The meeting was called to order at 5:02 p.m.

There were present:

**Committee Members:**
Hon. Joseph J. Lhota, Chair
Hon. Marc V. Shaw
Hon. Carol Robles-Roman
Hon. Kathleen M. Pesile
Prof. Karen Kaplowitz, faculty member
President Eduardo J. Marti, COP liaison

**Ex-officio:**
Hon. Philip Alfonso Berry

**Trustee Observers:**
Hon. Manfred Philipp
Hon. Simone Lamont

**Trustee Staff:**
Senior Vice Chancellor and Secretary Jay Hershenson
General Counsel and Senior Vice Chancellor Frederick P. Schaffer
Deputy to the Secretary Hourig Messerlian
Mr. Steven Quinn

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**Cal. No.** DISPOSITION

The agenda items were considered in the following order:

**I. ACTION ITEMS:**

A. **APPROVAL OF THE MINUTES OF THE MEETING OF NOVEMBER 24, 2008.** The minutes were approved as submitted.

B. **POLICY CALENDAR**

1. **A resolution to authorize the General Counsel to execute a contract on behalf of the Office of the University Controller to enter into a contract with a vendor who will offer bookbinding services.** Such contract shall not exceed an estimated cost of $995,000. The contract term shall be five years with the option for the University to terminate on each anniversary date of the contract. The University will use this contract to provide bookbinding services for all of the CUNY campus libraries.

   Following discussion, the item was approved as amended for submission to the Board.

2. **A resolution to authorize the General Counsel to execute a memorandum of understanding (MOU) on behalf of The City University of New York and the SUNY**
System Administration, NYLINK to continue receiving critical library services for 20 CUNY college libraries and the CUNY Central Office. The total amount of the services shall not exceed $1,850,000 for a one year term.

Following discussion, the item was approved for submission to the Board.

II. REPORTS:

A. Report by Vice Chancellor Ernesto Malave:

Report on State and City Budgets. Vice Chancellor Ernesto Malave stated that earlier this year the Mayor recommended a series of budget reductions that represented a $5.1 million reduction in support for CUNY. The University implemented $2.6 million in cuts to the community colleges and held the remainder centrally. The Mayor also recommended $9.5 million in reductions for fiscal 2010. The City Council and the Mayor negotiated a budget agreement two weeks ago that provided a full restoration of the $5.1 million in planned reductions for the community colleges. The University will be in a position to make budget restorations in the next couple of weeks and can engage in the kind of investment programs that were anticipated prior to the planned reductions.

Vice Chancellor Malave noted, however, that the Mayor also challenged city agencies including CUNY to make reductions of up to 7% of city funds on top of the initial $9.5 million, or 5% cut, in city support for fiscal year 2010. The University is now looking at potential reductions in city support of over $20 million between the two proposals. The Mayor has not yet issued his recommendations for that seven percent; he is considering the various proposals the city agencies have submitted. The University has submitted a proposal that would make some continued cuts on the administrative side. At its December 8th meeting, however, the Board voted to authorize the Chancellor to raise tuition by up to $400 for the community colleges. If the City budget cuts are enacted, depending on the level, the University will be able to offset those reductions with the revenue from the planned tuition increases. CUNY has a revenue solution for maintaining the budget stability of the community colleges beginning July 1st.

Vice Chancellor Malave stated that the City of New York's preliminary budget will not be issued until later this month, and that will only be the preliminary budget and the updates of the financial plan. The Mayor's actual Executive budget will not be issued until either late April or early May depending on the actions taken in Albany by the state legislature. Vice Chancellor Malave stated that the state Executive budget for the senior colleges totaled nearly $1.9 billion and that represents an increase in overall funding of almost $51 million. That $51 million in increased funding comes from a combination of reductions in state support of approximately $65 million, offset by an increase in tuition revenue of $115 million. The Governor had already telegraphed months ago that he was going to be recommending a tuition proposal; he has followed up with that. The budget message from the Governor includes revenues associated with that fifteen percent increase and is consistent with the actions taken by the Board of Trustees on December 8th.

Vice Chancellor Malave noted that for the first time in State budget history, a proposed tuition increase also includes a portion of that tuition coming back to the University for an investment program. This overall budget includes 20% of the revenue from tuition going to a $22 million investment program. This is a good place to begin absent any additional budget erosion on the state side. The challenge that the University faces is a manageable one, and this is only the beginning of the budgetary process, not the end. There is a $20 million lump sum reduction that
the University is supposed to apply to non-core areas in the budget. This is not too much of a challenge because it is directed to non-core areas. We can still take the tuition revenue and apply it to the goals of the Trustees, adopting the budget request for full time faculty. Between now and the time that this budget is adopted in April or May the University administration believes that there will be some relief against that $20 million.

Concerning the state Executive budget for the community colleges, Vice Chancellor Malave stated that there are two things that are going on. The Governor is recommending a $4.2 million reduction in the current year. More importantly, this ten percent reduction in aid to community colleges and funding per FTE extends to 2010. That would translate to a $16.8 million reduction in aid to the community colleges beginning July 1st. On the other hand, the Governor is recognizing the enrollment gains at the community colleges and to the extent that the funding for the community colleges is enrollment based, all that additional state aid is recognized in the budget. This results in an offsetting increase of $13.2 million in aid to the community colleges and a year to year budget challenge on the state side of only $3.6 million.

Vice Chancellor Malave stated that the Governor is introducing a differential tuition policy for the senior colleges that will permit the charging of different tuitions by program and by institution for non-resident students only. A lot of work that was done at the Commission on Higher Education indicated that the University needs to open this area up. Institution-based differentials are largely driven by the interests of SUNY. The University has taken the posture that program differentiation is something that we welcome, but institutional differentiation is something we are not prepared to do. The Governor has made it very clear that any revenue that is associated with differential tuitions goes back dollar for dollar to the institution and has set aside a $12 million appropriation to capture that revenue for CUNY.

In response to a question from Trustee Manfred Philipp, Executive Vice Chancellor and Chief Operating Officer Allan Dobrin stated that the Governor's proposal to eliminate TAP eligibility for graduate students would affect fewer than 500 students, for a total dollar amount of approximately $250,000.

In response to a question from Prof. Karen Kaplowitz, Chancellor Matthew Goldstein stated that it was his impression that the new legislature would support the differential tuition for non-resident students.

Vice Chancellor Malave noted that the legislators who were on the Commission on Higher Education were hesitant on the resident side, but were open to a discussion on the non-resident side. It was argued at the time that it should be over a three year period so that people could see exactly what the impact would be.

Speaking about financial aid, Executive Vice Chancellor Dobrin stated that the first proposed change would raise the academic standard for TAP eligibility by requiring students to have earned eighteen credits (fifteen credits in the community colleges) by the start of their third semester with a 1.8 grade point average. This is higher than the current standard which is nine credits. Students taking remedial courses would not be affected. A second proposal would make it impossible for people to collect HESC financial aid if they are in default on federal student loans. This change would only affect thirty-three of our students so it is not a large problem. As already mentioned, the State wants to end TAP eligibility for graduate students, which involves a small number of students. Another change would count public pensions in the TAP award calculation. These pensions are currently excluded.
Executive Vice Chancellor Dobrin further noted that a positive thing for CUNY is that the state wants to change the eligibility for TAP from eight semesters of TAP to 120 credits. This is good news because now most of the students still have another thirty credits to go when they run out of TAP after their eighth semester. The most important change though is that right now the full TAP award is based on twelve credits and they want to change that to fifteen credits but prorate TAP for students taking 10 to 14 credits. This is not good for CUNY students, but it saves the state a lot of money. On the other hand, it may change the behavior of some students in a very good way and make them more likely to graduate sooner. Currently, students who are taking ten and eleven credits do not get a TAP award. With the prorating of TAP, the students would get two-thirds of the award if they only took ten credits, and this is a good thing for the students. However, if no one changes their behavior, the state would save a lot of money since students taking twelve to fourteen credits would see their TAP award reduced. It is not as mindless a proposal as we have seen in the past.

Chancellor Goldstein stated that the presidents were aware of the state’s strategy and would be encouraging students to take more credits because it would ultimately constitute the better approach with respect to moving on and getting their degrees.

In answer to a question from Trustee Philipp, Vice Chancellor Malave stated that the HESC had not released their numbers, but Dean Robert Ptachick and his staff were preparing a full impact statement on exactly what each of the elements of this set of proposals would have on CUNY by sector, by senior and community colleges, and by the dollars that are saved and the number of students that are affected. This would be circulated shortly to the University community.

Executive Vice Chancellor Dobrin briefed the committee on the capital budget, stating that for the second year of a five-year program called Critical Maintenance, the state is giving CUNY $284 million to keep it in a much better state of repair. In addition, the state will free up the rest of the funding required for the Advanced Science Research Center, for CUNY First, and for the final touches for the School of Social Work at Hunter College. CUNY is starting out with almost $300 million of new capital money, which is as good as it has done in an average intervening year.

Chancellor Goldstein stated that CUNY took the lead in mobilizing a national effort to get most of the public universities together to talk with their governors about including infrastructure for public universities as part of the federal stimulus program. He noted that Governor Paterson has included $2.6 billion for higher education infrastructure as part of his budget, but it is not clear yet how this is going to work ultimately. Even if it affects just a couple of CUNY’s projects, it will have a very important impact on our capital budget further enhancing the needs of the students and people who work at the University. He added that if you look across the United States today, almost all of the governors who are putting together stimulus plans are including higher education infrastructure as part of the package.

Executive Vice Chancellor Dobrin noted that CUNY was able to submit approximately $1.1 billion in green projects that were shovel-ready, with a total estimated job impact of 6,000 jobs in construction and 3,000 in fabrication.

Investment Report. Vice Chancellor Malave stated that the investment portfolio is down 17% this quarter, a bit better than most of the numbers from other university endowments, which are in excess of 22%. He referred to the next scheduled meeting of the Subcommittee on Investment to be held on January 22nd, and noted that there would be a lot of decision making about entering into emerging markets and underperforming fund advisers.
Chief Investment Officer Janet Krone stated that these were challenging times, but there are opportunities for long term investors in this period if they remain patient and prudent in their investments. Vice Chancellor Malave added that he would come back to this committee with a set of recommendations from the Subcommittee on Investment.

Committee Chair Joe Lhota noted that as per conversations he had with both Vice Chancellor Malave and Executive Vice Chancellor Dobrin, it was determined that there was no exposure whatsoever on the University’s funds from the Madoff situation. Vice Chancellor Malave added, however that some of the colleges and the foundations had received calls from donors who had investments with Madoff, and therefore, anticipate gifting to be affected.

The meeting was adjourned at 5:33 p.m.