FY2015-16 Budget Hearing Recap
Thursday, March 19, 2015

Pennsylvania State System of Higher Education

Testifying: Chancellor Frank Brogan, President John Anderson (Millersville), Katie Hill Student Government Association President Slippery Rock University

For FY 2015-16, Governor Wolf is proposing to increase state support to the Pennsylvania State System of Higher Education (PASSHE) by $45.3 million or 11%.

The Chancellor stated that this would help restore some of the cuts to PASSHE under the FY 2011-12 General Fund budget. It was noted by members that some of that reduction was the loss of federal stimulus money and that the General Assembly worked hard to lower the originally proposed cuts in FY 2011-12.

The Chancellor could not commit to freezing tuition even if the General Fund budget includes the proposed increases. The current tuition rate for a PASSHE university is $6,820 per year.

PASSHE's current total enrollment is 110,000 students, 85% are full-time and 15% are part-time.

The largest school in the system is West Chester, while the smallest school is Cheyney. PASSHE is working to make sure that West Chester and Cheyney coordinate and share resources because of their close proximity.

West Chester receives about $3,223 per student from PASSHE whereas a school like Mansfield receives $6,527 per student. The difference in funding level is a result of a formula which takes into account more than student population per school.

About 80% of students attending PASSHE schools receive some kind of financial assistance.

The average income of families of PASSHE students is $76,500. The average debt load for students coming out of PASSHE schools is 29,800 of debt. The United States average debt load is 28,400 and the Pennsylvania average is $32,528.

The average loan default rate for PASSHE students is 7.6% and the national average is 13.7%.

Pennsylvania Commission on Community Colleges

Testifying: Elizabeth Bolden, President/CEO; Dr. Nicholas Neupauer, Chairman of the Board & President of Butler County Community College; Dr. John Sygielski, Harrisburg Area Community College

Pennsylvania's community colleges provide two-year postsecondary transfer, technical, adult and occupational programs, and workforce development for approximately 344,000 students annually.

The Governor's proposed budget provides a total of $230.72 million to the Colleges. This is $15.06 million more than the amount received in 2014-15. This restores 75% of federal stimulus funds lost when compared to 2010-11 state and federal stimulus funding totals, and is part of a 2-year plan to restore all of these funds.

The state Transfer to the Community College Capital Fund is level funded at $48.87 million.

The average tuition for the current academic year for sponsored students stands at approximately $3,519 per year, based on 2 semesters of 15 credits each.

Approximately 344,000 total students annually, approximately 93,000 full-time.

Pennsylvania's community colleges currently offer 1,384 credit programs, 62% of which are in STEM fields, and 48% of which are in High Priority Occupations identified by the state Department of Labor & Industry.

Last year, the community colleges also partnered directly with local employers to provide $11.6 million worth of customized training for over 37,000 Pennsylvania workers.

At the end of the 2013 academic year, over 33,000 community college students in Pennsylvania successfully transferred to other institutions to continue their studies, with more than 81% of those graduates transferring to institutions in the Commonwealth.

The colleges are among the 50 largest employers in 15 of Pennsylvania's counties and collectively, the colleges are one of the largest 50 employers in the Commonwealth, employing more than 26,000 individuals statewide in 2013.

Pennsylvania Liquor Control Board

Testifying: Chairman Tim Holden, Skip Brion, Mike Negra, Executive Director John Metzger

For FY 2015-16, the Governor's budget proposal has an increase of $32.15 million or 6.7% for the PLCB's operating funds.

The PLCB currently has a complement of 3,022 positions which is a reduction of 54 positions from 12/31/2014. Personnel costs are approximately 61% of LCB operating budget.

The Chairman was asked why the PLCB does not negotiate the cost of liquor with its suppliers. The PLCB believes that current law prevents them from negotiating because current law requires the PLCB to mark up alcohol it sells “proportional with the prices paid by the Board to its suppliers.”

The Board was questioned about the future ability of the PLCB to continue the $80 million profit transfer to the General Fund. Members referred to the PLCB’s 2014-15 Re-Budget and the PLCB’s 2015-16 Budget Request both which show that if the $80 million dollar transfer continues PLCB will run into a deficit starting in FY 2017-18. The CFO for the PLCB tried to explain that this was the result of odd accounting practices dictated by the Office of the Budget.

The Board was further questioned about the projected expenditure and revenue growth. Material provided by the PLCB stated that sales are projected to grow by 4% and expenses are expected to grow by 6%. Board members were asked how that is sustainable. The Chairman responded that the PLCB is working to control costs and grow sales.

The Board was asked how much additional revenue they expected to see from liquor modernization. According the documents submitted by PLCB, liquor modernization could expect to yield $142 million more a year once fully implemented. The Board was then asked how liquor modernization could pay for the proposed $185 million debt service for the proposed $3 billion pension obligation bond and continue the $80 million profit transfer if they are only receiving an additional $142 million in revenue. Chairman Holden stated that the PLCB will work hard to meet these obligations but gave no specifics how to make up the $43 million gap.

The PLCB was asked why their expected pension growth rate for employees was lower than the expected growth rate for the rest of SERS, of which PLCB employees are a part. The PLCB was unable to provide an answer.

Currently, the PLCB is authorized by law to allow Sunday sales at 25% of the current state liquor stores. However, Sunday sales are occurring in 29% of state stores. The PLCB stated this was a result of the closure and modernization of some stores and they did not want to rescind Sunday sales from stores that were already operating on Sunday.