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David J. Steinberg, President

## Memorandum

TO: Long Island University Community

FROM: David J. Steinberg

DATE: October 20, 2009

SUBJECT: The National Economic Crisis and Long Island University, VI

The University has just navigated one of the most challenging budgetary years in its history. As you know, the economic fallout of the Great Recession has had a severe impact on us. National unemployment has soared, and New York State has experienced a 4.8 percent decline in wages in one year. Since August 2008, our state has lost over a quarter of a million jobs, touching the lives of many of our students and their parents. According to a Zogby International Survey in August 2009, 34% of all U.S. adults described their circumstances as being "seriously impacted" by the current recession. Second mortgages have become unavailable, student loans have dried up, and foreclosures have spiked not only in Florida and California, but also in our own metropolitan region. The demographic realities of our students have made many of them acutely vulnerable to this economic maelstrom. There is widespread familial hardship, and each of us must be sensitive to that reality and try to help as much as possible.

Enrollment numbers for the Fall 2008 semester clearly documented the challenge before Long Island University. Enrollment decreased by about four percent, with both residential campuses in sharp decline. The University faced a revenue shortfall of \$22 million created by those declines, a concomitant loss of room-and-board revenue, a decline in endowment income and other shortfalls linked directly to the economy.

Through the extraordinary commitment of a great many key employees, I am gratified to report that the University managed this substantial budget gap by cutting operating expenses, by curtailing overtime, by freezing virtually all new hires and by contracting our employee base modestly. Each of these tasks was, in itself, difficult to accomplish, but the circumstances mandated no less, especially since the failure to do so might have allowed skittish bondholders to trigger bond default provisions if we ended the year with a substantial deficit. Moody's revisited our credit rating this summer and assigned a credit rating of Baa3 with a negative outlook. In 2009, nineteen colleges and universities had their bond ratings lowered; it was critical that Long Island University not appear on that list. Thus, we owe a sustaining debt of gratitude to those who understood the risks and effectively addressed them. Excluding the one-time charge of the Voluntary Early Retirement Plan (VERIP), which 75 of our colleagues chose to accept and which is accounted as a one-time extraordinary expense, the 2008-2009 fiscal year ended with a small surplus in the operating budget (subject to KPMG's audit). Taken together, operating and non-operating activity of the General Fund suffered a net loss for the year. Our University community, through self-imposed discipline, has done something of lasting significance.

Our Strategic Agenda served as the North Star, suffusing every decision we took, even the most difficult. As I have oft emphasized, in metaphoric terms our students must be the subject of our mission statement. Everything -- and everyone -- else must be placed in the predicate. Thirteen faculty members received tenure even during the darkest days of the budget crisis, because the teaching function is at our core. New programs of high potential were authorized even as the increase in undergraduate tuition for Fiscal Year 2009-2010 was held to 4.9%, the lowest level in a decade. As various and sundry reductions were explored, the first question always asked was how would this or that cut impact on the learning environment for our students.

Like all universities, Long Island University has a sacred compact with its students and their families, and this covenant must be protected both as a matter of mission and to ensure that we can and will improve our retention rate and see more students persist to graduation. Every time one of our students fails to graduate, it is a defeat for that student, for her or his family, for our University and for the society at large. Our challenge this past year was to manage the institution during a time of severe economic distress in such a way that would help to improve our historic graduation rate, rather than witness it diminish.

Toward that vital end, the amount of money available for financial aid this year was increased by \$7.6 million over the original Fiscal Year 2008-2009 budget. We instituted new financial aid policies that encourage retention. We integrated services at both the Brooklyn and C.W. Post campuses to provide a more seamless support network for all of our students. We launched MyLIU, an effort that has already proven itself extremely useful for graduate and undergraduate students alike. Students can now register, review their financial aid, view their bills and even pay them online; an academic degree audit system will soon be universally available. The new Web site, an enormous effort of Marketing Services and many others, will be launched by the end of the term, further enhancing our Web presence and institutional outreach.

To fund these initiatives, we were compelled to cut the salaries of some of the very people responsible for the salvation of the institution, to freeze the salaries of all non-union employees and to turn to our many unions to ask them to forego many millions in increased compensation, previously negotiated in a very different economic climate. Some agreed to this sacrifice to help provide general funds that could be used for scholarship support; others declined.

Some of the programmatic and staff reductions made in our operating budgets reflect long overdue reassessment of scarce resources. Others, however, were required for these immediate budgetary purposes and simply cannot be sustained. Some reductions will need to be restored and new initiatives will be essential to build the University in an increasingly competitive market. We have come a long way but have a long, long way to go.

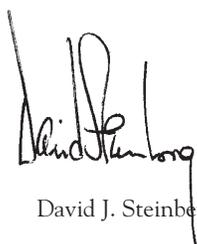
All of us need to applaud the Herculean efforts made by the enrollment services units, our marketing professionals, the offices of the Deans and many engaged faculty and staff to stem the enrollment declines and to retain more of our returning students, even as they struggle to meet their tuition payments. Overall, Fall 2009 enrollment is relatively flat. As we projected, undergraduate enrollment is down, with new undergraduates showing the largest declines. The decline in undergraduate enrollment has been somewhat offset by an increase in new graduate students. Especially at Brooklyn, the hard work of our colleagues bore wonderful results. As of today, enrollment at that campus is up 1.6% in headcount compared to last year and up 2% in credits sold. The C.W. Post numbers still remain negative, down 2.8% in headcount in comparison to Fall 2008 and 3.7% in credits. In total, University enrollment is stable but anemic, and the operating budgets of both residential campuses are still in the red. We must not be lulled into a false sense of complacency, especially since these figures are relative to a base that declined approximately four percent from 2007-2008. True recovery for the University cannot happen until we address longstanding structural budgetary issues. Each campus needs to be at break-even or better. As in the past, the regional campuses remain vital to balance the University's budget. Without them, our situation today would be dire.

On October 16th, the Board of Trustees met for its Annual Meeting. The Board reviewed in detail the various steps and decisions taken over the last fiscal year to balance our books, and it turned its attention to the many sustaining issues that will make this fiscal year almost as complex as last. One month into the new fiscal year, our unrestricted general fund budget is only marginally in deficit (\$628 thousand on budgeted revenues of \$354 million). The only reason we are close to fiscal stability is because the regional campuses are showing a projected surplus for the current fiscal year.

Let me also report that at the end of September 2009, the University's endowment stood at \$76.1 million, down from \$82.1 million at the end of September 2008. (We've had a nice recovery from the low of \$64.5 million of just seven months ago.) Unfortunately, a large percentage of that endowment is by law deemed "under water" because the State of New York prohibits the University from drawing on any endowment gift until it recovers a value equal to the amount of the original gift.

As the Board and the Administration address these issues, the University needs all of us who serve in the predicate to join hands on behalf of our students. In particular, the faculty play a critical role in setting the course for this year and for the years to come. For four years, the Board has benefited from the participation of a faculty representative from the College of Pharmacy and hopes that the faculty of the Brooklyn and C.W. Post campuses will soon join them in this collegial governance. Now more than ever, a cooperative spirit is as essential to our institutional health as the balancing of our budgets.

In closing, let me return to a theme I often spoke about last year. This institution has a magnificent mission. Collectively, we must reach beyond the factional and the parochial on behalf of the needs of the thousands of men and women we are privileged to educate. The other Officers and I will do whatever is required to ensure that our University not only survives but that it has a dynamic future in the life of our nation.

A handwritten signature in black ink, appearing to read "David J. Steinberg". The signature is stylized with a large initial "D" and "S".

David J. Steinberg