The meeting was called to order at 5:03 p.m.

There were present:

**Committee Members:**
Hon. Joseph J. Lhota, Chair  
Hon. Peter S. Pantaleo, Vice Chair  
Hon. Valerie L. Beal  
Hon. Carol Robles-Roman  
Hon. Kathleen M. Pesile  
Prof. Terrence Martell, faculty member  
President Tomas Morales, alt. COP liaison

**University Staff:**
Chancellor Matthew Goldstein  
Executive Vice Chancellor and University Provost  
Alexandra Logue  
Executive Vice Chancellor and Chief Operating Officer Allan Dobrin  
Interim Senior Vice Chancellor Marc V. Shaw  
Associate Vice Chancellor Matthew Sapienza

**Ex-officio:**
Hon. Benno Schmidt

**Trustee Observer:**
Hon. Freida D. Foster  
Hon. Sandi E. Cooper

**Trustee Staff:**
Senior Vice Chancellor and Secretary of the Board Jay Hershenson  
Deputy to the Secretary Hourig Messerlian  
Mr. Steven Quinn  
Mrs. Towanda Lewis

<table>
<thead>
<tr>
<th>Cal. No.</th>
<th>DISPOSITION</th>
</tr>
</thead>
</table>

The agenda items were considered in the following order:

I. **ACTION ITEMS:**

A. **APPROVAL OF THE MINUTES OF THE MEETING OF JUNE 7, 2010.** The minutes were approved as submitted.

II. **INFORMATION ITEMS:**

A. **Reports on State and City Budgets.**

Chancellor Matthew Goldstein stated that he anticipated that some decisions would have to be made on the revenue side of CUNY’s budget in September or October that have been held in abeyance so far, and that the Board will be presented with a critically important tuition proposal that is still being shaped, pending the political discussion in Albany. He added that the only reason some investment with a material impact had been generated was because of the creation of the CUNY Compact several years ago. The idea was to create a shared responsibility for investment purposes at CUNY. It was not about sustaining the operating budget, but to enable the creation of more faculty positions, the purchase of sophisticated instrumentation and equipment needed for the University, and provide for academic supports for the students.
Chancellor Goldstein noted that his administration has been deeply concerned about the way in which tuition has been levied at CUNY. Historically, there would be no tuition increase for a sustained period of time, then, because of business cycles and changes in the financial condition of New York State, there would sometimes be large spikes in tuition, and the resulting funds were swept off the table into the general treasury of the State of New York, and the students who were taking the risk by being charged higher tuition would not see any benefits at all. The Compact, envisaged a rational tuition policy where small incremental increases in tuition would be levied. The administration has pledged that if any student was in harm’s way as a result of a tuition increase and they could demonstrate after all of the financial aid was provided that they could no longer maintain their matriculation, then some of this tuition revenue would be forfeited to keep that student whole. Chancellor Goldstein added that under the CUNY Campaign initiative, which achieved its $2.1 billion goal in just a couple of years, philanthropy became very much part of the Compact.

Chancellor Goldstein stated that New York State had put forward the Public Higher Education Empowerment Act, which was not advanced by the state legislature. The Act called for the legislature to secede its responsibility to the trustees of both CUNY and SUNY in terms of raising tuition. The Act lifted some of the regulatory burdens that CUNY continues to face, largely around procurement, but the Act transferred the risk from the State of New York to the students, because mandatory costs—the principle that was so embedded in the CUNY Compact—was missing. The University has continued to push for a rational tuition policy, as it cannot continue to play helter-skelter with tuition. Tuition has to be predictable and the students have to be protected. Chancellor Goldstein added that the Empowerment Act did not allow for increasing TAP at a similar rate to tuition increases.

Interim Senior Vice Chancellor Marc Shaw stated that there is no question that the federal and state economies continue to be troubling. Robust growth is not anticipated anytime soon at the national, state, or city level. While the economy has stabilized, the public is very nervous about how long this stability is going to last, and many people are shaking their heads and wondering when the next shoe will drop. There is a potential credit crunch of state government that is being anticipated, and it is one of the things the lieutenant governor is working on. At the same time that a state funding crisis is occurring, there is a clear inability of the federal government to help. It was lucky that the stimulus package was extended as long as it was, but especially after the November elections, nobody expects Washington to do anything but focus on the deficit reduction.

Interim Senior Vice Chancellor Shaw stated that the political outlook is incredibly uncertain in Albany. The incoming governor is going to be getting his feet wet and working with the State Division of Budget, which is an important player in Albany—especially in the beginning of a new administration—and it has a good working relationship with CUNY. The University will continue to reiterate the importance of the CUNY Compact in working with the State Department of the Budget. Interim Senior Vice Chancellor Shaw added that as the democrats currently control the senate majority for the first time in thirty plus years, they are still in a learning mode to some degree and there is a lot of uncertainty in this election. There will be some potential changes that the University has to watch out for. The assembly—while it is probably going to remain the same as before with minor changes—led by Speaker Silver, is going to act on the items that are important for CUNY, being the coverage of mandated costs and TAP policy that grows with tuition.
Interim Senior Vice Chancellor Shaw stated that the fiscal instability that CUNY will be facing is coming from two areas: the general economy, and Albany's new emphasis in terms of the funding of public higher education. When there is a decreasing curve over time one can actually do a correlation and show the cost of corrections in states around the country is the funding that used to go into higher education. He noted that while knowing the big picture, the University still has to balance next year's budget and that has to be in the context of a long-term plan that focuses on the Compact, and CUNY needs to get it back front and center on the table for the following reasons: the University is working hard on finding new revenue sources, but increasing tuition on a rational basis needs to be part of that. At the same time, CUNY needs to insure that the state, whether it is through an enhanced TAP policy, finds a way to help TAP grow with tuition so that students who do not have the resources to pay for an education can continue to get assistance from the state. CUNY will continue working with the current legislature with the understanding that as it gets closer to the end, it will be a little harder for them to act. After the elections, even though the governor-elect would not have taken office, he will effectively control the Albany agenda, and that gets to the issue of what his initiatives are going to be in higher education. The administration is having discussions with a number of the people who are working with the governor on the importance of higher education.

Associate Vice Chancellor Matthew Sapienza stated that in the state enacted budget that took place in early August, CUNY’s senior colleges were hit with a reduction of $84.4 million. This reduction was included in the Governor’s Executive budget and it made its way through the enacted budget with two main components of a $63.6 million in reduction in state aid, plus a $20.8 million reduction tied to workforce savings. The Governor in his Executive budget had proposed $250 million in overall statewide workforce savings that he hoped to generate in discussions with the unions. There had been some talk about furloughs and about a payroll lag and none of those things really got any traction in Albany. CUNY’s budget has been reduced by $20.8 million as part of the workforce savings. Over the past three fiscal years the total cut to CUNY’s senior colleges is now $205 million. In fiscal year 2009 there was a $68 million cut, and in fiscal year 2010 there was a $53 million cut, and in fiscal year 2010 there was a $53 million cut. The senior colleges have been able to manage these cuts and protect their core missions. Because of the cumulative effect of these cuts, the college presidents are going to have to make some tough decisions in terms of how to allocate funds across their campuses. The University has already issued its allocations to the senior colleges and the senior college-based budgets were reduced by 2.5 percent, achieving savings of $28.6 million. In addition, CUNY increased college revenue targets by $7 million, which represents about 50% of the projected enrollment growth for this year. Lastly, the colleges were asked to set aside a reserve of 1.25 percent of their budget, just a little over $14 million, because of the continued uncertainties in the state budget.

Associate Vice Chancellor Sapienza stated that the community college picture is not much better, as they have taken reductions as well. The Governor had proposed a reduction to the community college base aid formula of $285 per FTE, which is about $20 million in diminished aid for the community colleges. The legislature had recommended to fully restore those funds, but the Governor vetoed 6,900 legislative additions in the enacted budget, including the restoration of the community college base aid. Community colleges are down about $20 million in overall base aid, and over the last two fiscal years $415 per FTE has been lost in the community college base aid formula, about $29 million, including a $130 per FTE reduction as part of the deficit reduction package in Fiscal Year 2010. An important thing to keep in mind about the community college base aid, which is about $187 million, is that $32.8 million of it is coming from the federal stimulus package, and if these funds lapse, which they are due to in 2012, it would pose a big risk in community college funding from the state, and CUNY needs to be very mindful of this in its planning for 2012. In fiscal year 2010 the community colleges took a combined state and city,
mid-year reduction of $14, about $7 million of which came from college based budgets, and the University managed the other half through central accounts.

Associate Vice Chancellor Sapienza stated that the community college allocation is done through a funding model which is different from that of the senior colleges, which is a base budget funding model. The allocation model for the community colleges basically determines how much each community college should receive given available funding from the state and city. In fiscal year 2010 the University was able to provide 99% of the funding model. This year CUNY is only able to do 90 percent mostly due to the reduction in state aid. The cumulative effect of these cuts is reduced capacity in terms of spending, but enrollment at the community colleges continues to grow, and since 1999 it has increased by 43 percent.

Associate Vice Chancellor Sapienza stated that the Governor also vetoed the legislative restorations to the TAP program and there was a $75 reduction to all TAP awards for the current year and this will have a tremendous impact on students who receive TAP. Also, graduate students will not be eligible to receive TAP this year. Also, new satisfactory academic progress standards were established but they were vetoed. The University is greatly concerned that TAP eligible students will now have to take fifteen credits a semester to retain their eligibility rather than the twelve credits previously taken. In total, the state hopes to generate about $34 million in savings from the TAP program. CUNY students would lose at least $7 million in reduced awards in financial aid for this year. On the city side, the Vallone Scholarships were reduced from $9.5 million in fiscal year 2010 to $6 million in fiscal year 2011. The one positive was that the federal Pell grant increased for this year from $5,350 to $5,550. But the impact of this increase is being diminished by the reductions in TAP, so students who were counting on this increase to use towards books and other educational expenses are now going to have to use it to cover their TAP shortfall.

Associate Vice Chancellor Sapienza stated that there were some other challenges that are part of CUNY’s base budgets from both the state and the city. The University’s child care centers received about a $750,000 reduction in the state budget through the New York State Office of Children & Family Services. This is going to impact on nineteen childcare centers throughout the University. The funding for the CUNY Leads program, a terrific program for our students with disabilities that provides academic and career services, was totally eliminated in fiscal year 2011. State and city budgets contain virtually no new capital funding for new construction projects. However, the University did receive critical maintenance money. Associate Vice Chancellor Sapienza added that the state budget did not include the revenue appropriation for the 2% tuition increase that was authorized by the Board of Trustees for this fall, and the University does not have the use of that revenue as an offset to some of the reductions. The administration is looking at differential tuition and there will be more discussion about this at the September and November board meetings.

Associate Vice Chancellor Sapienza stated that the state is looking at some hefty shortfalls for the next three years. The state has a shortfall of about $16 billion for 2012. With the actions taken in the state enacted budget for 2011, this was brought down to $8.2 billion, but it does increase to about $16 billion again in 2014. A large portion of the risk in the state budget is the reliance on the federal stimulus package and the sun-setting of those funds in the out years, as well as the transitioning to new leadership. The city is also facing shortfalls starting with $3.7 billion in 2012. The risk for the city is impacted by what the state will do to close its budget gap of $8 billion next year. CUNY has convened a budget working group, along with two other working groups—regulatory reform and asset management. It started this work long ago because of the storm clouds coming for fiscal year 2011 and fiscal year 2012. The working groups will issue
their reports to the University community, that identify ways that CUNY can be more efficient in all areas of its spending and also by looking at revenue opportunities as well.

Board Chairperson Benno Schmidt stated that the University is looking at problems that are hard to manage in the usual way, and it needs to consider some rather radical restructuring of its educational ambitions as the situation is absolutely unsustainable. If the University keeps accepting students against this kind of a fiscal outlook, it would not be making the tough choices that it needs to make. The worst thing that can happen in a university is not budget cuts, but the collapse of hope for the future that makes everybody less effective and enthusiastic than they otherwise are. If the price of maintaining the quality of the faculty and their belief in the future is serving fewer students-- that is flatly incompatible with CUNY’s public mission. But if it carries out its public mission in a mediocre to less-than-mediocre way, than the University would accomplish even less than it would be if it were to serve a subset of the students it ought to be serving. The way the political process in New York has responded to the Compact idea does not engender hope for any kind of rational approach to the governance of public higher education in this state. Other states are behaving as if their public institutions of higher education are private universities. It is hoped that this will not be in CUNY’s future.

Chancellor Goldstein responded that this is why it is so critically important that CUNY get a Compact concept institutionalized into the very fabric of how public higher education is thought of and advanced and supported in New York State. Whether the University can educate the students who want to come to CUNY is probably the most serious question that is being faced by the administration. Chancellor Goldstein added that he has talked with the presidents about the moral imperative of giving students an opportunity to improve their lives by studying at CUNY, but at the same time understanding that if so many students are welcomed into a physical edifice that does not have the kind of faculty and academic supports that it needs, what is CUNY really doing? The University is faced with very hard decisions. This year, for the first time in its history, CUNY created waiting lists that were dominated at the community colleges. The University had no choice because of the realization that if it admitted all of these students they would not get an experience that was real. He agreed that the situation will get worse before it gets better when one looks at the projections on deficiencies that exist in the State of New York. They are really frightening.

I. ACTION ITEMS (continued):

   B. POLICY CALENDAR

   1. The City University of New York – Hazardous Waste Removal. Following discussion, the item was unanimously approved as amended for submission to the Board.

   2. The City University of New York – Student Loan Billing Services. Following discussion, the item was unanimously approved for submission to the Board.
III. INFORMATION ITEMS (continued):

B. Report on Investments

***PRESENTATION ON THE UNIVERSITY INVESTMENT PORTFOLIO BY CAMBRIDGE ASSOCIATES MANAGING DIRECTOR MARK FOWLER ***

Committee Chair Joseph Lhota stated that he believed that it is the responsibility of the Trustees as fiduciaries to engage in this fiscal battle in a way that can help the Administration to make sure that all of the advancements that have been made at this University over the last decade continue, because too much has already been done.

Committee Vice Chair Peter Pantaleo commended Chairperson Schmidt on his comments because the truth of the matter is that dollars have consequences and it is those types of choices that the University is going to be looking at that those who deal with the appropriation process may not be able to articulate. Part of the Trustees role is to articulate what those choices are.

The meeting was adjourned at 6:10 p.m.