

UNIVERSITY CENTER

700 Northern Blvd. • Brookville, New York 11548-1327

David J. Steinberg, President

Memorandum

TO: Long Island University Community

FROM: David J. Steinberg

DATE: December 17, 2009

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

The University's Strategic Agenda has five key priorities: (1) that our students remain central to our core mission; (2) that we create a new level of collegiality through governance in order to deliver a superior education to our students; (3) that we manage the University finances in a way that results in a stronger balance sheet and that maximizes resources allocated to fulfill our educational mission and to provide the greatest amount of financial aid, while also keeping the interests of all our employees in mind; (4) that we serve as a center of culture and enlightenment to our students, to the communities that surround us and to our alumni wherever they may be; and (5) that we position ourselves technologically so that we can deliver enhanced educational services in a 21st century environment.

I revisit that Board-ratified set of planning priorities (in the reductive and shorthand version summarized above) because we need to keep it constantly relevant as we seek to navigate the global economic crisis and also because I am delighted to report that on December 10th the Brooklyn Faculty Senate voted unanimously to participate in a new governance structure – a key step in jointly achieving Priority 2. With reciprocity a Brooklyn Campus faculty representative will join a longer-serving faculty representative of the Arnold & Marie Schwartz College of Pharmacy and Health Sciences at the Board of Trustees deliberations and those of its committees. The decision by the Brooklyn Faculty Senate helps to address an institutional shortcoming long cited by several Middle States decennial reviews. This action brings to a successful conclusion the numerous discussions led by the Academic Vice President, Dr. Jeffrey Kane, and by the president of the Brooklyn Faculty Senate, Professor John Ehrenberg, along with key membership of the Brooklyn Faculty Senate Executive Committee, including Sealy Gilles, Joram Warmund and Andreas Zavitsas. The University owes to them, their colleagues and a committed group of Trustees who participated in these negotiations, its sustaining debt of gratitude.

The Board of Trustees met on December 1, 2009. As I promised 15 months ago, I will share, as transparently as possible, where the University finds itself in Year Two of the Great Recession. This is my seventh report to the University community. The world around us remains fragile and battered. New York State has suffered serious economic erosion. The State is deeply in deficit with a shortfall that will spike to \$18 billion next year when there are no more federal stimulus dollars to cushion the crisis at the State level. Funding levels of HEOP, TAP and Bundy aid are all at serious risk with a concomitant negative impact on our students. Access to the income generated by endowment funds remains restricted by State law, although our endowment is recovering nicely and was \$76 million as of September 30, 2009. The fundraising environment for every philanthropic and not-for-profit organization nationally is, charitably stated, challenging. Most significant, the personal toll on our students and their families from layoffs, foreclosures, underemployment and other manifestations of the national maelstrom is heavy. The external environment threatens the ability of our many students who seek access to the American dream, a vital part of our institutional mission.

As you know, the University Officers and Trustees created an emergency loan fund of approximately \$423,000. This fund has helped, but is woefully inadequate against the massive need. We are thankful to those members of the staff and faculty who have contributed. Our students or their parents are frequently seeking emergency financial assistance to cover tuition expenses. Despite the need to reduce other expenditures wherever possible, the University Officers increased by \$7.6 million additional financial aid for this year. As most of you know, the University also asked its 16 unions to forego raises, negotiated in a different era, so that even more money could be available for students. Some of our unions heard the cry of the students and agreed; others, including our three faculty unions, declined. As a result, we have been limited in our ability to increase our financial aid packaging to a level that would make us more competitive with other institutions, some of which have been discounting up to 50 percent to build an undergraduate class. Parents and students now shop financial aid offers intently and many students have been forced to make net price a determining factor in choosing which college to attend. The surge of enrollment at SUNY and CUNY campuses reflects this reality.

At the Board meeting, the University reported its final enrollment numbers for the fall 2009 term. Enrollment is down slightly from the reduced level of last year, which was down about 4 percent in total registration overall from two years ago. Within that blended number, however, there has been important variation between the two main campuses. At the undergraduate level, Brooklyn enrollment stands at 4,951, an increase of 1.2 percent, whereas at C.W. Post, undergraduate enrollment is 4,582, a decline of 7 percent. It is vital to remember that we are one of America's largest independent universities with a total headcount of approximately 22,000 students.

As one might expect, the news at the graduate level is substantially better. Overall, enrollment system-wide is up by 4.7 percent in credits, since graduate studies tend to be counter cyclical to the economy. In times of recession, many people, especially those laid off, return to school to earn a postponed advanced degree or to receive training to enter a new field. In terms of graduate credits 'sold' at the regional campuses, the results are: 15.7 percent increase at Rockland, 13.9 percent increase at Riverhead, 12.2 percent increase at Westchester and 7 percent decline at Brentwood. The Brentwood numbers are significant since they reflect new, direct competition from St. Joseph's College, which now offers advanced education degrees. The market near Brentwood is saturated and is no longer a growth opportunity for us.

Let me underscore the role of the regional campuses, which are vital to the financial health of the University. Both residential campuses, Brooklyn and C.W. Post, are now operating in deficit. The balanced budget of the University, thus, depends on the successful operational results of the regional campuses. Substantial time and effort has accordingly been devoted to developing new programs and to introducing innovative strategies, including blended learning, online opportunities and discounted pricing to encourage adult students to persist in earning their advanced degrees.

As you would expect, the Board focused carefully on the enrollment impact on this year's budget. Last spring the University presented a budget for Fiscal Year 2009-2010 that was \$8.5 million out of balance. The Officers made the commitment to eliminate that deficit by the end of the current fiscal year. The budget the Trustees just reviewed recognizes incremental revenue and net cost savings of \$5.5 million, still leaving a gap of approximately \$3 million as of this writing. Additional savings may be realized at the end of December, because health care insurance costs will not rise as much as was anticipated last spring. We will not know the exact dollar amount of those potential savings until the open enrollment period for employees closes. Successful negotiations with our insurance vendors and the growing employee pool enrolled in Oxford Gold hopefully will limit the overall escalation of costs to an increase of approximately nine percent rather than the 15 percent budgeted last spring. The total cost of fringe benefits for the entire University is now at \$66 million, with the cost of healthcare approximately \$30 million. Together with every other employees in the country, we have witnessed an inexorable shift between salary and benefits. The University's fringe benefit rate for full-time employees is 43 percent of salaries.

Total operating revenues from tuition and fees is projected this year at \$382 million. Of that sum the budget calls for just under \$73 million to be applied to scholarships. Vital entitlement grants, including opportunity programs, have been cut and probably will be reduced further by the Governor. But fundraising has held up nicely. We anticipate equaling last year's success of approximately \$10 million, a wonderful statement of support from Trustees, alumni/ae, and other donors.

The Board also reviewed all broad categories of expense in order to ensure that the priority of putting our students first is translated into budgetary actions. It noted that the institution has taken extraordinary reductions in many key areas, savings that were essential to balance the budget but which cannot be sustained over the long term if the University is to function effectively in a highly competitive marketplace. But without an enrollment increase, the University has no choice but to continue its policy of stringent budgetary control for the rest of this fiscal year and beyond. There will be some reflating in vital programs where there are accreditation regulations, new program opportunities, or teaching obligations required by the offered curriculum. The only other positions that will be filled must be defined by the University Officers as essential needs of the institution.

Our Chairman, Edward Travaglianti, in speaking to his fellow Trustees, noted that 18 months ago, the University faced an unprecedented crisis. Along with virtually every other university in America, Long Island University had to manage down its budget and program expectations without compromising its long-standing covenant with its students. The Board charge to the Officers and to me was clear if tough. The Trustees demanded that we take all possible steps to preserve the University's investment grade bond rating and credit worthiness, but they also demanded that the Mission not be compromised in any significant way. Mr. Travaglianti is well pleased that the University has come through this blast of adversity successfully. The Trustees thank all of you who sacrificed salary increases and worked so hard to fulfill the Board's mandate.

Finally, during the Board meeting, the Provosts reported that there remains an energy and vitality on each campus that is a delight to see. To a remarkable degree, our students have been able to enjoy a normal collegiate experience, despite the stresses so evident in their lives. This is the highest possible tribute that can be offered to our many loyal employees. Our student-athletes are winning on the courts and the playing fields. Our best and brightest undergraduates are winning highly competitive fellowships and the University is delivering on its promise to every student who it is privileged to have enrolled. These successes, and many others, are the bedrock of my optimism that we will weather the current maelstrom safely and go forward with pride and renewed commitment. It is on this hopeful note that I personally thank so many of you for what you have done over these past 18 months. I wish each and every one of you a joyful holiday season, a healthy and happy 2010, a year in which our nation can know tranquility at home, and the world can find peace.

David J. Steinberg