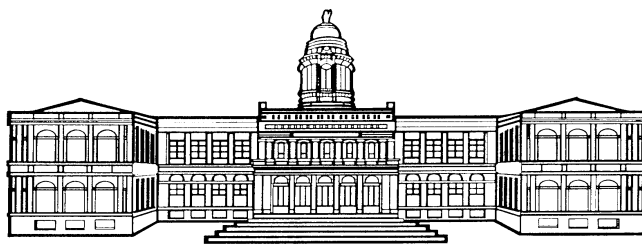


New York City Council



BUDGET REPORT

Finance Division

March 2009

***Analysis of the
Fiscal 2010 Preliminary Budget
and
Fiscal 2009 Preliminary Mayor's Management Report
for the
City University of New York
Friday, March 20, 2009***

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin, Chair
Committee on Finance

Hon. Charles Barron, Chair
Committee on Higher Education

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

Latonia McKinney, Deputy Director

Shadawn Smith, Senior Legislative
Financial Analyst

PREFACE

On March 20, 2009, at 10 am., the Committee on Higher Education, chaired by the Hon. Charles Barron, will hold a hearing on the Mayor's Fiscal 2010 Preliminary Budget and Fiscal 2009 Preliminary Mayor's Management Report for the City University of New York.

Section 236 of the New York City Charter requires the Mayor to submit by January 16th a preliminary budget for the upcoming fiscal year.^a In addition, under section 12 of the City Charter, the Mayor must make public and submit to the Council by January 30th the Preliminary Mayor's Management Report (PMMR) for the current fiscal year.^b Among other things, the PMMR must contain "proposed program performance goals and measures for the next fiscal year reflecting budgetary decisions made as of the date of submission of the preliminary budget."^c The Charter also requires the Council to hold hearings on the preliminary budget and to submit recommendations to the Mayor by March 25th.^d This year, the Council will hold joint hearings on the Fiscal 2010 Preliminary Budget and the Fiscal 2009 Preliminary Mayor's Management Report.

Beginning with the Fiscal Year 2008 Adopted Budget, the Council and the Mayor's Office of Management and Budget agreed to an additional budget presentation, referred to by OMB as the budget function analysis, and by the Council as the program budget. Two agencies were initially presented in the program budget form. Beginning with the January 2008 Financial Plan (Fiscal 2009 Preliminary Budget), a total of 16 agencies are now in program budget form. The City University of New York is not a program budget agency.

This report was prepared by Shadawn Smith, Senior Legislative Financial Analyst, under the supervision of Deputy Director Latonia R. McKinney.

^a The Charter prescribes specific actions that are required as part of the annual budget submission process during a fiscal year. The Charter allows for changes, via local law, in the dates in the submission of the PMMR, as well as an extension for subsequent steps in the budget process. This year, Local Law 03 of 2009 changed the date for the submission of the Preliminary Budget to January 30th, and the date for the Council's Response to the Preliminary Budget to April 8th.

^b Local Law 03 of 2009 changed the date of submission of the PMMR to February 13, 2009.

^c New York City Charter, §12(b)(2).

^d See *id.* at §247.

City University of New York (042)

The City University of New York (CUNY) provides higher education to more than 217,800 degree-seeking students and over 246,000 adult and continuing education students. CUNY consists of 10 senior colleges, six community colleges, one technical college, a graduate center, a law school and a school of biomedical education. CUNY offers more than 1,450 academic programs, as well as adult and continuing education programs. Approximately 6,000 full-time faculty and 8,200 part-time faculty teach courses. In Fiscal 2005, CUNY granted more than 7,900 graduate and professional degrees, 15,000 baccalaureate degrees, 9,600 associate degrees and 140 certificates.

PROGRAM TO ELIMINATE THE GAP

Since the Fiscal 2009 Budget was adopted in June, the Office of Management and Budget has twice asked agency heads to submit Programs to Eliminate the Gap (PEGs) proposals. In the first round, in September, OMB sought PEG submissions equal to five percent of agency City tax-levy budgets for Fiscal 2010, with a further seven percent sought in December.

PEGs reduce the City's budget gap either by reducing an agency's City tax-levy Expense Budget spending, or by increasing City revenues. The chart below indicates the proposed PEG amounts for the CUNY based on the Fiscal 2010 forecast at the time the Fiscal 2009 Budget was adopted (June 2008).

November and January Plan PEGs for Fiscal 2010 <i>(in 000s)</i>	
Fiscal 2010 Forecast at Fiscal 2009 Adoption (June 2008)	\$413,737
Expense PEGs	\$12,419
Revenue PEGs	\$9,760
Total Fiscal 2010 PEGs	\$22,179
PEGs as a Percent of the Fiscal 2010 Forecast	5.36%

PRELIMINARY BUDGET HIGHLIGHTS

CUNY's enrollment is at its highest level since 1975, with more than 244,000 degree-seeking students, an increase of 4.8 percent over last year. CUNY had more growth where the number of new freshmen accepted for Spring 2009 had increased by more than 13 percent. Additionally by Fall 2009, CUNY expects to exceed its highest previous enrollment of degree-seeking students to 253,000. CUNY's six community colleges are now serving more than 81,000 students, an increase of more than six percent since just last year and 31 percent since 1999. There have been three CUNY Rhodes recipients in the last five years, and many CUNY institutions have won awards and received accolades for their excellence.

In addition, these community colleges are the City's best engine of workforce development. Almost 90 percent of CUNY graduates are employed within six months of earning an associate degree, and over 94 percent are either employed or enrolled for additional education. Of those that are employed, 93 percent work in New York City contributing to the City's economy, 80 percent of CUNY graduates stay in New York State, and CUNY graduates pump \$15 billion a year into the State's economy.

However, the last time CUNY's enrollment was this high in 1975, it employed more than 11,000 full-time faculty. Today, 6,700 full-time faculty members work at the University—and even this is an increase of more than 1,200 since 1999. Yet according to CUNY, it needs an additional 2,300 faculty members to match its enrollment growth.

CUNY's total budget for Fiscal 2010 is \$2.5 billion, which consists of City support, State support, and tuition revenue. This is an increase of \$27 million from Fiscal 2009 mainly due to proposed tuition increases. Of that \$2.5 billion, there is \$1.8 billion for the senior colleges, which is a 2.8 percent increase from Fiscal 2009. For the 2008-2009 academic year, there are approximately 162,735 students enrolled at the senior colleges. Of that \$2.5 billion, there is \$586.7 million for the community colleges, which is a 3.8 percent decrease from Fiscal 2009. For the 2008-2009 academic year, there are approximately 81,518 students enrolled at the community colleges.

CUNY Funding Sources (in 000)

	Fiscal 2009	Fiscal 2010	Change	% Change
<u>Senior Colleges</u>				
State Aid	\$1,141	\$1,076	(\$65)	-5.7%
City Support	\$32	\$32	\$0	0.0%
Tuition and Other Revenue	\$649	\$765	\$116	17.8%
Total	\$1,823	\$1,873	\$51	2.8%
<u>Community Colleges</u>				
State Aid	\$177	\$174	(\$3)	-1.9%
City Support	\$242	\$212	(\$30)	-12.5%
Tuition and Other Revenue	\$191	\$201	\$10	5.1%
Total	\$611	\$587	(\$24)	-3.9%
<u>University-wide</u>				
State Aid	\$1,314	\$1,250	(\$64)	-4.9%
City Support	\$275	\$244	(\$30)	-11.0%
Tuition and Other Revenue	\$840	\$966	\$125	14.9%
University Total	\$2,429	\$2,460	\$31	1.3%

Tuition

The State Executive Budget allows CUNY to implement a 15 percent tuition rate increase for resident full-time undergraduate students and 20 percent increases for graduate students on the senior college level. The proposed tuition increase would yield a total of \$110 million in additional revenue. Of that total, \$88 million would apply to the State's reduction target. For the first time in State history, the University would retain the remaining 20 percent for investment in core activities, such as teaching and research, libraries, and direct student support.

The CUNY Board of Trustees has also authorized a tuition increase of up to \$200 per semester at the community college level.

Senior Colleges

Of the \$1.8 billion for the senior colleges, the total amount of City support is approximately \$32 million for central operations and associate degree programs at the College of Staten Island, John Jay College of Criminal Justice, New York City College of Technology, and Medgar Evers College. The City support remains constant in the Fiscal 2010 Preliminary Budget.

New York State is the primary funding source for the senior colleges, and the amount of State aid in the 2009-2010 Executive Budget is approximately \$1.1 billion, which is about six percent less from the 2008-2009 Executive Budget. The 2009-2010 State Executive Budget reduces its core support by \$65 million for the senior colleges and \$20 million in non-core support for the senior colleges.

Community Colleges

New York City is the primary funding source for the community colleges. Of the \$586.7 million for the community colleges, the total amount in City support is \$212 million, which is 12.5 percent less than the funding in the Fiscal 2009 Adopted Budget. CUNY faces an additional decrease in City tax-levy funding of \$22.2 million, comprised of \$12.4 million in agency reductions and \$9.8 million in new revenue as a result of proposed tuition increases. In addition, a total of \$28.8 million in previous expense reductions that were not restored for Fiscal 2010 also exists. This is a total of \$51 million in reductions for Fiscal 2010.

Fiscal 2009 and Fiscal 2010 PEG Analysis for the Community Colleges (City Support; in 000s)			
	Fiscal 2009	Fiscal 2010	
Fiscal 2009 Exec Plan PEG	(\$28,800)	(\$28,800)	*includes the historic \$14.6 million PEG
Restoration - Adoption	\$19,841	\$0	
Restoration - Post-Adoption	\$4,000	\$0	
Remaining PEG	(\$4,959)	(\$28,800)	
Fiscal 2009 Nov Plan	(\$6,123)	(\$9,519)	
Restoration - Nov Plan	\$5,123	\$0	
Remaining PEG	(\$5,959)	(\$38,319)	
Fiscal 2010 Preliminary Plan	\$0	(\$2,900)	
Prelim Plan - Revenue PEG	\$0	(\$9,760)	*based on tuition increases
Overall Reduction in City Support	(\$5,959)	(\$50,979)	
Total City Support	\$242,300	\$212,100	

The total amount of State support is approximately \$174 million in the 2009-2010 Executive Budget, which is due to a decrease of \$17 million for community-college base aid per full-time equivalent.

Historically, the City Council has provided funding relief for the community colleges by restoring operational reductions and creating programmatic initiatives like the Peter F. Vallone Scholarship. Since CUNY has never had its funding levels totally restored since the City's fiscal crisis in the 1990s, relief from the City Council has bolstered CUNY's budget for the community colleges. However, Fiscal 2010 brings new challenges for all partners in the City's budget process, making it even more difficult to significantly reduce CUNY's total reduction of \$154 million in State and City support. As CUNY provides vital services for the City, it is crucial for CUNY's funding levels to match the demands of New Yorkers.

AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	\$456,276,073	\$456,651,073	\$416,083,569
Other Categorical	\$2,839,000	\$2,839,000	\$2,839,000
Capital IFA	\$0	\$0	\$0
State	\$210,982,815	\$210,982,815	\$210,982,815
Community Development	\$0	\$0	\$0
Federal-Other	\$0	\$0	\$0
Intra-City	\$13,042,458	\$35,601,914	\$13,699,060
Total	\$683,140,346	\$706,074,802	\$643,604,444

HEADCOUNT OVERVIEW

Headcount Pedagogical	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	2,686	2,686	2,656
Non-City	0	0	0
Total	2,686	2,686	2,656

Headcount Non-Pedagogical	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget
City	1,640	1,640	1,475
Non-City	0	0	0
Total	1,640	1,640	1,475

UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/A's represent the amount appropriated for personal services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity or institution. The table below presents the CUNY budget, comparing the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. The Fiscal 2009 Modified Budget reflects this year's budget at the time this financial plan was released.

U/A#	U/A Name	Fiscal 2009 Adopted Budget	Fiscal 2009 Modified as of 1/30/2009	Fiscal 2010 Preliminary Budget	Percent Change from Adoption
002	Community Colleges-PS	\$439,789,643	\$443,305,580	\$441,512,374	0.39%
001	Community Colleges-OTPS	\$187,308,265	\$206,726,784	\$152,418,970	-18.63%
	Total	\$627,097,908	\$650,032,364	\$593,931,344	-5.29%
004	Hunter Schools-PS	\$13,769,499	\$13,769,499	\$14,150,161	2.76%
003	Hunter Schools-OTPS	\$522,939	\$522,939	\$522,939	0.00%
	Total	\$14,292,438	\$14,292,438	\$14,673,100	2.66%
005	Educational Aid-OTPS	\$6,750,000	\$6,750,000	\$0	-100.00%
	Total	\$6,750,000	\$6,750,000	\$0	-100.00%
012	Senior College-OTPS	\$35,000,000	\$35,000,000	\$35,000,000	0.00%
	Total	\$35,000,000	\$35,000,000	\$35,000,000	0.00%
	Total	\$683,140,346	\$706,074,802	\$643,604,444	-5.79%

FUNDING ANALYSIS

Community College (U/As 002 and 001)

Funding for these units of appropriation are for personnel, supplies, materials, and support services at CUNY's six community colleges. There is a decrease of \$34 million in these units of appropriation from the Fiscal 2009 Adopted Budget to the Fiscal 2010 Preliminary Budget. This decrease is reflected in the \$51 million reduction to CUNY's community colleges and is offset by \$17 million in other adjustments and new needs. The other adjustments include funding for mandatory needs increases, such as collective bargaining, fringe benefits, and energy.

Educational Aid (U/A 005)

Funding for the Peter F. Vallone Scholarship is the only funding in this unit of appropriation, and it is currently not in the Fiscal 2010 Preliminary Budget. The scholarship is for New York City High School students who graduated with a B Average and attend a CUNY school. Currently, the award is \$500 a year. More than 22,000 students received the scholarship in Fiscal 2008.

Hunter Campus Schools (U/A 004 and 003)

Funding for these units of appropriation are for personnel, supplies, and materials at the Hunter Campus Schools. The Fiscal 2010 Preliminary Budget contains \$381,000 in other adjustments in U/A 004 for collective bargaining and fringe benefit increases.

Senior Colleges (U/A 012)

Funding in this unit of appropriation allows CUNY to pre-fund senior college expenses funded by the State, taking into account the different funding cycles between the City and the State.

Other State Issues

In addition to the State actions described in the Preliminary Budget Highlights section of this report, the 2009-2010 Executive Budget recommends several changes to the Tuition Assistance Program (TAP). In the 2007-2008 academic year, 75,000 CUNY students received \$170 million in TAP awards. CUNY students account for about 22 percent of students statewide who receive TAP, which are among the poorest in the state.

One of the proposals is to align TAP awards with a student's course-load by changing the definition of "full-time" from 12 to 15 credits per semester and giving those students who register for 10 to 14 credits a pro-rated award. Although, CUNY believes the move toward a credit-based TAP system is a positive one, CUNY finds this proposal problematic.

CUNY students do not register for 15 credits often do so because their work schedules and family obligations prevent heavier course loads. This proposal would penalize working students, which are the most in need of financial assistance. CUNY students would bear 49 percent of the cost of this proposal.

Another problematic TAP proposal is the recommendation to eliminate the enhancement of TAP awards for students from families with multiple members in college. This enhancement reduces a family's net taxable income for multiple dependent members, modestly increasing TAP awards by an average of \$250 to \$350 per student. Retaining this enhancement appropriately recognizes the additional expense borne by such families.

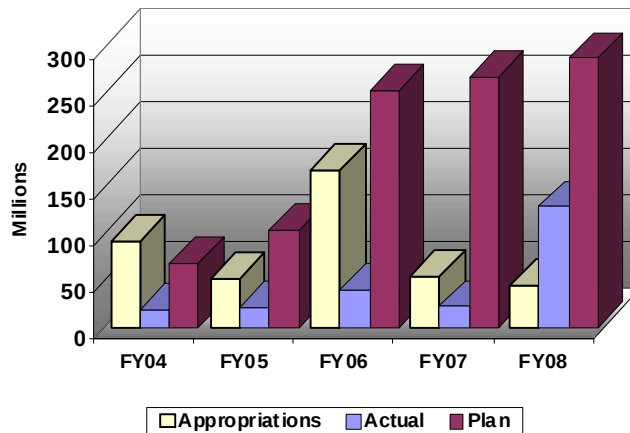
Fiscal 2010 Capital Plan

Agency Overview

Incorporated in 1961, the City University of New York (CUNY) is the largest municipal university system and the third largest public university system in the nation. While New York State assumes 100 percent responsibility for capital funding and operation of all senior colleges and the schools for advanced studies, the City of New York and the State of New York split the financial responsibility equally (50 percent each) for capital funding of the University's six community colleges and Medgar Evers College.

CITY UNIVERSITY OF NEW YORK

Appropriations vs. Actual & Planned Commitments



The major elements of CUNY's Capital

Program are health and safety concerns, facility preservation, increasing accessibility for persons with disabilities, acquisitions, rehabilitations and additions, new construction, asbestos removal, energy conservation, preservation of electrical/mechanical systems and the purchase and installation of computers and other equipment for instructional and administrative purposes. The City now funds its share of the University's large construction projects through its Capital Plan. In the past, the City and the State funded these projects through the Dormitory Authority.

Current Budget Summary

The January 2009 Capital Commitment Plan includes \$488.4 million in Fiscal 2009-2013 for CUNY (including City and Non-City funds). This represents less than one percent of the City's total \$50.55 billion January Plan for Fiscals 2009-2013. The agency's January Commitment Plan for Fiscal 2009 - 2013 is approximately one percent greater than the \$486.2 million September Commitment Plan, which is an increase of \$2.2 million.

Over the past five years CUNY has only committed an average of 23.1 percent of its annual Capital Plan. Therefore, it is assumed that a large portion of the agency's Fiscal 2009 Capital Plan will be rolled into Fiscal 2010 thus greatly increasing the size of the Fiscal 2010-2014 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2009 has increased from \$388.5 million to \$390.7 million, an increase of \$2.2 million or less than one percent.

Currently, CUNY's appropriations total \$323.4 million in City funds for Fiscal 2009. These appropriations are to be used to finance the agency's \$358.8 million City-funded Fiscal 2009 capital commitment program leaving CUNY in an 11 percent or \$35.4 million deficit to meet its entire capital commitment program for the current fiscal year, which is based on the City not matching State capital funds. There is a total shortfall of \$180 million from Fiscal 1996 to Fiscal 2009 in matching City capital funds for the community colleges and Medgar Evers College.

Although historically the City's capital funding has risen over the past five years, this is not so for the critical maintenance and campus expansion needs for the community colleges and Medgar Evers College. CUNY would need the City to keep its commitment to meet the matching funds from the State.

In January, the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscal 2010 – Fiscal 2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The capital cut would eliminate nearly \$7 billion in planned commitments from the current Plan.

The City University of New York's capital commitment history for the previous five years is shown below:

FIVE YEAR HISTORY – CAPITAL BUDGET
(\$ in millions)

	FY04	FY05	FY06	FY07	FY08
CITY	\$18	\$20	\$39	\$22	\$129
NON-CITY	\$1	\$0	\$1	\$1	\$3
TOTAL	\$19	\$20	\$40	\$23	\$132

The Adopted Five-Year Capital Plan is shown below:

ADOPTED FIVE YEAR CAPITAL BUDGET – NOVEMBER 2008
(\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$379.6	\$3.5	\$3.5	\$0	\$73.4	\$460.0
NON-CITY	8.9	\$0.2	\$0	\$0	\$17.1	\$26.2
TOTAL	\$388.5	\$3.7	\$3.5	\$0	\$90.5	\$486.2

The Preliminary Five-Year Capital Plan is shown below:

PRELIMINARY FIVE YEAR CAPITAL PLAN – JANUARY 2009
(\$ in millions)

	FY09	FY10	FY11	FY12	FY13	FY's 09-13
CITY	\$379.7	\$3.5	\$3.5	\$0	\$73.4	\$460.1
NON-CITY	\$11	\$0.2	\$0	\$0	\$17.1	\$28.3
TOTAL	\$390.7	\$3.7	\$3.5	\$0	\$90.5	\$488.4

PRELIMINARY BUDGET HIGHLIGHTS

The Fiscal 2009-2013 Preliminary Capital Budget does not recommend any new funding for CUNY; however, the City Budget continues to include the multi-year capital improvement plan that was appropriated over prior years for the community colleges and Medgar Evers College. The Plan provides a total of \$391 million (includes the additional \$59 million for Fiterman Hall funded during the Fiscal 2009 September Plan) for the community colleges and Medgar Evers College in Fiscal 2009. Together, the City and State commitments provide a multi-year capital improvement plan totaling \$488 million for community colleges and Medgar Evers College. The re-appropriated multi-year capital budget for the community colleges and Medgar Evers College includes funding for:

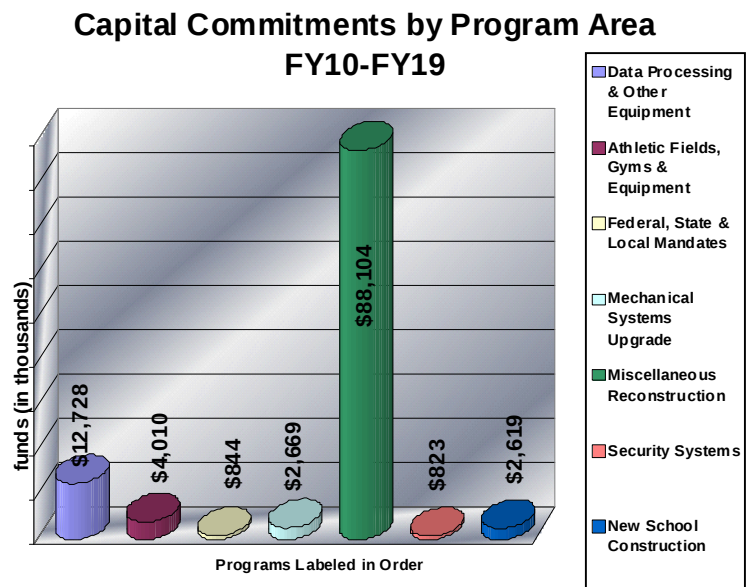
- Ongoing CUNY-wide programs such as health, safety, and facilities preservation, network infrastructure/information systems upgrades, and projects to meet mandated EPA, ADA, and energy conservation policies;
- New facilities including the Medgar Evers College Academic Building I, Bronx CC North Instructional Building, Queensborough CC Holocaust Center;
- Infrastructure work at Bronx CC, Kingsborough CC, and Queensborough CC.
- Renovation of 500 Grand Concourse at Hostos CC;
- Infrastructure and programmatic improvements at BMCC, Hostos CC and LaGuardia CC;
- Library expansion at Medgar Evers College;
- Minor rehabilitation projects for the community colleges and Medgar Evers College.

The 2009-2010 State Executive Budget recommended that \$631.8 million for community colleges and Medgar Evers College be re-appropriated. Projects that will be funded with these re-appropriations include:

- \$205.5 million for health/safety projects, facilities preservation, utilities/mechanical upgrades, and minor rehabilitation projects across community college campuses and Medgar Evers College;
- \$117.5 million for Academic Building I at Medgar Evers College; and
- \$51.2 million for North Instructional Building at Bronx Community College.

Fiterman Hall – Borough of Manhattan Community College

The Administration has committed \$139 million to the demolition and construction of the Borough of Manhattan Community College's Fiterman Hall. The State has re-appropriated \$98.6 million in the 2009-



2010 State Executive Budget, and there is \$87.4 million in insurance funding and federal grants. With a total of \$325 million in capital funding, Fiterman Hall is scheduled to be completed by 2012.

Medgar Evers College

Medgar Evers has the unique and unenviable distinction of being the only four-year college at CUNY classified as a two-year college for capital budget purposes. When the State Legislature returned Medgar Evers to four-year college status in 1994, it did not change its capital funding status as a community college, which means that capital spending is not shared by the City and the State. The City has repeatedly requested that the State take over 100 percent of the capital costs of Medgar Evers. This would make Medgar Evers good with other CUNY senior colleges that currently receive 100 percent reimbursement of capital costs from the State. The State Assembly and Senate have proposed legislation to amend the status of Medgar Evers but neither has yet to pass it.