negotiated by the Commonwealth, we do that. We have a
4 bargaining team. Vice Chancellor Gary Dent coordinates
5 that. And we have a chief negotiator that we have. The
6 Administration provides some assistance in helping us
7 identify that individual. And so we have a team with
8 representation from the campuses on it that we bring to the
9 table.

10 REP. PYLE: Who would that bargaining unit do
11 business with, like what sector of your campus?

12 MR. CAVANAUGH: Well, we've got eight bargaining
13 units altogether. APSCUF represents the faculty and the
14 coaches and athletic directors.

15 REP. PYLE: Does the Commonwealth do that
16 contract?

17 MR. CAVANAUGH: We do that.

18 SCUPA, which is the professional staff, we do
19 that. The physicians, I believe that's the Office of
20 Administration, so that's the Commonwealth. Nurses is us.
21 Who am I leaving out? Oh, and the police is us. So the
22 two largest ones that are not done yet are SCUPA and
23 APSCUF.

24 REP. PYLE: Those are the two the Commonwealth
25 does not insert itself. That's who you guys, you guys

1 being PASSHE, negotiate yourself?

2 MR. CAVANAUGH: Right.

3 REP. PYLE: Now, three-quarters of your costs are
4 driven by personnel?

5 MR. CAVANAUGH: Correct.

6 REP. PYLE: Okay. It's going to take me a while
7 to put all that together.

8 Thank you, Mr. Chairman.

9 MAJORITY CHAIRMAN ADOLPH: Thank you,
10 Representative.

11 Rep. Cherelle Parker.

12 REP. PARKER: Thank you, Mr. Chairman.

13 And, Chancellor and guests, welcome. Thank you
14 for being here.

15 MR. CAVANAUGH: Thank you.

16 REP. PARKER: Chancellor, recently the U.S.
17 Secretary of Education was quoted as stating that someone
18 with a Bachelor's degree earns \$1 million more over a
19 lifetime than someone with a high school diploma.

20 And when we think about education in that
21 context, I'm thinking to myself, I want everyone making
22 that \$1 million over a lifetime to stay here in the
23 Commonwealth of Pennsylvania.

24 Tell us, for the record, how many students in the
25 State System, how many actually stay in the Commonwealth of

1 Pennsylvania and how many students of color as it relates
2 to diversity are in the State System.

3 MR. CAVANAUGH: Sure. We have a little under
4 120,000 students. And 90 percent of them come from the
5 Commonwealth. And after graduation, more than 80 percent
6 stay. So we can do the arithmetic to figure out exactly
7 how many it is. And depending on which year you want to
8 look, about 12 to 15 percent are students of color.

9 REP. PARKER: Okay. How many of our 120,000
10 students are Pell Grant recipients and PHEAA Grant
11 recipients?

12 MR. CAVANAUGH: We have a little bit more than a
13 third of our students, around 35 to 40 percent, depending
14 on the year that you look, receiving Pell Grants and about
15 the same number receiving PHEAA Grants.

16 REP. PARKER: Okay. You briefly mentioned
17 earlier, Chancellor, when the concept of the economic
18 impact of the State System schools came up, you know, you
19 heard individual members talk about their impact to
20 respective communities.

21 It's always pretty powerful for me when I hear
22 the State-relateds sort of come together. And they note
23 that State-relateds generate over 22 billion in total
24 economic impact and support over a 1,000 jobs in the
25 Commonwealth.

1 If you have that information, it would be great
2 to give it to us. But if not, can you sort of send it to
3 the Chairman in its totality because, you know, we know
4 that we get our best bang for our buck with you-all.

5 When we compare you all to the private
6 institutions, it's pretty shameful. It's about thirty-five
7 to forty-five thousand dollars difference between our State
8 System schools and our private institutions.

9 So when we think about this cut for those
10 Pennsylvanians who are fortunate to attend some of those
11 private institutions and their parents and/or just
12 individually independently wealthy, the proposed cuts
13 really don't mean anything to them because they can simply
14 pull out their checkbooks and write a check. But for
15 you-all, it does matter.

16 And the economic impact and the jobs that you
17 create are extremely important because that -- you know,
18 our U.S. unemployment rate, we're at 8.3 and we're at 7.6
19 here in the Commonwealth. So I don't want us to just think
20 about our State System schools as sort of a great
21 educational institution, but clearly as some of the
22 hallmarks of economic development and just helping to keep
23 our economy going.

24 Finally, if you will, if you could just comment
25 on this issue. We've heard a lot of people talk about some

1 of our institutions of higher learning not preparing
2 Pennsylvanians for jobs, high-tech jobs, that are
3 available. Well, they're graduating. They're graduating
4 with a lot of debt. But they're not prepared for the
5 different industries that are searching for qualified
6 people.

7 And with that in mind, we have seen technical
8 schools pop up sort of overnight all over the place. Our
9 students enroll and all of a sudden a year later the school
10 is closed. I think one of my colleagues mentioned that
11 earlier today. The schools are not accredited. Students
12 are left with a big bill.

13 How are you sort of combating that in the State
14 System? I know you have to see it.

15 MR. CAVANAUGH: Sure. Let me go back to your
16 previous question about economic impact.

17 REP. PARKER: Sure.

18 MR. CAVANAUGH: We're about the 13th largest
19 employer in the Commonwealth, about 14,000 employees
20 altogether. And although it's been a number of years since
21 we've taken a really deep look at our economic impact,
22 several years ago it was \$7 billion. Now it's probably
23 higher than that now. But that gives you at least a
24 ballpark idea.

25 On the are our students prepared, in addition to

1 the examples that we gave before, the fastest growing
2 enrollments we have are in the science, technology,
3 engineering, and math areas and Allied Health. Let me give
4 you some examples.

5 Our robotics program at Cal U, done in
6 partnership with Carnegie Mellon, indicates that some of
7 our programs actually cross important sectors of higher
8 education.

9 We have some of the very best computer security
10 programs in the United States sanctioned and approved by
11 the National Security Agency and the FBI.

12 We just rolled out at the doctorate level a
13 program to educate people on how to deal with the threat of
14 weapons of mass destruction. It's a doctorate program that
15 we are offering at IUP in conjunction with the FBI. The
16 FBI came to us to help develop that program. That shows
17 some of our connections there.

18 On the Allied Health front, our physician
19 assistant program, offered in four different locations
20 across the State, administratively housed at Lock Haven
21 University, is in the top 25 in the United States. Our
22 nursing programs are widely regarded as among the very
23 best. IUP again has one all the way from RN all the way up
24 to Ph.D.

25 So between that and the success of our graduates,

1 I think we're very well positioned to continue to grow.
2 But we need investment capital to do that. We've got
3 outstanding faculty in those areas. It's the fastest
4 growing area we have in terms of the percentage of our
5 graduates over the last three to five years. So I think we
6 are doing an outstanding job in preparing our students.

7 Certainly the companies that come and hire our
8 students are among the tops in the country, whether it's
9 tops in terms of start-up or traditional Fortune 100. We
10 have a very strong track record of satisfied employers.

11 REP. PARKER: Thank you, Mr. Chancellor. And you
12 promote STEM, but don't forget about the social and human
13 services. You prepare our teachers and our social workers.

14 Thank you, Mr. Chairman.

15 MAJORITY CHAIRMAN ADOLPH: Thank you,
16 Representative.

17 Rep. Mario Scavello.

18 REP. SCAVELLO: Thank you, Mr. Chairman.

19 And good afternoon, Chancellor.

20 MR. CAVANAUGH: Good afternoon.

21 REP. SCAVELLO: You've said this a couple of
22 times. You say that you didn't make cuts on the backs of
23 the students. However, you know, I'm in East Stroudsburg
24 University, the black and red. Rep. Millard with his
25 maroon and gold, we compete all the time. He loves his

1 university and I love mine. You talk about economic
2 engines. We probably have the most graduates that stay
3 locally after they graduate because of jobs that they
4 produce, you know, the training that they produce at the
5 university that they can walk into many of the businesses
6 that we have down there and get work.

7 MR. CAVANAUGH: Right.

8 REP. SCAVELLO: But this is the stuff that, you
9 know, when you say we haven't cut them on the backs of
10 students -- I'm going to give you a couple of -- we went
11 from 20 to 22 to 24 to 30.

12 But let me give you this one here. General
13 Chemistry went from 40 to 70. Organic Chemistry went from
14 40 to 80. They are actually putting maximum seats into
15 classrooms up to 40, 45, in a fire code. General education
16 courses, Chemistry 106, fingerprinting, went from 40
17 students to 120.

18 Abeloff Auditorium, we put that in for 250
19 students. It's called a mega class. And you've got some
20 freshmen taking three to five mega classes.

21 You know, my daughter went to Millersville.
22 About ten years ago she graduated from Millersville. Today
23 she has her doctorate. Why? Because she got a great
24 education at a great price. I was able to take care of
25 that. And she was able to pay for her Master's and her

1 doctorate. Paid for. Debt free.

2 She went to the State System schools because it
3 was a small school. She wasn't a number. We're making
4 these schools like you're a number. Like, the big Penn
5 States and all.

6 I think it's going to hurt your enrollment down
7 the road. And it's really hurting the quality of education
8 that we're getting.

9 MR. CAVANAUGH: Well, I want to be clear that
10 when I was referring not on the backs of students, I'm
11 referring to the tuition.

12 REP. SCAVELLO: I know. But I'm looking at what
13 you're getting for your money.

14 MR. CAVANAUGH: I understand. There is no doubt
15 that our class sizes have increased. That's one way we
16 have had to cope with declining State support. There is no
17 question about that. You're absolutely right.

18 And so the conundrum that the Board is in when
19 they have their conversation about tuition, we know that
20 there's a point at which our tuition will become too high
21 for people to afford. And by the same token, we also
22 understand that increased class size may have some impact
23 on quality.

24 What we are trying to do is to reach out to the
25 faculty to provide opportunities for faculty to learn about

1 different teaching techniques. There are ways to use
2 technology effectively. And I want to commend the many,
3 many faculty that do that on a daily basis, to look at ways
4 of maintaining the quality of that instruction.

5 But, Rep. Scavello, you are absolutely right.
6 Our class sizes are bigger than they were ten years ago.
7 And that's due, at least in part, to the declining levels
8 of State support.

9 REP. SCAVELLO: A teaching degree in the State
10 System schools, to me, was one of our strengths. And now
11 the graduating teaching assistants are gone. I'm just
12 really worried. I'm worried about what's happening. These
13 cuts aren't acceptable.

14 I see it firsthand what's happening at my school.
15 And I'm sure it's happening at the others as well. Somehow
16 or other, we have to find the dollars to put back into the
17 State System schools.

18 Doctor Cevallos, you cut the office of diversity.
19 How are you handling that in your school?

20 MR. CEVALLOS: Well, we had a number of offices
21 that deal with diversity with student services. We have a
22 multicultural center. We have a number of offices that
23 help with the students.

24 We had an office that managed what we used to
25 call diversity and some of the ADA requirements. So we

1 moved the ADA office under social equity. We do have an
2 office of social equity that monitors affirmative action,
3 etc. And so we have to -- that was one of those offices
4 that became important, but it was not as crucial as the
5 student support services that we provide to our students.

6 By the way, just for a note, our diversity is
7 among the highest in the PASSHE system. Our entering class
8 last fall was about 18 percent students of color. And this
9 year is going to be higher than that. We are quite proud
10 of the enrollment that we have in terms of African-American
11 and Hispanics in particular in Kutztown.

12 REP. SCAVELLO: Best of luck, Joanna.

13 MS. CATALANO: Thank you.

14 REP. SCAVELLO: Thank you, Mr. Chairman.

15 And thank you.

16 MR. CAVANAUGH: You're welcome.

17 MAJORITY CHAIRMAN ADOLPH: Thank you,
18 Representative.

19 Rep. Steve Samuelson.

20 REP. SAMUELSON: Thank you, Mr. Chairman.

21 I also want to ask you about the cuts that are
22 proposed by Governor Corbett. I disagree strongly with the
23 Governor over whether we should be cutting our investment
24 in higher education. And I also disagreed last year in
25 terms of the impact of the 18 percent cuts. I thought the

1 18 percent cut was significant.

2 My questions are going to be about the loss of
3 course offerings at Kutztown and other colleges. And also
4 asking you about maybe a more philosophical question about
5 the 100-year history of the State System schools and the
6 value of our investment in higher education.

7 I want to start by saying that I'm astonished by
8 some of the questions. One of my colleagues just asked
9 about drilling for natural gas on the college campuses,
10 kind of extracting a natural resource from the college
11 campuses.

12 I think we should be less focused on the natural
13 resources on the college campuses and more focused on the
14 human resources on the college campuses. And I'm talking,
15 of course, about our students.

16 When I heard about the drilling -- when I heard
17 that question, I thought, that's next? Advertisements on
18 the exam booklets. I mean, let's focus on the investment
19 in education.

20 I'm dismayed that courses are being cut back at
21 Kutztown and elsewhere. Loss of French, elimination of all
22 French classes, loss of theatre. No theatre classes at
23 Kutztown University anymore.

24 I thought -- it caused me to think a little bit
25 about Sweeney Todd. And some might suggest that the

1 Governor might be cutting a little bit too deeply from
2 higher education. Bye-bye birdie might be bye-bye budgets.
3 I mean, I don't mean to make light. If you're cutting with
4 an 18 percent cut -- I mean, we talked earlier about how
5 some of the --

6 MAJORITY CHAIRMAN ADOLPH: Representative, is
7 there a question here?

8 REP. SAMUELSON: There is.

9 And my question is based on the cuts that happen
10 with an 18 percent cut. When the Governor first came out
11 last year, 50 percent cut, that's significant. If I take
12 your budget presentation, a 50 percent cut is huge. Even
13 after you restore the money, an 18 percent cut is still
14 significant. And a lot of programs were cut. So if you
15 cut French and theatre last year, what kinds of programs
16 would be cut this year if the Governor gets his way and
17 another 20 percent is slashed from higher education?

18 MR. CEVALLOS: Well, I'm hoping not to have to
19 cut any additional academic programs. We certainly would
20 have to look at a lot of the student services. We're going
21 to have to look at a lot of the things that we do. And
22 there's some things that we do that make a university a
23 nicer place to be. Like, you bring speakers once in a
24 while to campus. All those things would have to be put on
25 the table because we're not going to be able to afford

1 those.

2 REP. SAMUELSON: Were there also program cuts at
3 the other 13 State System schools last year?

4 MR. CAVANAUGH: Oh, absolutely. And I think to
5 pick up on President Cevallos's comment, you know, the
6 enrichment of having a university in a community is at risk
7 here. Not only the speakers, but part of the economic
8 engine is at risk. Our ability to provide services to the
9 community is at risk in addition to the academic programs.

10 REP. SAMUELSON: Well, I agree that these cuts
11 that are proposed by the Governor are unacceptable. I
12 thought last year's cuts were unacceptable.

13 And my closing question would be to ask you to
14 comment about the value of a higher education at our State
15 System schools, speaking to the Legislature, speaking to
16 the Appropriations Committee, about why we should restore
17 funding and why we should continue to invest in higher
18 education.

19 MR. CAVANAUGH: Sure.

20 The State System was created to serve the
21 Commonwealth. If you go back in history, more or less,
22 everybody started as a place for people to go to learn how
23 to be a school teacher. So from the beginning, this was a
24 partnership between the Commonwealth and higher education
25 to meet a strategic need of the Commonwealth.

1 Unless we figure out a solution, broadly
2 speaking, not just one year, but looking into the future,
3 you know, two years, three years, five years, ten years
4 from now, unless we figure out what the relationship needs
5 to be between the Commonwealth and the universities that
6 the Commonwealth built and owns, then we are not going to
7 be able to keep this Commonwealth as thriving as it has
8 been for the last 100 years nor will we have an opportunity
9 for students from modest means to make something of
10 themselves greater than what they came from.

11 If you look at the history of the system, that's
12 really what we were. We were the way up. And the mothers
13 and fathers and grandparents who worked hard at whatever
14 they were doing, whether it was in the mines or in the
15 mills or whatever it was that they were doing, saw a way
16 for their sons and daughters and granddaughters and
17 grandsons to get better and have it better than them.

18 And that's really what this conversation is all
19 about. How do we continue to live that heritage and make
20 the State System stronger and better than it has been for
21 the last 100 to 175 years.

22 REP. SAMUELSON: Thank you.

23 MAJORITY CHAIRMAN ADOLPH: Thank you,
24 Representative.

25 Rep. Mauree Gingrich.

1 REP. GINGRICH: Thank you, Mr. Chairman.

2 Thank you, Chancellor and to your associates, for
3 being with us here today.

4 As a mother of three out of four children who
5 used a State university, happened to be Bloomsburg, I have
6 a strong appreciation for what you do. Clearly, we are
7 dealing with a financial challenge without a doubt. And
8 clearly one of the things that we've seen increase probably
9 as an outgrowth of that fiscal challenge is the
10 affordability of education for more students.

11 And we've seen a growth our in community colleges
12 probably in the past three or four years as a result of
13 that to some degree.

14 Now, last year when we talked at Budget hearings,
15 there was some frustration and consternation expressed with
16 regard to the State mandate to articulate these students
17 and transfer them out of community colleges with some ease
18 and fluid transition into our State System.

19 How are we making out with that, with the
20 increased numbers using community colleges, really for a
21 variety of ways but still with an interest in making a
22 transfer to the State university of their choice? Is it
23 really that complicated or is it just not as simple as we'd
24 like to think it may be?

25 MR. CAVANAUGH: Well, certainly our community

1 college transfers are among the fastest-growing segment of
2 our population along with transfers from other sectors of
3 higher education into our system.

4 We've made a great deal of progress in the
5 program-to-program articulations. We're very happy as a
6 system with the 60-credit issue. Our faculty in our system
7 and the faculty in the community colleges have been working
8 through these program-to-program issues. And as I
9 mentioned, quite a number of them have been completed.

10 We're looking for additional ways to provide
11 students who have life experience, work experience, maybe
12 have taken certificate programs in other ways, either
13 through the military or otherwise. There are national
14 associations that can provide portfolio assessments that
15 are done by national panels of faculty that gets translated
16 into credit. We'll accept that transfer credit as well.

17 So we're doing everything we can to work with and
18 articulate with our community college partners. We are
19 especially interested in working with them on very specific
20 program-to-program transfers so that students know from Day
21 One if they go to a community college, they take this
22 specific program of study, achieve a certain level of
23 excellence, they can transfer into our system because our
24 faculty have worked out these arrangements, cannot miss a
25 beat and come.

1 So we're very optimistic about where we're headed
2 with our transfer agreements.

3 REP. GINGRICH: I take that to mean it's working.

4 Go ahead, sir.

5 MR. PICHINI: I would also like to say -- and I
6 applaud the Governor on the creation of his Higher
7 Education Task Force to look at higher education and how we
8 can all work together better and more efficiently, both
9 privately, publicly, with the community colleges.

10 I think it's a long time coming that we all sit
11 down in the same room and talk about how we can collaborate
12 to use the taxpayers' money in the best method we can so we
13 can meet the educational requirements of our students for
14 the future.

15 So I applaud the Governor on that. And the
16 Chancellor and I both serve on that Task Force. And we
17 look forward to our input into those meetings.

18 REP. GINGRICH: That's a perfect segue to the
19 second part of my question, which was with regard to that
20 new organization of professionals here.

21 We have a highly integrated education system in
22 Pennsylvania. So therefore, I think it's extremely timely
23 that we are taking this intense look. And I just glanced
24 at the names and the backgrounds of the people involved in
25 this new organization of folks.

1 We talked a little bit about it earlier with
2 Secretary Tomalis. What do you see as the specific goal?
3 And how do you plan to help implement it rather than just
4 let it be another study? Because I think it's far too
5 important for it to be just that with fancy names on the
6 list. Thank you.

7 MR. CAVANAUGH: Well, let me say a couple of
8 words and then turn it over to Mr. Pichini.

9 First of all, since the panel hasn't yet met, we
10 have not received an official charge or what have you. So
11 I think it's a little premature to speak specifically about
12 what their goal is since we haven't seen the charge yet nor
13 have we had our organizational meeting.

14 But having said that, I'm hopeful that what we'll
15 be able to do is to talk both about a master plan, if you
16 will, for postsecondary education in the Commonwealth and
17 to make sure that whatever the needs are broadly defined of
18 postsecondary education, that out of this comes an
19 understanding that somebody in some sector has it covered,
20 that we don't end up with Swiss cheese, with holes in the
21 system, and too many institutions doing the same thing and
22 nobody's doing some important aspects of it.

23 MR. PICHINI: I think that what you said is
24 basically my feeling also from the standpoint of if
25 somebody does something well, why would we create

1 competition with the people who do it well? Why would we
2 have duplicity of courses right next door to each other?
3 Why can't we work together to meet the educational
4 requirements for our students in the Commonwealth?

5 REP. GINGRICH: That's probably going to be the
6 easier part of it. And, of course, it's our hope, we
7 discussed earlier, that when we're looking at education,
8 although this is a focus on higher ed, that we don't miss
9 the foundation at a very early age so that the transition
10 starts in the beginning and is a success at the end.

11 So I really appreciate that effort, your part and
12 the Governor's.

13 Thank you, Mr. Chairman.

14 MAJORITY CHAIRMAN ADOLPH: Thank you,
15 Representative.

16 Rep. Mike O'Brien.

17 REP. O'BRIEN: Thank you, Mr. Chairman.

18 Good afternoon, all.

19 MR. CAVANAUGH: Good afternoon.

20 REP. O'BRIEN: Like Rep. Millard, I went to
21 school at night. And my post-secondary educational
22 experience was measured in geological time. So where it is
23 important to have access to education, for me, it's more
24 important to have the ability to conclude an education.

25 So talk to us for a moment about what your

1 percentage was of non-returning students prior to the cut?
2 Was there an increase in non-returning students last year
3 as a result of the cuts? And do you anticipate that number
4 to grow next year?

5 MR. CAVANAUGH: Well, in terms of the
6 non-returning students, the data that we typically track
7 are primarily students returning after freshman year to
8 sophomore year. And we're over 70 percent on average
9 across the system.

10 We have not really taken a close look, to be
11 quite honest with you, before and after last year's cut.
12 All this data have not yet been analyzed. We'll move that
13 up on the list and get you that comparative analysis.

14 REP. O'BRIEN: Best guess anecdotally?

15 MR. CAVANAUGH: I really wouldn't want to make
16 one. President Cevallos might know on his campus. But I
17 haven't seen enough of the data from the different campuses
18 and level of detail. I would be wrong if I just pulled a
19 number out of the air.

20 MR. CEVALLOS: It's really hard to attribute the
21 reason why a student wouldn't come back to any specific
22 thing. Because it is very hard to conduct a very serious
23 exit survey when we don't know if the students are coming
24 back or not. We certainly had a decrease in the number of
25 students overall on the campus. So we lost a few students.

1 And it is anecdotally -- because I don't have any basis to
2 say other than anecdotally, we probably can say that the
3 whole cut to the increasing costs and the timing of the
4 whole thing affected the number of students who returned to
5 us.

6 MR. CAVANAUGH: I think what we can say -- and
7 you heard from Joanne earlier -- is the fact that we made a
8 number of very significant decisions in June and July last
9 year and because of the budget cycle, it made it difficult
10 for students to put together the extra finances in that
11 short a period of time.

12 I think an interesting question will be if we go
13 through that again, what's the two-year cycle look like?

14 REP. O'BRIEN: And I would appreciate it if you
15 could let us know.

16 MR. CAVANAUGH: Sure.

17 REP. O'BRIEN: Thank you very much.

18 Thank you, Mr. Chairman.

19 MAJORITY CHAIRMAN ADOLPH: Thank you,
20 Representative.

21 Rep. Scott Petri.

22 REP. PETRI: Thank you, Mr. Chairman.

23 And thank you for being here today. I want to
24 continue on a couple questions because it appears that
25 choices are things that we have to make. And I believe in

1 informed choices.

2 The number of full-time faculty, I know you said
3 you had 14,000 employees. How many of them are full-time
4 faculty and how many are adjunct professors?

5 MR. CAVANAUGH: I know that we have over 6,000
6 faculty. I'd have to get the breakout for you on full
7 time, part time.

8 REP. PETRI: Okay. And what is the average class
9 size?

10 MR. CAVANAUGH: Average class size across the
11 board would be 30.

12 REP. PETRI: 30-ish?

13 MR. CAVANAUGH: That would be all in.

14 REP. PETRI: What is your normal annual
15 maintenance budget for total maintenance across the 13
16 schools?

17 MR. CAVANAUGH: In my office, we don't aggregate
18 at that level. So I'd have to get you that data.

19 REP. PETRI: Okay.

20 MR. CAVANAUGH: The only money that we allocate
21 is in block grants. So we don't line item those budgets.
22 So I don't have that data with me. But we can pull that
23 out.

24 REP. PETRI: Traditionally -- and now I'm focused
25 on the Key 93 money. Traditionally, have you been able to

1 fully fund your maintenance budget?

2 MR. CAVANAUGH: No.

3 REP. PETRI: So there's always a shortfall?

4 MR. CAVANAUGH: There's quite a large shortfall.
5 We have a \$2 billion deferred maintenance. And Key 93 has
6 been averaging around fourteen, fifteen million dollars.

7 REP. PETRI: Okay. So if you could give the
8 Appropriations staff that information, I think that might
9 be helpful so we can see sort of historical what the normal
10 maintenance is.

11 MR. CAVANAUGH: Sure.

12 REP. PETRI: And I will compliment you for at
13 least having a maintenance budget. I've talked to and
14 asked this same question of other agencies. And they don't
15 all have a maintenance budget. And the reason is because
16 there's no maintenance money, so why have a budget?

17 But I guess the other thing I'd be interested in,
18 this 6.8 million, to see what percentage that is of your
19 total maintenance budget.

20 MR. CAVANAUGH: Sure. And for the record, I just
21 want to go back and say that the two sources of maintenance
22 money for relatively small projects is the Key 93 money
23 that we've spoken about. And what we'll do is we'll go
24 back and disaggregate our operating budget because a lot of
25 small maintenance projects, as we talked about before, are

1 now paid for out of our operating budget. So we'll go back
2 and get that for you.

3 REP. PETRI: Very good. And what is the average
4 salary of a full-time professor?

5 MR. CAVANAUGH: Average salary for a full-time
6 professor at that rank is about \$104,000.

7 REP. PETRI: Is that with or without benefits?

8 MR. CAVANAUGH: Without.

9 REP. PETRI: Okay. And what is the typical
10 teaching load for a full-time professor?

11 MR. CAVANAUGH: Our teaching loads are among the
12 highest in the country at four courses per semester.

13 REP. PETRI: Okay. Four per semester?

14 MR. CAVANAUGH: Yes. And that's very much on --
15 if you look at the distribution across higher education, a
16 four/four load is considered a heavy load.

17 REP. PETRI: And what about the typical
18 compensation for an adjunct professor?

19 THE WITNESS: Adjunct would depend on the rank
20 that you bring people in. It's a sliding scale.

21 REP. PETRI: Can you give us a range or is it too
22 wide?

23 MR. CAVANAUGH: It would really depend on the
24 rank. So what we'll do is we'll give you a chart showing
25 if it's at the lecture level, assistant professor,

1 professor level, and so on. It's all specified in our
2 labor contract. We will get you that article out of the
3 contract.

4 REP. PETRI: Thank you for your candid answers.

5 MR. CAVANAUGH: Sure.

6 MAJORITY CHAIRMAN ADOLPH: Thank you,
7 Representative.

8 Chairman Markosek.

9 MINORITY CHAIRMAN MARKOSEK: Thank you,
10 Mr. Chairman.

11 For the information of the members, we have a
12 special guest. Rep. Dom Costa of Allegheny County is
13 present.

14 Thank you.

15 MAJORITY CHAIRMAN ADOLPH: Thank you for that
16 announcement.

17 Rep. Glen Grell.

18 REP. GRELL: Thank you, Mr. Chairman.

19 Thank you, Chancellor, for being here.

20 MR. CAVANAUGH: Sure.

21 REP. GRELL: In the interest of full disclosure,
22 you're aware that I've been a trustee at Shippensburg for
23 about 15 years. And I'm the parent of a State System
24 student.

25 Chancellor, last year we spoke at this hearing.

1 And I advocated, with many others, for substantial
2 restorations in your funding. And I think we talked about
3 four things that I was sort of hoping for or looking for in
4 the ensuing year to justify our effort to try to restore as
5 much of that money as we could.

6 One of those we talked about already was a
7 reasonable tuition increase. I'm glad to hear that you
8 didn't put the entire burden of the funding on students. I
9 mean, \$436 is \$436. But it could have been much higher. I
10 think the State System is still an excellent bargain.

11 The second item we talked about was controlling
12 the central office expenses at the center. Could you bring
13 us up to date on what's happening there?

14 MR. CAVANAUGH: Sure. As you recall from our
15 conversation last year, there are actually two parts to
16 that funding. The one set of the statute is the one half
17 of 1 percent out of which we do the policy and analysis and
18 a number of those things.

19 The rest of it is what are called sort of like
20 consolidated operations, things that universities believe
21 can be delivered less expensively and more efficiently by
22 pooling their resources.

23 So, for example, we have one treasurer for all 14
24 institutions rather than 14 treasurers and the rest of the
25 operations along with a number of other things that we do

1 in common.

2 We've set up a Review Committee chaired by former
3 Presidential Greenawalt last year with representation from
4 across the system. Actually, the chair of the
5 Shippensburg's counsel represented the trustees on that.

6 That group made a number of recommendations that
7 we are now following up. We've established -- the we being
8 the President at Shippensburg as the convener of the
9 President's commission and I have set up a number of
10 follow-up groups to peel apart each one of those agreements
11 to see if we can increase the cost savings or efficiency,
12 if you will.

13 The bottom line of that review was that the end
14 users, as it were, Presidents or the Vice Presidents, the
15 payroll people, what have you, all agreed that this is a
16 direction that they want to keep. They didn't recommend
17 getting rid of any of them. They did make some
18 recommendations for improvement of services and things of
19 that sort.

20 As all of those groups have been put together.
21 They've all been charged. They're all meeting. And all of
22 them will have some sort of report or additional set of
23 recommendations by June.

24 As I indicated earlier, on the IT side, for
25 example, we're finishing up the moving of the data center

1 that used to be heavily staffed as part of that CUONIT to
2 Millersville. And that's one that the cost has dropped
3 several million dollars since I arrived in 2008.

4 And I would also say that in certain areas, we're
5 looking to have campuses step up and be administrative
6 agents, if you will, and, again, look for opportunities to
7 in-source even more and to set up regional centers around
8 the system rather than have everything housed in
9 Harrisburg.

10 REP. GRELL: I am encouraged by that process.

11 The third item we talked about was doing
12 something to address the four-year graduation rate.

13 MR. CAVANAUGH: Right.

14 REP. GRELL: And I'm not looking for the
15 explanation of why it is what it is. What positive steps
16 have been taken since last year when we convened this
17 committee?

18 MR. CAVANAUGH: Sure. This is a good news/bad
19 news. We'll start with the bad news. The fact that
20 students have to have more part-time jobs balances all of
21 the additional support systems that we have established.

22 I might draw your attention to a brand-new tool
23 The Chronicle of Higher Education rolled out today. What
24 The Chronicle did is to look at every possible major way to
25 measure rates, whether it's the traditional four-year rate,

1 which only looks at first-time, full-time freshmen, or
2 whether it looks at the percentage of the number of
3 students per 100 students that get a degree.

4 It makes a huge difference what metric you look
5 at. And the great thing about this chronicle tool is it
6 puts all the statistics side by side.

7 So in our case, for example, although if you look
8 at the four-year traditional graduation rates, we don't
9 necessarily compare well with some of our private
10 institutions. But if you look at -- if you want to call it
11 the through-put rate, how many students per 100 actually
12 get a degree, we are within 1. So I would highly recommend
13 that.

14 But we continue to look for ways to provide
15 support to students. We are working on the issue of
16 remediation and looking for better ways to solve that
17 problem. And we're working very closely with Secretary
18 Tomalis on the bridge issues of ensuring that students who
19 graduated from high school are ready for college.

20 REP. GRELL: And the fourth item we talked
21 about -- and I guess this if the most disappointing to
22 me -- is why you haven't been able to reach labor
23 agreements that have somehow helped to control costs
24 especially with your largest represented body?

25 MR. CAVANAUGH: Well, certainly with the two

1 unions that we have, AFSCME and the police, we were able to
2 do that.

3 REP. GRELL: Why can't we get an agreement with
4 APSCUF?

5 MR. CAVANAUGH: We're in negotiations.

6 REP. GRELL: Well, I mean, we're seven months
7 past the contract. I mean, I wouldn't be as concerned --
8 well, first of all, I have a question to clarify. When you
9 say status quo continues as far as salary, what
10 specifically happens to what's commonly called step
11 increment?

12 MR. CAVANAUGH: There aren't any.

13 REP. GRELL: No steps. Okay. Do they typically
14 go retroactive once you have an agreement?

15 MR. CAVANAUGH: That depends on the contract.

16 REP. GRELL: Okay. I'm concerned about this
17 because I'm sure you're aware that the Moody's gave you a
18 negative outlook on your bond rating just recently.

19 MR. CAVANAUGH: Yes.

20 REP. GRELL: And there were other factors,
21 including State funding. But one of them that was
22 mentioned was the uncertainty and the restriction of your
23 union contract obligations.

24 It seems to me that that makes it more pressing
25 that there be at least agreement with all of your

1 bargaining units. And I would certainly hope that that can
2 be accomplished before we put the ink on this budget this
3 year.

4 MR. CAVANAUGH: We do, too.

5 REP. GRELL: Is that likely?

6 MR. CAVANAUGH: I don't make odds on labor
7 negotiations.

8 REP. GRELL: Okay. With the Chairman's
9 indulgence, let me ask you, we just talked about the
10 Governor's Commission or Task Force. Why did it take the
11 action of the Governor to form this Task Force to get you,
12 as Chairman Pichini said, in the same room to sit down?

13 I thought he sent a pretty clear message last
14 year that he wanted the State-relateds and the community
15 colleges and the State System to talk about ways that they
16 can deliver higher education in a more effective manner.

17 Why does it take a Governor's Commission to get
18 you to sit down and talk about some of the issues in a
19 meaningful way?

20 MR. CAVANAUGH: I'm sure that it takes the
21 Governor to get us to talk. I think it takes the Governor
22 and the gravitas of the position to point out the
23 importance of creating a master plan. That's different.

24 I think if you look at other States around the
25 country, it makes an enormous difference if the leadership

1 of that particular State puts their weight behind the
2 effort like that.

3 Certainly, we have ongoing meetings with
4 community college presidents. For example, we meet at
5 least once a year with the community college presidents.
6 It was through those meetings, in fact, that the support
7 for the legislation to move the transfer credits from 30 to
8 60 actually happened.

9 We have continuing conversations. I've met with
10 the presidents of the State-Related Institutions. And I
11 think outside of specifically higher ed, but the Kimber
12 Board that put together the new broadband network actually
13 is a perfect example of how all the sectors of higher
14 education came together and created something that wasn't
15 there before that will serve the entire Commonwealth.

16 So the conversation, per se, happens. I think
17 coming together for the master plan and the fact that I
18 believe both Penn State and Pitt have tried to make moves
19 around consolidation before and were not allowed to do it.

20 REP. GRELL: Just my final question. When you go
21 to those meetings, what would you think would be your most
22 out-of-the-box idea that you can take to the table to
23 fundamentally change the way we deliver higher education so
24 that we don't have duplication overlap, whether it's
25 geographic or not, whether it's to move from, you know, the

1 bricks and mortar and more into the online? What's the
2 most out-of-the-box idea that you plan to take to that
3 meeting and advocate on behalf of higher education
4 generally?

5 MR. CAVANAUGH: Well, I think there's a Part A
6 and a Part B. I know I've had conversations with the
7 Chairman and others at PHEAA, the policy against providing
8 financial aid to students who do 51 percent or more of
9 their program online, not to provide financial aid for
10 that, is a disincentive for us all to develop.

11 REP. GRELL: Well, we're a long way from that. I
12 think your appropriations said that you have about 35
13 percent of your students who even take one course. Why
14 isn't that 100 percent?

15 MR. CAVANAUGH: Because if they took 51 percent
16 of their courses online, PHEAA doesn't provide the
17 financial aid.

18 REP. GRELL: But if they just take one course,
19 that wouldn't --

20 MR. CAVANAUGH: It's a chicken and egg. If we
21 develop more online and our students take more, then it
22 impacts their financial aid.

23 REP. GRELL: Okay. We can continue that.

24 MR. CAVANAUGH: Part of the issue.

25 REP. GRELL: Okay.

1 MR. CAVANAUGH: Actually, if you look at Carnegie
2 Mellon, for example, much of their marketing is outside the
3 State for that reason.

4 The other issue is, Chairman Pichini pointed out,
5 let's bring what we're each good at to the table and figure
6 it out. In order to do that, we're going to need to level
7 the playing field, the rules of engagement, which goes back
8 to my earlier remarks about the relationship that the State
9 System has to the Commonwealth, and rules by which we all
10 play. Level that playing field and I think some pretty
11 creative things can emerge pretty quickly.

12 REP. GRELL: When you take that list of things
13 that the State System is good at to those meetings, are you
14 also prepared to step up and identify the things that you
15 might not be as good at and give those up to other
16 institutions that might be better?

17 MR. CAVANAUGH: It cuts both ways.

18 REP. GRELL: Okay. Thanks for your answers.

19 And thank you, Mr. Chairman.

20 MAJORITY CHAIRMAN ADOLPH: Thank you,
21 Representative.

22 Rep. Gary Day.

23 REP. DAY: Thank you, Mr. Chairman.

24 Thank you all for being here today. I appreciate
25 all your answers so far. Some of mine just drill down on

1 some things that have already been asked.

2 Mr. Chancellor, the head count question, could
3 you just provide that information to our Chairman later?
4 The information I'm looking for is however you break it
5 down. You don't need to make a new report for me or what
6 I'm looking for. But the obvious breakdown would be
7 between probably APSCUF professionals and other service
8 personnel or management or however the schools break that
9 down. I would be interested in the head count today, a
10 year, two years ago, if you have that, and then by the
11 universities would be great. I would appreciate it if you
12 would provide that to our Chairman or our staff.

13 MR. CAVANAUGH: Sure.

14 REP. DAY: The other thing I wanted to ask you
15 is, could you clarify your comments regarding -- I wasn't
16 sure I understand that. You made comments about not being
17 able to change provisions that were in the CBA after the
18 CBA is expired.

19 MR. CAVANAUGH: Sure. The way that it works in
20 the Commonwealth is when a contract expires, all right,
21 management is not allowed to impose any changes in the
22 terms and conditions of the contract. That's not true in
23 most other States. So if you reach impasse or whatever the
24 definition is in that State, management can impose a
25 temporary contract.

1 In the Commonwealth, there is a case in
2 Commonwealth Court referred to as the Philadelphia Housing
3 Authority case that ruled that management does not have any
4 right to impose any changes in the contract until a new
5 contract is reached.

6 REP. DAY: Is it assuming that expired CBA
7 continues and you operate under the provisions of the
8 expired CBA?

9 MR. CAVANAUGH: Yes.

10 REP. DAY: My next question, where do you see the
11 role of the State System? We've talked about it a little
12 bit. I'm going to really talk about the relationship
13 between community colleges and State System schools.

14 I want to know what your thoughts are, maybe the
15 Chairman as well. But what are your thoughts for how these
16 two systems integrate, because I think it's changed a lot
17 over the 20 years since I was in school, and specifically
18 which should be the access point for our lower-income folks
19 or people who have a tougher time paying for our higher
20 education bills?

21 MR. CAVANAUGH: Sure. First, the 14 community
22 colleges are independent institutions. They are not a
23 system. And Pennsylvania is in the position of not having
24 total geographic coverage of the community colleges.

25 If you think of what's referred to as the T,

1 pretty much in the T there are no Pennsylvania community
2 colleges. There's a Maryland Community College around
3 Somerset and Bedford that has branch campuses.

4 But our community colleges are largely
5 concentrated around Philadelphia, Pittsburgh, and HACC, in
6 sort of the area we are here. There are large parts of the
7 State where there are no community colleges.

8 So the notion that students, no matter where they
9 live in the Commonwealth, could perhaps save money or start
10 their education at community colleges is made difficult
11 because of the coverage issue.

12 We certainly believe very strongly in the
13 partnerships that I spoke of earlier with our community
14 colleges and our transfer matrices and articulation
15 agreements and all that. So we have absolutely no problems
16 with partnering with them in those parts of the State where
17 there are no community colleges. We have number of our
18 institutions, particularly with branch campuses, that can
19 provide those workforce certification programs, provide
20 those two-year degree programs and the kinds of things that
21 community colleges would normally do if they were there.
22 But they're not.

23 So we're, in a sense, in deep partnership with
24 the community colleges. And where they're not, in many
25 meaningful ways, we're providing that opportunity for

1 students.

2 One difficulty that we are in dialogue with the
3 Board and others about is we don't have the price
4 difference for those two-year degree programs that
5 community colleges might in the districts that support
6 them. And that's an important distinction. Another
7 interesting aspect of community colleges in Pennsylvania,
8 they have different pricing structures depending on where
9 you live and whether or not you're in a district that
10 supports them.

11 So let's turn it over to Chairman Pichini for the
12 Board's perspective.

13 REP. DAY: Thank you.

14 MR. PICHINI: I think the Board has looked at the
15 success rates of the community colleges and the transfers
16 from community colleges to the State System. And we've had
17 great relationships. And the success rate of the people
18 coming out of the community colleges had been very good.

19 A lot of the people who come out of community
20 colleges are innercity kids who are students -- a terrible
21 expression -- innercity students who are driven. And the
22 drive continues in their third and fourth year when they
23 get into the State System.

24 I think it becomes stronger and stronger as we do
25 the programs like I discussed before. The two, two and two

1 meets a lot of the training needs and works well with the
2 community colleges and also the trade schools.

3 REP. DAY: I have within an hour of my district
4 office three community colleges. Kutztown University is in
5 my district. I also have Lehigh, Lafayette, Muhlenberg
6 Colleges within an hour of my office.

7 So the ability for all levels of higher ed to be
8 able to work together -- oh, and Penn State as well. They
9 moved out of my district but with the campus, which 20
10 years ago it was a lot different. I think the lines have
11 blurred and we've pushed together even more probably
12 because of what you just mentioned.

13 In this master plan that we've talked about,
14 you've talked about it, some members have talked about it
15 as well, do you see where there would be a case where maybe
16 Kutztown University -- you know, it's sandwiched right in
17 between two community colleges -- would react differently
18 than maybe another State System School that have no
19 community colleges so there you'd be with what Rep. Grell
20 was talking about. Would you be willing to take a position
21 but maybe a flexible position where you give some things up
22 but take some responsibilities on?

23 MR. CAVANAUGH: I think, as I indicated earlier,
24 you know, as long as you can get everybody -- and I mean
25 everybody -- to the table, which is -- you know, it's not a

1 given. Because you mentioned some very important private
2 players in this equation. It's not going to work unless
3 everyone is at the table.

4 We'll be at the table. And we're open to these
5 conversations. We have already introduced models here at
6 the Dixon Center. And we're working in Philadelphia to do
7 the same thing. Institutions bring their best programs and
8 we avoid duplication that way.

9 REP. DAY: And I'm very glad you said at the
10 table. Because I thought you were going to say get
11 everyone to agree. I know that would be almost impossible.

12 MR. CAVANAUGH: We can be optimistic, can't we?

13 REP. DAY: Yes, from everyone.

14 But the other thing is those private
15 universities, those private schools, are a much higher
16 access point than our community colleges and State schools.
17 So I think it's more important to if we do only focus on a
18 particular area, is how we're interacting together between
19 the two. I think both -- I use the term system because I'm
20 trying to be as tight with my questioning as possible. And
21 I look at it as a system, even though it's not, and I
22 appreciate you pointing that out as well.

23 Another question. President Cevallos, you had
24 talked about the first question that the Chairman asked was
25 what changes -- and maybe you can just reiterate it or

1 answer this question again. I wanted to make sure that my
2 understanding and your answer was in alignment.

3 What changes did you make resulting from last
4 year's 18 percent reduction? It's my understanding that
5 some of the things that you had mentioned was prior to last
6 year. So I just wanted to give you the opportunity to
7 answer that question again. What changes did you make
8 resulting just from last year's 18 percent reduction?

9 MR. CEVALLOS: I believe that I answered the same
10 the last two years. Because it was actually a combination
11 of two years. We have reduced budgets, as you know, for a
12 number of years.

13 We did a number of things. Part of it was we
14 actually closed down the alumni office. We moved that
15 function out of the university. The Foundation is doing
16 that alumni function. We reduced our IT operations. We
17 actually had to eliminate the advice center for undeclared
18 students that really distributed the advice function on the
19 campus. It's a number of things that we were forced to do.
20 They weren't the best things to do but we had to do.

21 REP. DAY: Thank you. And I wanted to ask you a
22 follow-up question. One of the things you had talked about
23 -- and this might have been in the two-year period -- was
24 the need to stop offering French as an example of some of
25 the things. When that happens -- I'll ask you specifically

1 and maybe generally across the system.

2 Mr. Chancellor, you can answer as well. When
3 that happens, are we looking at alternative ways to deliver
4 -- and you started to talk. My question was going to be
5 about a cyber alternative. Just when we get into that
6 point, every year your team at Kutztown makes a decision
7 how many students are interested in the majors in classes
8 and then we do that.

9 And you do that just like in the private sector
10 when you're deciding what kind of services to provide?
11 When you get into that area where we might be just in a dip
12 this year, do you look at a cyber alternative just to get
13 us through?

14 MR. CEVALLOS: Yes. As a matter of fact,
15 language instruction is an excellent example of the way
16 that we are collaborating across the system. At Kutztown
17 we have a very good German program. It makes sense. We
18 are delivering German.

19 East Stroudsburg is delivering Chinese.
20 California is doing Arabic. So we're all buying from each
21 other these courses through cyber learning because it's a
22 great opportunity.

23 Now, I just have to tell you about French. It's
24 particularly painful because my wife is French Canadian.
25 Coming to live in a French family is a crisis.

1 REP. DAY: We all have those problems sometimes,
2 who you lay your head on the pillow next to every night.
3 I'm sure you had to deal with that at home as well.

4 My last question centers around individual
5 student debt, individual student debt to fund an education.
6 And I certainly understand and support and defend many
7 times the public benefit to aid students in achieving an
8 education.

9 Would you please comment on the difference of an
10 education, our tuition, and the ability for that education
11 to generate enough compensation income in a job that you
12 receive from that to pay off those tuition rates through
13 loans?

14 Could you comment? I think I'm worried and
15 concerned. Do we look at that enough? Sometimes we
16 shouldn't. In education, we should just continue to
17 educate people. But sometimes I think our business
18 managers or someone else should look at that.

19 Could you give us some input on that disparity?

20 MR. CAVANAUGH: Sure. And then I'm going to ask
21 Joanna to talk from a student perspective on the whole
22 issues of loans and debt and all.

23 For those students in our system who graduate
24 with debt -- I have to preface it that way. The student
25 graduates with an average of twenty-two to twenty-three

1 thousand dollars of debt. How that translates into salary
2 and earnings is going to depend obviously on what
3 profession they go into.

4 There's a big difference, as we all know, in what
5 sector of the labor market and the economy you go into as
6 to what your starting salary is going to be. And so our
7 students experience that in their own lives.

8 Some are in professions that are in high demand
9 and you make an arrangement with a future employer that
10 they pay so much off your loans and in exchange you owe
11 them a certain number of years.

12 So it's difficult to say on a one-to-one basis.
13 You'd have to look at it case by case. Did they graduate
14 in social work? Did they graduate in engineering
15 technology? Did they graduate in robotics? Did they
16 graduate in accounting? What was their debt? and so on.

17 But as I said, of those students who graduate
18 with debt, the average across the entire system of all
19 these graduates is between twenty-two and twenty-three
20 thousand dollars.

21 MS. CATALANO: I really don't have that much to
22 add except that obviously the more loans you take on, the
23 longer it takes to pay them off and the more interest they
24 build up. And especially with the government not offering
25 subsidized loans after July, I believe, the amount of debt

1 that the students in the PASSHE system could be getting
2 could be a lot larger than what we are seeing now.

3 REP. DAY: Thank you. I appreciate your
4 comments. And I appreciate you being here as well.

5 When I was in your position, I thought the same
6 way. I made all my higher ed decisions based on just
7 finances, just financial. I should say not all of them,
8 not my major, but where I went to school, how I achieved my
9 degree and everything. So that was what it was.

10 And when I graduated, I also said, I'll be happy.
11 Just pay me a lot of money and I'll be happy. And I've
12 come to find out that that's not the truth. And that's not
13 really what you'll find 20 years from now.

14 You'll realize that if you select something that
15 you enjoy, you won't work a day in your life. So I'll just
16 pass that on to you and hope that we instill that in our
17 students throughout the system, that any amount of debt,
18 you know, I tell people go where your brain takes you,
19 whatever school that is, and try to get the most education
20 that you can and it will pay off. And that loan, whatever
21 it is, was one of the biggest things that I learned from my
22 college education was the loans that I brought out. Don't
23 be afraid of them. They will pay off and you will be able
24 to pay them off as well.

25 So thank you for your answers today and your

1 comments and everyone's answers today.

2 And thank you, Mr. Chairman.

3 MAJORITY CHAIRMAN ADOLPH: Thank you.

4 The last questions of this hearing will be by the
5 Chairman of the Education Committee, Rep. Paul Clymer.

6 REP. CLYMER: Thank you, Mr. Chairman.

7 Good afternoon, everybody. Here's my question.
8 Each year the college that I graduated from does a
9 fundraiser. And some of that money that they collect is
10 dedicated toward the tuition for the students.

11 My question is, of the 14 State universities --
12 we'll take Kutztown since President Cevallos is with us
13 here today -- how much money is collected each year when
14 you do a fundraiser from your dedicated and committed alum?
15 And how much money of that is used for tuition and for
16 other services on the campus?

17 MR. CEVALLOS: Every year is different. But on
18 the average, I would say that in our case, it's somewhere
19 between three and a half to four million dollars that we
20 can raise for different purposes.

21 Of course, part of that is restricted. It goes
22 into specific that donors give you for the endowment or
23 whatever. Our foundation returns around \$1.2 million or so
24 or \$1 million in scholarships to the university, to
25 students to help them pay for their education.

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So in our case, it's around \$1 million.

REP. CLYMER: Thank you, Mr. Chairman, for the opportunity to speak here.

MAJORITY CHAIRMAN ADOLPH: Thank you, Chairman Clymer.

Chancellor, I want to thank you and the President and Joanna and the Chairman of the Board. Thank you so much for your testimony. We're looking forward to working with you over the next several months in order to balance your budget. Obviously, you have an awful lot of support here. And we'll do the best we can.

Thank you very much.

And the Budget Hearing will be reconvened in five minutes. And it's with the Pennsylvania Higher Education Assistance.

(The hearing concluded at 3:55 p.m.)

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I hereby certify that the proceedings and
evidence are contained fully and accurately in the notes
taken by me on the within proceedings and that this is a
correct transcript of the same.

Jean M. Davis
Notary Public