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CUNY Construction Funding Has Been on the Rise: Can It Continue?

SUMMARY

THE CITY UNIVERSITY OF NEW YORK (CUNY) enrolls more than 242,000 full- and part-time students plus an additional 270,000 adult, continuing, and professional education students. These students attend classes on 21 campuses in 290 buildings encompassing more than 26 million square feet of space. Funding needs for the city university's capital budget depend on a number of factors, including maintenance and replacement of CUNY's infrastructure, the expansion of facilities to accommodate a growing number of students, the need to upgrade science facilities, and the development of new computer systems. Two recent studies have highlighted the need for additional capital investment; a 2007 study by CUNY and the New York State University Construction Fund concluded that just eliminating the city university's huge backlog of deferred maintenance would cost \$1.7 billion to remedy, even if the work could be done immediately.

IBO has reviewed the level of investment in the capital needs of the City University of New York by the city and state over the past 10 years. Among our findings:

- While the state is responsible for 100 percent of the cost of capital projects at the senior colleges and graduate schools, the state and city generally split the cost of capital projects at the community colleges. Because community college projects require appropriations from two different levels of government, it is often difficult to move projects forward.
- City capital appropriations for the community colleges over the past decade have often lagged behind state appropriations. After an increase in city appropriations in 2006 largely eliminated the backlog of unmatched capital projects, the problem has re-emerged over the past three years with state appropriations for the community colleges totaling \$326 million, compared with \$227 million in new city matching funds.
- Despite their current fiscal difficulties, state and city capital expenditures for the city university are likely to rise over the next few years as the recent increase in appropriations gradually leads to an expansion of capital activity. But in the longer run, the level of state and city expenditures will depend on future appropriations.
- The 2008–2009 adopted state budget made a start in eliminating the maintenance backlog at the senior colleges by appropriating a \$284 million lump sum for critical maintenance, the first in a planned series of five annual appropriations.

While both the city and state budgets currently show a continuing commitment to funding the city university's capital needs, these commitments may become harder to sustain as both levels of government face difficult budget shortfalls. For example, the Mayor has proposed reducing the city's capital plan for 2009–2013 by 30 percent but has not yet detailed what effect this cutback may have on capital funds previously targeted to city university projects.

BACKGROUND

The City University of New York (CUNY) is the nation's largest urban public university enrolling over 242,000 full- and part-time students in undergraduate and graduate degree credit courses and another 270,000 adult, continuing, and professional education students. The CUNY system includes 11 senior colleges, six community colleges, a variety of graduate and professional schools, and other specialized schools and programs.

The facilities at CUNY's 21 campuses include 290 buildings accounting for more than 26 million square feet of space that are used for classrooms, laboratories, academic and administrative offices, student activities, and other functions. More than 75 percent was constructed before 1970, with an average building age of about 50 years.¹ When determining the university's capital budget funding requirements, CUNY administrators take into account the maintenance and replacement of this infrastructure, along with the health, safety and security of students and employees; the upgrade of science facilities; the development of new computer information systems for tracking student information, human resources data and college fiscal operations; and the expansion of facilities to accommodate an increasing student population, which has grown by more than 40,000 over the last decade.

Two recent studies found evidence that CUNY's infrastructure has suffered from significant long term underfunding. The final [report](#) by the New York State Commission on Higher Education, released in June 2008, concluded that "SUNY (State University of New York) and CUNY have suffered the negative effects of more than a decade of under-investment, with a devastating toll on their facilities." Additional evidence comes from a September 2007 study conducted by CUNY and the New York State University Construction Fund, which concluded that CUNY faces a \$1.7 billion backlog of deferred maintenance. Because additional structural components will reach the end of their useful life with each passing year, the report estimates that CUNY will require an investment of \$400 million annually for 10 years to eliminate this maintenance backlog. These funds would be in addition to the substantial resources needed to expand and upgrade the university's facilities.

This report looks at CUNY's capital budget, starting with an explanation of the capital budget process. We then examine trends in state and city funding and capital project activity over the last decade, and note some of the major challenges facing CUNY in years to come.

CUNY'S CAPITAL BUDGET PROCESS

The process of developing, funding, and implementing CUNY's capital program is lengthy and complex. Much of this complexity stems from CUNY's dependence on both state and city government for funding. In that regard, the roles the state and city play depend on the academic level of the various CUNY schools. The state is generally responsible for 100 percent of the cost of capital projects at the senior colleges and graduate schools, although the City Council and Borough Presidents will frequently set aside city funds for smaller projects at these institutions as part of the city's adopted budget. Regarding capital projects at the community colleges, the state and city are each responsible for an equal portion of the cost. Consequently, because senior college projects do not require appropriations from two different levels of government, it is generally easier to get budgetary approval. Medgar Evers College is a notable exception to the general rule that the state bears the full cost of major capital projects for senior colleges. Due to a quirk in state law, Medgar Evers continues to be treated as a community college even after gaining senior college status in 1994.

In addition to their different funding responsibilities, the state and city also differ in the means they use to fund CUNY capital projects. At the state level there are two funding mechanisms. Minor rehabilitation or "hard dollar" projects are funded directly from the General Fund on a "pay as you go" basis; they represent only a small portion of CUNY capital appropriations. Most projects are funded with bonds sold by the Dormitory Authority of the State of New York (DASNY). At the city level all CUNY projects are bond funded. Until recently the city also used DASNY bonds for its CUNY capital projects, but in the last few years has opted to use city bonds instead. Both the state and city are obligated to pay the debt service on their shares of the DASNY bonds. These payments to DASNY are made through the City University Construction Fund. Regardless of the funding source, DASNY plays an important role in managing CUNY's capital projects. Specifically, it bids, awards, and oversees the contracts for the design and construction of virtually all CUNY capital projects. When city bonds are used to fund these projects, city officials use the bond proceeds to pay DASNY in the same way they would any other vendor.

Each year CUNY officials, operating through the City University Construction Fund, develop a five-year capital budget request for submission to the state and city governments. This request for new capital appropriations is based on the university's overall Academic Master Plan as well as the individual Physical Master Plans of each campus. University officials tend to use the budget request process as a way of putting forth an inventory of

projects that they consider important; there is little expectation that the entire list of requested projects will actually be funded that year. Projects that fail to receive funding are likely to be included in future requests. While setting the level of new capital appropriations, the adopted budgets of the state and city will also generally re-appropriate unspent funds from prior years.

Once the appropriations process is completed, both the state and city develop commitment plans, which lay out a schedule for each capital project over the next four or five years. Delays in starting or completing projects, however, can lead to numerous revisions in the plans. There are many reasons for delays including logistical problems, changes in project design, unforeseen cost increases requiring additional appropriations, and difficulties in lining up other funds for projects that rely on multiple funding streams. The Bloomberg Administration recently estimated that for reasons such as these about 35 percent of planned commitments are typically delayed or rolled over into subsequent years. In some cases, projects may also be dropped entirely from the commitment plans. From a budgetary perspective, the first real sign of project activity is when the plan for a commitment becomes an actual commitment, which occurs when a work contract is awarded and registered. There can be several commitments over the lifetime of a project, each corresponding to a different phase of activity and having a different dollar value.

Each commitment or contract can in turn involve multiple cash payments over a period of months or years. These actual cash expenditures—referred to as disbursements by the state and liquidations by the city—are another measure of project activity.

FUNDING TRENDS

Over the last decade there have been significant year-to-year variations in funding for CUNY capital projects at both the state and city levels, although funding in recent years has generally increased.

State Budget. In fiscal year 1998–1999, the state adopted budget included a multiyear appropriation of just over \$1 billion intended to cover CUNY’s capital needs for the next five years.² This total included \$922 million for the senior colleges and \$115 million for the community colleges. As is always the case with state appropriations for the community colleges, the latter figure required an equal match of city dollars for the funded projects to move forward. In keeping with the intention of state officials to treat the 1998–1999 appropriation as a true five-year plan, no additional capital funds for CUNY were appropriated in any of the four following years.

In fiscal year 2003–2004, with the completion of the five-year plan, CUNY requested a new five-year state appropriation of \$2.3 billion. State officials, however, could reach agreement only on a small portion of the request, \$55 million for the community colleges and no new funds for the senior colleges. CUNY responded to this setback in fiscal year 2004–2005 by submitting a revised five-year request for \$1.7 billion in state funds. This time the university received an appropriation of \$1.1 billion for the senior colleges only. Unlike with the previous five-year appropriation, this action did not lead to a moratorium on new funding for the remaining years of the plan. Over the next three years CUNY received new state appropriations of \$348 million, \$337 million, and \$266 million, respectively. While each of these sums was considerably lower than the amount requested by CUNY, they did establish a new pattern in which CUNY could expect to receive new funds each year even before the end of an established five-year plan.

In 2008–2009 CUNY officials—encouraged by the report of the New York State Commission on Higher Education that had called for significant increases of government funding for the capital needs of the public university systems—submitted a five-year request for more than \$8 billion, including \$7 billion in new state funds. The state responded with an appropriation of \$1.8 billion. When combined with re-appropriated funds from the last few years, the new funds should provide CUNY with its largest pool of state capital funds in recent memory. Among the specific projects receiving new state funds in 2008–2009 were the CUNY-Wide Advanced Science Research Center located at City College (\$99 million), the John Jay College Building Expansion Project (\$125 million), the replacement of Roosevelt Hall at Brooklyn College (\$161 million), and the replacement of Fiterman Hall at Borough of Manhattan Community College (\$51 million). In addition the state appropriation included \$284 million for critical maintenance projects at the senior colleges.

The recently released 2009–2010 state Executive Budget recommends an additional \$284 million for critical maintenance work at the senior colleges, as the second in a series of five equal annual appropriations for this purpose. No other new appropriations for CUNY capital projects are recommended.

City Budget. The city budget has appropriated at least some capital funds for CUNY each year since city fiscal year 1999 (which roughly corresponds to state fiscal year 1998–1999). These funds include the city match for the state appropriations for the community colleges, as well as City Council and Borough President funds for either the community colleges or senior colleges.³ During the early years of this period, the amount of city appropriations in the adopted budget generally

increased, from \$12 million in 1999 to \$51 million in 2005. The 2006 adopted budget included \$168 million in new city appropriations for CUNY, a figure that was much higher than for any previous year of this period. This included \$157 million in new city funds for community colleges intended to match previously appropriated state funds. New city capital appropriations then dropped to \$53 million in 2007 and to \$44 million in 2008, before surging to a new high of \$185 million in the 2009 adopted budget. Among the specific projects receiving new funds in 2009 were Academic Building I at Medgar Evers College (\$32 million), and the North Instructional Building at Bronx Community College (\$13 million).

Problems Created by the Matching Requirement. The disparate appropriation patterns of the state and city can have important implications for capital projects at the community colleges. Since these projects require an equal funding match from the state and city, appropriations from both sources must be in place for a project to proceed. CUNY officials have argued that over the years delays in city appropriations have often forced the university to delay community college projects that had already received state funding, and that this pattern has led the state to allocate fewer funds than would otherwise be the case.⁴

Our examination of state and city funding over the last decade suggests that city appropriations do often lag behind state appropriations. The 1998–1999 state budget included a five-year appropriation of \$115 million for CUNY’s community colleges.

Over that same five-year period, the city appropriated smaller amounts of matching funds each year, totaling \$71 million by the end of the period. Over the next two years, the long-term disparity between the two funding sources remained unchanged: the state added \$55 million and the city \$54 million. In 2005–2006, however, when the state appropriated another \$126 million for the community colleges, the city responded with \$157 million in new funds, far higher than in any of the prior years. The unusually large city appropriation largely eliminated the backlog of unmatched capital projects. This backlog has returned in the last three years due largely to an increase in state funding for the community colleges, which totaled \$326 million compared to \$227 million in new city matching funds.

CAPITAL BUDGET ACTIVITY

Even when all the funding is in place for a given project it can be months or years before the project begins to move forward. As mentioned earlier, from a budgetary perspective, the first sign of project activity is a commitment, which occurs when a work contract is awarded and registered. A given project can involve several commitments. Each commitment is followed by a series of cash payments made over a period of months or years. These actual cash expenditures are referred to as “disbursements” in the state budget and as “liquidations” in the city budget. Although some historical data on capital commitments is available over this time period, more complete information is available about cash expenditures. Therefore, our analysis will focus primarily on the latter.

State and City Capital Budget Commitments for CUNY, From Fiscal Years 1998-1999 Through 2007-2008										
<i>Dollars in millions</i>										
	Fiscal Year									
	1998- 1999	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008
State Budget										
Commitments:										
Total Funds	N/A	N/A	N/A	N/A	N/A	\$213.4	\$147.3	\$151.6	\$522.9	\$492.0
City Budget										
Commitments:										
City Funds	\$12.0	\$9.6	\$7.1	\$8.5	\$17.0	\$18.3	\$19.6	\$38.6	\$21.9	\$128.7
State Funds	1.8	1.3	0.3	1.6	3.6	0.9	0.3	1.1	0.0	3.1
Other Funds	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds	\$13.7	\$10.9	\$7.5	\$10.1	\$20.6	\$19.3	\$19.9	\$39.7	\$21.9	\$131.8
Total City and State Capital Commitments										
	N/A	N/A	N/A	N/A	N/A	\$231.7	\$167.0	\$190.2	\$544.8	\$620.7

SOURCES: IBO; City University of New York; Dormitory Authority of the State of New York; New York City Financial Management System.

NOTES: A commitment occurs when a work contract is awarded and registered. "State Funds" under City Budget Commitments refers to State "hard dollar" funds that are appropriated through the city budget. Total City and State Capital Commitments amounts are adjusted for these state funds to avoid double-counting. State level commitment data prior to 2003-2004 is unavailable. Numbers may not add due to rounding.

State-funded CUNY capital activity has fluctuated over the last decade, although there is evidence of a recent upturn that is expected to continue for the next few years despite the state’s current fiscal difficulties. This is because the level of current capital expenditures is ultimately driven by the amount of appropriations

in prior years. As noted earlier, the fiscal year 1998–1999 state adopted budget included a multiyear appropriation of just over \$1 billion intended to cover CUNY’s capital needs for the next five years. With these funds in the pipeline, over the next three years state capital expenditures ranged from \$250 million to \$365 million. By 2002–2003, following several years in which no new funds were appropriated, the funding pipeline began to dry up and expenditures began to decrease, reaching a low of \$174 million in 2003–2004. Since 2004–2005 the state has provided a larger flow of new capital appropriations for CUNY. This has led to a gradual increase in capital expenditures, which reached \$280 million in 2007–2008.

State expenditures are likely to further increase over the next few years as the recent increase in state appropriations gradually leads to an expansion of capital activity. An early indication of this can be seen in commitment data compiled by DASNY, which show a surge in the value of registered contracts from \$152 million in 2005–2006 to \$523 million in 2006–2007 and \$492 million in 2007–2008. This increase in commitments will ultimately lead to larger cash payouts. A little farther down the road, the record high state appropriation of \$1.8 billion in 2008–2009 will result in further increases in capital activity. The 2009–2010 state Executive Budget projects that capital expenditures for CUNY will reach \$398 million in 2008–2009, and top \$400 million in each of the next few years. In the longer run, the level of expenditures will depend

on future appropriations, which could be affected by the economic downturn and the state’s fiscal difficulties.

For most of the last decade, city-funded CUNY capital expenditures held relatively steady. From city fiscal years 1999 through 2006, annual expenditures ranged from \$8 million to \$14 million, before rising to \$20 million in 2007 and \$37 million in 2008. City-funded expenditures are likely to increase significantly over the next few years, as the large city budget appropriation of 2006 works its way through the system. Early evidence of this process can be found in the fact that city commitments rose sharply in 2008 to \$129 million, far higher than in any previous year. On top of this, the record high \$185 million city appropriation for 2009 makes it likely that this significant increase in city-funded capital activity will continue for the foreseeable future—although it remains to be seen how the Mayor’s more recent decision to reduce the city’s 2009–2013 capital plan by 30 percent will effect CUNY. In addition, as was the case with the state, the city’s fiscal challenges may mean lower appropriations over the next few years.

FUTURE CHALLENGES

In spite of the special challenges that stem from being dependent on both the state and city for their capital budget funding, CUNY officials have made notable progress over the last decade in meeting the university’s capital needs. In the last few years

there has been a significant upturn in funding from both levels of government. This increased funding has in turn resulted in higher levels of actual capital activity, which may well continue to trend upward over the next few years.

The university has completed a number of important projects in recent years. One example

State and City Capital Budget Expenditures for CUNY, From Fiscal Years 1998-1999 Through 2007-2008										
<i>Dollars in millions</i>										
	Fiscal Year									
	1998- 1999	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008
State Budget										
Disbursements:										
Total Disbursements	N/A	\$252.7	\$250.0	\$365.4	\$214.0	\$174.4	\$193.4	\$183.2	\$202.9	\$279.7
City Budget										
Liquidations:										
City Funds	\$8.5	\$11.1	\$9.1	\$9.5	\$11.6	\$12.2	\$14.0	\$11.9	\$19.6	\$36.9
State Funds	1.0	1.0	1.2	1.7	1.5	2.5	1.3	0.7	0.2	0.8
Other Funds	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liquidations	\$9.5	\$12.2	\$10.5	\$11.2	\$13.1	\$14.7	\$15.3	\$12.6	\$19.8	\$37.7
Total City and State Capital Expenditures										
	N/A	\$263.8	\$259.3	\$374.9	\$225.6	\$186.6	\$207.3	\$195.2	\$222.5	\$316.6
SOURCES: IBO; New York State Division of the Budget; Dormitory Authority of the State of New York; New York City Financial Management System.										
NOTES: Actual cash payments to contractors are referred to as "disbursements" in the state budget and "liquidations" in the city budget. "State Funds" under City Budget Liquidations refers to State "hard dollar" funds that are appropriated through the city budget. Total City and State Capital Expenditure amounts are adjusted for these state funds to avoid double-counting. State level disbursement data for 1998-1999 is unavailable. Numbers may not add due to rounding.										

is the construction of the Vertical Campus at Baruch College, a new 800,000 square foot building housing more than 100 technology-rich classrooms, research and computer labs, administrative and faculty offices, auditoriums and other facilities. When it opened in 2001, the 17-story edifice allowed the college to replace numerous dispersed facilities. Another example is the total renovation of Powdermaker Hall, the major classroom building at Queens College, completed in 2003.

Moving forward, the first challenge facing CUNY officials will be to finish in a timely manner projects that have been fully funded but are not yet near completion. Two major projects of this type are the Medgar Evers College Academic Building I scheduled to be occupied in 2010, and the North Instructional Building at Bronx Community College expected to be opened in 2011. Delays in completing these projects could result in cost increases that would require CUNY to go back and seek additional funding from the state and city, which may be increasingly difficult in the current fiscal climate.

A second challenge will be to persuade government officials to provide additional funds for major projects that have not yet been completely funded. Finding—and keeping in place—the mix of funding needed for these sorts of projects can be difficult. The most prominent example of a project of this type is the replacement of Fiterman Hall at the Borough of Manhattan Community College. The original Fiterman Hall was irreparably damaged in the attacks on September 11, 2001, leaving students, faculty, and staff scattered to various sites around the city. There have been several project delays, due primarily to the need to decontaminate the old building before it can be demolished. The delays have resulted in significant increases in the estimated cost of the project, which has made it difficult to line up adequate funding. City officials in particular have balked at covering the increasing costs, and last summer's 2009 Adopted Budget failed to include the additional city funds necessary to avoid delaying the construction phase of the project. On November 13, however, city, state and CUNY officials announced an agreement to fully fund the project, with the Mayor promising an additional \$59 million for a total city contribution of \$139 million. Although the additional \$59 million has already been

listed in the recently released Capital Commitment Plan, it will still need to be appropriated in the 2010 adopted budget. This appropriation could be jeopardized by the Mayor's decision to scale back the commitment plan by 30 percent. The state's contribution of \$99 million has already been appropriated.

But perhaps the greatest challenge facing CUNY facility managers is the backlog of deferred maintenance, which the September 2007 study conducted by CUNY and the New York State University Construction Fund estimates would cost \$1.7 billion to rectify—even if all the work could be done immediately. Since an undertaking of this size would take years to complete, during which additional structural components and subsystems may need replacement, the study further estimates that CUNY would require an investment of \$400 million annually for 10 years to eliminate this maintenance backlog.

The 2008–2009 state Adopted Budget made a start towards fulfilling this need by appropriating a \$284 million lump sum for critical maintenance at the senior colleges and additional funds for individual maintenance projects at the community colleges. This level of funding could be difficult to maintain, however, especially during a period of declining state and city tax revenues and growing budget gaps.

In spite of these budget difficulties, the recently released 2009–2010 state Executive Budget recommends an additional \$284 million for critical maintenance work at the senior colleges, as the second in a series of five equal annual appropriations for this purpose. But the Executive Budget did not recommend any new appropriations for community college projects.

This report prepared by Paul Lopatto

ENDNOTES

¹*CUNY Five-Year Capital Outlay Request FY 2008-09 through FY 2012-13*

²Funding data prior to 1998-1999 was not available.

³City appropriations also include state funding for “hard dollar” projects that are not bonded out. The numbers mentioned in this section of the text, however, are city funds only.

⁴Testimony of CUNY Chancellor Matthew Goldstein on the 2009 city Executive Budget before the New York City Council Higher Education Committee on May 16, 2008.

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