



UNIVERSITY CENTER
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David J. Steinberg, President

Memorandum

TO: Long Island University Community
FROM: David J. Steinberg
DATE: June 23, 2009
SUBJECT: The National Economic Crisis and Long Island University, V

When the Board of Trustees met on June 9, 2009, it reviewed the financial projections for the current fiscal year ending August 31, 2009, and also approved the budget for 2009/2010 with a clear mandate discussed later in this memo. As I have done throughout the year, I am using this opportunity to update you and to give you the same information that was provided to the Trustees.

This year's budget remains adversely affected by reduced enrollment both in the fall and spring terms and now in the summer. By freezing new hires, limiting overtime, reducing non-salary expenditures and other measures, we have already eliminated nearly \$20 million of expenses from the 2008/2009 budget, but, alas, we still anticipate a deficit this year of \$6.5 million, even before accounting for the cost of the Voluntary Early Retirement Incentive Program (VERIP). In addition to tuition revenue shortfalls on both residential campuses, the deficit is also a result of reduced dormitory revenue and reduced interest income on our operating cash balances because of a low interest rate environment. The University is also subject to the new Metropolitan Transportation Authority ("MTA") tax, which will cost the University \$300,000 in this fiscal year and will negatively impact next year's budget as well to the tune of \$630,000.

Seventy-five University employees have chosen to participate in the Voluntary Early Retirement Incentive Program offered by the University earlier this spring. The University is indebted to them for their decades of loyal service and we wish each one good luck and Godspeed. We have been blessed to have them as colleagues and as friends over these many years. The VERIP costs total approximately \$6.1 million, an accounting charge to this year's budget. In sum, our budgetary deficit for this year will swell to approximately \$12.6 million, but in 2009/2010 and the years beyond, our payroll costs will be reduced by \$4.8 million, provided that very few of those positions must be replaced. The hard truth is that this has been a very tough year financially.

The national economic seas remain rough and we continue to be impacted in various ways. One of our two "letters of credit," designed to insure our \$72 million of variable rate debt, is issued by the Royal Bank of Scotland (RBS), one of the world's largest banks prior to the global banking meltdown. RBS has, in effect, since been nationalized by the British government with the consequence that its credit rating has fallen. The net effect is that the interest rate on these bonds spiked from an interest rate of 0.63 percent to four percent. For the second time in approximately a year, we have been forced to find alternate insurance, this time known as a "wrap," under which we pay a one percent fee to the Federal Home Loan Bank of Boston, a "AAA" rated insurer, so that the variable rate interest on those bonds will be remarketed at the lowest possible rate.

While our endowment has recovered some of its earlier losses -- it now stands at \$68 million -- we, along with virtually every other university in New York, must abide by a state law that prohibits our drawing from any endowment that has fallen below the level at which the gift was given. Such endowments are known as being "under water," and New York State law mandates that annual spending is suspended until the principal recovers its initial gift value. Along with many other institutions, we are vigorously advocating for that law to be changed, but this effort is trapped in the chaos that now virtually paralyzes any legislative action in Albany.

The budget for 2009/2010 that the Board reluctantly approved projects a further deficit of \$8.5 million. The administration has been mandated by the Trustees to take all necessary steps to enhance revenue and to reduce costs in order to eliminate that deficit, not only because a balanced budget is an essential priority to maintain our credit rating but also because the long-term health of the University would be threatened by two years of large deficits. I am grateful to many within the University for their highly responsive, steadfast cooperation in trying to bring down the costs of operation without adversely affecting services to our students. You should know that the salary of each of the University Officers is being reduced by five percent next fiscal year and my salary will be down fifteen percent.

Our challenge is clear. We must all collaborate to meet our Board's mandate. Towards that end, let me repeat my earlier plea to each of you to assist in our retention efforts. We are a tuition-dependent institution. The net tuition our students supply provides the funds needed to cover the myriad costs of delivering a comprehensive educational experience. Attached to this message is a memo I wrote to our students encouraging each of them to return in the fall. The 2009/2010 budget includes a prudent but punishing assumption that undergraduate enrollment will be down 3.5 percent and graduate enrollment by one percent. To the degree that we can improve on those numbers, we can dramatically reshape next year's financial realities. The campus Provosts and our marketing services team are making a major effort to organize outreach efforts over the summer. If you are asked to make a call, please do so. If you interact with a new or returning student, extend a warm welcome and a helping hand. If we can improve retention, we can reduce our deficit, even as we discharge our mission as a student-centered University.

Over the rest of the summer the University Officers will further develop and then begin to implement strategies to control expenses. As they are put into operation over the next months, we will communicate to each of you so that you understand exactly what we are doing and why. We simply must do what is necessary not only to balance next year's budget but also to preserve the University into the future.

I hope you agree with me that despite significant cuts, the student experience has not been impacted adversely. Our men's and women's athletic teams won national championships; our singers and dancers showcased their talents on important stages; our best and our brightest students won Fulbrights, Watsons and other honors; and our several commencement ceremonies were joyful, happy milestone events. Our second collective task, therefore, is to improve on those successes in the year to come. With the right decisions, good will and mutual trust we will meet the Board's mandates.

David J. Steinberg