



TESTIMONY OF PRESIDENT MARCIA G. WELSH, PH.D. BEFORE
JOINT HEARING BEFORE THE HOUSE & SENATE EDUCATION COMMITTEES WEDNESDAY,
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Good morning, and thank you Mr. Chair and the committee for the invitation to speak to you today.

I'm Marcia Welsh, President of East Stroudsburg University, one of the fourteen universities that comprise the Pennsylvania State System of Higher Education. Next year ESU will celebrate its 125th anniversary; during this time it has grown from a two-year Normal School to a State Normal School, to a State Teachers College, to a State College, and finally to the current comprehensive University. Throughout our history, ESU has continued to have a long-standing tradition as a student-centered institution now consisting of four academic colleges – Arts and Sciences, Education, Business and Management, and Health Sciences. Located in Northeastern Pennsylvania, an area best known as the Pocono Mountains, ESU is championed by strong faculty and forward-thinking administrators who take pride in being outstanding and efficient stewards of our resources as we care for an incredibly diverse and talented student body.

ESU currently offers 55 undergraduate and 23 graduate degrees. Our student body of 6742 students is 57% female and 43% male, with 21% of our students being out of state and 2% international, representing 26 different countries. The highest enrolled academic programs at ESU are: Business Management, Biology, Criminal Justice, Exercise Science, Psychology, Nursing and Athletic Training.

Located near the Delaware Water Gap National Recreation Area, ESU's 258-acre campus is comprised of 66 buildings located in the East Stroudsburg Borough and Smithfield Township. The campus hosts facilities for academic instruction, 9 residence halls housing almost 3000 students, two recreation facilities, a 1,000-seat dining hall and a Science and Technology Center that boasts classroom and laboratory facilities as well as a planetarium, a rooftop observatory and a museum of natural history. We also have a Center for Innovation and Entrepreneurship that houses a nationally known Wildlife DNA Laboratory, a business accelerator and 18 new start-up companies – some owned and operated by our very own faculty and students.

As I enter my sixth year at ESU, I'm honored to be here to testify on behalf of our institution which is a pillar in our community, not simply by educating our amazing students, but also as an economic driver in the Northeast region of our Commonwealth.

To put our institution's impact in perspective, a 2015 report prepared for the State System by Baker, Tilly, Virchow, Krause, LLP, showed that ESU generated \$14.64 in the economy for every dollar invested by the Commonwealth. While we consider our University to be a healthy investment, I might

add that at the time of the report, ESU's economic impact was the highest of all fourteen universities in the Commonwealth. And today, ESU continues to participate in the economic development of our region by hosting an annual Economic Summit that creates a continual conversation among leaders in Monroe County as well as us being heavily involved in the Monroe County 2030 and East Stroudsburg Borough comprehensive plans.

All of us at ESU take great pride in our institution's solid academic programs. Here are just a few examples of how some of our brightest students serve in the Commonwealth upon graduation. Our teacher education initiatives continue to produce many great teachers as well as administrators in leadership roles such as superintendents and principals throughout the Commonwealth and in many other states. Our programs in STEM, such as Biology and Biochemistry, have become great feeder programs for our students who have pursued career opportunities in the region – particularly with a nearby fortune 500 company that is one of the largest pharmaceutical companies in the world, Sanofi.

Our college of Health Sciences provides an array of strong high demand career programs, from athletic training and exercise science to nursing and public health. These programs support the increasing demand of health care employers not only in our region but throughout the Commonwealth. I could take up most of your day going on and on about the success of our students, but if we are to continue this trajectory of turning out successful graduates, we will most surely need support from the Commonwealth.

Despite the enrollment and financial challenges we face as a public institution of higher education, I remain optimistic about ESU's ability to provide students with a solid, accessible education that prepares them for today's ever-changing global society. Many speak about the unsustainability of the State System as it stands and it is indeed a cause that keeps me awake at night. As the State System Review clearly highlighted and was discussed with you earlier, stated that Pennsylvania's 14 public universities are on course for perpetual decline if we do not pay attention to the challenges that face us.

I'm here today to bring to light our challenges – the most critical being a decline in the number of high school graduates, and diminished state support. While all of us at ESU must do our part to remain competitive in our recruitment of new high school graduates, transfer students and non-traditional students in order to meet our enrollment goals, I am here to also speak about unsustainable expenditures, or those financial obligations we refer to as mandates from state and then local levels. Such mandates include System-wide collective bargaining agreements that are negotiated for us, despite the varying degree of differences among universities, and with no negotiations including how these bills will be paid. It also includes local mandates and over-regulations that hinder building projects such as our proposed student center that has been in the local approval process for 5 years. Such mandates, coupled with the outdated regulations and compliance created for Pennsylvania's public

universities by an aging and inflexible governing structure created by ACT 188, create a nearly impossible structural financial fault that institutions like ESU cannot shoulder without driving expenses for our students far beyond their ability to pay. While Act 188, the founding legislation of our System, requires us to operate as a state agency, more than 75% of the revenue necessary to operate ESU and other schools like us comes from students and their families. This disparity produces inflexibilities and cost impediments that state-related and private institutions don't have, ultimately placing state-owned public institutions like ESU at a disadvantage for recruitment and, ultimately, survival.

Like all other state agencies, the universities within the State System are structured with significant political red tape, increased costs, and outdated regulations. These hurdles keep institutions like ESU from capitalizing on things that would bolster our recruitment such as innovation, individuality, creativity, new venues for learning and speed to meet market demand for new credentials. Much of this inflexibility continues to hinder our efforts to operate as efficiently as possible without passing the extra costs on to our students and their families.

Let me share an example based on our university's budget for this year. In the past month, as we struggled to make sure we presented a balanced budget to the State System, ESU alone was hit with nearly three million dollars in additional debt based on activity that was out of the control of our institution's Council of Trustees and administration. We will now be required to find funds to pay for a new one-year faculty contract, to face a reduction in the allocation of State System Performance Funding taken from the appropriation allocation, and to prepare to pay our share of a State System obligation to absorb a portion of another university's debt. This is our fiscal reality.

This leaves me to ask all of you this question: "How do you pay for a bill that you don't know is coming, knowing there is no new revenue accompanying it, while still leaving you obligated to balance your budget?" It's a question our leadership is all too familiar with, but painful nevertheless – especially as we all remain 100% committed to our students and continue to do everything possible to make their learning experience the best and most affordable it can be.

As important as it is for you to understand our fiscal challenges that stem from the unsustainable cost structure of our system, it's equally critical for you to know that these obligations are in turn passed on to our students as they currently pay 70-80% of the costs associated with operating our university. Our operational costs continue to increase at a rate of 5-6% per year while our revenue only increases at 2-3%.

We need the support of you, our legislators, as we tackle the challenge of reshaping the current financial model as a System and University. If we were to continue as we are, we would need to see a substantial increase in enrollment every year, indefinitely. And I think we can all agree that such circumstances are unrealistic given the continual decrease in the Commonwealth's high school

graduation numbers, changing demographics, the stagnant number of students attending college in this region, the number of post-secondary institutions in Pennsylvania and neighboring states, growing competition from on-line programs and a variety of other factors. It is fair to say that the Presidents and Trustees of the State System universities have little control over their revenue, and even less over major expenditures, which are largely associated with personnel costs.

Within our control at ESU, we continue to work to save as much as possible through non-faculty position reductions and realignments, annual cuts in discretionary operating budgets which total less than 5% of the entire budget, and simply being as frugal as possible. We have a number of vacant positions in other bargaining units and management, and while they have helped our bottom line, the vacancies hurt us in terms of serving our students and keeping ESU operating effectively. And so we will continue to look for cost saving measures, new funding sources and further ways to restructure and/or realign some positions/offices.

These efforts are coupled with what we've been doing at ESU for the past few difficult years; in addition to cutting our costs and budgets, we have outsourced a significant number of operations, specifically facilities maintenance of some affiliate owned residence halls for a savings of \$250k and the same in our student center for an additional \$200K. At the beginning of this year, we outsourced a portion of our student health services to Lehigh Valley Hospital - Pocono for an estimated \$400K in savings. I'm pleased to report that these outsourcing initiatives did not result in any personnel cuts thus far, but we are nearing our capacity to continue to do this despite further consideration of additional outsourcing opportunities.

At ESU we also formed a State System Northeast Regional Procurement Collaborative with our sister institution, Kutztown University. This initiative set an example for other State System universities to follow; the collaborative was developed with the intent to share procurement services. The collaborative has, thus far, enabled both universities to create efficiencies, economy of operations and cost savings opportunities. Just last week, the institutions met to discuss opportunities to further expand this collaboration.

In conclusion, I know that we as a university will continue to work with what we have in order to provide our students with an outstanding educational opportunity despite the struggles we face. Further, we look forward to working closely with the System, the Board of Governors, and our committed legislators as we identify solutions to these challenges that will help us shape a new future for the Pennsylvania State System of Higher Education for generations of students to come.