Investing in Futures:

Financing
The City University of New York Master Plan

THE COMPACT

Report to Board of Trustees

November 28, 2005

Investing in Futures:
Financing the City University of New York Master Plan

There is widespread agreement that public higher education must be responsive to the needs and expectations of a global marketplace: the demand for a highly skilled workforce, the need to strengthen the state's economy, and to the importance of creating knowledge to help society. The necessary financing must be put into place to meet these urgent needs and expectations.

The City University of New York is proposing an innovative approach to the financing of its State-approved Master Plan for the education of CUNY students. The 2004-2008 City University of New York Master Plan, unanimously adopted by the Board of Trustees, is the blueprint that is governing the priorities of the University and its constituent colleges.

The CUNY Master Plan is part of the New York State Board of Regents' Statewide plan for post-secondary Education. The Board of Regents adopted the Plan in July of 2005. It calls for significant investments covering a wide range of areas -- from the classroom to the child care centers. The CUNY Investment Plan establishes a long-term financial framework to respond to marketplace demands.

The COMPACT

Under a long-term Investment Plan, the University proposes a new "COMPACT" -- a new system of financing CUNY that would be shared by the State/City, the University (through internal efficiencies), philanthropic sources, and the students through enrollment growth and modest, predictable tuition increases.

Through this COMPACT, the state and city would commit to fully funding the University's mandatory costs and a portion of the priorities in the Master Plan, including the hiring of more full-time faculty and providing support for research, academic enhancements, and student services.

The maintenance of full student financial aid is required for the success of this plan. No student in need of financial assistance will be put in harm's way. The revenue from the increased tuition would go exclusively toward funding CUNY investment initiatives, in full consultation with students and faculty, including elected representatives, as to how the money should be invested at the colleges.

The CUNY Investment Plan offers an economically efficient way to finance CUNY by delineating shared responsibility among partners and creating opportunities to leverage funds.

The Costs of the CUNY Master Plan

By FY2010, CUNY will require $529.4 million in additional resources to fund the Master Plan -- $327.3 million just to cover the costs of maintaining current services and $202.1 million to fund the new investments called for in the Master Plan. The key components of the Master Plan include:

- **Strengthening the Flagship Environment** with the hiring of additional full-time faculty is the University's top priority. Over the next four years, the University will invest in 800 new full-time faculty toward bringing the percentage of instruction taught by full-time faculty to 70 percent.

- The University will enhance its **research** capabilities by investing in such enterprises as the new university-wide CUNY Advanced Science Research Center.

- Other Flagship Environment priorities include faculty support, the Honors College, improvements to undergraduate and graduate education, teacher preparation, and support for the School of Professional Studies and **Graduate School of Journalism**

- **Academic support** improvements will include the strengthening of collaborative programs with the NYC Department of Education, investing in libraries, freshman year programs, and language and skills immersion programs.

- The University will make critical investments in **student services** to enhance such areas as advising and counseling, financial aid, career services, child care, health services, athletics, and special opportunity programs

- The University will also make targeted improvements in **workforce development**, **information management** systems, and **facilities** infrastructure, areas that support the backbone of the University and the communities that we serve.

2007-2010 CUNY Master Plan
(millions)

Programmatic Initiatives	2007	2008	2009	2010	Total	% of Total
Flagship Environment	**27.8**	21.0	22.5	20.9	92.1	17.4%
Research Environment	**1.0**	3.0	5.5	7.0	16.5	3.1%
Academic Support Services	**8.1**	8.5	5.5	3.0	25.0	4.7%
Student Support Services	**10.5**	8.0	7.3	6.3	32.0	6%
Workforce and Economic Development	**1.5**	1.0	1.0	1.0	4.5	0.9%
Information Management Systems	**2.5**	3.5	3.0	3.0	12.0	2.3%
Upgrading Facilities	**6.0**	5.0	4.0	5.0	20.0	3.8%
Total Programmatic Initiatives	**57.4**	**50.0**	**48.8**	**46.1**	**202.1**	**38.2%**
Mandatory Cost Increases	**77.1**	**80.1**	**84.7**	**85.4**	**327.3**	**61.8%**
Total Increases	**134.4**	**130.1**	**133.5**	**131.5**	**529.4**	**100.0%**
Total Operating Budget	**$1,991.1**	**$2,121.2**	**$2,254.6**	**$2,386.1**		

The University's 2006-2007 Budget Request will be based on the priorities included in the CUNY Investment Plan. The first year cost of the plan is approximately $134.4 million. CUNY will propose a new and comprehensive approach to financing the University's Budget over the next four years.

The FY2007 Budget Request

The CUNY Investment Plan calls for a "compact" -- partnership -- with the State/City and University whereby the State/City commit to providing tax-levy funding to cover 100% of University's "mandatory" costs, (e.g., labor contracts, fringe benefits and energy) and at least 20% of the costs of the "Investment" program. This commitment would amount to the State and City funding nearly 70% of the cost of the Master Plan.

In turn, the City University commits to funding the balance of the Investment Plan, or 30% of the Master Plan, through a combination of sources that include:

Philanthropy

An unprecedented focus on philanthropy as a permanent feature of revenue in support of programmatic initiatives.

Restructuring

The University further commits to reshaping the University's budget to achieve greater efficiencies and to redeploying over $20 million in existing resources to meet the new priorities contained in the Master Plan. Colleges will be given tools such as "early retirement incentive programs" that will enable them to redirect resources toward the college priorities of the Master Plan.

Enrollment Growth

The Investment Plan assumes that the University will continue to attract more students, and revenue from these new students will be directed toward funding the investments.

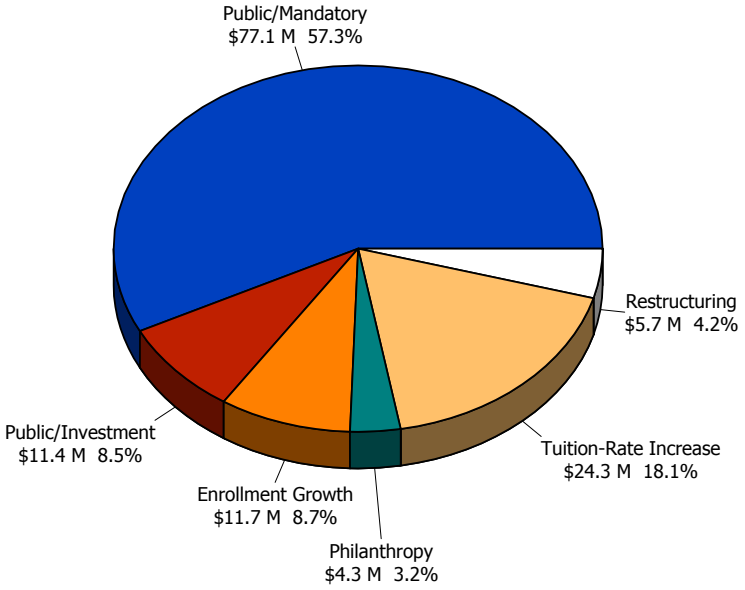
Tuition Revenue Policy

The final piece of the financing program is a series of very modest tuition increases over the next four years averaging 2.5 to 3%. These increases will result in no additional tuition expense for the approximately 30,000 students who receive full TAP (State Tuition Assistance) awards. Much of the increase for the other students will be covered by increasing TAP and other financial aid such that the average "out of pocket" is estimated to be less than $30 per semester. Eligible students will also receive increases in Pell Grant awards.

Virtually all TAP recipients with family incomes under $50,000 will see no increase in tuition.

With these proposed tuition increases the City University will enter into a **"compact"** with the students of the University. The revenue from the increased tuition will go **exclusively** toward funding the CUNY Investment Plan. Just as important will be the unprecedented role the students will play in shaping the priorities of the program. The CUNY Investment Plan calls for the college administrations to engage students and faculty in full partnership in developing the plans.

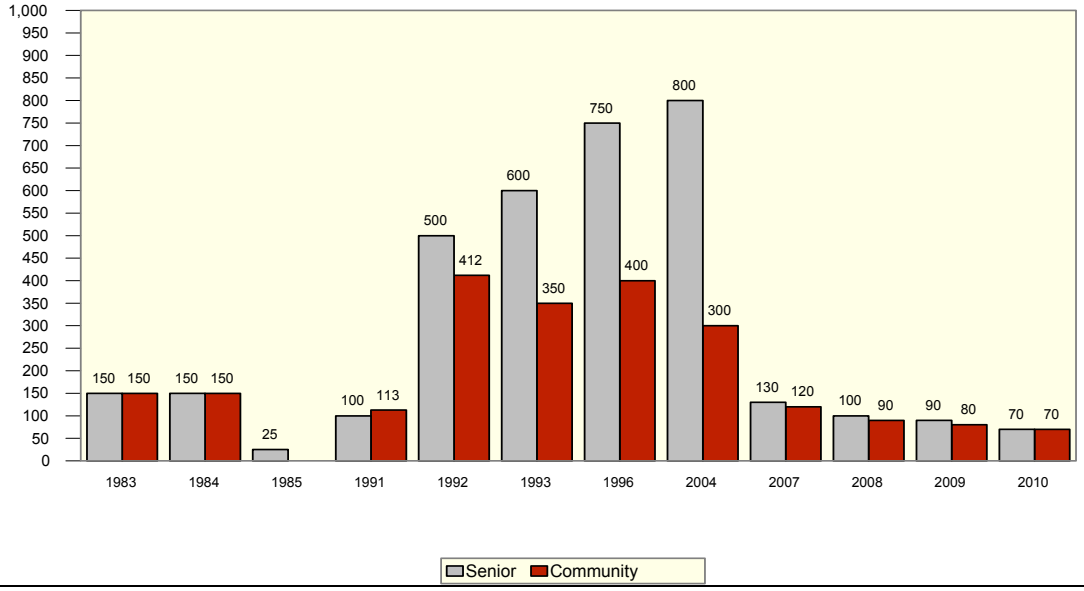
Financing the Master Plan by Source FY2007
(millions)



History of Tuition Increases

If this proposal is adopted, CUNY students will not face huge and unexpected tuition increases like those of the past that were enacted to fill budget gaps, (i.e., pay more and get nothing in return). The last four senior college tuition increases (FY1992, FY1993, FY1996, FY2004) have averaged 31.3%. Under the proposed plan, the average increase over the next four years at the senior colleges will be 2.4%. The average increase at the community colleges will be 3.1%. More importantly, CUNY students will see these modest changes directed toward improvements in the quality of their programs that will in turn further enhance the value of the CUNY degree.

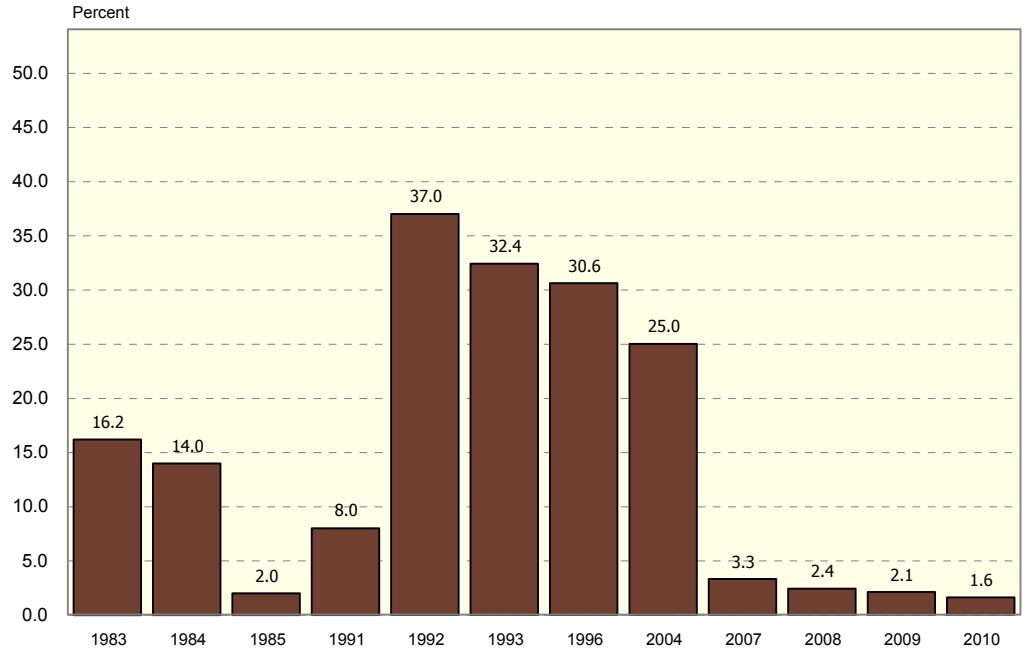
History of Dollar Change in Undergraduate Tuition
FY 1983 to FY2004 and projected thru FY 2010



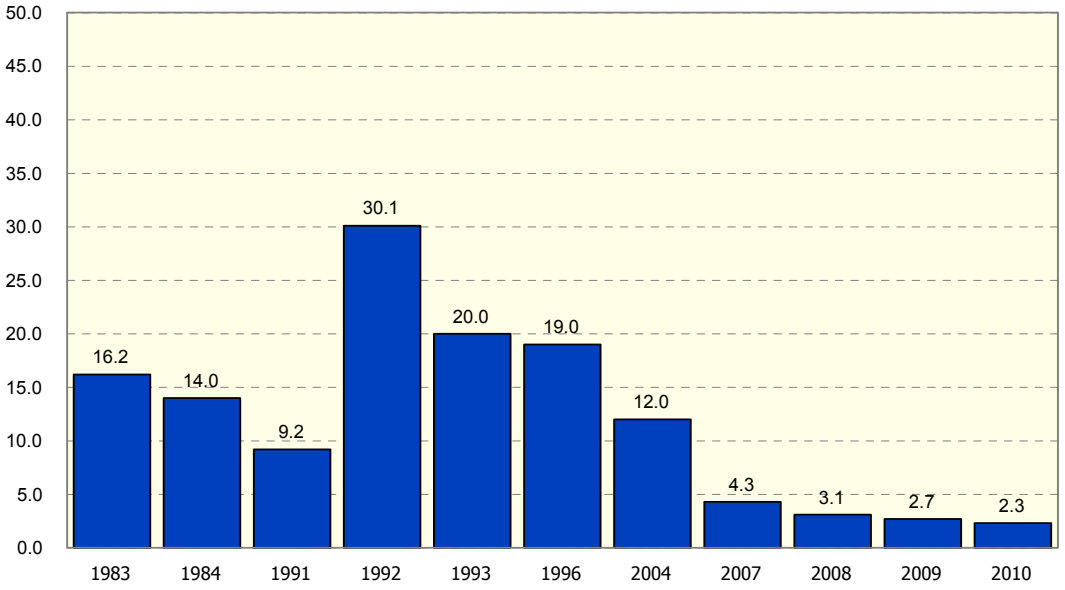
Projected Annual Undergraduate Resident Tuition Increases

Fiscal Year	*Projected Senior College Increase*	Senior College Tuition Rate	*Projected Community College Increase*	Community College Tuition Rate
2005-06 (Current)		**$4,000**		**$2,800**
2006-07	*$130*	$4,130	*$120*	$2,920
2007-08	*$100*	$4,230	*$90*	$3,010
2008-09	*$90*	$4,320	*$80*	$3,090
2009-10	*$70*	$4,390	*$70*	$3,160
Percent Change From 2006	*9.8%*		*12.9%*	
Percent Annual Average Change over 4 years	*2.4%*		*3.1%*	

History of Percent Changes in Senior College Undergraduate Tuition
FY 1983 to FY2004 and Projected thru FY 2010



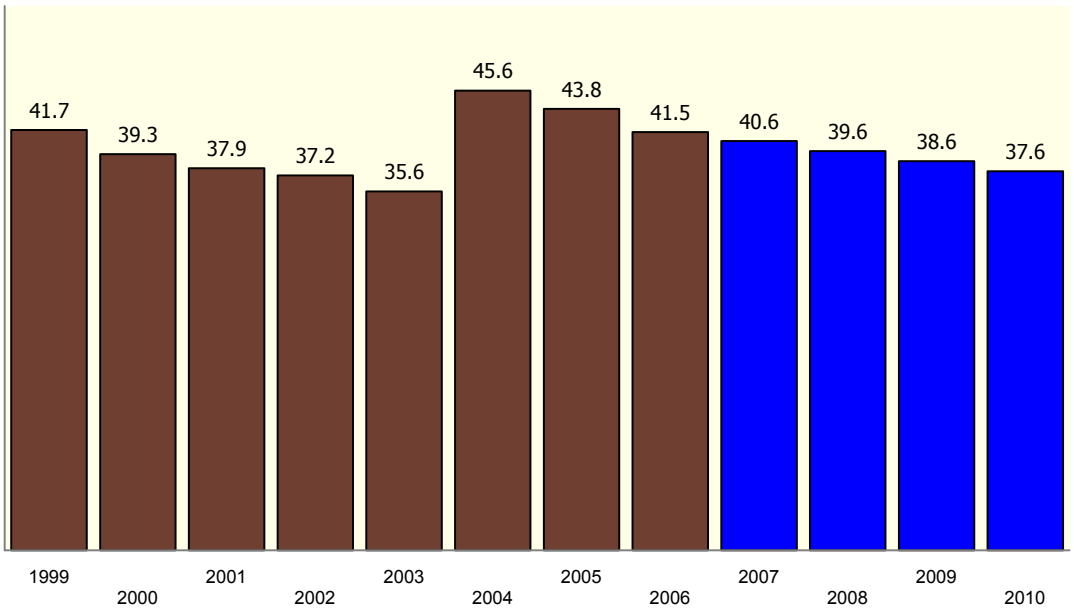
History of Percent Changes in Community College Undergraduate Tuition
FY 1983 to FY2004 and Projected thru FY 2010



This CUNY Investment Plan anticipates that public support will rise at more than twice the rate of tuition revenues. An increase in public support of $367.7 million is projected under this plan. That is a 33.8 percent rise in public funding over the four-year life of the plan. Tuition revenue will rise by $118.9 million, or 15.4 percent, thus driving down its percent share of financing the University from the current 41.5% to 37.6%

Public higher education can thrive only through a long-term partnership among its primary stakeholders—government, institutions, alumni, friends, and students. The CUNY Investment Plan creates a new compact between the key constituencies and augers well for the stability and enhancement of public higher education

Trends in % of Budget Funded with Tuition
FY 1999 to FY 2006 and projected thru FY2010



Current and Projected Revenue by Source and Percent Distribution
FY2006 to FY2010
(millions)

Source	2006	2007	2008	2009	2010	Change from 2006	% Change
Public Support	1,086.7	1,175.2	1,265.3	1,359.7	1,454.4	367.7	33.8%
Tuition (Enrollment Growth)	770.0	781.7	793.3	805.2	817.5	47.1	6.2%
Tuition (Rate Increase)	0	24.3	42.7	58.8	71.8	71.8	n/a
Philanthropy	0	4.3	9.3	15.4	22.3	22.3	n/a
Grand Total	**1,856.7**	**1,985.5**	**2,110.5**	**2,239.1**	**2,366.0**	**509.2**	**27.4%**
Percent Distribution	**2006**	**2007**	**2008**	**2009**	**2010**	**Change from 2006**	**% Change**
Public Support	**58.5%**	**59.2%**	**60%**	**60.7%**	**61.5%**	**2.9%**	**5%**
Tuition	**41.5%**	**40.6%**	**39.6%**	**38.6%**	**37.6%**	**-3.9%**	**-9.4%**
Philanthropy	**0%**	**0.2%**	**0.4%**	**0.7%**	**0.9%**	**0.9%**	**n/a**
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**0.0%**	**0.0%**