

**Statement of Dr. John C. Cavanaugh
Chancellor
Pennsylvania State System of Higher Education
Before the House Gaming Oversight Committee**

May 14, 2009

Good morning, Chairman Santoni and members of the committee. Thank you for the opportunity to participate in this important discussion. You already have heard from two PASSHE university presidents—Dr. David Soltz from Bloomsburg and Dr. Tony Atwater from IUP—at your previous meetings, and you will hear from a third, Dr. William Ruud from Shippensburg, when you meet again next week.

We have appreciated the opportunity to discuss the proposed Tuition Relief Act and its potential impact on our students. We also have appreciated the chance to provide you with important background information on the role the State System plays not only in the Commonwealth's higher education community, but also in its economic health.

I would like to first review with you our cost-saving and tuition management history to demonstrate our commitment to providing the most affordable, highest quality higher educational experience in the Commonwealth. We are the public university system and that places an extra burden on us to be responsible stewards.

PASSHE has employed a variety of cost-containment efforts that over the last decade have helped reduce expenditures by \$200 million across the System. These efforts have included strategic sourcing, which has helped lower the cost of purchasing such things as office supplies; books and library supplies; banking, investment and audit services; IT hardware and software; and natural gas.

Since 2004 PASSHE universities have reduced their energy consumption per square foot by nearly 17 percent, resulting in a cumulative cost savings of \$25 million. All of the universities are pursuing additional energy savings through the use of Energy Services Companies (ESCOs). These projects are expected to produce an annual savings of \$10 million. PASSHE universities also have realized about \$9 million in avoided costs over the last decade through aggressive procurement of energy on the wholesale market, an approach that has since been adopted by the state Department of General Services. Major changes to PASSHE's healthcare plan negotiated in 2004-05 also have produced significant savings.

Without these cost-saving initiatives, we would not have been able to keep our recent tuition increases below the rate of inflation. The cautionary note is that we have reached the limit of cost reductions that can be realized through these steps.

We remain very concerned that despite our best efforts, and the outstanding record we have in reducing and eliminating costs, the price of attending college is out of reach for many potential students and their families. Many of our graduates have accumulated debt that could take years to pay off. It is a situation that needs to be addressed.

It is for these reasons the governor has targeted his tuition relief plan to students who attend our universities, which would produce the most significant and cost-effective benefit to the Commonwealth. We are very encouraged the issue of tuition relief has been given such a prominent place in the budget discussions this year.

The Pennsylvania State System of Higher Education educates more than 112,000 "regular," credit-earning students annually. Nearly 90 percent of those students are Pennsylvania residents; and, when those students graduate, more than four out of five will remain in Pennsylvania to take their first job or to continue their education. There are currently more than 405,000 PASSHE university alumni living in Pennsylvania, not counting the nearly 23,000 members of this year's graduating class.

Many of our students are the first in their families to attend college, and it is not unusual for their families to struggle to afford even our relatively low-cost universities. A high percentage of our students hold jobs during the school year, which impacts their ability to carry a full course load as documented in national research studies. Some drop out of school for one or two semesters so they can earn money to continue.

In prior hearings you have heard comparisons of graduation rates across various sectors of higher education, but you have not heard the factors that contribute to the need to extend attendance beyond the more familiar four-year period. We have worked hard to help students graduate in a timely manner. As documented in national studies, the primary reason students take longer than four years to earn a degree is financial. Still, I can report today that our efforts to get students through our degree programs have borne fruit. Since 2001, our student retention and graduation rates both have increased and are well above the national average for similar institutions. Second-year retention rates have increased for all students, most significantly for African American and Hispanic students.

Our success has been Pennsylvania's success. PASSHE's enrollment has increased for 12 consecutive years. We expect that growth to continue, and are prepared for it. Our System can continue to grow to meet the Commonwealth's increased demand for higher education.

PASSHE educates the largest number of classroom teachers in the Commonwealth, helping to ensure our K-12 schools have highly qualified teachers who will help prepare the next generation of Pennsylvania citizens.

Our universities have continually adapted their academic programs to meet Pennsylvania's most pressing workforce needs, including in the fields of healthcare – especially nursing – information technology and in a variety of math and science-related fields. The number of graduates in these high-priority areas has been steadily increasing as we have helped provide Pennsylvania employers with the skilled graduates they need.

PASSHE universities also are important providers of workforce development programs offered through a variety of state programs, including WedNET and Customized Job Training, and in partnership with private employers. In 2007-08, the latest year for which we have final figures, we had more than 80,000 enrollments (and by that I mean the number of classes multiplied by the number of students...in many cases enrollees take multiple courses) in non-credit, professional development and workforce development programs. The courses cover everything from the basic skills an individual might need to obtain a new job to the training required of workers to continue their professional certification. Funding for many of these programs comes from the state, for which we and the participants are extremely grateful.

The Tuition Relief Act would benefit thousands of our students immediately, and the Commonwealth in the long term, providing incentive to many young people and older adults to receive a college education. I would hope you would seriously consider this vital investment in our students and in Pennsylvania.

Thank you for the opportunity to share these highlights of our success and the reasons why PASSHE is such a vital part of the Commonwealth.