



## Tuition a Rising Share of CUNY Revenue as State Share Falls

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### SUMMARY

THE CITY UNIVERSITY OF NEW YORK, commonly known as CUNY, is the largest urban public university system in the country, with approximately 450,000 students. Until the city's fiscal crisis in the 1970s, CUNY charged no tuition. But even with the addition of tuition revenue, CUNY has faced ongoing challenges to its operating budget. CUNY officials say these challenges have hampered their ability to expand and improve the university's educational programs.

IBO's review of CUNY funding since 1989 finds that the university system has become increasingly reliant on tuition revenue even as it faces year-to-year uncertainty in the sources of its funding and costs to its students. Among our specific findings:

- Over the last 17 years there has been a significant drop in the share of CUNY's revenues that are provided by the state. Direct state aid fell from 68 percent of CUNY's operating revenues in 1989 to 48 percent in 2006. This downward trend holds true even after accounting for indirect state aid in the form of tuition grants to CUNY students.
- Tuition comprises a growing share of CUNY revenues. Tuition and fees accounted for 20 percent of CUNY revenues in 1989 and grew to 42 percent in 2006. While CUNY students receive significant amounts of government tuition grants, over the years the university has become increasingly dependent on out-of-pocket tuition payments by CUNY students and their families.
- Although total funding for CUNY has increased from 1989 to 2006, the increase has not kept pace with inflation. Measured in 2006 dollars, total CUNY revenues have fallen by 8 percent over the 17 years, with state aid declining by 35 percent and city aid by 24 percent. While state and city aid were falling, tuition revenue increased by 94 percent in real terms over the period.
- From 1989 through 1996, CUNY funding was particularly unstable, with periods of rising government support and tuition freezes alternating with years of significant decreases in government aid and substantial increases in tuition. Since 1997 direct state and city funding have increased more steadily, rising in nominal dollars every year except 2004, when a steep rise in tuition was used to offset a sharp decline in state aid.

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To address CUNY's budgetary challenges and the uncertainty of costs for its students, university officials have introduced a plan that seeks to increase revenues and stabilize sources of funding.

## BACKGROUND

The City University of New York (CUNY) is the nation's largest urban public university enrolling over 220,000 full- and part-time students in undergraduate and graduate degree programs, and over 230,000 adult, continuing, and professional education students. The CUNY system includes 11 senior colleges, six community colleges, and a variety of graduate and professional schools and programs. While CUNY was at one time a tuition-free university, tuition has been charged since 1976. CUNY's current overall operating budget of \$1.9 billion is funded primarily from three sources: state aid, city support, and revenue from tuition and fees, which includes tuition grants for qualified students provided by the state and federal governments.

The state and city have different areas of financial responsibility within the CUNY system. The state is primarily responsible for funding the senior colleges and graduate schools, while the city and state share responsibility for funding the community colleges. In addition, the state and federal governments subsidize tuition for low- to moderate- income students through grants, loans, and tax credits. Through initiatives of the City Council, the city also offers two smaller grant programs.

The relative mix of government support and tuition revenues has varied significantly over time. Last October the CUNY administration proposed a new funding plan called "The Compact for Public Higher Education," which calls for implementing a more predictable financial strategy to allow for the continued improvement in programs and services offered by the university. Under this plan the new revenues needed to finance the plan would come from the state and city, cost-saving efficiency moves by the university, philanthropic sources, student enrollment growth, and more frequent tuition increases—but at smaller increments than the steep hikes that have occurred episodically in the past.

According to CUNY's leaders, the key to making the funding plan work is steady annual increases from all of the university's revenue sources over the next several years. Successful implementation of their plan would require a commitment from the state and city to provide steadily increasing levels of funding each year and would represent a break from the funding patterns of the past. This report looks at the history of funding for CUNY's operating budget over nearly two decades, tracking shifts in state and city support along with the rise in tuition revenue. We consider both direct support from the state and city, and indirect support through tuition grants to CUNY students.

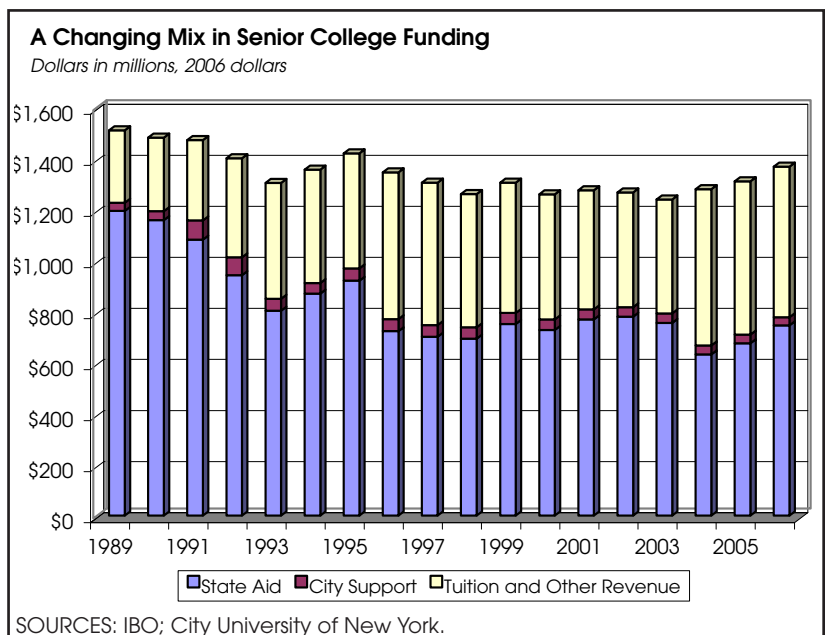
## TRENDS IN DIRECT SUPPORT FUNDING

**Senior Colleges.** From 1989 to 2006 overall funding for CUNY's senior colleges, which include the graduate schools, rose from \$796 million to \$1.367 billion, an increase of 72 percent.<sup>1</sup> This increase did not occur evenly across funding streams. Direct state support increased only 18 percent, from \$630 million to \$745 million.<sup>2</sup> Direct city funds, which are a small portion of senior college revenues, increased from \$17 million to \$32 million. Most of the overall increase in funds came from a large rise in tuition revenue, which grew by 293 percent from \$150 million in 1989 to \$589 million in 2006.

Despite the jump in tuition revenue, the increase in senior college funding did not keep up with inflation. Total senior college revenues measured in constant 2006 dollars decreased by 9 percent between 1989 and 2006. Moreover, the differences in funding stream growth rates are even more striking when the effects of inflation are taken into account. While state funds decreased by 38 percent and city funds remained flat, tuition revenue increased by 107 percent in inflation-adjusted terms.<sup>3</sup>

As a result of these differences in growth rates there was a significant shift in the composition of senior college revenues over this 17-year period. In 1989 state aid represented 79 percent of all senior college revenues, city support 2 percent, and tuition and fees 19 percent. By 2006 state aid had dropped to 55 percent of all revenues, city support remained at 2 percent, and tuition revenue had increased to 43 percent.

**Community Colleges.** Overall funding for CUNY's community colleges rose from \$270 million in 1989 to \$490 million in



2006, an increase of 81 percent. As with the senior colleges, the increase was unevenly distributed across funding streams. Direct state support increased 60 percent, from \$95 million to \$152 million. Direct city funds, which make up a much larger portion of funds for the community colleges than the senior colleges, increased by 37 percent from \$115 million to \$157 million.<sup>4</sup> As was the case with the senior colleges, most of the overall increase in funds came from a large rise in tuition revenue, which grew by 207 percent from \$59 million in 1989 to \$181 million in 2006.

As with the senior college funding, the increase in overall funding for the CUNY community colleges was not sufficient to keep pace with inflation. In inflation-adjusted terms, total community college revenues decreased by 4 percent between 1989 and 2006. While state aid decreased by 16 percent and city support declined by 28 percent, tuition revenue increased by 61 percent after inflation is taken into account.

The different growth rates among funding sources also led to a significant change in the composition of community college revenues. In 1989 direct state aid represented 35 percent of all community college revenues, direct city support 43 percent, and tuition and fees 22 percent. By 2006 state aid had dropped to 31 percent of all revenues, city support had fallen to 32 percent, and tuition revenue had increased to 37 percent.

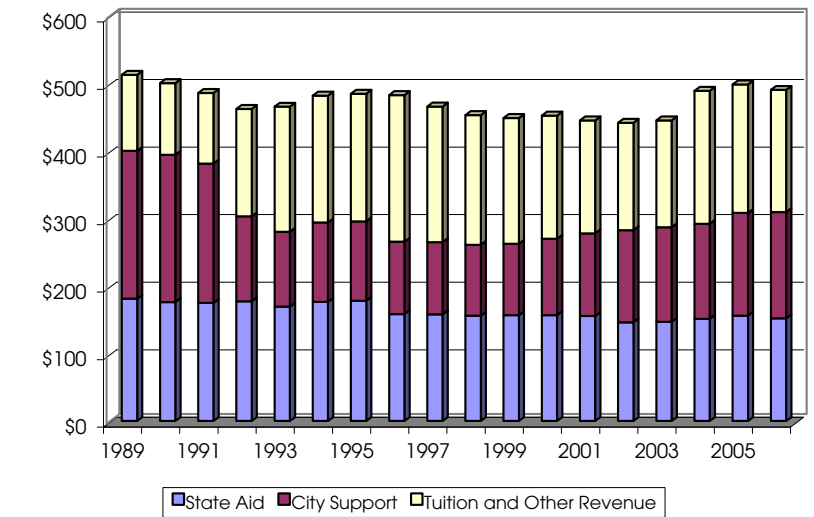
**Total CUNY Funding.** For the university as a whole, overall funding increased by 74 percent from \$1.066 billion in 1989 to \$1.857 billion in 2006, primarily fueled by increases in tuition. Direct state support increased 24 percent from \$725 million to \$897 million, while direct city funds rose 44 percent from \$132 million to \$190 million. These increases in public funding for CUNY were dwarfed by the 268 percent increase in tuition revenues, which grew from \$209 million to \$770 million.

Once again, these overall increases lagged the pace of inflation. In inflation-adjusted dollars, total funding for the university as a whole decreased by 8 percent from 1989 to 2006. This decrease came over the same period as the number of students enrolled in credit courses at CUNY increased by about 10 percent. Over these 17 years direct state aid decreased by 35 percent, city funds declined by 24 percent, and tuition revenue increased by 94 percent in inflation-adjusted dollars.

As a result of these funding trends, CUNY has become far more dependent on tuition revenue than in 1989, with state aid dropping from 68 percent to 48 percent of all revenues, city

### A Changing Mix in Community College Funding

Dollars in millions, 2006 dollars



SOURCES: IBO; City University of New York.

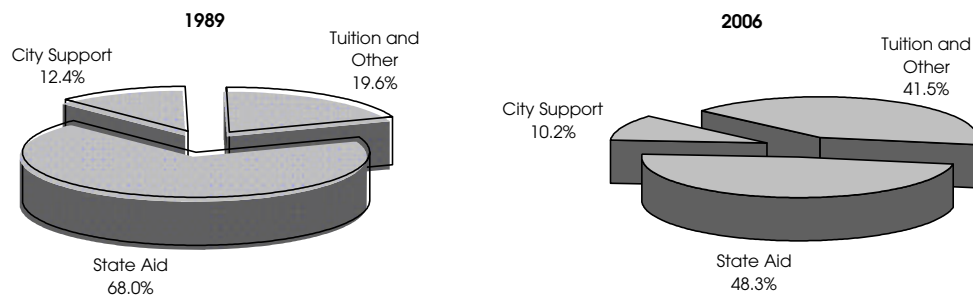
funds decreasing slightly from 12 percent to 10 percent, and tuition doubling from 20 percent to 42 percent of total funds.

While both the senior and the community colleges have become much more dependent on tuition revenue, this trend has been especially apparent among the former. This is because the senior colleges have received smaller nominal increases in state aid, 18 percent from 1989 to 2006 compared with 60 percent for the community colleges. Looked at in inflation-adjusted terms there has been a larger decrease in state aid at the senior colleges.

**Long-Term Trends and Short-Term Fluctuations.** It is clear that since the late 1980s CUNY has experienced a significant change in its revenue base. In particular, limited increases in state—and to a lesser extent, city—funds have led CUNY to become more reliant on revenue from tuition payments. Between 1989 and 2006, the tuition charged to full-time students increased by 220 percent from \$1,250 to \$4,000 a year at the senior colleges, and by 129 percent from \$1,225 to \$2,800 a year at the community colleges. Within these long-term trends, however, there have been periods of increasing government support, followed by years of significant cuts in public funding and sharp increases in tuition to offset these cuts.

Following a period of stable government funding and flat tuition levels in the late 1980s, the economic slowdown of the early 1990s led to cutbacks in both state and city support and corresponding tuition increases from 1991 through 1993. Consequently the portion of all CUNY revenues accounted for by tuition increased from 20 percent in 1989 to 36 percent in 1993. Over the next two years, with state funding increasing and tuition remaining flat, the tuition component decreased slightly

### Tuition Is a Growing Share of CUNY Funding



SOURCES: IBO; City University of New York.

NOTES: State Aid and City Support include only direct funding to CUNY. Tuition includes out-of-pocket tuition and fee payments from students and government tuition grants.

to 34 percent of all revenues. Then in 1996 a large drop in state support led to another tuition increase, and tuition revenues jumped to 43 percent of all CUNY funding. This was followed by a seven-year period of gradually increasing state and city aid accompanied by a tuition freeze. As a consequence, by 2003 the tuition component had gradually fallen to 36 percent. This period of fiscal calm ended in 2004 when a large cut in state funds coupled with a sharp tuition increase drove the tuition portion of CUNY operating funds to a new high of 46 percent. In the last two years large increases in state and city support and another tuition freeze have led the tuition component to decrease somewhat to 42 percent of all revenues in 2006.

University officials have cited the unsteady nature of CUNY's funding sources as an obstacle in their efforts to develop and implement long-term plans to improve academic quality and student services. While tuition charges at private institutions generally rise each year, tuition levels at CUNY have followed a less regular pattern with a sharp increase often followed by several years with no change. The unpredictable and often substantial increases in tuition that result have also made it more difficult for many students and their families to develop workable plans to pay for their college expenses. Tuition for CUNY senior college students rose significantly four years out of the past 17: in 1992 (37 percent), in 1993 (32 percent), in 1996 (31 percent), and in 2004 (25 percent). A student enrolled in the early 1990s would have had to cope with at least two big tuition increases, while a student enrolled in the late 1990s would have seen no tuition increases at all.

### TUITION GRANTS

Aside from the direct funding support that comes from the

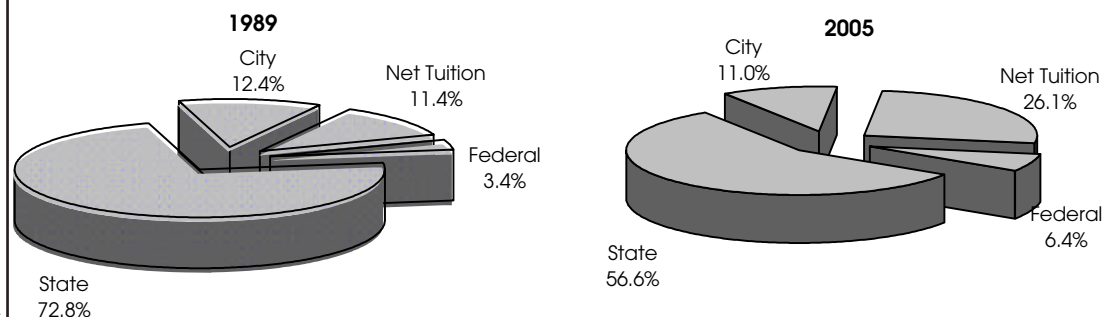
state and city, CUNY receives indirect government aid in the form of tuition grants to CUNY students. The vast majority of these grants are provided by the state and federal governments based on the financial need of students and their families. In 2005, the last year for which tuition grant information is available, the state and federal governments provided CUNY students with tuition grants totaling \$183 million and \$109 million, respectively. At the state level the major

tuition grant program for low- and moderate- income students is the Tuition Assistance Program. A smaller program, AID for Part-Time Study, is available to qualified students who are enrolled in less than a full load of college courses. At the federal level the major source of tuition grants for needy students is the Pell Grant program. Also available is the Federal Supplemental Educational Opportunity Grants program.

While local governments are not a typical source of tuition assistance for college students, in recent years New York City has provided modest grants. Since 2004 the City Council has annually appropriated funds for the Safety Net Financial Aid program, which provides tuition grants to needy part-time students at the community colleges. In addition, since 1999 the City Council has provided funds for the Vallone Academic Scholarship program, which—unlike the other programs mentioned here—gives tuition grants to CUNY students based on academic merit rather than financial need. In 2005 the city provided \$12 million in tuition grants to CUNY students.

**Tuition Increases Not Matched by Grant Increases.** Because CUNY enrolls large numbers of low- and moderate- income students, a substantial share of its tuition revenue comes from government grants. In 2005 government tuition grants accounted for 40 percent of all tuition revenues, including

### State's Declining Share of CUNY Funding



SOURCES: IBO; City University of New York; New York State Higher Education Services Corporation; U.S. Department of Education.

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15 percent from the federal government, 24 percent from the state, and about 1 percent from the city. The portion of tuition revenue coming from the public sector has fluctuated between 40 percent and 50 percent over time. The tuition increases of the early 1990s were accompanied by large enough increases in tuition grants to maintain or increase the government share of all tuition revenue. Since then, however, the increases in tuition in 1996 and 2004 have led to a greater share of tuition revenue being paid for by students and their families.

## **THE OVERALL PICTURE: DIRECT FUNDING AND TUITION GRANTS**

A more complete picture of the changes in the mix of CUNY's funding sources requires accounting for the indirect support provided in the form of tuition grants to students from the federal, state, and city governments, in addition to the direct support from the city and state. Looked at this way, CUNY receives significant operating revenues from four different sources: federal tuition grants, direct support and tuition grants from the state and the city, and net tuition payments—excluding federal, state, and local grants—from students.

Since 1989 these four funding sources have grown at very different rates. Federal support increased from \$36 million in 1989 to \$109 million in 2005 or 203 percent. Combined state support increased 25 percent from \$776 million to \$973 million, and combined city support rose 42 percent from \$132 million to \$188 million. The largest increase was in students' net tuition, which grew 267 percent from \$122 million to \$448 million.

As a result of the differences in growth rates among these four funding sources, there has been a notable change in the composition of CUNY revenues over this time period. In 1989 federal support represented 3 percent of all CUNY revenues, combined state support 73 percent, combined city support 12 percent, and net tuition paid by students 11 percent. By 2005 federal support had grown to 6 percent, combined state support had fallen to 57 percent, combined city support had held relatively steady at 11 percent, and net tuition had increased to 26 percent. In short, even when we account for tuition grants, state aid now constitutes a significantly smaller share of CUNY revenues than it did in the late 1980s. While some of this decrease has been offset by increases in federal tuition grants, it is clear that the university has become far more dependent on out-of-pocket tuition payments by CUNY students.

## **CONCLUSION**

In developing future operating budgets, CUNY officials will have to find ways to overcome two primary challenges inherent in the

funding patterns of recent years. The first of these is the long-term decrease in state support, and the corresponding increase in dependence on tuition revenues. Between 1989 and 2006, the share of total CUNY operating revenue coming directly from the state decreased from 68 percent to 48 percent. Although the state offers substantial tuition grant assistance to needy students, even when these grants are accounted for, it does not alter the downward trend in state support. In 1989 combined direct support and tuition grants from the state provided 73 percent of all CUNY revenues; by 2005 this had decreased to 57 percent.

As state support has declined, CUNY's reliance on tuition revenues has increased. The share of CUNY revenues attributable to tuition and fees has more than doubled, rising from 20 percent in 1989 to 42 percent in 2006. Taking government grants to students into account, net tuition payments grew from 11 percent of all CUNY revenues in 1989 to 26 percent in 2005. The tuition increases, while substantial, were not sufficient to fully make up for a decline in state—and to a lesser extent, city—support. Total CUNY revenues—measured in inflation-adjusted dollars—fell by 8 percent from 1989 to 2006, while enrollment was growing, particularly since 2000.

The second challenge is the unsteady nature of CUNY's funding streams. In 1992, 1993, 1996 and 2004, sharp declines in state support were offset by increases in tuition ranging from 25 percent to 37 percent. Such unpredictable and substantial increases in tuition can make it difficult for many students and their families to develop workable plans to pay for their college expenses, a situation made worse by the fact that increases in government tuition grants tend to lag behind tuition increases.

The proposed CUNY compact seeks to address both of these challenges, by guaranteeing annual increases in state and city funding and replacing sporadic, large tuition hikes with smaller annual increases. The compact would require rising direct support from the state and city even in years of tight budgets and competing priorities. It would also need state and federal tuition grants to remain at least at current levels.

*Written by Paul Lopatto*

## **ENDNOTES**

<sup>1</sup>All references to years in this report refer to city fiscal years. These can be easily translated into academic years. Fiscal year 2006 corresponds to academic year 2005-2006. Funding data prior to 1989 was not available.

<sup>2</sup>Revenue figures are in nominal dollars except where indicated in the text.

<sup>3</sup>Inflation adjustments are based on the Higher Education Price Index.

<sup>4</sup>For the past decade, annual state budget legislation has contained a maintenance of effort provision compelling the city to provide the community colleges with at least the same subsidy as the previous year, exclusive of tuition and fees. The city is not obligated to maintain current services when costs rise. The city has been meeting this obligation each year.