

REPORT OF THE CITIZENS' COMMISSION
ON THE FUTURE OF
THE CITY UNIVERSITY OF NEW YORK

Section 1.

FUNDING
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MEMBERS OF THE COMMISSION

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Dr. John V. Connorton

Mr. Thomas J. Deegan

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Mr. David Starr

Dr. Francisco Trilla

Mr. Gus Tyler

Mr. Hector Vasquez

Rev. Dr. M. Moran Weston

Louis E. Yavner, Esq.

Adolf A. Berle, Esq. 1895-1971

Staff

Special Research studies by Peat, Marwick & Mitchel & Co., and by Office of Urban Affairs of City University. General staff assistance by Office of Urban Affairs

University Policy Liaison

Vice Chancellor Julius C. C. Edelstein

Research Coordination and Staff Services

Dr. Stanley A. Lefkowitz
Mr. Duncan B. Pardue

Secretarial Services

Mrs. Lillian Kandeh

Editor of Report

Robert F. Wagner, Jr.

PREFACE

This is the first section of a report on the future of the City University of New York, as submitted by a Citizens' Commission appointed by the Board of Higher Education in November, 1969, to study the future of the University in all its aspects.

The Citizens' Commission was appointed late in 1969 and was organized in the early weeks of 1970, in the wake of the Board of Higher Education's decision to advance the date for the full achievement of an Open Admission policy for the City University from September 1975 to September 1970. The University's administrators, the Board, and key State and City officials perceived that opening the University's gates would be a revolutionary undertaking, with far-reaching implications for the City University's size, structure, mission, social function, educational character, governance, and last but not least, its cost and funding. Because of this perception, the Commission was established, with the tacit agreement and support of the State Commissioner of Education, the leadership of the Board of Regents, the Governor, the Mayor, and the State and City Legislative leadership.

The scope given the Commission was enormous. Specifically, in a resolution at its November 12, 1969 meeting, the Board of Higher Education gave the Citizens' Commission on The Future of the City University the following charge:

The focus of study of the proposed Citizens' Commission on the Future of the City University is the governmental and institutional relationship of the City University; its role in the public educational systems of New York City and of New York State; its basic thrust and coverage; and the factors of cost and support.

Clearly the Commission was asked to deal with some of the most difficult and controversial questions on the list of undecided issues in New York City and State. Simply to master the basic facts about the City University with its ten senior colleges, eight junior colleges, graduate division, affiliated medical center and 197,664 students (of whom 102,530 are full-time students) would have been a difficult task in itself. The Commission's task was made all the more difficult because in 1970 and early 1971, it found itself caught near the center of a vortex of fiscal, governmental and political forces very much involving but also incidental to the future of the City University.

The budget-fiscal crisis of 1971, with the State and City facing a cumulative budget gap of two billion dollars, inevitably dominated almost all other considerations of the Governor, the State Legislature, and the Mayor of New York City during the latter half of 1970 and the first half of 1971. The chief and almost only interest generated by the City University in Albany during the 1971 Legislature was the University's 1971-72 budget, and how to cut it.

Originally it had been hoped that the Commission could submit its recommendations to the 1971 session of the Legislature, that these recommendations might form the basis of legislative actions and policy decisions on the University, especially the determination of its future funding by the State, perhaps with the support of both the Governor and the Mayor.

However, it became evident that the 1970-71 budget crisis, coming on with the sudden fury of a thunderstorm, precluded the consideration by the 1971 Legislature of basic long-term measures requiring a major increase in the State's share of the support of the University -- or any arrangement involving a comprehensive accommodation between the Governor of New York and the Mayor of New York City.

Consequently, the Commission, rather than try to move into the middle of the State-City budget crisis, delayed the completion and submission of its report until the start of the 1971-72 academic year, and the start of a new budget and legislative cycle for the University. Moreover, the resignation of Chancellor Albert H. Bowker and the appointment of a new Chancellor, Dr. Robert Kibbee, made the start of the 1971 academic year an appropriate time for a comprehensive review of the University's future and its problems.

The Commission has decided to submit, and make public, its report in four separate and successive sections. The first section deals with the future funding and fiscal support of the University. From the beginning to the end of the Commission's studies, this proved the most difficult and controversial of all the aspects of the University's future.

By logical order, the first section of the report could have dealt with the scope, mission and structure of the University; alternatively the first section might have dealt with the relationship of the University to the City and State Governments and to the State University. But in the course of our deliberations, it was demonstrated that the key question for the future of the City University is the University's future funding and financing -- how and who should bear the burden of the dynamically expanding costs of the University. In the course of the Commission's meetings and interviews with key officials of the City and State Governments, it was emphasized that the cost and funding of the City University were the main objects of the deepest concern. The Commission finally felt that its analysis and recommendations in this area could serve best as the leading edge of the entire report.

INTRODUCTION TO FUNDING RECOMMENDATIONS

Clearly, the central questions confronting the City University involve its future financing and funding. Without the answers to the fiscal questions, it is impossible to assess the educational future of the Institution. All the other crucial questions and problems involving the future of the University radiate from this central one.

A strong feeling developed within the Commission that this should not be so, and that funding arrangements and formulas should be subjected to the logical development of what is best for the University in terms of function, structure, and governmental relationships. But the Commission clearly recognized the overpowering force of current realities. The future funding of the City University is unavoidably the key to its future.

The arguments for and against the various approaches to the solution of the University's fiscal problems tend to be elliptical if not circular -- to intersect, coincide and collide with other major questions concerning the future of the University, equally circular, interconnected and unresolved.

The question of increased student contributions to the cost of the University -- the tuition issue -- runs into the following unsettled policy and power conflict issues: (1) the "right" of the City to maintain a free tuition policy for New York City students, while simultaneously demanding a greater percentage of State contribution to the cost of education of those students; (2) the "right" of the State to insist that in return for its contribution to the City University, the same fee structure applicable to State University students should apply to those in the City University; (3) the "right" of all New York youths to an undergraduate

education, at public expense, without being forced to pay tuition charges; (4) the "right" of the State to insist that all New York City students "who can afford to pay" be required to pay a substantial part of the cost of their education.

All the above questions, and many others, revolve around the basic questions of authority -- who does have and who should have the right and the power to decide affirmatively or negatively the free tuition and other questions, thus marking the end of the unending circle of arguments on this issue.

In the same way, proposals to increase the State's percentage contribution to the cost of the City University raises the following pertinent questions:

(1) Is the State justified in insisting, as a condition for increasing its percentage contribution to CUNY, on greater control over the City University both for budget and policy? At what point of percentage contribution to the cost of the City University should the State exercise the same degree of control over the City University that it does over the State University?

(2) If the City agreed to yield control of the City University to the State, in return for the State's assumption of the major burden of the cost of the University, what would happen to the social orientation and responsiveness of the City University to the needs of the City (aside from free tuition)? What would be the effect and impact of such a change on the special mission of the City University, as now understood?

In its deliberations, the Citizens' Commission has arrived at answers to these questions. Some are dealt with directly in this section of the report. Others are touched on only by implication but will be fully covered in subsequent sections of the Commission's report.

SUMMARY OF RECOMMENDATIONS

The funding recommendations of the Commission on the Future of the City University will not please everyone. The Commission discovered early that there was no possible fiscal formula or funding plan for the University which could accommodate the sharply differing approaches to the fiscal future of the University. The fiscal program we are recommending below, however, seems to represent a realistic and desirable alternative to the present way of doing things. These are the Commission's basic fiscal recommendations:

1. The State should progressively increase its percentage contribution to the operating cost of the City University from the present 50:50 division with the City to a new level of 75 percent, increasing its contribution by 5 percent annually until the 75 percent level is reached. Specifically, the final arrangement would be for the State to match on a 3:1 basis every dollar which the City contributes in tax levy to the operating cost of the City University, within the framework of the total City University budget, approved and certified as required by present law. This recommendation would apply to community as well as to senior colleges.
2. The principle of "free tuition" for full-time undergraduate students at senior and community colleges should be continued.
3. The present "free tuition" policy effectively obscures two prevailing practices which we deem inconsistent with the principle and justification for free tuition and which consequently demand remedy. First, free tuition does not apply to the University's 32,000 graduate students nor to the 47,000 non-matriculated students attending senior and community colleges. Second, all

students at the City University of New York pay non-instructional fees, without regard to ability to pay. The entire prevailing system of student charges should be overhauled and restructured on the basis of ability to pay. The application of fees for all students and tuition charges for graduate and non-matriculated students should be graduated in accordance with family income, without increasing the general level of those fees and charges. (See page 34 for details of the formula).

4. The total tuition and fee income collected by the University (aside from student activity fees) should be directly devoted to the support of the construction program. The present State Law (CUNY Construction Fund Act) should be amended to provide for the preemption and use of such income for this purpose without the subsequent substitution by a State-City contribution in the same amount. Thus the State would no longer be required to make a fifty percent contribution to the servicing of City University Construction Fund debentures.

5. The law should be amended to require the City to provide, as a separate and priority portion of its annual tax-levy contribution to the operational costs of the City University, and as part of the annual certification of the City University budget, the balance of whatever amount is estimated by the Construction Fund and agreed to by the Mayor, as required for the ensuing year to support the debentures of the Construction Fund.

The enactment of the above recommendations, which are conceived of by the Commission as an interconnected, total funding program, would create a rational system for financing the City University, a system that would allow educational considerations rather than political considerations to dominate.

The rest of this section of the report presents the Commission's conclusions and its reasoning behind these conclusions on each of the five points.

NEEDS OF THE CITY UNIVERSITY

There can be no question that financing the City University, which is already a difficult problem, will become even more so in the future. In fiscal 1967-68, the University budget (including debt service) was \$186.6 million; in fiscal 1968-69, \$207.9 million, an increase of 14.4 percent; in fiscal 1969-70, \$251.6 million, an increase of 21 percent.

For the fiscal year 1970-71 (the first year of Open Admissions), the City University's operating budget was \$332 million, a 32 percent increase over the previous year. In fiscal 1971-72, the University will receive \$385 million, an increase of 18 percent over the previous year.¹ According to its Master Plan, by 1975-76, the University will require \$916.5 million for its operation.²

Even though this projection is predicated on a slower rate of growth over the next four years, the increase in cost will be substantial -- all the more so because the projections do not provide for the creation of major new institutional or curricular programs, but only for the implementation and gradual expansion of those already established.

Even if the University's budget requests are annually cut as drastically as they have been in recent years (between 10 and 20 percent), the 1975-76 budget figure would still be \$824 million.³ In fact, it has been estimated that the University's absolute survival budget for 1975-76 would be greater than twice the 1971-72 actual budget.⁴

Clearly the City University will need vast sums of additional fiscal support over the next several years.

The funding problem facing the University, however, is not confined to the cost of operations; there are a number of collary issues, the most critical of which is financing the Capital Construction Program.

The shortage of space is one of the most restrictive factors handicapping the Open Admissions Program. Even before Open Admissions the University faced a space problem. In 1969 private four-year colleges had gross space of 324 square feet per full-time equivalent student; the State University had gross space of 358 square feet; and CUNY had gross space of 84 square feet.⁵ Major pending expansion projects, including the construction of the projected York College campus in Jamaica, the new Bernard M. Baruch College in Brooklyn, the new Medgar Evers College near Bedford Stuyvesant, the projected major additions to City College -- all depend upon the adequate financing of the Construction Program.

The Construction Program was launched in 1966 under the terms of an approved Master Plan calling for the completion of the Construction Program by 1975, at a tentatively estimated cost of \$615 million for the senior colleges alone. Since 1966 inflation, increased construction costs, and expansion of the original plans have driven the total estimated cost to \$923 million for the senior colleges. This estimate does not include a projection of future price inflation nor do these figures include community college construction costs estimated at \$367 million for the next five years.⁶ (The community college construction program is not covered by the City University's Capital Construction Fund.)

The prospect is made all the more difficult because until last Spring financing the Capital Construction program was legally limited by the amount of revenue from student fees and graduate and non-matriculated student tuition charges at the senior colleges.

Even though the counsel to the Construction Fund ruled that this no longer had to be the case, there has been no indication that any other source would be forthcoming to pay the additional debt-service needed for increased bonding capacity.

Continuation of present arrangements means that the Construction Fund is in serious trouble. As of last Spring it was estimated that the Fund faced a deficit of between \$573 and \$373 million by 1975-76. A retarded construction rate will mean a continuing and increasingly critical space shortage. Failure to meet construction goals means that the University must rent more space which increases its operating costs.

It is crucial, to meet the space needs of the increasing enrollment of the University, that the revenue available to support construction bonds be increased and that the present system be changed.

THE COMMISSION'S PERSPECTIVE

From the outset, the Commission realized that a new and more orderly method of financing the City University had to be found. This year's budget crisis involving both Albany and New York City gave added force to the Commission's initial realization. One possible alternative considered by the Commission was increased assistance from the Federal Government. However, a delegation from the Commission which made a trip to Washington found that this possibility was not at present realistic. (The federal approach is treated in a subsequent section of our Report.)

Basically, the Commission has examined the following issues:

- (1) the State and City contributions to the operating cost of the University;
- (2) the question of tuition for full-time students; (3) the present fee structure and tuition charges for graduate and non-matriculated students;
- and (4) the financing of the University's construction program.

In considering these four fundamental funding questions, the Commission has tried to be mindful, not only of the increasing needs of the City University, but also of the real financial problems facing both New York State and New York City. It has been our approach that our funding proposals had to be realistic as well as idealistic, aimed at what could be done as well as what might be done.

In pursuing our responsibility we have attempted to leave no significant alternative unexamined. Given the financial crisis before the City and State, we have even considered recommending a significant reduction in the scope and mission of the City University -- a course ultimately rejected because of the crucial importance of CUNY to New York City and its citizens. (This subject will be dealt with extensively in a subsequent section of the report on the Scope and Mission of the City University.)

In considering each of the four main issues, we have considered a wide variety of proposals and their implications. For example, in the area of the contributions made by the City and State, we not only studied a number of different funding formulas but also the costs and benefits of the total incorporation of the City University into the State system. We also examined other possible alternatives such as the creation of higher education taxing districts, a university investment corporation, and the possibilities of an entirely new system, the "voucher system" of government contributions directly to students, so that they can attend the universities of their choice. In the area of possible tuition charges, we not only looked at the possibility of a larger contribution by students in the form of tuition and fees; we also looked at the plan now in operation at Yale and proposed for public institutions of higher education in Ohio whereby students would pay back the cost of their higher education over a period of thirty-five years. No approach has been neglected or rejected out of hand.

The following represents the Commission's conclusions and general reasoning on the four main issues involved with funding the City University:

1. City and State Contributions:

The Commission recommends that the State progressively increase its percentage contribution to the operating cost of the City University's senior colleges from the present 50:50 division with the City to a new level of 75 percent, increasing its contribution by 5 percent annually until the 75 percent level is reached. In the case of community colleges, the Commission recommends that the State also progressively increase its percentage contribution to the operating cost of the community colleges which are a part of the City University from the present 40:60 division with the City to 75 percent, increasing its contribution by 5 percent annually until this 75 percent level is reached. (This recommendation reflects, among other things, the Commission's belief that the community colleges should be an integral part of the City University -- a subject to be discussed in a subsequent section of the report.)

Certainly during recent years the State has shown an increasing concern with higher education. It still lags behind California in the total amount it contributes and ranks only twenty-first in terms of per capita support.⁸ In 1960, slightly less than 4 percent of the State budget went to higher education. In 1970, just over 10 percent of the total State budget went to higher education.⁹ The State University of New York has been the principal beneficiary of this increase.

In the 1960's, State appropriations to SUNY increased by 646 percent -- from 51.1 million to \$381.2 million. In contrast, the State contribution to the City University grew to a maximum of "only" \$134.6 million.¹⁰ The Commission believes the State should further raise its contribution, to 75 percent of all operating costs, over the next five years.

The Commission has made this recommendation for the following reasons:

There is the matter of responsibility. The support of public education has historically been a primary state responsibility. This has been recognized throughout the United States. During the last half century there has been a growing realization that this responsibility includes higher education as well. In 1965-6, public four-year colleges in the United States received 68.1 percent of their income from state governments; in California the proportion was 83.5 percent.¹¹ A number of cities contribute a portion of the cost of operating a two-year college, but no city outside of New York supports a major university system. The State Constitution does not clearly establish the State's legal responsibility for funding public higher education in New York. However, the State has, in fact, assumed the total responsibility for funding public higher education, outside New York City, but only partially within the City. This situation has an historic base, but it is an educational -- and political -- anomaly.

There is the matter of equity. New York City residents are bearing a disproportionate share of the cost of higher education throughout the State. Estimates of the share of State revenues produced by New York City range from 43 percent (State Budget Office) to 47 percent (Citizens' Budget Commission) to 51 percent (New York City Budget Office) The generation of revenues can be looked at in a variety of ways. The following table, which shows the tax revenue sources for financing public higher education in New York State, uses the Citizens' Budget Commission figure of 47 percent, which is a reasonable one.

TAX REVENUE SOURCES FOR FINANCING OPERATING COSTS OF PUBLIC HIGHER EDUCATION (1970-1971) ¹²

<u>System</u>	<u>Tax Revenue Source</u>	
	<u>New York City</u>	<u>All Other Areas Of State</u>
1. State University (a) (Excluding community colleges)	\$179.2 million	\$202 million
2. City University (b) (Including community colleges)		
a. Costs Paid From Local Revenues	146.6	-----
b. State Share of Costs	63.0	71.3
3. Community Colleges Outside of New York City (State Share) (c)	<u>21.6</u>	<u>24.4</u>
	\$410.4 million	\$297.7 million
a. The total State appropriation to the State University operating budget for 1970-71, as shown in the Executive Budget, was \$381.2 million. Other sources of State University funds are student fees, federal and foundation grants, etc. Total operating expenditures from all sources will exceed \$500 million.		
b. Total City and State appropriations to the City University budget for 1970-71, as shown in the City Record, amounted to \$281.2 million. Student fees, bond financed expenditures, etc. will raise total expenditures to the approximate budgeted total of \$332 million.		
c. Total State appropriation (\$68 million) as shown in the Executive Budget, less 40% (the State share) of the operating budgets of the community colleges in New York City, as shown in the City Record.		

New York City pays for approximately 60 percent of the combined City and State contributions to public support of higher education in New York State.

The City's relative share of the benefits of higher education is almost exactly in reverse proportion to what the City pays - there were approximately 287,000 full-time students receiving public higher education in New York State in the Fall of 1970, the first year of Open Admissions. Of this number 110,560 were from New York City as the following table demonstrates:

NEW YORK CITY STUDENTS RECEIVING HIGHER EDUCATION IN NEW YORK STATE ¹³

	<u>Number of Full-Time Students</u>
<u>SUNY:</u>	
Community Colleges	1,874
Senior Colleges	11,783
Graduate	<u>1,308</u>
Total	14,965 (a)
(b)	
<u>CUNY:</u>	
Community Colleges	28,084
Senior Colleges	64,701
Graduate	<u>2,810</u>
	95,595
Overall Total:	110,560
a. This represents 8 percent of the total number of full-time students at SUNY, a drop from 10 percent in 1960. However, it should also be noted that the actual numbers have increased from 4,503 in 1960 to 14,964 in 1970.	
b. At the City University 95.5 percent of students at Community Colleges, 96.2 percent of students at Senior Colleges, and 78.7 percent of students in the Graduate program come from New York City.	

Even with the advent of Open Admissions, only 40 percent of the total number of students receiving public higher education in New York State come from New York City.

Even if the comparison is based on part-time as well as full-time students at CUNY and SUNY, the basic unfairness of the present system is still apparent. The following chart shows the geographic origin of all students at public institutions of higher education in New York State:

	GEOGRAPHIC ORIGIN OF STUDENTS * 14			
	<u>New York City</u>	<u>New York State (Exc. N.Y.C.)</u>	<u>Out of State</u> **	<u>Total Enrollment</u>
State University	13,833	133,219	8,417	155,469
City University	119,865	7,808	2,057	129,732
Community Colleges Sponsored by the Board Of Higher Education	53,167	1,473	1,223	55,863
All Other Community Colleges	<u>5,176</u>	<u>63,406</u>	<u>1,657</u>	<u>70,239</u>
Totals	192,041	205,906	13,354	411,303

* Enrollment figures are the Fall 1970 full-time and part-time enrollment (under graduate and graduate), based upon enrollment statistics furnished by the State University Office of Institutional Research and the City University Office of Data Collection and Evaluation.

** Including Foreign and Unavailable

Of the total approximately 47 percent come from New York City and 53 percent from New York State exclusive of New York City.

Neither of these calculations which show that New York City residents are paying a disproportionate share of the cost of higher education takes into account the State's contribution to private institutions of higher education. In 1970-71 this amounted to \$26 million.¹⁵ In addition, the State sponsored a number of programs, particularly the Scholar Incentive program, whose benefit went to students other than those at the City University. If these figures were taken into account, it would make the ratio between the amount of contribution and the amount of aid received appear to be even more discriminatory against New York City.

The point about equity can be made in still another way, in terms of the amount of State support provided for each full-time equivalent student (F.T.E.) at the City University and at the State University. In 1969-70, CUNY senior colleges were supported by the State at the rate of \$1,033 per FTE student. SUNY four-year colleges received \$1,662 per FTE student, and SUNY University Centers received \$2,902 per FTE. Thus State support of students enrolled in the City University on an FTE basis was 46.6 percent that of students receiving public higher education in New York State outside New York City.¹⁶

Whatever basis of analysis is used, the present basis or formula for State funding of the City University is inequitable to the taxpayers of New York City, not to mention the New York City students enrolled in the University.

Increased State funding is needed because of fiscal realities. Both the City and the State face the problem of governmental costs rising faster than revenues. In the City, governmental costs are increasing nearly three times faster than revenues; in the State in 1970-71, revenues rose 9 percent and costs 15 percent. Although the general fiscal problem faced by both the City and State is similar, the State is, in general, in a better financial position than the City. The State has the power to determine its own tax structure and level of tax rates; the City must obtain State legislative approval for tax measures it wishes to enact. Personal income and business taxes, which are highly responsive to economic growth and expansion, constitute only 12.9 percent of City revenues compared with 58.8 percent of State revenues. Also, the State's debt service obligations at present amount to only \$150 million per year, less than 2 percent of the 1970-71 State budget, compared with \$976 million for the City, more than 10 percent of the City's 1970-71 budget.¹⁷

In view of these and other related factors, New York City will find it increasingly difficult over the next several years to obtain the funds to support its increasing governmental costs, including the money required to support the City University, with its mounting budget. As the Citizens' Budget Commission has observed, "The amount spent by the City Government has tripled in the last decade, while virtually all its problems have increased rather than abated." Since New York City's problems have become more intense and demanding of remedy rather than otherwise, the City might find it difficult to maintain the present 3.3 percent of the City budget for the City University, much less increase the University's portion to 5.3 percent in 1975-76, which is the projected level of need.¹⁸ With the present 50-50 ratio of support between the City and the State, the City University would face the prospect in the years ahead of receiving less than the amount it absolutely must receive in order to survive.

Realizing that the State as well as the City are caught in a financial squeeze, the Commission has not recommended 100 percent State funding as was recommended by the Schwulst Commission on New York City Finances in 1966-67, nor the percentages recommended by Mayor Lindsay in successive proposals to the State Legislature.

It should also be noted that the Commission, in recommending a 75-25 percent division between the State and City, is recommending a ratio of State support substantially below that provided for public higher education in California and other states. According to staff estimates, the cost to the State of the proposed 75 percent contribution to the City University would

be roughly half of what the total would be if the State were to support CUNY at the same level it does SUNY.

The following table indicates what would happen in 1975-76 if the Commission's recommended funding formula were put into effect:

1975-76 Projected Budget

Present Formula:		New Formula: (75:25)
Total	\$824.9 million	\$824.9 million
City Share	\$417.0*	\$279.5 **
State Share	\$386.5*	\$525.0

* This projection, using the current funding formula includes City and State contributions to the anticipated debt service (a total of \$104.8 million). The application of the new formula would save the City at least \$137.5 million in fiscal year 1975-76. Whatever fees are paid by students would lesson the City's contribution.

** This number includes the total anticipated debt service of \$104.8 million.

The Commission does not believe that increased State support for the City University must mean State control of the University. (This is a subject dealt with in a later section of this report.) Funding without control is already the rule in secondary and elementary education in New York State. In addition, the City University, as an independent institution, not only has a unique tradition and character but also a very special importance for New York City and its future.

2. The Question of Tuition for Full-Time Students:

The examination of the desirability and possibility of a larger contribution from the students in the form of increased tuition and fees constituted a major portion of our original assignment from the Board of Higher Education. No subject before the Commission was more carefully examined or more hotly contested.

The Commission declares its support of the principle of "free tuition" for undergraduate students, and recommends the continuation of the University's present policy in this regard.

Free tuition is more than a cherished tradition, a slogan or a sentiment. It has deep meaning for great numbers of New Yorkers -- alumni, students, parents, and faculty. After an intensive examination of various alternative forms of increased student charges, such as the imposition of a tuition charge on a deferred payment basis, as in the plan now in operation at Yale, the Commission concluded that there are compelling arguments for the principle as well as the practice of free tuition for undergraduates -- for truly free tuition. The benefits to be gained from an abandonment of the free tuition principle did not seem to the Commission to be comparable to the sacrifices and losses involved.

"Free tuition", as a phrase of language, contains an internal contradiction. Tuition means charge for instruction. The correct term is "no tuition". However, the battle flags of free education at City University have long been inscribed with the fighting phrase "free tuition". The historical background is worth recalling. The Free Academy, established by City-wide referendum in 1847, which evolved into the City University in 1961, was the first free municipal university in the nation. It was authorized by the State Assembly and overwhelmingly approved in a referendum by the voters of New York City. Such a tradition ought not be destroyed, nor fundamentally altered, without long-range purpose.

In its original name, it was not accidental that the word "Free" preceded the word "Academy" or that the State Legislative Act authorizing the establishment of this institution underlined this concept by defining its purpose as "extending the benefits of education gratuitously". Free State Universities had been established previously, largely in small towns. But the Free Academy was the first free municipal institution of higher education in the nation, and it was authorized only five years after the City had set up its Board of Education to conduct free schools at the lower academic levels.

New York City's attachment to the "free tuition" policy has not diminished over the years. If anything, it has increased, as the Commission discovered at its public hearings and in meetings with students, faculty, and elected officials. Students, faculty, alumni, and civic organizations throughout the City as well as the Mayor and the leadership of the City Council all recommended the maintenance of "free tuition" both as a principle and as a practice.

The Citizens' Commission, however, has not taken its position simply because of the past, nor because of the degree of public support for "free tuition".

The same argument which has historically applied to free primary and secondary education is applicable today to higher education. With vocational, professional, and societal pressures demanding the college degree as an almost essential requirement for any but the most menial white-collar job, a college education is quickly passing into the category of a necessity. It has become a social right rather than a special opportunity for aspiring men and women. This phenomenon provides much of the justification for the University's Open Admissions Programs, doubtless the way of the future for all public universities. In fact, the extremely high percentage of high school graduates who choose to go on to college indicates the extent to which young New Yorkers see further education as a necessity.

Recent data compiled by Robert Birnbaum and Joseph Goldman for their study The Graduate: A Follow up Study of New York City High School Graduates of 1970 indicates that 76 percent of all New York high school graduates were enrolled as full-time students in post secondary institutions at the start of the 1970-71 academic year. Indeed there are at present more students in college than there were in high school in 1920.²⁰

In the light of this development, the abrogation of the no-tuition tradition, just after instituting an Open Admissions policy, would seem to be an acute contradiction of this new foundation of the University's educational policy. To admit into the University, for the first time, large numbers of the economically and socially disadvantaged and then, immediately thereafter, to impose, for the first time, tuition charges upon the student body, would justifiably raise basic questions of social sincerity.

Then, too, there is the question of equity. A common argument for tuition is that college students tend to come from the more affluent sectors of society. Not only can they afford to pay tuition, the argument goes, but they have an obligation to pay. However, the data shows that the students attending the City University are not the children of the affluent. Of CUNY students, 73 percent of senior college freshmen and 80 percent of community college freshman come from families in which neither parent attended college. This compares with 53 percent for freshmen nationally at four-year colleges and 70 percent at community colleges.²¹ More than 11,000 of the 36,000 freshmen who thronged into the City University under Open Admissions in September 1970 would not otherwise have attended any college or university. As Robert Birnbaum and Joseph Goldman concluded in their study: "Open Admissions at CUNY can be identified as the sole factor responsible for increasing the college going rate in New York City to 75.5 percent."²² Most students at CUNY come from poor and lower middle income families. This was true even before the initiation of the Open Admissions program. The following table presents gross family income data for CUNY freshman in 1968-69.²³

Gross Income	GROSS FAMILY INCOME OF CUNY STUDENTS 1968-69 ²³					
	Community Colleges	Senior Colleges	SEEK	College Discovery	TOTAL	
Under 4,000	10.7	5.4	28.0	23.0	9.7	
4,000-5,999	19.0 52.9%	13.0 38.5%	42.0 90.0%	29.0 73.0%	17.9 49.3%	
6,000-7,999	23.2	20.1	20.0	21.0	21.7	
8,000-9,999	19.4 38.9%	22.0 49.0%	7.0 10.0%	21.0 27.0%	19.8 41.3%	
10,000-14,999	19.5	27.0	3.0	6.0	21.5	
15,000-19,999	5.8 8.2%	8.1 12.5%	0.0 0%	0.0 0%	6.3 9.4%	
20,000-Over	2.4	4.4	0.0	0.0	3.1	

Although precise figures are not available for the average family income of Open Admissions students, there can be no question that this student population is heavily made up of those from lower income families.

Even before the start of Open Admissions, the student body of City University came largely from families for whom sending a son or daughter through the University represented a substantial financial hardship. The cost to the student, exclusive of contribution to room and board at home, was estimated to be between \$1,000 and \$1,300 per year.²⁴ According to the University's Need Analysis System, a family of four with one wage earner would need to have an income of at least \$15,000 a year to be able to send a son or daughter to the University without undue hardship.²⁵ As the previous table made clear, very few students at the City University come from families with gross incomes above \$15,000 a year.

Based on these facts, it is clear that for the great majority of students, a tuition charge would be hard to bear. Most students at the City University and their families do not have incomes which could support tuition charges without imposing a substantial family hardship.

Of course, most advocates of tuition do not base their arguments on student impact but rather on other practical concerns. A common argument is that tuition will substantially increase the City University's revenues. The Commission examined this argument very carefully and concluded that the financial benefits generated would not be of critical fiscal significance, certainly not enough to offset the costs in terms of principle. New York City's Budget Director estimated that the net gain for the University would be no more than \$25 million a year.²⁶ Indeed, at the last session of the Legislature, in the last days of the session, there was an almost successful move to mandate tuition on CUNY students. This move was suddenly aborted,

after the legislative leaders had received a study showing that even if tuition charges were imposed on the students, the State would make no major saving in terms of its contribution to CUNY. The only substantial effect would be to force the City to increase its costs.

A study conducted by Peat, Marwick and Mitchell for the Commission concluded that a \$400 tuition charge -- the highest amount most tuition advocates believe possible as an initial tuition charge -- would increase the University's revenues for 1971-72 by \$37 million, less than 10 percent of the City University's operating costs. The amount would be \$48 million in 1974-75 when Open Admissions would be in full operation.²⁷ This figure is approximately 6 percent of that year's Master Plan projection of CUNY costs. Clearly the imposition of tuition in itself would not be sufficient to solve the financial crisis facing CUNY.

Moreover, the estimated University revenues which would be generated by a \$400 tuition would be diminished by the cost of the student financial aid programs required to defray the tuition charges for very needy students. The assessment of a \$400 tuition (and a concurrent elimination of non-instructional fees) would result in a net added annual cost of \$330 (\$400 less current general fees) for senior college students and \$360 for community college students.

The increase in the level of family income necessary to cover these costs would substantially increase the number of CUNY students eligible for financial aid.

But the City University is already critically short of funds for financial aid programs (although the City University receives more in federal funds for student aid than any other University in the nation). A recent study by the Executive Committee of the University Faculty Senate, states that in the

case of students with family incomes below \$8,000, the amount of financial aid for which they were eligible, under the standard criteria of the Needs Analysis System, was \$14,994,000 more than there was ²⁸ available. There simply is not enough financial aid money, and all students eligible for aid have had to be cut back proportionately.

If funds were made available, from City or State sources, to meet the needs of the needy as, for instance, by expanding the State's Scholar Incentive program, the imposition of tuition charges would result in even less of a saving for the State and the City.

There would be other disadvantages. Access to the City University without payment of tuition is one of New York City's major attractions to middle income families. The imposition of tuition would certainly be a major incentive for middle income families still remaining in New York City to migrate to the suburbs.

Another practical argument used by tuition advocates runs as follows: The governor and legislative leaders urgently desire a tuition imposed at CUNY comparable to that at SUNY. In return for imposing such a tuition, the City University would receive greatly increased State support.

It is the judgment of the Citizens' Commission that the achievement of comparability with the State University does not provide a sufficient inducement for the breach of the tradition and principle of no tuition at the City University. Moreover, on the basis of the Commission's discussions with State officials, there is no tangible evidence that the imposition of tuition on City University students would lead to substantially increased support by the State in appreciation for the action taken.

The Commission did give serious attention to the possibility of recommending a "shadow" tuition: Students would be charged a tuition which, in

turn, would be reimbursed by the City government. This plan had been put forward -- and rejected -- in 1965. Its aim is to impose tuition without actually requiring the students to pay it. After careful study, the Commission rejected this possibility, since it clearly would not satisfy those State legislative leaders who advocate tuition, and at the same time it would represent an abandonment of the free tuition principle.

3. Fees and Tuition Charges for Graduate and Non-Matriculated Students:

In the course of its study, the Citizens' Commission concluded: The present free tuition policy effectively obscures two prevailing practices which we deem inconsistent with the principle and justification for free tuition and which consequently demand remedy. First, free tuition does not apply to the University's 32,000 graduate students nor to the 47,000 non-matriculated students attending senior and community colleges. Second, all students at the City University pay non-instructional fees without regard to ability to pay. The entire prevailing system of student charges should be overhauled and restructured on the basis of ability to pay. The application of fees for all students and tuition for non-matriculated students and graduate students should be graduated in accordance with family income, without increasing the general level of those fees and charges.

The present system of free tuition applies only to full-time matriculated undergraduates. For 1970-71, 80,000 students (approximately 47 percent of total enrollment) paid tuition. This total can be broken down as follows:

	Number of Students	Tuition ²⁹
Graduate Students	32,000	\$45/credit
Non-Matriculated Students at Senior Colleges	27,500	\$18/credit
Non-Matriculated Students at Community Colleges	<u>20,500</u>	\$15/credit
TOTAL	80,000	

In addition, all students pay fees. This includes every full-time matriculated undergraduate who pays \$70-\$100 in fees.

The following table sets out exactly how the system of student charges work.

CITY UNIVERSITY FEE SCHEDULES ³⁰

Category	Number of Students	Fee Schedules Effective 9/1/70	
		Fee* (Per Credit or Per Semester)	Revenue (1970/71) Millions
<u>Graduate Students</u>			
Tuition: Teacher Education Matrics	8,000	\$45 cr.*	\$ 4.2
All Other.....	24,000	45 cr.	8.8
Non-Instructional Fee.....		50	3.2
Total.....	32,000		\$16.2
<u>Senior Colleges - Undergraduates</u>			
Matrics: Tuition.....		-0-	\$ -
Non-Instruc. Fee, Full-Time	60,000	35	5.0
Non-Instruc. Fee, Part-Time	16,000	17	0.8
Non-Matrics: Tuition.....		18 cr.	7.0
Non-Instruc. Fee, Full-Time	1,500	35	0.1
Non-Instruc. Fee, Part-Time	26,000	17	1.3
Total.....	103,500		\$14.2
<u>Community Colleges</u>			
Matrics: Tuition.....		-0-	\$ -
Non-Instruc. Fee, Full-Time	20,000	20	1.0
Non-Instruc. Fee, Part-Time	6,000	10	0.2
Non-Matrics: Tuition.....		15 cr.	4.8
Non-Instruc. Fee, Full-Time	500	20	0.0
Non-Instruc. Fee, Part-Time	20,000	10	0.5
Total.....	46,500		\$ 6.5
<u>Other</u>			
Continuing Education.....			\$ 1.0
Out-of-City Students.....			2.0
Summer Session Tuition - Comm. Colleges			0.3
Miscellaneous Fees.....			2.1
Total.....			\$ 5.4
Grand Total.....			\$42.3

*Cr. - tuition on a per credit basis; all other fees are on a per capita basis per semester

As has already been mentioned, the cost of attending the City University - exclusive of room and board - is, at present, somewhere in the range of \$1,000 - \$1,300. Fees and tuition are, or would be, in addition to this cost. Moreover, as income data presented earlier in this report made clear, for most students, attendance at the City University represents a financial hardship without taking tuition charges into account.

Among the hardest hit by the present system are non-matriculated students. By virtue of the time of their graduation from high school, they are not eligible for Open Admissions. Yet substantial numbers of them have higher academic records than many Open Admissions freshmen. In addition, many of them were, in fact, eligible for matriculated status but because of financial need, are required to work during the day hours to help support their families. Thus, this group which includes a large number of those least able to pay fee and tuition charges are paying as much as \$250 per semester.³¹ What makes their situation worse is that they are not eligible for most forms of student financial aid.

Like non-matriculated students, the approximately 24,000 graduate students (not counting the 8,000 graduate students in the Teacher Education Program) are charged fees plus tuition on a credit-hour basis. A student taking nine credits a semester - a reasonable load - pays \$900 per year.³² Although graduate students are eligible for the City University's student financial aid programs, these programs, it is estimated, are able to supply only about one third of graduate students' financial needs.³³

Ideally "free tuition" should be extended to cover graduate and non-matriculated students, and their fees should be eliminated. However, the Commission views such an "ideal" course as impractical at this time. Complete elimination of present tuition and fee charges would diminish the University's revenues at a time when it is already hardpressed. More than that, it would

cripple the capital construction program not only because it needs the funding but also because interest rates on construction fund bonds are kept down by the fact that debt service is pledged by tuition and fee charges.

Instead, the Commission has decided that the most realistic and equitable approach is to recommend a new system of fees and charges, based on ability to pay. All tuition and fee charges should be graduated according to family income level. Such a plan might be structured as follows:

SUGGESTED FEE SCHEDULE

Schedule I* - One Wage Earner

Income	Number of Members in Family				
	1	2	3	4	5
Below \$7500	10%	0	0	0	0
7500 - 10,000	25%	20%	10%	0	0
10,001 - 12,500	50%	35%	30%	20%	10%
12,501 - 15,000	75%	60%	55%	45%	35%
15,001 - 20,000	100%	85%	75%	65%	60%
Over 20,000	100%	100%	100%	100%	100%

Schedule II* - Two Wage Earners

Income	Number of Members in Family			
	2	3	4	5
Below \$7500	0	0	0	0
7500 - 10,000	5%	0	0	0
10,001 - 12,500	25%	20%	10%	0
12,501 - 15,000	55%	40%	35%	25%
15,001 - 20,000	75%	60%	55%	50%
Over 20,000	100%	100%	100%	100%

*For each additional student in college, take fee from one column to the right.

Thus, the amount of student charges, including fees for all students and tuition for graduate and non-matriculated students, would vary, depending on (a) family income, (b) the number of persons in the family, and (c) the number of wage earners. In the case of a family of more than one member, with one wage earner, with an income below \$7,500 a year, no fees would be paid; in the case of a family of four or more, with only one wage earner, and an income between \$7,500 and \$10,000 a year, no fee would be paid. Full charges would be levied at the \$15,000 - \$20,000 income level and then only for a family of one, with one wage earner.

The gradations in the scale are based on the scale used by the University in its Needs Analysis System.

This proposed change in the fee and tuition structure involves a means test. The Commission regards this as unfortunate. However, it should be noted that at the present time, according to University estimates, somewhere around 75 percent of CUNY students fill out financial questionnaires which require data on family income.³⁴

While not the ideal system, this proposed method of graduating student charges on an ability to pay basis, will not only correct a major inequity but also give the phrase "free tuition" real meaning.

This plan has one major practical drawback. It will decrease the amount of revenue from student charges and thus, undercut the Capital Construction Program. The exact amount by which it would reduce revenues is uncertain, due to the lack of hard up-to-date information on the family incomes of students. Preliminary staff estimates, however, indicate that revenue from student charges might be reduced by as much as 50 percent.³⁵ The implications of this and its meaning for the Capital Construction Program

Commission's recommendation that the State increase its contribution to 75 percent of the University's operating costs is accepted, then this device would not be necessary.

Second, New York City would be committed to pay, from tax levy, the balance of the projected amount required for debt service, after subtracting the projected income from student tuition and fees, in each fiscal year. The major advantage of this system would be that the Construction Fund's bonding capacity would no longer be restricted by the amount collected from student charges. This would make it possible for the University to avoid the probable capital construction deficit for 1975-76. Of course, because the City would be obliged to pay that portion of debt service not covered by income from students, it would be picking up an added cost. This would be more than offset by the savings to the City which would result from the reduction of its share of the operating costs. As an earlier projection (page 23) indicated, in 1975-76 the City would save \$137.5 million under the proposed formula compared with the present formula.

One real disadvantage of this arrangement is that it would probably result in a reduction in the rating of the City University series bonds, and therefore, in a higher interest rate. It is estimated that bonds based on a "promise to pay" by the City would result in an interest rate of approximately 8 percent, meaning that the construction program might cost an additional \$30 million. While this would be unfortunate, it would be worth it, in order to eliminate the present artificial bonding ceiling.

Third, the State would cease to pay any portion of debt service. Under present 50-50 arrangement, it is estimated that the saving to the State would range from slightly more than \$8 million next year to something over \$20

million by 1975.³⁶ This saving would, of course, be small in relation to the increase in State's share of operating costs under the new financing formula recommended by the Commission.

It should be pointed out that given the Commission's recommendation to have community colleges fully integrated into the CUNY system, the community college capital construction program would be operated in the same manner as the senior college construction program. This would have real advantages for community colleges. Since community colleges in New York City have the same relationship to the State as do community colleges in other parts of the State, the State pays 50 percent of construction costs out of its annual capital budget. The City's share is part of the overall City construction for which municipal bonds are issued. Since the City's annual capital needs exceed its debt limit, pressure is created to slow down or defer expenditures for community college construction. Of the 1970-71 capital budget of \$800 million, for example, only \$6.3 million was approved for CUNY facilities.³⁷ The community college construction program involving a total estimated expenditure of \$367 million for the next five years might never be completed under the present system.

FOOTNOTES:

1. All figures on past and present CUNY expenditures provided by the Office of the Vice Chancellor for Budget and Planning.
2. Revision to Master Plan (1968), Section II, p.24
3. Appendix 2, "Operating Costs and Sources of Financing," Staff paper prepared by Peat, Marwick, Mitchell & Company, pp.2-3.
4. Internal University sources.
5. Office of Planning in Higher Education, State Education Department. The following table provides more detailed information:

SQUARE FOOT SPACE DATA PER FULL-TIME-EQUIVALENT STUDENT

A. FOUR YEAR COLLEGES

Type of Institution	Year	Gross Space per FTE Student	Net Space per FTE Student	I&R& Library per FTE Student	Office Space per FTE Student
Private 4 year	1967	306 sq. ft.	197 sq.ft.	68 sq. ft.	19 sq.ft.
	1969	324	208	71	20
SUNY 4 year	1967	346	243	84	22
	1969	358	230	82	22
CUNY 4 year	1967	88	53	38	11
	1969	84	50	34	12

B. TWO YEAR COLLEGES

Private 2 year	1967	458 sq.ft.	280 sq.ft.	88 sq.ft.	18 sq.ft.
	1969	453	306	95	21
SUNY Community Colleges	1967	81	55	38	9
	1969	81	55	36	9
CUNY Community Colleges	1967	99	61	41	11
	1969	70	48	33	11

6. Appendix 5, "City University Capital Financing," Staff paper prepared by the Office of Urban Affairs and Peat, Marwick, Mitchell, and Co., p.1.
7. Ibid, pp 1-2, 6, 7.
8. M.M. Chambers, "Appropriations of State Tax Funds for Operating Expenses of Higher Education," Chronical of Higher Education, October 27, 1969, pp. 4-5.
9. Appendix 2, op.cit., p.8.
10. New York State Executive Budgets, 1960-61, 1970-71.
11. "Study of Income for Higher Education," Carnegie Commission on Higher Education, May, 1968, Appendix E, Table 3.
12. Calculations by Office of Urban Affairs. Basic data from Appendix 2, op.cit., p. 12.
13. "Report on Place of Residence of Student Enrollment for 1970," Department of Budget and Planning, Office of Data Collection and Evaluation, March, 1971.
14. Enrollment figures are for Fall 1970 full-time and part-time enrollment (undergraduate and graduate), based upon enrollment statistics furnished by the State University Office of Institutional Research and the City University Office of Data Collection and Evaluation.
15. New York State Budget, 1970-71.
16. Alan J. Krupnick, "Study of Finances of the City University of New York," prepared for the Financial Planning and Budget Committee of the University Faculty Senate, September, 1970, pp.22-33. (It should be noted that in order to obtain a genuinely fair measure of comparison between support for CUNY and SUNY these figures do not include the costs of dormitories and food service at SUNY.
17. Appendix 2, op.cit., pp. 9-10.
18. Ibid., p.5.
19. Based on calculations by the Office of Urban Affairs, City University of NY.

- 20. Robert Birnbaum and Joseph Goldman, The Graduate: A Follow-up Study of New York City High School Graduates of 1970, May 1971, p.5.
- 21. American Council on Education, "Study of Freshman Characteristics," 1970.
- 22. Birnbaum and Goldman, op.cit., p. 69.
- 23. American Council on Education, "Study of Freshmen Characteristics," 1968. The Study included data from City, Hunter, Baruch, Bronx Community, and New York City Community Colleges. The SEEK and College Discovery data were random samples from the September 1969 enrollees.
- 24. CUNY University Commission on Admissions, October 7, 1969. The following table outlines what is estimated to be the higher parameter of expenses. It does not take into account cost of living increases since 1969.

1969-70 Student Budget

Fees (Including student activities)	\$100
Books	200
Transportation (\$1 per day, 40 weeks)	200
Lunch (\$1.50 per day, 40 weeks)	300
Personal expenses (clothes, medical, recreation, insurance)	500
Sub-total	\$1,300
Contributing to room and board at home	800
Total	\$2,100

- 25. The Need Analysis System adopted by CUNY institutions and published on April 1, 1970 estimates that a four-member family with one wage earner could contribute as indicated below. The expected contribution to college expenses is based on the deduction of taxes and average family living costs, as determined by the Budget Standard Service of the Community Council of Greater

New York, from gross annual income. One fifth of the balance, which is considered discretionary income, is assumed to a reasonable contribution toward college expenses.

<u>Gross Annual Family Income</u>	<u>Expected Contribution to College Expenses</u>
Below \$7,800	-----
8,060	\$ 55
8,580	138
9,100	211
9,620	294
10,140	367
10,920	482
11,440	554
11,960	627
12,480	700
13,000	773
13,520	846
15,600	1,116

- 26. Testimony before the Citizens' Commission.
- 27. Appendix 3, "Financial Aid to Students And the Impact of Tuition," Staff paper prepared by Peat, Marwick, Mitchell, and Co., p.9.
- 28. Alan J. Krupnick, op cit., p.34.
- 29. Department of Budget and Planning, Office of Data Collection and Evaluation.
- 30. Ibid.
- 31. Office of Urban Affairs, City University of New York.
- 32. Ibid.
- 33. Internal University Sources.
- 34. Ibid. Unfortunately the data from these financial questionnaires has not as yet been put into a form which would allow for an accurate estimate of the impact of an ability-to-pay formula such as the one recommended by the Commission on fee and tuition income.
- 35. Office of Urban Affairs, City University of New York.
- 36. Ibid.

DOCUMENT
#14

INVENTORY OF ALTERNATIVE FUNDING SOURCES
FOR CITY UNIVERSITY

STAFF PAPER PREPARED FOR
THE CITIZENS' COMMISSION

BY

PEAT, MARWICK, MITCHELL & CO.

The information presented in this preliminary staff paper is intended for the sole use of the Citizens' Commission on the Future of the City University of New York. The contents of this paper in no way represent the position of the Commission on any issue discussed herein and are not for publication or attribution.

INVENTORY OF ALTERNATIVE FUNDING SOURCES
FOR CITY UNIVERSITY

The following possible sources of funds for the City University are discussed briefly below:

- . Student tuition
- . State government
- . Federal government
- . City government
- . Higher education taxing district
- . University investments corporation

In each case some of the possible social, economic and political implications are indicated. Wherever the use of one source of funds has an impact on the availability of other sources, this is also noted.

STUDENT TUITION

A tuition fee could be established not to exceed the present maximum tuition charged by the State University, currently \$400.00 per student per year. This tuition would apply to all students in the University. Tuition income could be reserved to meet debt service on capital construction, as is the case with State University. If tuition income were applied to operating costs, it would not have a dramatic impact (perhaps 10% at current levels). Applied to construction, however, such income would go a long way toward solving the capital funding problem.

Full use would be made of State and Federal programs to reduce or postpone the actual cost to family and student. A City-funded tuition support program could be added to cover the costs of students in cases

where either family income or existing State and Federal aid do not provide enough money to meet tuition charges. Or tuition charges could be graduated in relation to income, with a requirement that anyone claiming a tuition reduction submit family income data.

Such a policy would place an additional financial burden upon middle and upper middle income families whose income level is such that they would not be eligible for support from State and Federal and City scholarship sources.

A major fiscal impact would be felt by the State government. The State would be mandated to provide an increased level of State support for City University because of increases that would be generated in the existing State student aid programs. These programs include the Scholar Incentive and the Regents Scholarship programs for which, at the present time, City University students are eligible for only nominal amounts. In addition a case could be made for a special scholarship program to parallel the State University Scholarship Fund.

The disadvantages of a tuition policy are:

- . It would put an increased burden on middle and upper middle income families, from whom the City University system has drawn strong public support in the past;
- . Low income families might be discouraged from applying to City University unless the existence of student aid was widely publicized.

The most serious difficulty, however, is the emotional attachment of students and alumni to a "free" University as demonstrated by the outcry whenever the issue has become a public controversy.

An alternative to establishing a tuition policy would be to increase fees, but this has several disadvantages in comparison. Students who are financially in need would still not be eligible for the State Scholar Incentive program and Regents scholarships. Thus the major burden would shift to families in the low income and middle income groups. Such a policy would probably seriously hinder the City University's goal of open admissions.

STATE GOVERNMENT

Increased state support could take the form of increases in either capital or operating funds, or conceivably both. The increased dependence of the City University on the State would probably result in considerably tighter controls by the State upon the administration and operation of the City University.

Having the State provide a larger percentage of capital construction funds has some attractions incommensurate with the amount of funds involved. Once plans are approved for capital construction projects and funds dedicated in the State's four year capital budget, it is difficult for the State to change that contractual commitment. This has been evidenced in recent State budget crises when local assistance and operating funds were cut, but very few reductions were made in pre-approved capital construction projects.

Consideration might be given to adopting a per-student subsidy to supplement existing State aid. Such a subsidy might take the form of a payment to City University of a fixed amount per enrolled student or per degree granted. One advantage of such a formula would be the predictability of this income to the City University.



The State could also expand to include higher education in its present aid to urban education at the elementary and secondary level. The purpose of the existing program is to assist elementary and secondary educational institutions to provide special programs and assistance to students in poverty areas. The City University's open admissions program will enroll many students from poverty backgrounds. This will necessitate the provision of special courses, increased counseling loads and other services which the State could logically underwrite.

There are a number of advocates of the proposition that state aid should take the form of issuing vouchers to all eligible high school graduates which could be applied against tuition at any institution in the state, private or public. Consideration is being given to such a plan now in Wisconsin. The main beneficiaries of such a plan would probably be the private institutions. Advantages to CUNY from such a scheme seem remote. It is conceivable that such a plan could be attractive if its features included (a) more aid per student than is presently provided by appropriation, (b) freedom from overlapping budgetary reviews and fiscal controls and (c) a means of resolving the tuition-no tuition question on a statewide basis.

FEDERAL GOVERNMENT

Direct support from the Federal government to City University for operating expenditures or capital construction seems very unlikely. Prospects are not good at present for any new general program of Federal aid to higher education.

However with increasing concern for the urban environment and the recognition of the need to develop new skills and professional manpower to solve big city problems, increased Federal support may

become available to support such programs on a national scale. City University, given its location, might well be able to make a case that it should be a major operating center for the establishment of such university-affiliated programs.

Another possible source of Federal funds is Federal support for educational innovation in higher education. Substantial Federal funds are now available for educational innovation at the secondary and elementary level. The City University is assuming a new major role with its open admissions policy, which will make university education accessible and meaningful to victims of poverty. Any Federal programs for educational innovation in higher education should be available on a large scale to City University.

Increased aid from the Federal government to community colleges for vocational education programs as a part of the national manpower training act may also be a source of funding.

An aggressive attempt to utilize the funds of the Department of Labor for manpower training within the community colleges of New York City might make available additional sources of revenue. Many of the existing programs offered by the community colleges are, in fact, manpower development programs and as such should receive an increased amount of funding from the manpower development program.

CITY GOVERNMENT

Given the extreme budgetary pressures on the City, the University is not likely to find the solution to its financial problems by looking there. This position might be slightly altered if the Federal Government were to assume the funding of some existing City programs. The welfare program represents the most likely transfer of a City expense

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to the Federal Government. If the Federal Government were to establish a nationwide income maintenance program providing adequate income levels for New York City residents, it would relieve the City of a large financial burden and therefore make it possible to shift funds to increase support of the City University system. The City Budget office warns, however, that if the proposed formula is adopted, the localities could be worse off in the long run than under the present formula.

HIGHER EDUCATION TAXING DISTRICT

Special taxing districts are now in use in New York State to provide for such services as parking, sewers and water. If a higher education taxing district were given the power to levy a specific tax or series of taxes, it could be, in effect, self-supporting or largely self-supporting. Possible sources of tax levy by such a district would be through a surcharge to the City income tax, the dedication of a portion of the stock transfer tax, perhaps a portion of an increased property tax, or a portion of an increased sales tax. The overriding difficulty here is that these taxes do not produce sufficient funds in toto to throw off by surcharge an adequate supply of funds. Currently the sales tax produces about \$496 million, the personal income tax about \$258 million and the stock transfer tax about \$275 million. Furthermore, it is widely believed that the current 6% sales tax in the City is already at maximum level.

Such taxing districts could be established by the State Legislature and given the power to levy specified rates of tax. The taxes raised by the special education district could be utilized by City

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University for operating and capital construction costs. If the taxes levied were high enough, they could act as a complete substitute for State support and City support of the University system. If lower amounts of taxes were levied they could be utilized to cover a portion, perhaps 50% of the cost of running the University, with the other 50% shared equally by the City and State.

Such an alternative would give the City University a clear indication of expected revenues over a period of time. Since the revenues would tend to be predetermined, some control would be established on operating costs.

The chief disadvantage of the dedicated tax, of course, is the tendency for the need to outrun the supply of funds. In states where dedicated taxes are important fund sources, increases in the level or rate of the tax are usually hard to obtain. In addition, the dedicated tax is, politically, a Pandora's Box. Everyone would like his own. For that reason such taxes are unpopular with economists and fiscal officials.

UNIVERSITY INVESTMENTS CORPORATION

As an additional source of income, the special education district could be given the right to establish a university investments corporation. The university investments corporation could utilize excess revenue generated by the tax levy to invest in various kinds of real estate, bonds, securities, etc. The investments corporation could also be utilized by the university as a means of borrowing funds by pledging its investments and real estate behind its bonds without committing the University, the City, or State to the bond holders. Under such a

financial system the State Legislature could retain ultimate control over the operations of the special education district and the investments corporation by reserving its right to abolish the special district.

Appendix #2

OPERATING COSTS AND SOURCES OF FINANCINGSTAFF PAPER PREPARED FOR
THE CITIZENS' COMMISSION

BY

PEAT, MARWICK, MITCHELL & CO.

The information presented in this preliminary staff paper is intended for the sole use of the Citizens' Commission on the Future of the City University of New York. The contents of this paper in no way represent the position of the Commission on any issue discussed herein and are not for publication or attribution.

OPERATING COSTS AND SOURCES OF FINANCING

This paper presents the projected increases in costs for both the City University and the State University through 1975. It also examines the relationship of expenditures for higher education to projected total expenditures of the city and the state. Section 2 assesses sources of future financing for the City University. It should be noted at the outset that operating cost projections for two such large, public university systems depend upon many factors which are uncertain, and that an even greater degree of speculation is involved in projecting total city and state expenditures. For example, a projection of New York City's budget prepared a little over four years ago, after careful study, by the Mayor's Temporary Commission on City Finances underestimated the 1970-71 budget by \$1.4 billion. The figures in this paper, therefore, are intended primarily to provide a perspective.

CITY UNIVERSITY OPERATING COSTS

Actual operating costs for the City University have been increasing at a rapid rate. Total approved budgets, including city debt service, for the current year and the preceding three years, as published in the City Record, are as follows:

<u>Year</u>	<u>Total Budget (\$ Millions)</u>	<u>% Increase Over Prior Year</u>
1967-68	\$181.6	-
1968-69	207.9	14.4%
1969-70	251.6	21.0
1970-71	332.0	32.0

Moreover, the 1970-71 budget may have to be revised upward since the city and state granted workload budget increases based on a freshman enrollment of 30,000, while the actual enrollment will apparently approach 35,000.

The 1968 Master Plan submitted to the Regents by City University included a relatively detailed projection of costs through 1975-76. These projections took into account four major factors which would influence future costs:

- . Workload increases which would result from expanding enrollment.
- . The substantial increases in salary costs resulting from collective bargaining, as well as a moderate increase in other operating costs.
- . The cost of needed improvements in student services in areas such as admissions, counseling and testing, as well as needed improvements in other support services such as secretarial help for faculty members.
- . The increasing cost of debt service to finance projected new construction.

In the 1969 revision of the Master Plan these projections were updated to reflect the cost impact of the Open Admissions policy. Historically, approved budgets have been somewhat lower than either Master Plan projections or budget requests by 10-15%. The following figures show the Master Plan projections as well as an adjusted projection which revises these figures downward by 10%:

<u>Year</u>	<u>Master Plan Projection (\$ Millions)</u>	<u>% Increase Over Prior Year</u>	<u>Adjusted Projection (\$ Millions)</u>	<u>% Increase</u>
1971-72	\$474.4	42.9	\$427.0	28.6
1972-73	575.2	21.2	517.7	21.2
1973-74	681.0	18.4	612.9	18.4
1974-75	792.3	16.3	713.1	16.3
1975-76	916.5	15.7	824.9	15.7

It is not at all certain that the adjusted projection is more realistic, but for purposes of this paper these are the figures we will use. While there is a marked difference between the two projections in the increase for 1971-72 as compared with the current approved budget of \$332 million, both sets of figures imply a compound rate of annual expenditure growth of nearly 18% per year over the next four ensuing years. This may well be a realistic estimate of the rate of growth which can be anticipated, considering that the compound growth rate over the past three years has been just over 22% per year.

An interesting picture also emerges from relating the actual budgets for recent years to the adjusted projections, as follows:

<u>Year</u>	<u>Total Budget (\$ Millions)</u>	<u>% Increase</u>
1967-68	\$181.6	
1968-69	207.9	14.4%
1969-70	251.6	21.0
1970-71	332.0	32.0
1971-72	427.0	28.6
1972-73	517.7	21.2
1973-74	612.9	18.4
1974-75	713.1	16.3
1975-76	824.9	15.7

The figures suggest that the rate of growth in the City University budgets may have about reached its peak this year. Nevertheless, it is clear that the outlook in the next five years is for sharply increasing costs, even if the rate of increase is not quite as steep as during the past couple of years. It could well be that costs will rise even more rapidly than these projections indicate. As indicated above, enrollment growth this Fall will substantially exceed that on which the present approved budget was based, and may require additional appropriations. The construction program is lagging, forcing a sharp increase in rented space which increases operating costs. Meanwhile, construction costs are escalating on the deferred projects. Even more significant is the fact that Open Admissions provides an entirely new perspective for the thousands of students who normally drop out of high school each year. This new policy may well influence substantial additional numbers of high school students to complete their high school education. If there is a significant improvement in the high school completion rate, it would cause University enrollment to expand even more rapidly and could have a major cost impact on the City University.

COST IMPACT ON LOCAL REVENUES

The City's share of the total City University budget for 1970-71 is \$146.6 million, slightly over 44% of the \$332 million total. Interviews with officials of state government and legislative leaders have made it very clear that the state will not increase its share of City University costs without the imposition of tuition and a change in the governing structure to give the state greater control. Thus if we are projecting the future financing of the City University as it presently exists, we would have to assume that the city will continue to pay about the same 44% share of the cost.

This would mean that the city's share of the cost will rise to approximately \$365 million by 1975.

Over the past decade, local revenues have grown from \$1.875 billion to \$4.426 billion, an average rate of just about 9% per year. Real estate taxes, the largest single source of local revenue, accounted for about half of the total revenue, but are growing at a slower rate (7.3%). The outlook for future revenue growth from this major source is not bright because of the decline in residential construction in the city over the past five years. However, even assuming that overall local revenues during the '70's will grow at the 9% rate of the '60's, it is clear that the City's share of City University costs would require an increasing percentage of local revenues, as follows:

<u>Year</u>	<u>Projected Local Revenues (\$ Billions)</u>	<u>NYC Share of Projected City University Total Budget (\$ Millions)</u>	<u>City University Cost as % of Local Revenues</u>
1970-71	\$4,426	\$146.6	3.3%
1971-72	4,824	187.9	3.9
1972-73	5,258	227.8	4.3
1973-74	5,732	269.7	4.7
1974-75	6,248	313.8	5.0
1975-76	6,809	363.0	5.3

Throughout the United States (and for that matter in almost every country throughout the world) the responsibility for public higher education is considered to be a state responsibility. While there are a number of cities in the United States which contribute some portion of the cost of operating a community college, no city is supporting a major university system. In fact, the municipally sponsored colleges and universities in cities such as Detroit, Cincinnati, Akron, Omaha and Houston have all become fully state supported in recent years.

In New York State, outside of New York City, the state has accepted full responsibility for public higher education. In view of this situation, it is unrealistic to expect the city to allocate such a substantial and increasing share of its resources to fulfill a responsibility which properly belongs to the state. Considering the outlook for municipal finances, it is clear that the level of funding required from local revenue sources under the present financing formula could be achieved only with the greatest difficulty, if at all. The state must certainly bear some responsibility for allowing the problem to grow to such large proportions. It must also be recognized, however, that the unequal burden on the city is to some extent self-imposed by continued insistence on no tuition, as well as unwillingness to permit state participation in University governance.

THE OUTLOOK FOR CITY EXPENDITURES AND REVENUES

Over the past decade, city expenditures have been increasing at a rate slightly over 12% per year. During the past few years the rate of increase has been accelerating, and the 1970-71 budget of \$7.791 billion represented a 15.9% increase over 1969-70. Despite the increases in real estate taxes and the introduction of personal income, stock transfer and other new taxes during this period, local revenues have not been able to keep pace with the growth of expenditures. In 1960-61 local revenues supported 77.5% of city expenditures. By 1970-71 this had fallen to 56.8%, and indications are that by 1975 local revenues will cover only about half of total expenditures, unless substantial new local taxes are enacted, or rates are further increased.

At the same time, there is little indication that the rate of growth in city expenditures is likely to slow down in the foreseeable future. The following figures from the Executive Expense Budget show the increase this year over last for eight major budget categories which account for about 80% of the city's expenditures:

<u>Category</u>	<u>1969-70 Budget (\$ Millions)</u>	<u>1970-71 Budget (\$ Millions)</u>	<u>% Increase</u>
Human Resources	\$1638.5	\$1861.4	13.7%
Education	1299.5	1474.4	13.5
Debt Service	675.6	796.2	17.8
Health Services	585.2	725.2	23.9
Pensions	433.7	518.0	19.4
Higher Education	228.3	287.9	26.1
Charitable Institutions	235.4	276.2	17.3
Environmental Protection	226.9	257.9	13.7

The fact that expenditures are growing so much faster than local revenues not only makes the city increasingly dependent upon state and federal aid, but also means that competition for a fair share of local revenue will become increasingly intense. In such a climate of contention it seems very unrealistic to expect the City University's share of local revenues to be increased by 60% over the next five years, as would be required by continuation of the present financing formula.

THE SITUATION AT THE STATE LEVEL

It should not be assumed that, because of New York City's financial problems, City University would automatically be better off under state financing. The state of New York is already spending a very substantial portion of its budget on higher education, as the following figures from the 1970-71 Executive Budget reveal:

<u>Category</u>	<u>1970-71 Expenditure (\$ Millions)</u>
State University (Including SUNY Scholarship Fund)	381.2
Community Colleges	68.0
SEEK	17.4
Urban Centers	6.4
City University (Excluding Community Colleges SEEK, Urban Centers, etc.)	90.9
Student Assistance (Scholar Incentive, Scholarships and Fellowships)	68.3
Higher Education Assistance Corp.	1.7
Private Colleges ("Bundy Money")	26.0
Medical and Dental Schools	8.0
Fringe Benefits (estimated)	<u>54.0</u>
Total	\$721.9

The total amounts to just over 10% of the total approved budget of \$7,127 million. Ten years ago slightly less than 4% of the state budget went to higher education.

The demand for higher education funding at the state level does not show any sign of slowing down in the years immediately ahead. The State University prepared an estimate for the 1968 Regents Statewide Master Plan which projected State University operating costs, exclusive of community colleges, of \$897.7 million for 1975-76. Measured against the 1970-71 State University operating budget of \$437.8 million, this would imply a

15.5% per year rate of increase in costs. No updated projections have been published since 1968, but a current projection would probably be higher by a significant amount because of such factors as acceleration of open admissions and the advent of collective bargaining for State University faculty. The Community Colleges are continuing to expand at a rapid pace, and the state this year will contribute \$68 million as its share of community college operating costs, an increase of 55% over last year's \$44 million. The rate of growth in Student Assistance funds will probably accelerate as more liberal admissions policies draw an increasing percentage of the disadvantaged into the systems of public higher education. An increase in the formula aid to private higher education under the Bundy law will be sought at the next legislative session. Thus, the outlook is for continued rapid growth in expenditures for higher education at the state level. In fact, if the trend of the past decade continues, by 1975 approximately 15% of the state's budget will be devoted to higher education.

Moreover, the disparity between growth of revenue and expenditures is equally a problem at the state level. Comparing 1970-71 with 1969-70, current revenue increased 9.3% while expenditures increased 14.8%. The result was that debt financing of expenditures more than doubled this year compared to last.

In some important respects the state is in a better financial position than the city to finance increasing costs. The state has the power to determine its own tax structure and level of tax rates, whereas the city must obtain state legislative approval for changes it wishes to make. Personal income and business taxes, which are highly responsive to economic growth, constitute only 12.9% of city revenues, compared with 58.8% of

state revenue. Also, the state's debt service obligations presently amount to only \$150 million per year, less than 2% of the 1970-71 state budget, compared with \$796 million for the city, more than 10% of the city's 1970-71 budget.

Thus, it appears that while the state is in a somewhat better position to finance the increasing costs of higher education, it is also clear that the City University's growing financial needs would not be easily met under state financing. Under either the present joint city-state financing arrangement or under full state financing, the City University will continue to face increasingly intense competition to secure an expanding share of revenue.

On other grounds, however, there are compelling reasons why the state should assume the same degree of responsibility for public higher education in New York City as it does elsewhere in the state.

As noted above, public higher education, especially at the college and university level, is universally recognized throughout the United States and throughout New York State, with the exception of New York City, as a state responsibility. The financing of public higher education in New York City is an ironic anomaly, in that the reason the city is now paying so heavily for higher education arises out of its willingness, in the absence of a statewide higher education system, to provide higher educational opportunity for generations of poor immigrants.

A second major reason is that New York City is bearing a disproportionate share of the cost of higher education throughout the state.

Estimates of the share of state tax revenues produced by New York City range from 42% (state estimate) to 47% (Citizens Budget Commission) to 51% (N.Y.C. Budget Office). There are various ways of looking at sources of state revenue. The state, for example, will argue that the income taxes paid by a Wall Street stock broker or mid-town office worker are not generated by New York City, if the stock broker lives in Scarsdale, or the office worker commutes from New Jersey. Studies by the state's own Office of Planning Coordination, however, show that more than half of the persons employed in the state find employment in New York City. In fact, it could be argued that the large share of state sales and use taxes derived from suburban Westchester and Long Island are really generated by New York City. Without getting overly refined, however, it seems reasonable to conclude that at least half of state revenues are generated by the economic activities of New York City. This means that the city is supporting, in addition to all expenditures financed by local revenue, at least half the cost of all expenditures financed by state revenue. When both city and state expenditures for City University, State University and the statewide community college system are analyzed in this context, the unequal burden on the city clearly emerges.

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Tax Revenue Sources for Financing
Operating Costs of Public Higher Education

System	Tax Revenue Source	
	New York City	All Other Areas of the State
1. State University ^a (Excluding Community Colleges)	\$190.6 million	\$190.6 million
2. City University ^b (Including Community Colleges)		
A. Costs Paid From Local Revenues	146.6	-
B. State Share of Cost	67.3	67.3
3. Community Colleges Outside of New York City (State Share) ^c	23.0	23.0
Totals	\$427.5 million	\$280.9 million

a The total state appropriation to the State University operating budget for 1970-71, as shown in the Executive Budget, was \$381.2 million. Other sources of State University funds are student fees, federal and foundation grants, etc. Total operating expenditures from all sources will exceed \$500 million.

b Total city and state appropriations to the City University budget for 1970-71, as shown in the City Record, amounted to \$281.2 million. Student fees, bond financed expenditures, etc. will raise total expenditures to the approximate budgeted total of \$332 million.

c Total state appropriation (\$68 million) as shown in the Executive Budget, less 40% (the State share) of the operating budgets of the community colleges in New York City as shown in the City Record.

Thus, New York City is in reality the source of support for 60% of combined city and state contributions to the budgets of the three major systems of higher education, while 40% is provided by the rest of the state. Yet the relative share of the benefits is in reverse proportion, in that roughly 43% of the total enrollment is made up of students from New York City, while 57% comes from the rest of the state, or out of state, as indicated in the following table.

	Geographic Origin of Students*			Total Enrollment
	New York City	New York State (Exc. N.Y.C.)	Out of State	
State University	11,785	94,702	6,407	112,894
City University	87,050	4,999	885	92,934
Community Colleges Sponsored by the Board of Higher Education	31,191	673	302	32,166
All Other Community Colleges	3,060	63,406	1,657	68,123
Totals	133,086 (43%)	163,780 (54%)	9,251 (3%)	306,117 (100%)

*Enrollment figures are the Fall, 1969 full-time equivalent enrollment, based upon enrollment statistics furnished by the State University Office of Institutional Research and the City University Office of Planning.

The state Education Law does not, in itself, clearly establish the state's legal responsibility for higher education. When the corporation known as the University of the State of New York was established in 1910, it was given jurisdiction over all institutions of higher education, both public and private, but its responsibility to provide for public higher education was not specified. One of the recommendations of the recent state Constitutional Convention was that the law be amended to state explicitly that the responsibility for public higher education rests with the regents and is a function of state government. Nevertheless, the state has by its actions since 1948 made it abundantly clear that it has accepted full responsibility for public higher education, except in New York City. The financial realities now make it imperative that this exception be ended, and that the state provide the degree of support to higher education for residents of New York City that it is providing for residents elsewhere throughout the state.

Section 2
 SOURCES OF FUNDS FOR CITY UNIVERSITY
 UNDER PRESENT FINANCING ARRANGEMENTS
 AND UNDER FULL STATE FINANCING

To illustrate how the sources of funding would change if the state provides the same level of support for public higher education in New York City as it does throughout the rest of the state, projections have been prepared showing sources of funding under that financing system compared with present cost-sharing arrangements.

These projections begin with the projected total budgets as shown on page 3. In projecting sources of funds based on the present cost-sharing arrangements, it is assumed that the relative share of cost paid by city, state and students will be the same in future years as it is at present, even though some minor shift in each share probably would occur from year to year. Thus, the relative shares for this projection are:

City	-	44.2%
State	-	40.5%
Students	-	12.7%
Other	-	<u>2.6%</u>
Total	-	100.0%

If the state were to finance the City University on the same basis as it finances the State University, it would not automatically pick up the full share now paid by the city. The community colleges sponsored by the Board of Higher Education are already financed on the same basis as community colleges elsewhere in the state, so the city cost for community college operations would continue. The community college costs were projected as 17% of the total budget, the present ratio of

community college budgets to total budget, since the ratio of projected community college enrollment to total enrollment is relatively stable for this period.

The city would also be obligated to continue paying the debt service on municipal bonds issued primarily to finance City University construction before the establishment of the Construction Fund in 1967. This cost has been projected at \$10 million per year, which is approximately the present level.

[With respect to tuition, it is assumed that if the state were to provide the same degree of support as it now provides for the State University, it would require a comparable tuition charge of \$400 per year for full-time undergraduate students. However, it is also assumed that the tuition income from the senior colleges would be dedicated to support capital financing for new construction, and would not be available for paying any part of operating costs.] Community college tuition income is assumed to be part of operating income, as it is elsewhere in the state.

Income from tuition presently being paid by graduate and part-time non-matriculated students, as well as non-instructional fees paid by all but matriculated undergraduate students, which accounts for 83% of the total, is assumed to continue.

Taking all of these factors into account, the sources of funding, based on the State University financing formula were projected. A third projection was also prepared on these same assumptions, but also assuming a new city financed student financial aid fund to supplement state and federal programs. With the long tradition of free tuition, it is likely that some new student financial aid program would be established by the city, if tuition were imposed. This third projection is predicated on a city

contribution of \$200 per full-time undergraduate student, the amount recommended by the Mayor's Temporary Commission on City Finances several years ago. This is not necessarily to imply that the funds would be distributed in this manner, but simply to determine the dollar level of total funding.

The table attached presents the results of these three projections of sources of funding. Perhaps the most significant fact which emerges from the tables is that if the state were to support the City University on the same basis as the State University, the state's cost would increase next year by \$150 million. In addition, the imposition of tuition would qualify City University students for new or increased state scholarship funds, which would add something in the range of another \$10 million to the state's cost. While testimony before the Commission by legislative leaders indicated that the state would provide full financing for City University, given the introduction of tuition and appropriate changes in control, it is at least somewhat questionable whether the state could absorb such a large cost increase all at once. Perhaps some phased transition of cost would be more realistic.

The tables indicate a gradual decline in the share of costs paid by students, if tuition were imposed, but this is misleading because most of the tuition income would not go to operations, but would be used to support debt service. A \$400 undergraduate tuition charge would by 1975 be generating over \$40 million per year and would be sufficient to support the financing of about \$500 million in new facilities, depending upon interest rates. It should also be noted that given the current lag in the construction program, tuition could be introduced on a phased basis.

For example, a tuition of \$100 per year, increasing by \$100 in each of three subsequent years, should be adequate to support the planned construction program, when taken together with present sources of financing.

SOURCES OF FUNDS FOR THE
CITY UNIVERSITY BUDGET

A. Projected Sources of Funding the City
University Budget, if Present Cost-
Sharing Formula Is Continued

Year	Total Budget	City Share				Other	B. Projected Sources of Funding, if City University Were Financed on Same Basis as State University			
		City Share	State Share	Student Share	Student Share		City Share	State Share	Student Share	Other
1970-71	\$332.0	\$146.6	\$134.6	\$ 42.2	\$ 8.6	-	-	-	-	
1971-72	427.0	188.7	172.9	54.2	11.2	\$33.9	\$322.6	\$ 59.3	\$ 11.2	
1972-73	517.7	228.8	209.7	65.7	13.5	39.0	395.5	69.7	13.5	
1973-74	612.9	270.9	248.2	77.8	16.0	44.4	472.1	80.4	16.0	
1974-75	713.1	315.2	288.8	90.6	18.5	50.0	553.2	91.4	18.5	
1975-76	824.9	364.6	334.1	104.8	21.4	56.3	643.6	103.6	21.4	

Differences (A minus B)
for Student
Financial Aid @ \$200
Per F.I. Student

	City Share	State Share	Student Share	Added City Cost for Student Financial Aid @ \$200 Per F.I. Student
1971-72	- \$154.8	+ \$149.7	+ \$5.1	\$22.4
1972-73	- 189.8	+ 185.8	+ 4.0	24.7
1973-74	- 226.5	+ 223.9	+ 2.6	26.6
1974-75	- 265.2	+ 264.4	+ .8	28.5
1975-76	- 308.3	+ 309.5	- 1.2	29.6

FINANCIAL AID TO STUDENTS
AND THE IMPACT OF TUITION

STAFF PAPER PREPARED FOR
THE CITIZENS' COMMISSION

BY

PEAT, MARWICK, MITCHELL & CO.

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colleges are eligible for State scholarship or loan programs. Unlike the Federal programs, which are geared only to financial need, some of the State awards are based primarily on academic qualifications, with award amounts related to tuition charges and influenced by financial need. The State currently makes annual awards of over \$70,000,000 through its several aid programs, as shown in the table below.

<u>Type of Award</u>	<u>Amount for</u> <u>1969-70</u>
Undergraduate scholarships	\$30,600,000
Scholarships and fellowships - graduate and professional level	2,300,000
Scholar Incentive Assistance	35,600,000
State University Scholarship Fund awards	<u>1,800,000</u>
TOTAL	<u>\$70,300,000</u>

Source: The State of New York Executive
Budget for 1970

Three State aid programs which are particularly significant for this paper - the Scholar Incentive Awards, the Regents Scholarships for High School Graduates, and the State University Scholarship Fund - are described in the Appendix.

Federal student aid is administered principally through the Regional Office of the United States Office of Education, which allocates funds to New York, New Jersey, Puerto Rico and the Virgin Islands. The aid is awarded to approved institutions by a panel consisting of Government representatives and financial aid officers from representative institutions. The panel bases its judgment on an assessment of past performance and on annual proposal requests from each public and private institution. These requests project numbers of students and amounts of assistance that will be required by type of aid program. The major Federal programs are Educational Opportunity Grants,

National Defense Student Loans, College Work-Study and Guaranteed Loans. The Executive Budget of the City of New York projects that \$15 million will be available to CUNY students from Federal sources in 1970-71, compared with \$6 million available for 1969-70. These programs are also described in the Appendix to this paper.

The City of New York provides support to resident college students through direct subsidy of about half of the net operating costs of the CUNY system. (The City also provides special programs for the disadvantaged, which contain aid provisions such as SEEK and College Discovery Fellowships. These programs are discussed in other study papers). No other scholarship or loan programs have been developed at the City funding level.

Each college in the CUNY system has some funds available from private donors for grants, scholarships and loans. No consolidated information regarding the extent of aid from these sources is available. However, it is believed to be modest in scope.

STUDENT NEED AND ABILITY TO PAY

A report by the CUNY University Commission on Admissions, dated October 7, 1969, provides data concerning recent costs for a commuting student in the CUNY system. The following represents their estimate of a student budget:

<u>1969-70 Student Budget</u>	
Fees (including student activities)	\$ 100
Books	200
Transportation (\$1 per day, 40 weeks)	200
Lunch (\$1.50 per day, 40 weeks)	300
Personal expenses (clothes, medical, recreation, insurance)	500
Sub-total	\$1,300
Contributing to room and board at home	800
TOTAL	<u>\$2,100</u>

This same report also illustrates sample family gross income levels for CUNY freshmen in 1968-69:

Gross Income	Community Colleges		Senior Colleges		SEEK		College Discovery		TOTAL	
Under 4,000	10.7		5.4		28.0		23.0		9.7	
4,000- 5,999	19.0	52.9%	13.0	38.5%	42.0	90.0%	29.0	73.0%	17.9	49.3%
6,000- 7,999	23.2		20.1		20.0		21.0		21.7	
8,000- 9,999	19.4	38.9%	22.0	49.0%	7.0	10.0%	21.0	27.0%	19.8	41.3%
10,000-14,999	19.5		27.0		3.0		6.0		21.5	
15,000-19,999	5.8	8.2%	8.1	12.5%	0.0	0%	0.0	0%	6.3	9.4%
20,000-Over	2.4		4.4		0.0		0.0		3.1	

Note: These data for the colleges were supplied from a study of 1968 freshman characteristics compiled by the American Council on Education. It includes data from City, Hunter, Baruch, Bronx Community and New York City Community colleges. The SEEK and College Discovery data were random samples from the September 1969 enrollees.

A new Need Analysis System has been adopted by CUNY institutions, and was published on April 1, 1970. This report illustrates the annual family contribution to a college student's expenses that might be reasonably expected, given several categories of income level and family size. According to the system formula, a four-member family with one wage earner could contribute as indicated below:

<u>Gross Annual Family Income</u>	<u>Expected Contribution to College Expenses*</u>
Below \$7,800	-
\$ 8,060	55
8,580	138

(cont'd)	Gross Annual Family Income	Expected Contribution to College Expenses*
	\$ 9,100	211
	9,620	294
	10,140	367
	10,920	482
	11,440	554
	11,960	627
	12,480	700
	13,000	773
	13,520	846
	15,600	1,116

*The contribution may be affected by assets, savings or extenuating circumstances.

Note: This formula is applied by deducting taxes and average family living costs, as determined by the Budget Standard Service of the Community Council of Greater New York, from gross annual income. 20% of the balance, which is considered discretionary income, is assumed to be a reasonable contribution toward college expenses. It should also be noted that development of the Need Analysis System included a more thorough study of student expenses, which suggested that average college costs for a commuting student in the CUNY system may range from about \$1,000 to \$1,300 per regular academic year.

The University Commission on Admissions synthesized the available data into projections for 1970-71. Their results indicate that more than 20% of the entering freshmen class would require \$1,300 each in annual aid to meet basic college costs, and that more than 4% of the freshman class would require some additional assistance beyond \$1,300 toward their living expenses. The estimates for the combined upper three classes approximate one-half of the amounts needed by the freshmen. Stated in dollars, the Commission projected that about \$66 million would be required for CUNY undergraduate student financial aid for 1970-71.

CUNY now lacks consistent data on student aid awarded for prior years, and does not have a system to collect such data. Central coordination of the CUNY financial aid activity has been in force for only a year, and some data is just being made available on a system-wide basis. It has been found, however, that many students who were qualified for aid have not received it. Moreover, it is generally acknowledged that the full extent of CUNY student financial need has not been correctly assessed in former years. For these reasons, in addition to the impact of open admissions, it is difficult to evaluate the \$66 million projection in relation to prior levels of need.

AID INEQUITIES

The above analyses do not take into account any further reforms that might be desirable in student aid administration. It will be noted that, of the major State and Federal aid programs described in the Appendix, only the two loan programs are available to part-time students. If a student must work to contribute to family support, he may not be able to cope with a full time academic program, and will therefore be ineligible for most types of aid. Another discriminating factor is a heavy reliance on loans. Evidence suggests a higher attrition rate for students from low income families. If these

students obtain aid packages that include loans, only to leave college without completing their programs, the combination of reduced income potential and increased debt may serve to push them deeper into poverty.

FEE INCOME

The basic policy of CUNY provides free tuition for all matriculated students who are residents of New York City; however, all students pay a general fee which varies from \$10 to \$45 per term. In addition, graduate students and non-matriculants in the senior and community colleges pay tuition fees, which have recently been increased, as indicated in the table below.

<u>Category</u>	<u>Current Schedule Fee* (Per Credit or Per Semester)</u>	<u>Schedule Effective 9/1/70 Fee* (Per Credit or Per Semester)</u>
<u>Graduate Students</u>		
Tuition: Teacher Education Matrics	\$10 cr.*	\$45 cr.*
All Other	35 cr.	45 cr.
Non-Instructional Fee	18	50
<u>Senior Colleges - Undergraduate</u>		
Matrics: Tuition	-0-	-0-
Non-Instruc. Fee, Full-Time	35	35
Non-Instruc. Fee, Part-Time	17	17
Non-Matrics: Tuition	18 cr.	18 cr.
Non-Instruc. Fee, Full-Time	35	35
Non-Instruc. Fee, Part-Time	17	17
<u>Community Colleges</u>		
Matrics: Tuition	-0-	-0-
Non-Instruc. Fee, Full-Time	20	20
Non-Instruc. Fee, Part-Time	10	10
Non-Matrics: Tuition	15 cr.	15 cr.
Non-Instruc. Fee, Full-Time	20	20
Non-Instruc. Fee, Part-Time	10	10

*Cr. = tuition on a per credit basis; all other fees are per capita, per semester.

Note: This schedule excludes continuing education, out-of-City, and other special fees.

The purpose of this paper is to explore some of the financial implications that would result if a \$400 per year tuition charge were imposed on City University students. The emphasis will be on major types of aid available, student need and ability to pay, and the net effect on sources of funds flowing into the City University.

FINANCIAL AID ADMINISTRATION

In common with most states, New York has been experiencing rapidly rising costs for higher education, along with a rapidly increasing number of students to be educated. Few institutions - public or private - attempt to recover the full costs of higher education from the students or their families. The practice has been to increase tuition and fee charges at a lesser rate than that of educational cost increases and, in many cases, to mitigate the impact of increased charges to students through expanded student financial aid programs.

Student financial aid is typically administered or coordinated by an officer of the educational institution; however, the sources of funding may be the Federal Government, State government, City government or private sources. Aid generally takes the form of grants, loans, or some type of work/study arrangements and may be related to scholastic merit, financial need, or both. It most often consists of a "package" of several types and sources of aid, tailored to the requirements of the individual student applicant.

SOURCES OF FINANCIAL AID

Educational financial assistance funded by New York State is provided through the University of the State of New York. The public institutions are subsidized by State funds and charge low tuition or, in the case of CUNY, no tuition for matriculated undergraduates. Students at both public and private

USE OF FEE INCOME

Most of the fees currently collected by CUNY senior colleges, which exceeded \$24 million in 1969-70, are pledged for the Construction Fund program to provide new facilities. These revenues are deposited with the City, which provides added operating funds sufficient to offset the amount pledged.

The balance of fee income - amounts collected by community colleges and minor fees of several types - totalled about \$7 million in 1969-70. These revenues were used for general operating purposes.

THE IMPACT OF TUITION

The most common interpretation of the tuition recommendations is that a tuition equal to the SUNY rate (currently \$400 per year) be imposed on full-time matriculants of CUNY, that the existing general fee for those students be eliminated, and that fees for graduate students and non-matriculants continue on the same general basis as before.

(a) Impact on the City University

Applying these assumptions to the latest CUNY enrollment and expenditure projections, the impact of fees and tuition is expressed below, in millions of dollars, with Construction Fund fees and other student fees combined:

Year	(1) Fee Income Without Tuition	(2) Fee and Tuition Income			(4) Total Projected CUNY Expenditures (From Master Plan)
		(3) Fee	Tuition @ \$400	Total	
1970-71	\$42.2	\$35.2	\$38.1	\$ 73.3	\$369.9
1971-72	45.7	38.1	44.7	82.8	474.4
1972-73	49.2	41.1	49.4	90.5	575.2
1973-74	53.2	44.5	53.3	97.8	681.0
1974-74	57.6	48.2	57.0	105.2	792.3

- (1) The 1970-71 amount is based on CUNY estimates under new fee schedules. Increases are 8.2% annually, consistent with recent experience.
- (2) The 1970-71 amount reflects CUNY estimates of fees less non-instructional fees for undergraduate matriculants. Increases are at 8.2% annually.
- (3) Projected enrollments for each year are 95,300; 111,800; 123,600; 133,200; and 142,400, respectively.
- (4) Recent experience suggests that these requested figures may be reduced by about 12-15% for each year.

This projection demonstrates that the net impact of the proposed tuition plan would be to increase revenues by \$31 million in 1970-71 and increasing to \$48 million by 1974-75. This net contribution would, of course, be diminished by any student financial aid programs established by the City of New York to lessen the impact of tuition on needy students.

(b) Impact on the Students

The assessment of tuition (and concurrent elimination of non-instructional fees) would result in a net added annual cost of \$330 (\$400 less current general fees) for Senior college students, and \$360 for community college students. The CUNY need analysis formula would require from \$1,650 to \$1,800 of additional family after-tax income to generate the added contribution to cover tuition. The increased costs and the resulting increase in the level of family income necessary to cover these costs, would substantially increase the number of CUNY students eligible for financial aid. (A one wage-earner family of four would require an income in excess of \$15,000 to meet the basic college costs, which would now approximate \$1,400-\$1,700 per year). Based on the 1968-69 family income data for CUNY freshmen cited above, as many as 90% of the families from which the expected 1970-71 CUNY freshman class of 35,000 will be derived, could have incomes of less than \$15,000 per year, and would therefore be eligible for some student financial aid under these revised conditions.

(c) Impact on Federal Aid Programs

The impact of a CUNY tuition plan on Federal aid would be significant since the annual CUNY funding request would reflect about a 30% increase (an added \$330 to \$360) in average college expenses for each commuting student requiring aid. It must be noted, however, that the actual allocation of Federal aid to CUNY for the current year represented less than 50% of the amount CUNY requested. Although some Federal aid increase over present levels could be expected if tuition were charged, it is evident that overall limitations

on Federal funds will not allow substantial increases - at least in the short run. Since the total allocation of Federal aid to each state is somewhat inelastic, it is further evident that any absolute increase in the CUNY aid allocation would likely be at the expense of other higher education institutions in New York State. Another serious limitation of the Federal aid is that it fails to recognize the higher living costs in the New York area. The family income guidelines severely restrict Federal awards to students whose gross family incomes exceed \$6,000 per year, and virtually eliminate awards if income exceeds the \$9,000 level.

(d) Impact on State Aid Programs

The following illustration, as reported for 1969-70 by the New York State Education Department, compares State aid available to SUNY students and to CUNY students at similar family income levels:

Illustrative Scholarship and Scholar Incentive Annual Awards to Undergraduate Students

Family net taxable balance of student ¹	\$400 tuition charge (State University of New York College)				Tuition-free College (City University of New York)		
	Scholarship holder		Nonscholarship holder		Scholarship holder		Non-scholarship holder
	Scholarship award	Scholar incentive award	Scholar incentive award	State Univ. schol.	Scholarship award	Scholar incentive award	
\$1,800	\$400	-	\$200	\$200	\$350	-	-
3,000	400	-	200	-	350	-	-
5,800	400	-	200	-	350	-	-
7,500	400	-	200	-	350	-	-
9,300	250	100	100	-	250	-	-

¹Family net taxable balance is the gross income less all allowable exemptions and deductions for State income tax purposes. For the typical two-child family, a net taxable balance of \$1,800 is approximately comparable to a gross income of \$5,000. If more than one dependent child is engaged in approved full-time study, the net taxable income of the parents is divided by the number of such children.

The New York City Bureau of the Budget has just issued a paper which indicates that \$3.7 million of 1968-69 State scholarship aid was awarded to CUNY students compared with \$17.9 million for SUNY students. Under a \$400 tuition plan, as much as 50% of the CUNY full-time enrollment (students with family incomes of less than \$8,000 annually) would be eligible for scholar incentive awards of \$200 per year. Such awards would total over \$10 million of additional State aid for CUNY students during 1970-71 under the proposed tuition policy.

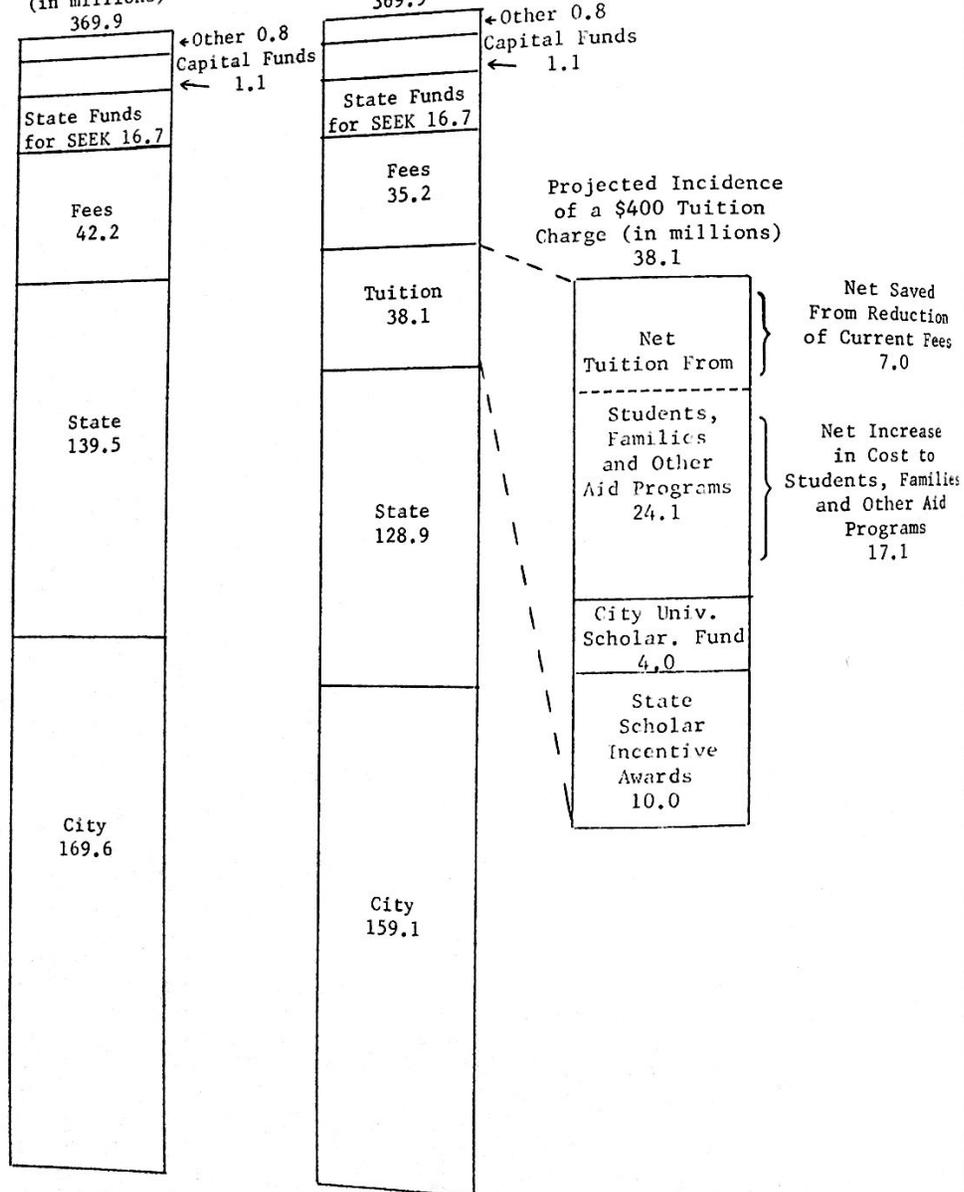
To make City University aid programs equivalent to those available for SUNY students, a scholarship fund similar to the State University Scholarship Fund would have to be set up for CUNY students. The SUNY fund pays the difference between tuition cost and the scholar incentive award for students with extreme financial need, which has been defined as students with gross family incomes of about \$5,000 or less. Even assuming that this income criteria were not raised to reflect the higher cost of living in New York City, it appears that about 20% of all CUNY students might be eligible for such an award. This new program would cost about \$4 million if effective in 1970-71. Such an aid fund might be financed by the City, the State or jointly by the existing funding formula.

A summary of the impact of a \$400 tuition charge on all funding sources is presented in Exhibit A. The further assumption is made for this illustration that the net funding relief provided by the adoption of a tuition policy will be shared equally by the City and the State.

CITY UNIVERSITY OF NEW YORK
PROJECTED FUNDING SOURCES 1970-71

Sources for Original
1970-71 Budget
Funding Request
(in millions)
369.9

Sources for
1970-71 Funding
Assuming Tuition
(in millions)
369.9



APPENDIX

SUMMARY OF STUDENT FINANCIAL
AID PROGRAMS

Appendix #4

Document
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THE FREE TUITION ISSUE IN THE CITY UNIVERSITY

STAFF PAPER PREPARED FOR
THE CITIZENS' COMMISSION

BY

THE OFFICE OF URBAN AFFAIRS
OF THE CITY UNIVERSITY

The information presented in this paper is intended for the sole use of the Citizens' Commission on the future of the City University of New York. The contents of this paper in no way represent the position of the Commission on any issue discussed herein and are not for publication or attribution.

THE FREE TUITION ISSUE IN THE CITY UNIVERSITY

I. Introduction

Free tuition in the municipal colleges, and later in the City University of New York, is now 123 years old. Although it became a respected tradition, it was not established initially by unanimous consent of the electorate and it has been threatened on several occasions during its history.

The public referendum in 1847 to establish the "Free Academy" as proposed by the Board of Education caused serious debate in the city. The Academy was to extend education "gratuitously" to persons who had been pupils in the common schools. Many believed that higher education should not be at taxpayers' expense, despite the fact that a new public concept had taken firm root that higher education should be available to the sons and daughters of laborers, mechanics and other working men. In fact, New York University, a private tuition-charging institution, had been founded in 1831 based on that principle.

The referendum, after much public debate, finally passed by a six-to-one margin. But detractors of the new city institution remained vocal during its early years and were not really silent until the end of the century. The mandate for free tuition remained as various revisions of the State Education Law took place.

Meanwhile, as the Academy grew and became the College of The City of New York, large numbers of its alumni became prominent in the professions, business and public service. They defended strongly the concept of free tuition, and with each passing decade it became more firmly embedded as a tradition. In fact it was not until the 1950's that free tuition was challenged again, and then, not so much as a concept, but because of financial difficulties the City was encountering.

Despite periods of financial difficulties, city governments have upheld the tradition of free tuition. During the depression Mayor LaGuardia cut instructors' salaries rather than impose tuition. And Mayor Wagner helped bring about free tuition in the community colleges of the city in 1964 during a time when other pressing demands were being made on the City budget.

But the growing needs for higher education in the City in recent years have made it increasingly harder for the City to continue to support the growth of the City University. Although State funds in very small amounts were available to the municipal colleges through the years, these were not at all significant until 1948. Federal funds were important during the years of education for veterans under the GI Bill when the colleges were paid a "paper tuition" cost of \$9 a credit. This at one time made up as much as 25 % of the colleges' budget.

When the GI's graduated, the colleges faced a financial squeeze. The postwar population of the city had increased demands for all municipal services, but the city's tax base had not expanded accordingly. In 1948 the State of New York, which for two centuries had left higher education largely in the hands of private institutions, took steps to establish the State University. This brought about state aid for the municipal colleges (initially only for teacher education) under the first of a succession of complex and constantly changing formulas.

State aid increased annually from 1948 to 1966 when it reached a 50-50 ratio at which it has remained. There have been recommendations for the imposition of tuition from time to time, but each has been met with overwhelming objections by City University alumni, students, parents and civic groups. Meanwhile the City

finds it more difficult than ever to meet its share of the City University budget and the State has on more than one occasion made it clear that it will not go beyond the 50-50 formula unless tuition is charged in the City University.

This paper will review the financial situations that brought about recommendations for tuition, the subjective reactions to the recommendations, and the fiscal realities of tuition.

II. The Beginnings of the Tuition Controversy

Although the municipal colleges experienced a growth in enrollment and expansion of facilities in the years following World War II, the growth was not in proportion to the increasing numbers of persons who by previous criteria had been eligible to attend the free city colleges. Admissions depended on space available, and the cut-off point based on high school average began to creep upward each year. The tuition-free policy became, in effect, more of a scholarship based on high school achievement than a means of guaranteeing free higher education for large numbers of young persons from poor families. The blacks and Puerto Ricans who had migrated to the city in large numbers following World War II were the ones least able to meet the high de facto admissions standards.

The slowness of capital constructional programs resulted from the fact that college facilities were a part of the City's annual capital budget along with schools, hospitals, transportation, and other municipal facilities. As the City was called on for more and more capital projects and was held back by its annual debt limit, there were many postponements of college capital projects.

Meanwhile, construction of State University facilities began at a much more rapid pace. When a study of the City's financial problems was made in 1951 by George Strayer and Louis Yavner, it was recommended that the municipal colleges be merged into the young State University system in order for more funds to be available.

The recommendation was not pursued, however. Discussions of such a proposition stressed the point that the municipal institutions were academically superior to the state institutions and would be degraded by such a merger. All of the State teachers colleges were tuition-free at that time and the question of state-imposed tuition was not yet an issue.

When Nelson A. Rockefeller was elected governor of New York in 1958, he set about fulfilling his campaign promise to build up the State University. One of his first steps was to appoint a group of nationally prominent educators to study the higher educational needs of the State. The group, known as the Heald Commission, was composed of Henry T. Heald, president of the Ford Foundation and former president of New York University; Marion Folsom, former U.S. Secretary of Health, Education and Welfare; and John Gardner, president of the Carnegie Corporation.

The Heald Commission's report, entitled "Meeting the Increasing Demand for Higher Education in New York State" issued in 1960, outlines a 25-year plan calling for greatly increased public spending for higher education and graduate studies. Among its specific recommendations was that a uniform tuition charge of \$300 per year for all undergraduate work be established in all public colleges, including New York City colleges. Automatic tuition rebates were suggested for all 'C' average or better students from families with incomes of less than

\$5,000 a year and for "other hardship" cases." The report also urged state representation on the Board of Higher Education in proportion to state funds allocated to the city colleges. The State Board of Regents upheld the tuition recommendation as "not unreasonable."

The basic arguments on which the Heald Commission based its recommendations for tuition included:

1. Many student attending the municipal colleges were well able to pay the modest \$300 fee.
2. A system of rebates would enable those qualified, but unable to pay, still to derive the benefits of a college education.
3. The income from tuition was necessary for purposes of expanding facilities and maintaining quality in the face of rising costs and needs.

This was the most serious threat to free tuition that the city colleges had ever faced. The result was a vigorous campaign, spearheaded by the City College alumni, endorsed by Mayor Wagner, the Board of Higher Education, prominent city officials and numerous civic groups. The Governor's office was flooded with petitions and more than 10,000 letters urging the maintenance of free tuition.

The major points in favor of free tuition included:

1. New York City, unlike most large cities, requires a predominant, highly trained and "white college" labor force. It is, therefore, vital to the City's economic interest to provide tuition-free education.
2. A 1960 study showed that more than one-third of the students in the city colleges came from families whose incomes were less than \$5,000. Many parents, therefore, find it a sacrifice to send their children even to a tuition-free college.

3. A tuition charge at a public college, no matter how low, invites political pressure to raise it.
4. The proposed rebate system would force students to virtually take a "pauper's oath"-- a situation "abhorrent to the dignity of students that would discourage many qualified but needy students from applying."
5. Such a "means test" would be complicated and costly to administer and subjective designation of "hardship cases" would invite lawsuits.
6. The low tuition charge, combined with the high cost of administering rebates, and the large number of students who would be automatically exempt, would result in negligible revenues for the city colleges (at most 10% of operating costs).
7. The rising cost of education has not overburdened the taxpayer. For more than a century the same percent of New York City's annual budget--approximately 1,4%--has gone to support tuition-free higher education.

The result of the campaign was that the uniform tuition proposal of the Heald report was dropped from consideration by the State Legislature. However, in the following year, 1961, Governor Rockefeller's Aid to Higher Education bill that established the Scholar Incentive awards stipulated that the awards-- up to \$300 a year--could be given only to persons attending institutions that charge tuition. The same legislation abolished the free tuition mandate and gave the Board of Higher Education authority over whether to establish tuition at the city colleges.

The Board affirmed its intention to continue the free tuition policy and the same groups that had fought the tuition proposal the year before launched a battle to restore the free tuition mandate. That same year, the City University was created amidst legislative proclamations that it was to remain a separate, parallel and autonomous institution. Despite the political impediments of free tuition to State aid imposed by the Scholar Incentive program, the Governor indicated that

he would not make the tuition issue a barrier to other state aid.

State aid did indeed begin to increase, but at a rate not in keeping with the City University's projected growth. The University's budget had grown from \$19 million in 1949-50 (of which the State paid \$4 million) to \$47 million in 1959-60 (of which the State paid \$13 million). Under a formula established in 1960, the State was to pay one-third of operating costs for degree candidates in the first two years of undergraduate studies, plus other mandated amounts for graduate education, administration and teacher education. Supplemental aid was also provided and non-mandated aid was given for doctoral programs. The 1960 legislation also provided for the State to begin paying one-half of City University debt service for construction costs.

The tuition issue, meanwhile, remained volatile. Several bills were introduced in 1962 to restore the mandate. They were defeated by narrow margins.

New fuel was added to the heated tuition issue in 1962 when the State University Trustees voted to establish a uniform tuition policy and to charge tuition in the institutions that at that time did not impose such fees. New York City groups, viewing this as another step toward state imposition of tuition in the city colleges, tried unsuccessfully to have the State University measure reversed.

City officials and the Chairman of the Board of Higher Education sought further assurance from the State that it would not make tuition a condition of increased State support of the City University. It became clear, however, that the State would not go beyond 50% support. In a letter to Gustave G. Rosenberg, Chairman of the Board of Higher Education, in March 1966, Governor Rockefeller wrote:

. . . I stand ready to recommend to the Legislature State appropriations for operations and debt service expenditures to match on a 50-50 basis whatever the City is prepared to spend.

Suggestions that State support go beyond the 50-50 matching basis immediately raise the question of extensive use of State funds for a free-tuition university in New York City when the State University charges a uniform \$400 tuition. Any boy or girl going to the State University who needs aid can get assistance from the State scholar incentive program and from State University scholarship funds. The tuition paid by the students is placed in the State University Income Fund and is committed to the repayment of the bonds issued by the Housing Finance Agency for the State University Construction Fund . . . Therefore, a larger than 50% contribution by the State to the support of The City University could result ultimately in pressure to abandon the free tuition policy and lead to the absorption of the City University of New York into the State University structure.

The State University by that time was making impressive headway on its billion-dollar construction program. And its per-student contribution for the State University kept moving ahead of its per-student contribution for the City University until it was doubled in 1965-66.

City University construction, meanwhile, despite the 1960 improvement in the formula for State aid, continued to be tied down by the City's annual debt limit, cumbersome approvals and other problems that kept it from getting its capital construction program very far beyond the drawing boards. As the Master Planning process was refined at the University, it became evident that the University could not meet its projected enrollments unless the capital construction program was speeded up. This set the stage for an administrative and financial crisis in late 1965 and early 1966 that was to threaten the very existence of the University.

III. The "Tuition Controversy" of 1965-66

This well-publicized episode actually was more an outcropping of deeper imbedded administrative conflicts and complexities which had its origins in the lack of clear definitions of the respective roles of the Chancellor and the Chairman of the Board than it was the result of proposed tuition. The Chairman, who at that time had served for nine years, continued to function as the University's chief administrative officer. In the years since its establishment the University had been without a Chancellor for about half the time. The first Chancellor resigned and in September 1963 Albert H. Bowker was appointed as the second Chancellor.

The crisis of 1965, over-simplified, arose out of the University's lack of success in (1) developing means to obtain the capital financing necessary to begin concerted development of \$400 million in new facilities necessary to meet the tripling of enrollments expected by 1980; and (2) the fact that the City had indicated it could not increase its contribution to the University's operating budget beyond 1965 levels, despite the fact that the University budget was expected to increase by 25% a year. This, the Chancellor declared, would hamstring the University.

In October, the Chancellor proposed several formulas for increasing State aid to the University. One asked for the State to assume the entire operating budget of the senior colleges, the graduate division, the teacher education program and the central services of the University, leaving only the community college in their status quo situation.

The proposal envisaged the "nominal imposition of tuition for those who were going tuition-free, but with a proviso which would still preserve the actuality of free tuition to City residents.... The students would meet the tuition payments in two ways, neither a drain on their individual purses: (1) through the scholar incentive plan, ...

and (2) through a Mayor's Scholarship which would be equal in amount to the remainder of the tuition charge after the scholar-incentive plan had been applied."

This, the Chancellor explained, would cost the City \$24 million less for 1966. And if the \$20 million from tuition were pledged to the State Dormitory Authority, it would underwrite bonds for construction in excess of the \$400 million needed for new facilities.

The Chancellor presented the several different plans to the 11-member Administrative Council late in October and they were approved in principle. They were to be presented to the Board of Higher Education on November 22, 1965. Prior to the Board meeting, however, public discussion of the plan involving a "paper" or "shadow" tuition took place, causing both a public uproar and an internal turmoil between the Board and the Administrative Council.

Reference to the possibility of tuition as a means to solve the current financial crisis had been made by President Meng of Hunter College to an alumni gathering on November 6. President Gallagher of City College discussed the plans with students on November 10 and was quoted in the press. The Chancellor then explained the reasoning underlying the proposal in a statement dated for release on November 11.

All the statements attracted wide attention in the press. Students, alumni and other groups were consequently inflamed and the Chairman of the Board called for a special Board meeting on November 17. A resolution was adopted at the meeting that re-affirmed the Board's adherence to the principle of free tuition, regretted "that recent public statements made without the prior knowledge or approval of the Board, have infringed upon the principle that . . . the Board is charged by law with the

sole responsibility for governing the City University. . . "

The resolution also declared that "The Board has a right to expect undivided fealty on the part of all its officers of administration to the policies and bylaws of the Board, irrespective of any other positions they may hold. "

The resolution was communicated to the Chancellor on November 18 and the following day the Chancellor, the University Dean of Studies, the President of Brooklyn College and the President of Hunter College each submitted resignations.

These moves brought heretofore unsurpassed public attention to bear on the problems of The City University, but unfortunately the tuition plan received such emphasis in press, radio and TV coverage that it overshadowed other aspects of the University's problems.

The alumni and civic groups who had fought the imposition of tuition in the past rallied again, but to bring greater pressure to bear on increased appropriations to the City University in order to solve the financial crisis and the need for expanded enrollments. The preservation of free tuition was an integral part of the campaign that was successfully carried out by the some thirty groups. The proposal for a "shadow" or "paper" tuition was dropped.

Meanwhile, public officials, including Mayor Wagner, State Education Commissioner James Allen, and the Joint Legislative Committee on Higher Education took steps to help the University out of its crisis. The Board of Higher Education worked out administrative revisions, re definitions and realignments that resulted in the Chancellor's withdrawing his resignation on December 14, 1965.

Following a session of lengthy hearings at which testimony was given by City University officials, the Chairman of the Board of Higher Education, civic

groups, public finance specialists and others , the Joint Legislative Committee issued a report in March of 1966 which contained a series of detailed recommendations. The chief recommendation was that free tuition be continued. The report also objected to Governor Rockefeller's proposal to build units of the State University in New York City to accommodate the expanding enrollments for which the City University had feared it could not develop sufficient physical facilities.

To solve the problem of capital construction, the report recommended the establishment of a "City University Income Fund," to which the State and City would each contribute \$200 annually per student, and the authorization of the State Dormitory to issue bonds to finance construction. The report also called for increasing State support of the University over a period of five years until the State was assuming 65% of the undergraduate operating costs, and 100% of the graduate program operating costs.

Appendix #5

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CITY UNIVERSITY CAPITAL FINANCING

STAFF PAPER PREPARED FOR
THE CITIZENS' COMMISSION

BY

THE OFFICE OF URBAN AFFAIRS

AND

PEAT, MARWICK, MITCHELL & CO.

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CITY UNIVERSITY CAPITAL FINANCING

This paper is an evaluation of the adequacy of present capital financing methods and administrative procedures. (The City University also faces a serious problem in obtaining the level of operating support it needs to meet its goals over the next five years. This problem is set forth in document No. 18)

I. Introduction

The most critical problem facing The City University is its capital construction program. Unless needed facilities can be provided the University simply cannot meet the enrollment goals it has established, and the promise of educational opportunity which has been made will have to be curtailed.

The construction program was launched in 1966 with a master plan for completion by 1975 at a tentatively estimated cost of \$615 million for the senior colleges, to be financed by construction bonds with student fees pledged toward the debt service. The Master Plan calls for expanded facilities at each of the University's nine senior colleges and new facilities for seven of the eight community colleges.

Since 1966, inflation, increased construction costs and further detailed planning has driven the total estimated cost to more than \$1.3 billion: \$923 million for senior colleges and \$367 million for community colleges. This estimate includes equipment but does not include any estimate of future cost inflation which could increase substantially the actual cost. Delays have occurred as a result of the complexity of procedures that involve an interlocking relationship between the University and two other agencies and require approval by the Board of Regents and the Governor. At the same time, it has developed that the projected fee income is not sufficient to underwrite the necessary construction bonds at the present market rate at which they are sold.

The following summary table illustrates the magnitude of the problem:

1. Total Senior College Program	\$923 million
2. Funds Already Committed	176
3. Remainder to be Funded	<u>\$747 million</u>
4. Total Bonding Capacity	\$350 - \$550 million (See p. 7)
5. Less Funds Already Committed	176 176
6. Remaining Bonding Capacity	<u>\$174 \$374 million</u>

7. Funding Deficit (line 3 - alternate figures on line 6)

\$573 - \$373 million

It must be noted that the \$367 million capital requirement for community colleges, not funded through the Construction Fund, are in addition to the funding deficit.

Until these facilities are completed, the University finds itself being forced to rent space to the extent of \$10 million for the current year. This is necessary to accommodate the regular enrollment increase plus the increase resulting from the Open Admissions policy being implemented five years ahead of its originally scheduled date.

There is also a serious question whether, apart from the funding deficit expected, the program can be completed within the next five years. Meanwhile, projected enrollment will continue to increase at a rapid pace. A full-time senior college undergraduate enrollment of 106,500, for example, is projected by 1975 -- up 132 percent from 1967. Full-time graduate enrollment is expected to be 46,000 -- up 103 percent.

The pressing questions therefore are: [How can the pace of the construction program be accelerated, and must the University increase fees to obtain adequate financing?]

This paper will outline the present arrangements and the problems that have arisen from them, and review alternatives that have been offered in proposed legislation and elsewhere.

II. The Present Arrangement

With the passing of The City University Construction Fund Act by the State Legislature on July 5, 1966, capital financing and construction of all university facilities, except community colleges, was removed from the New York City capital budget and placed under a tripartite arrangement involving the University, the City University Construction Fund, and the New York State Dormitory Authority

The Construction Fund is empowered by law to provide facilities for the senior colleges of the City University. Its broad powers enable it to review and approve proposals for facilities that have been submitted by the University and approved by

✓ the Board of Higher Education. ^{Const. Fund} It is permitted by law -- not required -- to enter into arrangements with the Dormitory Authority for the financing and construction of facilities. (See Appendix A)

The Dormitory Authority issues bonds to finance construction. It is also delegated by the Fund to prepare detailed designs; seek bids, and carry out the actual construction. The Fund then monitors and evaluates construction progress.

Debt service on the Dormitory Authority bonds is paid in equal shares by the City and the State. In order to obtain a more favorable interest rate, fee income from the senior colleges, and the Graduate Division is pledged to guarantee payment of debt service. The fee income, however, is not actually used to pay debt service; as soon as the City and State each pay their share, fee income is then released back to the university's operating budget.]

Community college capital construction is financed by a separate and unrelated arrangement. Since community colleges in New York City have the same relationship to the State as do community colleges in other parts of the state, the State pays 50 percent of construction costs out of its annual capital budget. The City's share is part of over-all City construction for which municipal bonds are issued. Since [the City's annual capital needs exceed its debt limit, pressure is created to slow down or defer expenditures for community college construction.] Of the 1970-71 capital budget of \$800 million, for example, only \$6.3 million was approved for CUNY facilities. It appears, as a result, that the community college construction program cannot be completed in a timely fashion, if at all, under this financing system.

The work of the Construction Fund is carried out by a Board of nine trustees and a small administrative staff. Two of the Trustees are appointed by the Governor; four, including the Chairman, are appointed by the Mayor, and three serve ex officio: The chairman of the Board of Higher Education; the chancellor of the City University; and the chairman of the New York City Planning Commission.

City University construction planning is headed by the Deputy Chancellor who is in charge of Campus Planning and Development, which has a professional staff of 38. In

addition, all of the individual colleges have on their staffs architect/planners or other professionals concerned with planning.

The Dormitory Authority maintains a New York City Office with a staff of 12 persons devoted virtually full-time to CUNY projects. Policy direction of the Dormitory Authority segment of the program, however, rests with its seven man Board of Directors and senior administrative staff whose headquarters is in Ellersmere, New York (a suburb of Albany).

The three agencies must work closely together to provide university facilities. Under present procedures, [the Construction Fund requests the Dormitory Authority to issue notes or bonds to provide the University with funds to hire architects to develop a master plan for each campus.] The master plan sets forth the broad guidelines for size, location, use and general architectural style of the proposed new facilities. [The master plan is then subject to approval by the Board of Higher Education, the State Education Department, the Board of Regents, the Division of the Budget and the Governor.]

It is not until all these approvals have been obtained that the Authority can begin preparation of detailed schematic drawings, which typically require about a year to complete and which must be finished before bids can be sought and construction contracts awarded.

While the Dormitory Authority is functionally responsible from the time the master plan is approved until construction is completed, the Construction Fund, in accord with its legal responsibility, monitors the progress. University planning officials have taken steps to curb the involvement of the colleges themselves in the detailed design and construction phases. [There are nevertheless obvious overlapping duties and divided responsibilities among the different agencies.]

One of the serious problems in the approval process is that, even though all parties are in agreement on particular facilities, no work can begin until a total campus master plan is approved. This has held up a current project for about 14 months. Among the explanations offered for this delay is that the Governor desired

that priorities be established for projects in the City University Master Plan. The University, however, is reluctant to assign alternate priorities since all the projected facilities are needed to meet enrollment goals. It also is not acceptable to any of the communities involved for priorities to be set that would delay construction on their campuses. The University also emphasizes that none of its plans exceed state or national standards for space. According to 1967 figures, CUNY's four-year colleges were utilizing 32.9 square feet per student for instruction and research. The State University at the same time had 74.9 square feet per student, and private four-year colleges in the state had 55.4. Reports from preliminary and incomplete data collected in the fall of 1969 indicate a still greater disparity between the City University and other institutions in the state.

As already indicated, enrollment has grown faster than new facilities could be created. In the four years since the present construction began, little was accomplished in the first year, substantial projects got underway in the second and third years, and virtually no progress was made in the past year. In fact, the Fund is yet to take up the work for which it was formed except for some work in planning and the carrying out of several projects that were already in the planning stages prior to 1966. Here is a list of projects in the construction program (anticipated commitments are in 1970 dollars):

(see chart on following page.)

SENIOR COLLEGES COSTS
(in millions of dollars)

	<u>City University Construction Fund Commitments Prior to 1970-71</u>	<u>Anticipated Commitments to 1975-76</u>
1. Lehman	\$11.0	
2. City	31.9	\$ 60*
3. Brooklyn	62.7	130*
4. Hunter	0.0	28*
5. Queens	7.3	83*
6. York	20.8	173
7. Richmond	10.0	85
8. Baruch	7.1	91
9. John Jay	16.6	90
10. Graduate Center	6.0	
11. College 17 (Initial	0.0	
12. Presidents Houses	1.2	7
13. Master Planning	2.1	
	<u>\$176.7</u>	<u>\$747</u>

COMMUNITY COLLEGE COSTS

(Not financed by The City University Construction Fund)

<u>Community College</u>	<u>Anticipated Commitments to 1975-76</u>
1. Borough of Manhattan	\$54*
2. Queens Borough	27*
3. Staten Island	36
4. New York City	36
5. Bronx	72*
6. Kingsborough	70*
7. Hostos	60
8. CC IX (Initial	12
	<u>\$367</u>

*Estimate based on completed master plan. Other cost figures are subject to refinement as each master plan is completed within the next few months.

III. Problems Arising from the Present Arrangement

As indicated above, increasing costs, administrative complexities, and related factors have developed that jeopardize the senior college construction program. And the pressure on the New York City capital budget for hospitals and other mandatory city construction is holding back appropriations for the community college construction program.

Here are further details of the problems:

1. The actual fee income at levels now imposed cannot underwrite the construction now required for the senior colleges. The Construction Fund has a total borrowing capacity of between \$350 and \$550 million, depending on interest rates, of which \$176 million has already been committed. Under present bonding arrangements, debt service cannot exceed the annual amount of student fees from the senior colleges. Here is a table of estimated possible bonded indebtedness:

	Fees in Millions	Bonding capacity at various interest rates				
		5%	6%	7%	8%	9%
1966-67	\$17.2	264.4	236.8	213.4	193.6	176.7
1967-68	17.5	269.0	240.9	217.2	197.0	179.8
1968-69	21.9	336.7	301.5	271.8	246.5	225.0
1969-70	24.7	379.7	340.0	306.5	278.1	253.0
1970-71	35.7	548.8	443.0	401.9	366.7	336.5

2. For community college capital projects, the squeeze on the City's capital budget is manifest in the form of delays for community college construction. An architect's contract for Kingsborough Community College was submitted in September 1969, for example, but is being held up by the City until October 1970, for both technical and financial review. It should be noted that community college enrollment is expected to increase from 30,200 full-time equivalent students in 1967 to 42,600 by 1975 -- a 41 percent increase.

3. As serious as is the debt limit for the senior college construction are the delays in master plan approval that hold up preparation of working drawings. Elapsed time from the start of a project until its completion can range from 5 years and 11

months to 7 years and 3 months, including a time span after master plan approval ranging from 3 years, 3 months to five years. The following tabulation of steps and estimated time required for each illustrates the procedures:

Approximate Time Table for Major CUNY Construction Projects

Steps:	Months Required:
1. Preparation of Campus Master Plan	12
2. Printing and Distribution of Master Plan	3
3. Approval by BHE and Construction Fund	2 to 3
4. Review by State Education Department and approval by the Board of Regents	6 to 9
5. Review by State Budget Division and approval by the Governor	9 to 12
6. Preparation of detailed design, bid documents and awarding of contract	15 to 18
7. Construction	<u>24 to 30</u> <u>71 to 87</u>

The University has developed master plans for each of the senior colleges, although only one has been approved officially at the time of this writing. Four of the community colleges have completed master plans but none have been approved. Here is a summary of the various stages of master plans for the senior colleges:

1. Lehman College)	Approved September 1970
2. City College*)	Governor's approval
3. Hunter College)	expected this fall
4. Brooklyn College*)	Now at State Department of Education
5. York College)	To be presented to Board of Higher
6. Richmond College)	Education in November or December
7. Queens College)	
8. Baruch College)	Delayed due to problems in site acquisition
9. John Jay College)	Static; temporary building now serving.

*Extensive construction is now underway on projects planned prior to the beginning of the present construction program. Master plans for these two campuses, therefore, involve fewer new facilities than the other campuses.

It seems apparent, therefore, that capital financing methods must be developed that can raise the existing debt limit while simultaneous efforts must be made to streamline administrative procedures in order to complete as much as possible of the capital construction program by 1975. The interim alternative is for the university to expand its current space rental program from the present \$9 million annually to an estimated \$35 million by 1975. To meet the needs of increased enrollment this fall, for example, rental space was increased from 921,000 square feet to 1,372,000 square feet, a 49 percent increase in one year.

Public funds are not being saved, therefore, by the delaying of construction.

IV. Proposed New Legislation

The City of New York submitted a bill to the last legislative session which proposed a number of significant changes in procedures and financing for capital construction, as follows:²

1. The present limitation that annual debt service cannot exceed the annual amount of student fees would be abolished. In its place the bill provided for the establishment, over a five-year period, of a \$10 million reserve fund which could be drawn upon in the event that either the City or the State were unable to meet its share of annual debt service.

2. The community college capital construction program would be financed and carried out through the Construction Fund and Dormitory Authority in a manner similar to the present arrangement for the senior colleges.

3. The Construction Fund Board of Trustees would be reduced from nine members to five, including a chairman appointed by the Mayor, the Chancellor of The City University; the City and State Budget Directors, and the Chairman of the City Planning Commission. This reorganization, plus proposed changes in procedures, were aimed at expediting the subsequent reviews by the City or State Budget Offices.

2. State of New York, Cal. No. 8949-A. "An Act to Amend the Public Authorities and the Education Law..." March 17, 1970.

The combined effect would have been to assure adequate financing for both senior and community college construction programs, and, hopefully, a reduction in administrative delays. Some of the present tiers of approval would have been removed and administrative delays reduced. Unfortunately, the bill was introduced late in the session, was very complex in its drafting, and had some controversial provisions. It was not reported out of committee.

Efforts will be made this year by the City University to improve the bill, to submit it as early as possible, and to follow its progress carefully. If enacted in proper form, it could provide a basis for solving the serious financial and procedural problems facing the University's capital construction program.

It should be noted that bonds sold under the provisions of the proposed legislation would probably carry a higher interest rate than bonds sold under the present arrangements. Bond counsel to the Dormitory Authority estimated that the difference in interest rate would be in the vicinity of .5 percent. This would add 6 to 7 percent to the cost of debt service, depending on prevailing interest rates.

V. Other Possible Alternatives

If the bill is not passed, then alternatives have to be considered. Negative ones would include concentrating on building new campuses, meaning that \$100 million in expanded facilities at existing campuses would be postponed, and that the new campuses planned for York, Richmond and Baruch would also be postponed.

There are varying points of view on other alternatives for financing:

1. The sale of bonds without a pledge of fees --- There are several methods by which bonds could be sold, in most instances at a higher rate of interest, without the pledging of fees for the debt service, as is now the arrangement:
 - a. Full Faith and Credit of the State or City -- This type of bond, which would require a referendum and would carry court enforceable taxing authority in case of default, is one of the most attractive offerings in the bond market. State bonds

could be sold at something under 6 percent and City bonds at about 7 percent. These could not be issued by the Dormitory Authority since it does not have taxing authority.

b. "Promise to Pay" by City and State -- This type of bonds, sometimes termed "general indebtedness bonds," could be sold by the Dormitory Authority without the fee pledge, but at a higher rate of interest. It was estimated that the interest rate on such bonds would be about 8 percent, meaning that the construction program might cost an estimated additional \$30 million.

c. A Special or Dedicated City Tax --- Municipal bonds specialists advise that this would provide one of the most attractive backings for offerings in the bond market. A tax that would be geared to the general upward trend of the economy would, they believe, have the combined advantage of attracting a good bond rate and also providing added revenue for the City should it collect amounts in any given year in excess of debt service obligations. A $\frac{1}{4}$ -cent addition to the City sales tax, for example, would yield about \$40 million a year -- an amount sufficient to handle the debt service on about \$400 million.

2. Tuition Financing -- The imposition of a tuition charge for undergraduate students, with the proceeds used to pay debt service, is an alternative solution with respect to the senior colleges. This is the method used to finance the Construction program of the State University.

Based on current undergraduate enrollment projections, by 1975 a \$400 undergraduate tuition would be generating \$42.6 million. Depending on interest rates, this would support between \$438 million (at a 9 percent interest rate) and \$655 million (at a 5 percent interest rate) for new construction, in addition to the \$350 to \$550 million that could be financed under the present system. If interest rates were to continue to rise, the new bonding capacity from tuition, plus the capacity of the existing system could fall short of the total sum ultimately needed. Moreover, a tuition supported financing program would not solve the problem for the

community colleges since the state community college law provides that tuition income must be used for operating costs. That law could perhaps be amended, but an amendment which gives New York City's community colleges a better capital financing system than community colleges elsewhere in the state might be difficult to get enacted.

One major advantage of imposing tuition, which has nothing directly to do with capital financing, is that it would undercut a major argument which upstate legislators and others have used in opposing increased support by the State of the City University's operating costs. Thus, the imposition of tuition would at the same time provide substantial additional amounts for capital construction and also remove what appears to be a major obstacle to increased State support for operations. If substantial state support did come about, this might provide sufficient relief to the City to enable it to meet community college financing needs.

3. Increased City University Fees Offset by City Stipends to Needy Students -- Although this might be taken by some to be another name for the more prickly issue of tuition, fees by definition are used for purposes other than to pay for the costs of instruction. If other means failed, a fee such as a "construction" or "facilities" fee could be imposed to provide for the funding deficit that exists under present arrangements. The Mayor could make a commitment that no student in The City University would be required to pay more than he is now paying. The so-called "means test" that this seemingly require would not be as difficult as many have believed. For example, the full fee could be imposed and reduced by submission of family income data. Such data is now provided by many CUNY students, perhaps as many as 75 percent, who seek loans and other financial aid.

VI. Administrative Streamlining

Although it is believed that a faster administrative process would result from the smaller Construction Fund Board that would be provided by the proposed legislation, it can be argued that a still more effective structuring would be possible. It is a

widely held view by City University officers involved in the construction program that the university should have more of an opportunity to expedite reviews, decide upon target occupancy dates, and guide the determination of capital expenditures.

A persuasive argument was made for this type of increased university responsibility in a report on the State University Construction Fund submitted to the Governor by the Bell Commission.³ Citing a need for "clarifying common objectives, basic responsibilities and improving operational procedures," that appear to be equally necessary for the City University Construction Fund, the Bell study made the following key recommendations:

1. "That at least two of the three trustees of the State University Construction Fund be representatives of the University."
2. "...That the Chancellor of the University serve as chairman of the Construction Fund Board."
3. "...That the Chancellor of the University be identified as the Interagency Coordinator of the University's construction program and arbitrate differences in the day-to-day administration of the program."
4. "...That reviews and approvals by the Division of the Budget be incorporated into the procedures early enough to provide the opportunity for the Budget Office to exercise its control at the points in the process where major fiscal policies are made."

The principles of these same recommendations could be considered as a means of solving the confusion of roles that all the parties involved in the City University capital construction program acknowledge has contributed to delays. There is no belief that political agencies involved in the funding of the program should not be represented, but they need not be in leading roles. If the principles of aligning construction more closely to the City University were applied to the structure of the Construction Fund Board, it might comprise the following:

3. Joseph M. Bell, Jr. (Chairman) et al. "Report of the Temporary Study Commission to Review Procedures of the State University of NY and the State University Construction Fund," March 1970.

The Chancellor of the City University (chairman); a trustee appointed by the Governor; a trustee appointed by the Mayor; a representative of the Board of Higher Education; and the City and State Budget Directors (both ex officio)

One alteration in approval procedures that could expedite the construction program would be to divide master plan approval into two stages: one for design of the facilities included in each campus master plan, and the second stage for final approval based on actual plans. This could have the effect of enabling a possible head start on design and also lessen the possibilities of delays due to apprehension of funding availability.

A final vivid example of the effect of the delays undergone by the City University capital construction program is evident in its comparison with the State University construction program. The legislature has already appropriated for SUNY construction in 1970-71 more than \$460 million. The City University expects to be able to commit no more than \$20 million during the current year -- most of this for renovations.

It is obvious that the capital Construction Program presents a serious problem and that steps must be taken in the immediate future to help solve it.

Appendix #7

Appendix 7

MEMBERS OF THE CITIZENS' COMMISSION

Robert F. Wagner - Attorney and former Mayor of New York City and former Ambassador to Spain. At present a partner in Wagner, Quillinan and Tennant. Previously Ambassador to Spain from 1968 to 1969; first Vice President 1967 New York State Constitutional Convention; Mayor of New York from 1953 to 1965; Borough President of Manhattan, 1949-1953; New York State Assemblyman, 1937-1942. Attended Yale University, Harvard School of Business Administration, School of International Relations at Geneva, and Yale Law School.

Robert A. Bernhard - Investment banker and philanthropist. Currently partner in Lehman Brothers. President, New York Urban League; member of the Executive Committee of the New York State Welfare Conference; affiliated with New York Urban Coalition and the Governor's Steering Committee on Social Problems; serves on the boards of various philanthropies. Graduate of Williams College and the Harvard Business School.

John T. Burnell - Leader in the fields of labor, civil rights and manpower development. Director, New York City Central Labor Council's Civil Rights Committee; Area Manpower Representative, Human Resources Development Institute, AFL-CIO; Labor Representative to Coalition - JOBS; Vice President, Community Council of Greater New York; Chairman, Labor Advisory Committee of American Red Cross of Greater New York; board member and officer of various educational, civil rights, and public service organizations. Educated at City College, Columbia University, Cornell University and the New School of Social Work.

Dr. John V. Connorton - Former Deputy Mayor and an expert in management and delivery of public services. Executive Vice President (previously Executive Director) of the Greater New York Hospital Association; Deputy Mayor - City Administrator (1965-1966); Deputy City Administrator and Executive Officer of the Mayor's Management Cabinet under Mayor Wagner; Executive Director of the Committee on Health, Housing and Social Services of the 1967 New York State Constitutional Convention; Consultant in administrative matters and community relations for industrial, governmental, educational, philanthropic, health and welfare organizations. B.A., M.A., Ph.D., and J.D. from Fordham.

Thomas J. Deegan, Jr. - Expert in business management. Chairman of Thomas J. Deegan Co., Inc., providing management and advice to corporations; previously Vice President of the Chesapeake & Ohio Railway, and of the Alleghany Corporation; Vice Chairman and Director, Interpublic Incorporated; Director and Trustee of numerous civic and charitable organizations; Catholic Layman of the Year 1965. A.B. Fordham University; honorary degrees from the University of Tampa, LIU, and Fordham.

Mrs. Sylvia Deutsch - Prominent member of educational and other civic organizations. Former Vice President of United Parents Associations; Currently legislative Chairman, UPA; Co-Director of the Proportional Representation Educational Project; Queens Regional Director American Jewish Congress; Educational Consultant to Metropolitan Council of American Jewish Congress. A founder and member of the Ad Hoc Committee for the City University; B.A. Brooklyn College. Currently a M.A. candidate at Brooklyn College.

B. Bernard Greidinger - Accountant and an expert in financial and business management. Presently Senior Partner, Greidinger, Hoffberg & Oberfest, Certified Public Accountant; Professor of Accounting, New York University Graduate School of Business Administration. Formerly consultant to the State Department, to various officials within the Defense Department, to the City and State of New York, to professional accounting groups, and to institutions in Israel and Nigeria on financial matters and on the organization of schools of business administration; Chief of Financial Operations for United National Relief and Rehabilitation Administration (represented Director General at inception of International Refugee Organization). Author of various books and articles. B.B.A., City College of New York; M.S. and Ph.D., Columbia University.

Preston L. Lambert - Community and business leader. Presently Executive Director, Brooklyn Local Economic Development Corporation. Member of National Board of Directors of Interracial Council of Business Opportunities Executive Committee; Executive Board, St. Mary's Hospital; Board of Directors, Brooklyn Arts and Sciences Trustee; Black Economic Development Council, Small Business Administration. President of United Cee Dee. Attended Brooklyn Law School and graduate of Long Island University.

Trude W. Lesh - Authority on education and social welfare programs. Executive Director, Citizen's Committee for Children of New York, Inc.; Member of the Advisory Panel on Education of the New York State Bar Association. Previously member of the Council Against Poverty and Chairman of its Education Committee; Secretary of the Human Rights Division of the United Nations. Trustee and board member of various philanthropies. Ph.D. University of Freiburg.

Hon. Jacob Lutsky - Attorney, Judge, and expert in government operations. Judge of the Family Court of the State of New York for the City of New York; previously Assistant New York City Corporation Counsel and legal aid to Mayors O'Dwyer, Impelliteri, and Wagner; numerous special appointments to advise New York City and State on fiscal and government operations problems; recipient of Public Service Award from New York City in 1964 and from Civil Service Leader in 1965. A.B., Cornell University; L.L. B., Cornell Law School.

James P. Murphy - Banker and prominent participant in public service programs. Vice President, Chemical Bank, with special responsibility for New York City and State governmental relations; Member, Advisory Board to the Department of Mental Health and Mental Retardation Services of New York City; Delegate to 1967 New York Constitutional Convention, where he was Chairman, Subcommittee on Structure of State Education Administration. Officer and director of various charitable and public service organizations. B.A. Manhattan College; L.L.B. Fordham Law School.

Hon. Emilio Nunez - Judge and eminent member of the New York Spanish-speaking community. Currently Associate Justice of the New York Supreme Court, Appellate Division, First Department. Previously Justice in the Supreme Court, First Department, by election (1962-69) and by designation of the Appellate Division (1958-62). Prior to 1958 he served as a Justice of the City Court (1956-58) and the Court of Special Sessions (1952-56), and as City Magistrate (1951-52). Judge Nunez is the first Spanish speaking Judge in the history of New York City and was the first of this ethnic group to hold each of the aforementioned offices.

David Starr - Newspaper editor and officer in community welfare and education programs. Editor of the Long Island Press; Director of the Nassau County Health and Welfare Council; Trustee of the Nassau Community College of the State University of New York (1959-1966); Trustee of the United Fund of Long Island; President, New York State Associated Press Association (1960-1961). B.A. Queens College.

Dr. Francisco Trilla - Physician and leading member of community organizations. In private practice since 1957 and member of the Arthritis Clinic, Greenpoint Hospital; a Director of Puerto Rican Forum and ASPIRA; Overseer of Center for New York City Affairs, New School for Social Research. B.S., Puerto Rico; M.D. Marquette University.

Gus Tyler - Labor leader, educator, and author. Assistant President, International Ladies' Garment Worker's Union; Director ILGWU Departments of Education, Politics, and Training; Fellow at Brandeis University; Secretary-Treasurer and member, Board of Trustees, National Center for Education in Politics. Author of numerous books and articles on labor and politics. Member and director of additional educational, political, and charitable organizations.

