THE COOPER UNION
ALUMNI PIONEER

Don't Worry, Be HEPI

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Abstract
How Cooper used the Higher Education Price Index, rather than the Consumer Price Index, to trick the accreditation association into believing Cooper was following its Master Plan, and then, after obtaining reaccreditation, increased expenditures by a whopping 10% per year over 5 years, even after the 2008 crash. The issue of accreditation is also key to whether Cooper could have delayed construction of the NAB.

It seemed incredulous that Cooper presidents could assert over and over and over that they were going to reduce expenses, and then let expenses rise year after year after year. Especially since, at some point, someone is going to be watching and someone is going to call you on it. Through diligent research, *The Alumni Pioneer* has discovered two tricks of the education trade:

1. Use a different index to adjust your numbers
2. Make sure those numbers are good if someone is watching

Most of us would think, when The Cooper Union asserts to the Supreme Court of the State of New York, that it is going to lower operating expenses by 10% between 2006 and 2011, that they really mean that the operating expenses for 2011 will be 10% lower than the operating expenses for 2006.

Others might cut The Cooper Union a little slack – after all, The Cooper Union has no control over inflation. But what do we mean by inflation?

For your average person, inflation means the Consumer Price Index, or CPI, as calculated by the U.S. Bureau of Labor Statistics. After all, if you make an investment in a security that is adjusted for inflation, it is the CPI that is used. It is true that there are many who are critical of the CPI. Colleges and universities decided to start using the Higher Education Price Index, or HEPI, in 1983.

HEPI was devised by the Commonwealth Institute, founded in 1971 by the Ford Foundation to help the trustees of non-profit institutions, specifically colleges and universities, understand and judge their endowments.

Whereas the CPI takes the prices of common consumer items and, through appropriate weighting, comes up with an index for the inflation in consumer prices each year, HEPI takes the prices of eight college expenses – faculty salaries, administration salaries, clerical staff, service employees, fringe benefits, supplies and materials, utilities, and miscellaneous expenses – and, through what it considers appropriate weighting, comes up with its own index for the inflation in institutional educational expenses each year.

Of course, there are problems with this index, as well. Your educational institution may not have the same distribution of these categories as other institutions. There are differences between public institutions and private institutions, and between two-year colleges and colleges that offer doctoral degrees. HEPI does distinguish between those. Unlike the CPI, HEPI does not distinguish between some geographical regions and other geographical regions.

But think about how HEPI gets its data: it surveys the American Association of University Professors and the College and University Personnel Association. Although, independently, each educational institution decides whether it wants to grow, whether it wants to hire better (more expensive) teachers and administrators, whether it wants to bring its prices under control, collectively, they all use HEPI to judge how they are doing. And if, for every year but one since HEPI was introduced, HEPI has risen more than CPI, well, that's just "the stunningly fast rise in costs throughout higher education," to quote the Cooper Union Board of Trustee apologia of December 15, 2011.

There is going to be a problem if you are committed to being "equal to the best," as Peter Cooper wrote. And that is, someone, at some time, is going to be watching you, and knows that you are committed to providing a full-tuition scholarship to your students. The people watching Cooper are the Middle States Commission on Higher Education (MSCHE), a unit of the Middle States Association of Colleges and Schools, or MSA, and they are not only going to be looking at the quality of your academics, but at your facilities and at your financial situation. Since The Cooper Union has three schools, the schools of art, architecture, and engineering, the Middle States Association is going to look at the accreditations of three organizations, the National Association of Schools of Art and Design, or NASAD, the National Architectural Accrediting Board, or NAAB, and the Accreditation Board for Engineering and Technology, or ABET. It was, in fact, MSA who forced The Cooper Union to adopt its mission statement. In response to a 1998 MSA criticism of Cooper, in 2000 Cooper adopted the following:

> The Cooper Union for the Advancement of Science and Art, through outstanding academic programs in architecture, art, and engineering, prepares gifted students admitted on merit to make enlightened contributions to society. Cooper Union provides all students with full-tuition scholarships, close contact with a distinguished and creative faculty, and a rigorous, humanistic learning environment stimulated by the process of design and enhanced by the urban setting.
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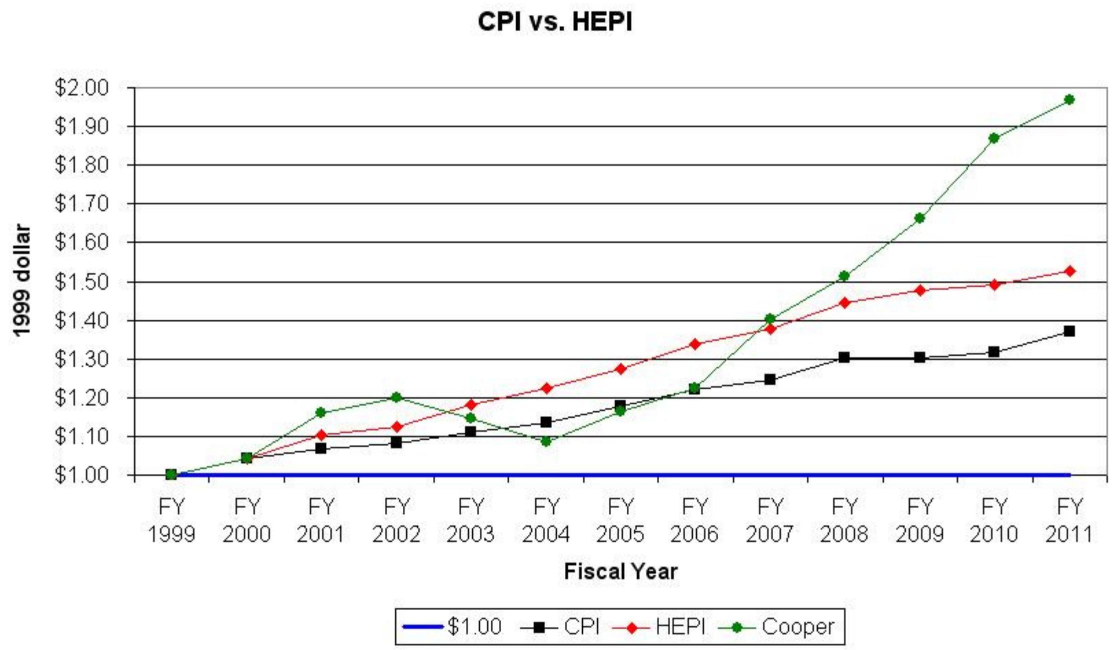
> As an intellectual and cultural center, The Cooper Union offers public programs that enrich the civic and artistic life of New York City. Founded in 1859 by Peter Cooper, philanthropist, The Cooper Union advances its historic commitment to science and art through intellectual, practical, and artistic applications for the future.

The MSA process started in 1998 and took until 2006 to complete. Not surprisingly, one of the chief concerns of the MSA was Cooper's financial stability. As we all know, the early years of the millennial decade were ones of great financial peril, leading to the launching of a capital campaign, the Master Plan, and an ULURP that resulted in Community Boards 2 and 3 accepting Cooper's plans to destroy the Hewitt Building and build new facilities at 41 Cooper Square with administrative offices intended to move to a new building at 31 Astor Place. An MSA reviewer, writing in 2003, called the financial plans "ambitious," stating, "If successful, they will finally put the institution on a sound financial footing. If not successful, the institution is in peril."

So, if the MSA is going to submit their final report in 2006, you better get your act together. Here is what happened:



You can see how, from FY 1999 to FY 2011, according to the CPI, a dollar rises to $1.37. According to the HEPI, a dollar rises to $1.53. The expenses of The Cooper Union, however, rise to $1.97. However, from FY 2003 through FY 2006, Cooper expenses fall below the HEPI. And this data is the data presented to the MSA to convince them that Cooper is following its Master Plan.

Cooper makes a similar representation to the Supreme Court of the State of New York; that between 2006 and 2011, The Cooper Union will reduce its operating expenses by 10%. Instead, it increases its operating expenses by an average of 10% every year, way above the CPI and above HEPI as well. It even does it in FY 2009, the year after the crash and the year President Campbell promises the alumni it is instituting austerity measures in response.

There is another claim addressed in the MSA review: the inadequacy of the facilities. The MSA documents mention this, but not in terms of the engineering building, but in terms of the lack of individual studio spaces for all art and architecture students above freshmen. The engineering building is criticized for being expensive, limiting and inefficient; there is a statement that the engineering building is "no longer adequate to house high-tech research centers and teaching facilities," not being equipped for "networked multimedia." But there is no statement that such a requirement came from the ABET review. Instead, ABET criteria are ticked off as being met.

Why is this important? Because, to use the wording of its own financial statements, aside from DASNY bonds issued to fund the building of student housing and the renovation of the exterior of the Foundation Building, "The College is subject to certain restrictions regarding the issuance of any additional long-term debt." It was to remove these restrictions that the College filed the *cy pres* petition that allowed it to mortgage the Chrysler Building and take out the $175 million loan whose debt service is crippling the college. *The Alumni Pioneer* has uncovered a document from the Attorney General's office that states that it will not oppose the petition because to do so would "seriously compromise" the College's "ability to maintain its accreditation." If it was NASAD or NAAB who criticized Cooper's facilities, and not ABET, then Cooper misrepresented the accreditation threat and was granted the *cy pres* petition under false pretenses. There is a big difference between wanting to upgrade your facilities, thinking it is a great plan to upgrade your facilities, and being forced to upgrade your facilities in order to maintain the accreditation of the College. If the latter is not the case, then Cooper might have delayed construction until after 2008, when the cost of construction would have been much lower.

The current version of this document can be found at <http://www.notnicemusic.com/HEPI.pdf>. Corrections to this document are appreciated and, if based on substantiated facts from legitimate sources, will be implemented by the author. The original version was completed on January 23, 2012.

The Alumni Pioneer, <http://www.notnicemusic.com/Cassandra/cooper.html>, is a virtual newspaper with breaking news stories and links to analyses, sources and the media. It is written and formatted in an inverted-pyramid newspaper style to facilitate quick access to what is deemed the most important information. The abstract was added on January 28, 2012.