THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Working Group

Minority Report

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INTRODUCTION

We thank our colleagues, as well as the students and volunteers who served on the Working Group convened by trustees Mike Borkowsky and Jeff Gural for the time and effort they committed to produce the recommendations received by the trustees a few days ago. While we have chosen to submit a minority report, we do so in a spirit of respect for the larger group.

We would like to share some broad perspectives about The Cooper Union's identity and about the concept of financial sustainability. We also will address some of the Working Group's specific recommendations concerning The Cooper Union's academic and administrative activities. We believe that the recommendations regarding the need to carefully align planning for our long-term utilization of space to a carefully defined mission for the institution are of fundamental importance and should be pursued actively, in concert with a long-term financial plan.

Framing Assumptions Concerning Identity
Whatever the outcome of the near-term discussion about our financial model, The Cooper Union should undertake an analysis of perceptions of its identity among prospective and current students, alumni and parents, faculty and staff in order to inform expressions of the identity that resonate and inspire both internal and external constituents to action in support of our mission in whatever capacity they engage with us.

Financial Sustainability
We agree that the assumptions used for the projections of both the tuition plan and the Working Group plan are important. However, the future is unpredictable and any forecasts will surely miss the target. So we should not get into a spreadsheet battle. Clearly, The Cooper Union has major financial issues. The Cooper Union identified a $12 million structural deficit based on short- and long-term forecasts of revenues and expenditures on a cash basis (i.e., including principal payments but excluding depreciation). The amount could turn out to be more or less, but that amount has been deemed as a reasonable assessment by both Huron and CDG. Of this amount, $8.4 million would be the portion of the deficit to be addressed with undergraduate tuition in the financial plan adopted by the Board of Trustees in April 2013; thus, the Working Group has sought to identify the equivalent amount in additional savings in order to preserve the full-tuition scholarship.

Assumptions about endowment return rates and benefit expense growth were conservative. However, assumptions were low (liberal) in regards to capital expenditure needs and funding of post-retirement benefits. Also, the forecasts assumed significant endowed giving to provide incremental revenues (without assuming incremental expenses or the replacement of planned tuition revenues). Also, the model did not require that the Working Group meet a "worst case" scenario with high inflation and negative market returns, which would significantly raise the bar in terms of how big the structural deficit would be. A more detailed commentary on this has been provided separately, but we recommend that both the Working Group and others work on a remedy to a $12 million structural deficit. Ultimately, the most important consideration is that the institution must be nimble and should have as many potential sources of revenue as it needs in order to manage financial operating activity.

ACADEMIC RECOMMENDATIONS

The Cooper Union is, first and foremost, an educational institution dedicated to providing a conservatory-style experience to highly gifted students, by an incomparably dedicated faculty that fosters creativity, close collaboration, and high achievement. Students, faculty, staff, alumni, and trustees tell us that they believe that the value of the Cooper education is not just "free," but importantly, "excellent."

We think that reaching financial sustainability requires tradeoffs among student body size, academic quality, and the size of the tuition scholarship. Early in the process, the Working Group (WG) rejected the proposal to dramatically reduce student body size. Scalability is a challenge for many of our programs. If pursued in the Engineering School, for example, reducing student body size would only save appreciable costs if one or more departments are eliminated – prohibiting the school from being recognized as a comprehensive engineering school. While discussion on academic quality occurred, the primary ensuing focus of the Working Group remained on cutting costs to reinstate a 100% tuition scholarship.

As part of the Reinvention Process last year, the Engineering faculty proposed a set of revenue-generating programs intended to put the school on a sustainable financial path while preserving and enhancing academic excellence. A large number of long-time faculty participated in generating these plans, scrutinizing budgets, and relying upon their disciplinary talents to make tradeoff decisions. A set of ambitious plans resulted. The Board of Trustees adopted these plans as a critical component of financial sustainability. It is our understanding that revenue from these programs is a required component of both the tuition model as well as the model proposed by the Working Group. Similar programs have been proposed by the faculties of Art and Architecture.

We respect the incredible effort undertaken by the Working Group members and the heroic efforts by the chairs to lead such a diverse group. However, we cannot support the Working Group proposal for two key reasons: 1) The proposal undercuts academic quality. In our opinion, "excellence" and a baseline 50% tuition scholarship are preferable to lower quality and a 100% tuition scholarship. 2) We do not think the proposal comprises a financially sustainable model because a) the projected savings are overstated and the one-time costs understated; b) the near-term replacement of experienced faculty with junior faculty will prohibit successful launch and growth of the revenue-generating programs and will only provide long-term savings if the practice continues; and c) the reduction of administrative resources will prohibit successful launch and growth of the needed revenue-generating programs.

The following sections expand on the items above and give greater context to our conclusions regarding the ideas put forth by the Academic Opportunities Subgroup.

Academic Quality and Aspirations

For us, academic quality is comprised of the quality of the incoming freshman class, the quality of the faculty body, and the educational experience that the faculty can provide their students.[1] We have concerns about reducing our already thinly stretched faculty, particularly in light of the need to build successful revenue-generating programs.

The Nerken School has created a compelling, aspirational vision to move from the 7th best undergraduate engineering school in the nation to become number one-- by emphasizing and enhancing a collaborative-competitive spirit, rigorous curriculum, collaboration with Art and Architecture, innovative atmosphere, New York City visibility, and leadership in the STEM pipeline. The Art and Architecture schools boast world-class faculty and an enviable Manhattan location; their aspirations should be articulated and championed by the entire institution.

In fact, we strongly believe that ***The Cooper Union has a time-limited opportunity for distinction*** by: 1) increasing curriculum relevant to the NYC job market, 2) creating undergraduate curriculum that is connected to the NYC tech startup and entrepreneurship culture, and, most importantly, 3) creating an internationally prominent design program that includes Art, Architecture and Engineering and is connected to New York City. For example, The Cooper Union can provide exciting aspects of Cornell Tech-- for undergraduates. ***If the institution does not vigorously claim these opportunities in a timely manner, other universities will.***

Because of this, our conclusion is that decreasing tuition scholarships from 100% to a 50% baseline (or an average of 67%) is preferable to shrinking the student body size or degrading the quality of the educational experience. We think that charging tuition will enable us to stabilize and strengthen our faculty, build strong revenue-generating programs in order to protect the 50% baseline scholarships, and create world-class distinguishing opportunities that blend Art, Architecture, and Engineering.

A Need for Strategic and Financial Planning

In order to move forward, it is crucial that The Cooper Union create a strategic plan that articulates goals and an identity beyond “free.” Whether the institution continues to offer tuition scholarships at the 100% or the 50% baseline level, we need to rally the community around an aspirational institutional vision and mission. This includes setting performance goals and putting in place formative assessment processes to help us monitor our progress and identify and implement policy changes as needed. Moreover, financial planning should be directly tied to a strategic plan to provide a data-driven framework for making resource decisions.

It is crucially important that the decision about scholarship size be settled now to allow the Cooper community to move forward with planning for the future.

The Cooper Union Faculty

We believe that The Cooper Union is at an unhealthy level of reliance on part-time adjunct faculty. The challenges imposed by this reliance threaten curricular stability and will inhibit

[1] If faculty quality is not considered to be of utmost importance, then a pathway to financial sustainability could be to begin hiring teaching faculty with master’s degrees – as is done in community colleges.

successful and timely launches of revenue-generating programs that are needed to preserve baseline 50% undergraduate tuition scholarships.

Since 2008, the institution employed between 133 and 162 adjunct, 16 and 17 proportional and 50 and 55 full-time faculty during each fall and spring semester. Since that time, full-time faculty have taught between a low of 37% (Spring 2012) and a high of 44% (Fall 2012) of the courses, with adjuncts teaching between 53% and 58% and proportional faculty teaching between 16% and 17% of the courses. That is, ***less than half of The Cooper Union courses are taught by full-time or proportional faculty***. Many adjunct faculty bring professional expertise into the classroom. Others are not up-to-date in their discipline or teaching practices. The most challenging aspect of relying upon a majority adjunct faculty is the need to schedule courses around their availability since adjuncts are not guaranteed ongoing employment and therefore have no obligation to be available to teach at specific times. Inefficiencies in course scheduling cause inefficient use of valuable classroom space and, more importantly, cause students to get closed out of classes (due to overlaps), sometimes requiring students to overload on credits in a later semester in order to stay on track. The beginning of each semester sometimes requires a scramble to hire a warm teaching body (or convince a full-time faculty member to teach an overload) to cover a course left open by an adjunct cancellation. These scheduling challenges exacerbate the challenges associated with increasing collaboration between Art, Architecture and Engineering.

Furthermore, adjunct faculty are paid only to teach courses, not to participate in faculty governance or develop new programs. Part of The Cooper Union reinvention strategy requires that the School of Engineering produce revenue based on four new tuition-based programs. The budget that was generated for the build-up of these programs includes some new hires for full-time and adjunct faculty teaching. However, the programs rely on existing faculty to create and administer the programs (with stipend support), as well as to teach courses. If we are to successfully launch revenue-generating programs, we cannot reduce the overall size of the full-time faculty or increase the ratio of adjunct to full-time faculty. In fact, we have had challenges maintaining a full-time faculty size that is consistent with the CUFCT, and if we reduce the size of the full-time faculty further, it may require reduction in the number of part-time faculty[2].

Finally, we have qualms about boasting about our dedicated faculty and distinguishing ourselves from research universities that use graduate student teachers, when we rely so heavily on a staff of part-time adjuncts that includes other institutions' graduate student teachers.

Response to Academic Opportunities Sub-Group Proposals

Retirement Incentive Plans

Replacing some senior faculty with junior faculty could enable us to add expertise in new areas. However, the cost savings model must be configured to consider a staged approach and must

[2] CUFCT - Article 27: "During the life of this Agreement, the overall size of the bargaining unit shall not be reduced permanently below 56, except that if economic or academic necessity requires a reduction in the number of permanent bargaining unit positions, total non-bargaining unit teaching-hours and librarian work-hours will be reduced in comparison with total bargaining unit teaching-hours and librarian work-hours so as to restore the ratio between them as existed on April 9, 1987."

include costs to ensure we retain and attract the best faculty, as follows:

- All retiring faculty must be replaced with new full-time faculty to ensure that we do not further reduce our overall number of full-time faculty.
- Incentives must be offered to ensure that senior faculty crucial to our undergraduate programs and to timely launch of our revenue-generating programs do not all leave within the next five years. For example, the Civil Engineering department is leading the way toward launch of Engineering's tuition-based master's degree programs, but they also have the most senior faculty. A retirement incentive plan could decimate that department, stalling the launch of revenue-generating programs.
- Competitive packages must be offered to attract quality new faculty. A limit of $75,000 annual salary threatens disciplinary excellence in some areas.
- The model must consider bringing in a few new faculty each year. Trying to bring in 12 people at once could put an unmanageable burden on faculty and staff.
- Offering a phased retirement plan (e.g., people drop to a 50% work-level for a three to five year period leading to retirement) would help to ease the transition.

Full-Time Faculty Buyouts

Offering full-time faculty buyouts to any faculty member will likely result in our losing our most marketable faculty with a large payout now and small annual savings later. There is no guarantee that we would not lose "too many" faculty. This idea should not be adopted.

Compensation by Credit Hour

The CUOP contract requires that part-time faculty are compensated based on the number of contact hours. Even if the CUOP collective bargaining unit approves of this reduction in pay for doing the same work, it would not ensure that the part-timers would agree to work for less pay or that deans would not simply increase the hourly rate to compensate for the reduction in billable hours. As such, this proposal would only save money if we impose a maximum institution-wide hourly pay rate – which would threaten disciplinary excellence by removing our ability to offer competitive staring salaries.

Eliminating Overloads

Full-time faculty teach course overloads only when it is not possible to cover a course with adjunct faculty. The need for overload teaching is a symptom of our reliance on a large adjunct faculty. Prohibiting overload teaching will cause cancellation of courses when adjuncts cannot be found (or will cause sub-quality adjuncts to be hired). This is not acceptable.

Furthermore, the WG proposal used budget data, instead of actual data, to conclude a savings of $400K per year in Engineering overload teaching. The actual amount spent for overload teaching in Engineering has been: FY12 Actual = $17,080; FY13 Actual = $80,985; and FY14 YTD through 12/2/13 = $27,404.

Maximum Credits Earned

If we are to limit a student's scholarship to a maximum credit limit, we suggest we set the limit to be higher than the degree requirements. For example, Engineering requires 135 credits for a degree. Limiting the scholarship to be applied towards 150 total credits could have advantages.

- Students would not have to pay to retake a single failed course. Requiring students to pay for course failure could increase attrition. While many schools tie academic performance to scholarships, we do not know of any that impose a cost for a single course failure. Typically there is a period of probation and remediation before a student loses their scholarship.

- Many students who take extra courses are taking courses that will count towards their graduate degrees. Enabling students to begin graduate programs while at "half price" could encourage those students to remain in the fee-based graduate program upon graduation.
- We think we should enhance our summer program to improve student retention and to help manage classroom crowding during the academic year. If we allow students to apply their scholarships on a credit basis, this will enable them to leverage the summer session.

In any case, we do not think this proposal will generate any significant revenue. We are already counting on revenue from undergraduates who take extra courses to begin work on their graduate degrees. We cannot double-count that revenue here. Students will probably stop taking extra courses that do not lead to a degree if there is a cost associated with those courses.

Academic Calendar Changes

We do not think undergraduates who could take a course for free during the school year will instead pay for that course during the winter intersession or during the summer. Furthermore, this will discourage students from taking summer courses, which will thwart our efforts to use the summer session to improve retention and ease classroom crowding. Costs to keep the institution open and staffed during the winter intersession must be included in the cost savings model.

Student Fees

The Working Group also proposed increasing fees for already enrolled students. We think that making a significant increase (e.g., doubling) of fees for already enrolled students is not ethical. We also think that claiming to have "free" tuition and then having fees that are significantly higher than national standards for comparable institutions is equally unethical and comprises false advertising. We think that most high school students and their parents would not feel any differently about writing a check for $1,000 for a fee or for tuition. It is the same amount of money to people outside of the Cooper community, and parents might feel duped if they had not looked closely at fees while they are comparing tuition costs. Moreover, higher fees would disadvantage lower-income students, absent need-based financial aid.

RESPONSE TO PROPOSED ADMINISTRATION AND COMPENSATION RECOMMENDATIONS

While we appreciate the expressed willingness of the Working Group to do more with less, we believe that the wholesale cuts suggested in the report lack necessary context. The savings thresholds were identified without regard to how they would constrain The Cooper Union's current operations, let alone how they would affect the quality of the institution's program for the future. Our ambition is to position the institution to function at the top of the market in terms of academic quality. An administrative plan to support this goal seems an unlikely outcome of such substantial reductive cutting.

Before getting into the detailed responses, it is important to note that savings estimates in the Working Group report were noted as being "based on information requested from Robert Spencer" (and Mitchell Lipton for the academic opportunities subgroup); however, in all cases those savings estimates should have been stated as being based on information requested from the Business Office and Admissions, as well as each subgroup's reviews of financial reports, market data, and independent assumptions made by some or all members of each subgroup. We believe this is an important distinction. Members of the Huron team have been exceptionally valuable to the institution during this period of financial leadership transition.

A. Executive Compensation

To suggest new benchmarks for executive compensation on the basis of *The Chronicle of Higher Education* index for private colleges may provide a beginning point for analysis, but we need more specific data about incremental costs needed to address, not only the New York market, but also the need for leadership to manage Cooper Union's particular organizational and operating challenges.

B. Management Compensation

To suggest new benchmarks for executive compensation on the basis of *The Chronicle of Higher Education* index for private colleges may provide a beginning point for analysis, but we need more specific data about incremental costs needed to address, not only the New York market, but also the need for skilled management in light of the current operating challenges and the need to ensure success of the new revenue generating programs we are preparing to launch.

C. Cap Retirement Benefits

Capping retirement contributions at $75,000 does not encourage our faculty and staff to build the savings they need for a secure retirement. It may be wise to provide an incentive for employees to save even more by providing matching contributions provisions to the plan; however, limiting the overall benefit would be wrong. This is a matter we encourage the Audit Committee to undertake with the administration. A disproportionate number of Cooper Union employees work beyond the average retirement age. A reduction in retirement benefits reduces compensation, making The Cooper Union less competitive in recruiting talented faculty and staff.

D. Sale of the Residence Hall
The sale of Residence Hall as proposed by the Working Group would be a lost opportunity for a relatively small and immediate financial gain. As we build new programs we will be recruiting students locally and from around the world. The fact is we will need additional housing beyond what we currently offer. The administration is currently pursuing options in that regard. Again, the notion of giving up valuable assets and eliminating communal residential life experiences for our students solely for the sake of being free in not advisable. History provides a lesson here. We have sold assets before as needed to maintain our free-tuition policy. It is our opinion that this strategy has failed; we see no value in pursuing it with regard to yet another property.

MAJOR EXPENSES
E.1 Utilities
The administration recommends taking this proposal to the president's leadership group for further discussion.

E.2 Consultants
Many of the recent consulting costs are one-time costs to provide the analysis necessary to make good decisions during this difficult period. Consulting and legal costs that are incurred on an on-going basis are necessary because Cooper is too small to have all the areas of specialization represented in the administration. In an environment in which regulatory compliance and liability are rising steadily, not obtaining the very best consultation would be more costly in the long run. The value of the Huron consulting relationship has been enormous, and potentially saves the institution money in the long run.

E.3 Cleaning
Cleaning and maintenance operations are intertwined to allow the school to capitalize on economies of scale and efficiencies of cross-utilization of staff and resources.

Recent initiatives within the Office of Buildings and Grounds have received very positive responses from the campus community. By making simple changes in process and how we communicate, we have been able to boost staff morale and productivity while saving money.

A recent staff resignation created the opportunity to absorb those responsibilities into other, existing positions, resulting in savings.

We are evaluating our staffing structures for cleaning and maintenance personnel to ensure that they are maximized for efficiency and productivity. It seems highly unlikely that we would be able to eliminate additional personnel lines; however, we do believe that we will be able to realize cost savings through redeploying existing staff and reducing out dependency on contracted service providers. This evaluation is ongoing.

We also are evaluating all contracts and contracted services to ensure both necessity and value. Where possible, contracts will be renegotiated or eliminated and the services will be performed in-house. We have already realized an annual cost savings of over $40,000 by renegotiating one energy contract.

E.4 Security
Security costs rose after the occupation of the president's office last spring and have been reduced since. Going forward, we believe that the safety needs of students, faculty and staff on our urban campus will demand augmented security, rather than further reductions. We see the need to reassess deployments so as to improve both the quality and the overall level of coverage we provide.

E.5 Legal
No comment here on the Working Group's statement except to suggest that as we move forward and consider organizational cost efficiencies, the administration will do a comparative analysis to determine potential savings associated with employing some in house legal counsel and potentially reducing some contracted services.

E.6 Grant-funded Programs
The proposition that grant-funded programs include an "overhead component," that "they operate exclusively within the grant-provided funds they have," and that "faced with reductions [they] seek additional grants to continue their programs" was made by the Expense Reduction Task Force in its May 2012 report. We agree that grant-funded programs should be self-sufficient and that they should include apportioned indirect costs as a part of their budgets. However, suddenly withholding operating subsidies from these long-standing programs which have enriched the Cooper community by providing educational opportunities to so many students in an extension of the disciplines The Cooper Union excels in teaching could leave them substantially diminished or driven out of existence for a lack of the minority of their operating support.

In its presentation to the Finance and Executive committees on December 4, members of the Working Group acknowledged they did not know (except for the Saturday Program) what ancillary programs comprised the $400K it proposed to cut. Grant-funded programs at The Cooper Union include the distinct Saturday and Outreach programs, the Immigrant Retraining Program, and the Summer Research Internship Program.

The Working Group celebrated the Saturday Program as having succeeded at becoming self-sustaining through soliciting funds from individuals to supplement foundation and government grants. However, it is important to note that a recent, very generous gift to the program was made contingent upon maintaining the operating budget--comprised of both grant funds and Cooper Union operating subsidy. A reduction constituting 10% or more of the program's budget in any given year over the 10-year period of the gift payout would cause future installments to be withheld. Since all funds raised for the program are restricted to its use, these funds cannot, as the Working Group assumed, offset the institution's operating costs.

Section F6 of the Working Group group report states: "A popular summer STEM program that was free is now being advertised as a $3000 per student revenue generating program. This is the wrong model to use; as with the Saturday/Outreach Program, additional funding should be sought, or the program should be eliminated." This statement alludes to Engineering's Summer Research Internship Program that has long been funded to provide summer programming free for any student. With the sponsor's permission, we are expanding this program to include tuition-paying students, while still providing tuition-scholarships to students with financial need (with the donor's funds). This approach to revenue generating pre-college programs was proposed by Engineering during the reinvention and was accepted by the board. The Working Group report already assumes net revenue from revenue-generating programs; the faculties have already considered the options they would like to pursue. These would not be incremental revenues.

It is unclear how the working group arrived at the projected $400K reduction savings from this proposal.

E.7 Travel
As we develop a strategic plan for the immediate and longer term future of the institution, we must do more to enhance faculty development and provide support for travel in this regard. The entire community will be engaged in the strategic planning process. Such an objective could well be articulated and supported during the process.

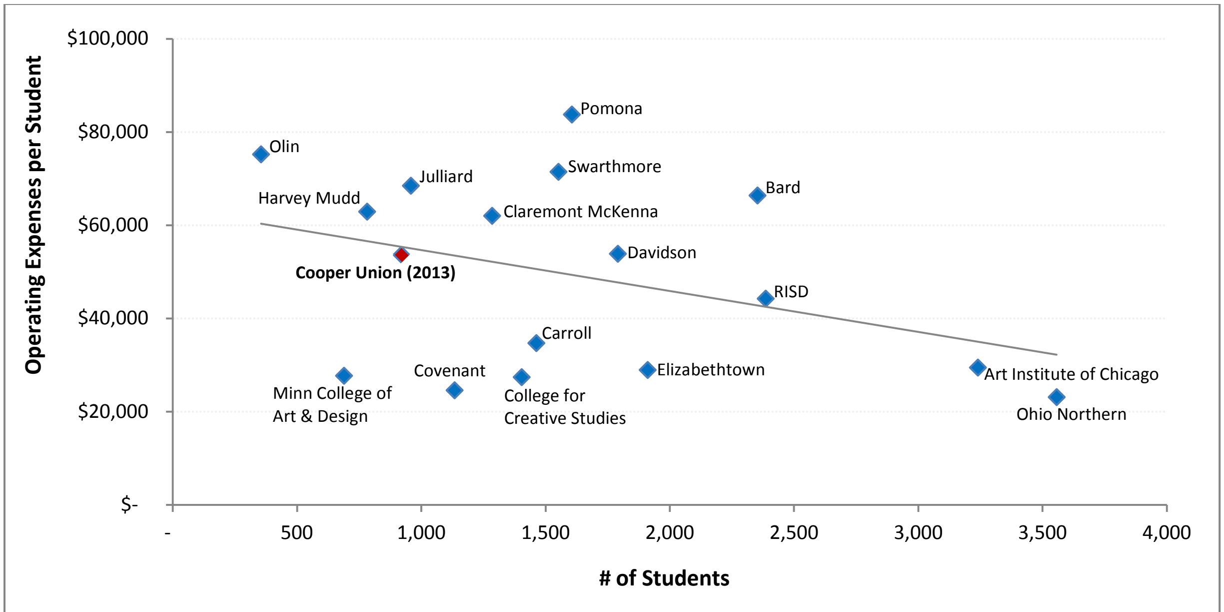
E.8 Alumni Events
We sponsor events to encourage alumni to become engaged with The Cooper Union, its faculty and students, and to inspire them to take action in support of its mission, both as volunteers and donors. Experience shows that alumni who are not yet engaged resist paying to attend alumni functions, such as reunions. We then lose attendance, which defeats the purpose of having the event at all.

We currently experience a participation rate of 20% to 25% in the annual fund, which is lower than we need, particularly going into a fundraising campaign. We simply must improve alumni participation and engagement. Cutting the events budget risks undermining our outreach at this crucial moment.

ADMINISTRATIVE HEADCOUNT REDUCTIONS

The administration is committed to ongoing organizational review based on quality and professional consultation that aligns with the goals of the institution, ensuring success towards a defined strategic plan for the future. The main concern with the recommendations being made on staff reductions is that they are random, subjective, uninformed – not strategic to meet a human resources plan that would align with a financially sustainable plan for The Cooper Union. The Working Group's recommendations assume new revenue-generating programs (as does the tuition plan) and yet, the reductions they propose have not been tested against what will be needed to bring success to all of the new initiatives we will be launching. We agree that organizational structure should be evaluated periodically. The Working Group refers to the CDG administrative review conducted in 2011, but that review is now outdated because **preceded** the decision to reduce the scholarship and launch new programs.

Per a December 2013 presentation to the full Board of Trustees, The Cooper Union's total operating expenses per student are slightly less than the trend line for similarly-sized peers, which is particularly notable considering that the institution is in Manhattan with three expensive disciplines (each requiring labs, studios, high faculty interaction, and small class sizes). The trend line for peers reflects economies of scale available to larger universities.



Note: Amounts shown here exclude interest and depreciation and are based on 2012 financial statements, along with 2013 data for The Cooper Union, and IPEDS student enrollment totals.

Separately, The Cooper Union's institutional support (also known as administration or supporting services) costs as a percentage of total expenses are near the median. Institutional support costs are defined by generally accepted accounting principles and include fiscal operations, human resources, payroll, development and alumni relations, legal counsel, and executive officers, among other costs. Consistent with KPMG's report shared with the Audit Committee, The Cooper Union's institutional support costs (also known as supporting services costs) totaled 21.8% of total expenses in fiscal 2013.

In summary, total expenses per student (academic and administration combined) are slightly below the trend line for peers, while administration costs as a percentage of total expenses are consistent with peers.

We have outlined below key areas of institutional compliance that require significant administrative attention by many members of the staff. As you consider the Working Group's proposed cuts we thought it would be useful to share this information:

Accreditation Compliance (President's Office/Dean's Offices)

- Middle States Commission on Higher Education reporting
- School based accreditation reporting (ABET, NASAD, NAAB)
- IPEDS Annual Survey
- Evidence of linkage between strategic planning and budget planning

Campus Safety Compliance (President's Office/Campus Safety Coordinator)

- Drug-Free Schools and Communities Act Amendments of 1989
- Campus Security Act of 1990 (includes the Clery Act)
- Campus Sex Crimes Prevention Act of 1994
- Energy Reorganization Act of 1974 / Nuclear Regulatory Commission

- Toxic Substances Control Act of 1976
- Public Health Service Laws on Quarantine, Inspection and Licensing of Biological Products

Human Resources Compliance (Business Office)
- Affirmative Action (Civil Rights Act of 1964)
- Title IX of the Education Amendments of 1972
- Family Educational Rights and Privacy Act of 1974
- Americans with Disabilities Act of 1990
- Financial Services Modernization Act of 1999

Healthcare Compliance (Human Resources/Student Affairs)
- Health Insurance Portability and Accountability Act (HIPAA) of 2003
- Affordable Healthcare Act

Financial Aid Programs Compliance (Admissions and Financial Aid)
- State Education Law
- Federal Pell Grant Program
- Federal Perkins Grant Program
- Family Federal Education Loan Program
- IDEA Grants
- Federal Work-Study Program
- The Student Right to Know Law of 1990

Audit, Tax and Human Resources Regulatory Compliance (Business Office)
- 990 returns
- Audited Financial Statements
- A133 Audit
- 403(b)
- I9 Audit
- Segregated Gift Annuity oversight and documentation
- W2 Forms reporting
- 1099 Forms reporting

Addressing the Specific Cuts Proposed

<u>Finance and Human Resources</u>

To eliminate four staff positions in the Business Office at this time would be irresponsible. In addition to the points outlined above, elimination of positions in this area would jeopardize the institution's ability to meet many of our compliance obligations.

Below are some specific examples to further make the case.

- The Wage Theft Prevention Act (WTPA) was enacted in the 2010 legislative session to increase the penalties and enforcement of violations of wage requirements. Through its specific provisions—including requirements to provide written notice of pay rates to employees in their native language at time of hire and annually on or before February 1st —this law provides greater incentive for employers to comply with existing wage laws and ensures that employees are aware of their rights under the law.

- Student Employment: The Cooper Union employs a large number of student workers, who must sign a “Student Employee Authorization Sheet” that includes rate of pay, pay dates, overtime rates, etc. The WTPA requires that private higher education institutions provide notices to students at the time of hire, annually between January 1st and February 1st, and whenever there is a wage change. Not only is it burdensome to prepare and distribute such notices, it is equally burdensome to do the follow up and obtain the requited student acknowledgement of these notices. Further, many students have several different jobs on campus, often in different departments, and to compile the information into one document is onerous for Human Resources. Colleges already must comply with federal requirements for work-study and student workers, and the WTPA puts more stress on already limited resources.

- Timing of Notices: Requirement to distribute annual wage notices between January 1 and February 1. This rule affects human resource departments that are already working to distribute W-2’s; for some institutions whose rates change in a different month, they must send the same notice twice.

- Audits: With legislation mandates surrounding institutional compliance with audits, etc., it is estimated that the staff spends approximately 7,200 hours annually on reporting, data collection, document preparation, and filings.

- Colleague by Ellucian (also known as Datatel) is The Cooper Union’s Enterprise Resource Planning (ERP) data system. It is a fully integrated data system (one person equals one record; no duplications across departments). Colleague along with reporting facilities like SAP Business Objects allow The Cooper Union to monitor, analyze and maintain data that crosses all departments (HR, finance, financial aid, registration, admissions, etc.). The purchase of the system was recommended by the IT committee formed in 2010, which responded to our 2008 decennial Middle States Accreditation. We went live in the summer of 2011 with our general ledger (GL), and have been rolling out the rest of the modules since. Current projects include document imaging (which will streamline our AP procedures and allow for dramatically easier tracking as well as reduce the need to store paper) and projects-based finances, which will help us track projects that don’t cleanly span a single fiscal year. We are already maintaining this system with the smallest workforce Ellucian has ever seen. Any reduction in headcount would severely hinder our abilities to maintain the system or implement additional features or necessary customizations. Outsourcing roles currently handled in-house would likely be more costly than using current personnel. Elimination of the system is impractical since many of the roles it fills would simply need to be replaced by other data systems (and migration to other systems will be time-consuming and expensive).

Development and Alumni Affairs

We do not believe we can cut six positions and at the same time ramp up activity for a fundraising campaign, as we are intended to do. The Working Group suggests that we rely on alumni volunteers to pursue annual fund-level donations, retaining only the professional staff necessary to solicit major gifts. This would add perhaps some short-term savings, but would have long-term opportunity costs. It is well known in fundraising that a cost per dollar raised is much higher of the bottom of the gift pyramid than it is at the top. However, investing in the bottom of the pyramid allows the cultivation of donors who may find themselves further up the pyramid in future capital campaigns. Cooper is paying a price today for not having cultivated its rank-and-file donors during earlier campaigns; some of those donors today have significant capacity but lack engagement with the institution.

In addition, volunteers require active institutional support and ongoing management if they are to be effective. We cannot assume there will be net savings from this aspect of the proposal.

Student Affairs

The Office of Student Affairs has recently undergone significant changes in leadership and location. The move to office space in the student residence hall has allowed all of Student Affairs to work in the same space. We are confident that the reorganization and move have created opportunities and efficiencies that have yet to be realized. We are currently working with the Office of Human Resources and the Union at Cooper Union to evaluate our staff functions in order to ensure that continue to operate in the most efficient and productive manner while also providing the highest possible level of service to the campus community.

The services provided through Student Affairs (career development, residence life, health referrals, mental health interventions, community standards, student organizations, student government, athletics, etc.) are vital to the student experience and student success. Research has shown that these out-of-the-classroom experiences can have a profound impact on a student's education. Moreover, modern students require a level of support not available to earlier generations at Cooper.

Rather than begin with a goal of immediate cuts, we need to analyze how we can continue to provide the best possible student experience in the most cost-effective manner.

Admissions Records, and Financial Aid

All staff are working at full capacity. We cannot cut two positions and sustain current levels of recruitment, registration and record services to current students and alumni, required maintenance to our computer systems--which would also affect our application processing—services to international students, provision of institutional research, and completion of external surveys.

Furthermore, the recent staff appointments are investments in Cooper Union's Future which the administration requested to meet the recruitment plan under the new scholarship policy adopted by the Board of Trustees. Any elimination of positions in the area of Admissions and Financial Aid at this time would lead the staff to believe that the board acts without integrity.

President's Office

The Office of the President for many years has assumed the management of a confluence of functions at the institution because of the limitation of human resources at Cooper Union. While Cooper Union is known as a “small” institution, the executive office is nonetheless mandated to comply with city, federal and state requirements that large private universities must comply with in New York. The difference is at Cooper Union the senior administration wear multiple hats.

Without a Chief Academic Officer to oversee academic matters, without legal counsel on staff, without a senior officer to oversee human resources, without a chief compliance officer, etc., several key administrators, including the Chief of Staff, who, as you know, also serves as the Secretary to the Board, are responsible for managing these areas.

The support provided by the staff in the Office of the President is invaluable. Cuts in personnel would add strain and reduce effectiveness in a manner that could have disproportionate consequences for the institution, particularly at a time when the demands on staff to support Board matters has grown significantly over the past three years

The proposal by the Working Group to reduce administrative staff:

- fails to consider institutional human resources needs to launch new programs;
- lacks assessment of how duties currently performed by positions being proposed for cuts would be transferred to other employees, including union employees, in which case, union negotiations would be necessary;
- fails to consider costs associated with reassigning duties;
- does not take staff morale into account;
- lacks the context of a comprehensive administrative review whereby job descriptions are reviewed and changes to administrative structures reflect departmental goals and objectives;

CONCLUSION

In fulfilling its charge, the Working Group faced a complex set of problems and difficult time constraints. Despite tremendous effort by members of the Working Group, we do not believe that the recommendations and suggestions they have advanced for the board's consideration constitute a cohesive, well considered, implementable plan. The Cooper Union’s financial challenges require leadership at the board level—honor the commitment the Board made in April to set the institution on a financially stable course that will ensure its future. We owe it to generations of students to come.

We cannot agree that the proposed expense reductions will serve our needs. This approach has failed demonstrably to alter the college’s financial path to date.