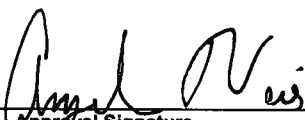
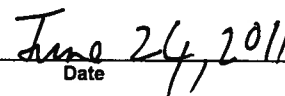


**U.S. PROGRAMS**  
**Chairman's Special Grants**  
**Summary of Recommended Grants**  
**Out of Docket - June 2, 2011**

**U.S. Programs, Chairman's Special Grants**

Organization	Grant Code	Recommended	Term	2011	2012	2013
Research Foundation of the City University of New York	T1: 21105	\$500,000	1 year	\$500,000		
<b>Total Recommended:</b>		<b>\$ 500,000</b>		<b>\$ 500,000</b>		
<b>GRANTMAKING TOTAL THIS DOCKET:</b>		<b>\$ 500,000</b>				

  
Approval Signature

  
Date

## **MEMORANDUM**

To: Aryeh Neier  
From: Bill Vandenberg  
Date: June 10, 2011  
Re: U.S. Programs Chairman's Special Grant Recommendation

Following the discussion at this week's U.S. Programs Board Meeting, I write to share the write-up and docket sheet for the Task Force on the State Budget Crisis, the Dick Ravitch led effort to dissect the factors that contributed to the state budget crisis and identify potential structural solutions. This recommendation was made by George Soros, after a conversation with Paul Volcker, and has now been vetted by the U.S. Programs Board. Funding for the Task Force would come from the U.S. Programs Chairman's Special Grants line.

Thank you for your review. Should you have any questions, I'm happy to address them.

**Grant ID:** 20032916

**Legal Name of Organization:** Research Foundation of the City of New York

**Tax Status:** 501(c)(3) public charity

**Purpose of Grant:** To provide project support for the Task Force on the State Budget Crisis

**Grant Description:** To provide \$500,000 in project support for the Task Force on the State Budget Crisis, a high level bipartisan, one year effort to dissect contributing factors to the state budget crisis, identify potential structural solutions, and spotlight the crisis in five of the nation's largest states. OSF funding will support data gathering and analysis, targeted outreach to key stakeholders, and a final report.

**Previous OSI Support:** None

**Organization Budget:** \$218,508,610 (2010)

**Project Budget:** \$1,930,040

**Major Sources of Support:** Peter G. Peterson Foundation \$500,000  
 Ian Cumming \$250,000  
 Proposals are pending with the MacArthur, Smith Richardson, and Bill and Melinda Gates foundations

**Amount Requested:** \$500,000 over one year

**Is this a contingent grant:** No

**Amount Recommended:** \$500,000 over one year (21105: Chairman's Special Grants)

**Term:** One year, beginning May 1, 2011

**Description of Organization**

The Research Foundation of the City University of New York is a not-for-profit educational corporation that manages private and government sponsored programs at The City University of New York (CUNY). Since 1963, the Research Foundation has provided CUNY – and, more recently, its new non-CUNY clients – with administrative

infrastructure to support their program activities. The Research Foundation is the fiscal sponsor for the Task Force on the State Budget Crisis.

### **Description of Program for Which Funding Is Sought**

States and their budgets are on an unsustainable path. With deficits in nearly all states and many radical proposals for cutting vital public functions, particularly those that focus on K-12 education, community colleges and public universities, and health and social services for low- and moderate-income populations, a broader assessment of state fiscal structures and potential reforms is warranted. An effort that transcends the partisan gridlock that plagues Washington, DC could have broad appeal beyond existing advocacy efforts.

Working nationally, with a deeper examination of the state budget crisis in five large states including California, Illinois, and New York and possibly Florida, Michigan, New Jersey, Texas, or Virginia, the Task Force on the State Budget Crisis, a one year project, seeks to do the following:

- **Document the extent of structural deficits faced by states and the causes of those deficits.** It will document nonrecurring resources treated as revenue, make the link between pension liabilities and state budgets, and spotlight when – and how – tax and spending policies may need to shift in order to have more sustainable state budgets. The Task Force will create replicable templates that will allow other advocates and scholars to analyze budgets elsewhere;
- **Document how existing budgeting practices not only hide state deficits, but encourage them.** This will lead to recommendations for improved budgeting and planning and enhance budget transparency so that structural deficits can be more directly addressed; and
- **Reach audiences who can change the state budget crisis.** The Task Force is explicitly committed to not being an academic project. Via outreach efforts, it seeks to educate state and local government policymakers, those who are affected by them, and those who can influence them.

The Task Force comprises highly regarded fiscal policy intellectuals who have had lengthy public service careers; it has been carefully constructed to have bipartisan membership and reach. This composition, the project's supporters believe, will give the Task Force broad credibility in making the point that confronting the budget crisis will require support from a variety of political perspectives. It will be overseen by a board chaired by Paul Volcker, Chairman of the Federal Reserve Board from 1979-87 and the recent chair of President-elect Obama's Economic Recovery Board Chair, and Richard Ravitch, a lawyer, businessman, and public official who recently served as Lieutenant Governor for the State of New York. Other board members include Nicholas Brady, a former investment bank chairman and Secretary of the Treasury under Presidents Reagan and George H.W. Bush; Joseph Califano, former Secretary of Health Education and Welfare under President Carter and founder and chairman of the National Center on

Addiction and Substance Abuse; and Alice Rivlin, chair of President Clinton's Financial Responsibility and Management Assistance Authority and a Senior Fellow at Brookings.

The board will shape the questions addressed by the Task Force, review and critique its work, and, when satisfied, approve a final report and any associated recommendations. The project expects Board members to carry extraordinary weight with the media, elected officials, and advocacy leaders and to participate actively in outreach to these audiences.

The Task Force's executive director will be Don Boyd, a senior fellow at the Nelson A. Rockefeller Institute of Government at the State University of New York at Albany. Boyd has more than 30 years of experience in analyzing state and local government fiscal issues. He has worked in New York state government as the director of the economic and revenue staff for the state budget office and as director of the tax staff for the New York State Assembly Ways and Means Committee. Boyd will be on leave from the Rockefeller Institute for the one year duration of the Task Force.

The Task Force will conduct extensive research in the five priority states and disseminate its findings to key opinion leaders. It will focus on reaching mainstream media as well as the financial press, stakeholders in programs that are at risk, public finance economists, and organizations serving government officials, focusing on the oversight of regulatory influence, or analyzing state and local finances or the creditworthiness of governments. At the conclusion of the one year project, it will issue a final report and conduct broad scale outreach to ensure that the report's recommendations have impact.

The five state case studies will address two key questions: (1) what are the state's fiscal condition, outlook, and exposure; and (2) in what ways do fiscal rules, institutions, and procedures contribute to or reduce the likelihood of structural deficits. Each case study will be conducted by a small team of analysts who are deeply familiar with the state's fiscal conditions and procedures as well as key players in the state's budgetary climate. The analysts could include former budget directors, legislative analysts, NGO leaders, or academic experts. The states will be selected based on size, national significance, degree of budgetary complexity or dysfunction, and the need for budgeting transparency.

### **Rationale for Recommendation**

U.S. Programs, at the request of George Soros, recommends a \$500,000 grant over one year to the Research Foundation of the City University of New York for its sponsorship of the Task Force on the State Budget Crisis. The Task Force is a promising, high level effort to dissect contributing factors to the state budget crisis nationwide, identify potential structural solutions, and spotlight the crisis in five of the nation's largest states. The Task Force seeks to complement existing work by filling gaps in data collection and producing bipartisan consensus around structural reforms.

OSF funding will support the initial phase of data gathering and analysis and the identification of structural solutions to the state budget crisis. A second phase, which may include a partnership with the Franklin and Eleanor Roosevelt Institute (a U.S.

Programs grantee that includes both Rob Johnson and Jonathan Soros among its senior fellows), will focus on data dissemination and the promotion of recommendations.

The state budget crisis has an impact on most OSF priorities that relate to an appropriate role of government as a provider of key structures, systems, and supports. In rare instances e.g., the California effort to utilize the state budget crisis to advance criminal justice reforms – the budget crisis can present opportunities to elevate an open society agenda. More typically, however, the budget crisis and subsequent public deficits are connected to unfair and outmoded tax structures that adversely affect low- and moderate-income populations. The crisis then leads to cost cutting proposals that slash K-12 public education, community colleges and public universities, the provision of health services, public transportation, regulatory agencies, and services and supports for low-income families.

While conducting due diligence for this recommendation, USP staff consulted with colleagues from the Bill and Melinda Gates Foundation who expressed both interest in the project and concerns with its initial proposal. They, and USP staff agreed, that the initial proposal featured a disproportionate emphasis on public pensions as a contributor to the state budget crisis. While pensions are indeed a part of the structural challenge in state budgeting, they are not the sole or even leading driver of the current crisis. USP staff was concerned that such an emphasis from the Task Force could leave OSF and Mr. Soros vulnerable to attacks that they are supporting an effort that places disproportionate blame on public employees. These concerns were brought to the Task Force's director and co-chair Richard Ravitch by Gates and MacArthur Foundation representatives and by Rob Johnson, on behalf of OSF. Staff are now satisfied that a revised proposal from the Task Force places pensions more appropriately among several budget crisis drivers.

USP staff also discussed with the Gates representative that a project with a heavy focus on budget deficits – and that includes support from Pete Peterson's foundation, a noted supporter of entitlement reforms – could lead to a heavy emphasis on chopping important public services as a solution to the crisis. This would have an unfair impact on low-income populations. Both the Gates representative and Rob Johnson brought these concerns and a recommendation to work more closely with the Center on Budget and Policy Priorities (another leading USP grantee) to the Task Force director. This partnership should ensure that low-income communities and services will not be forgotten – or unfairly targeted – as the Task Force develops its recommendations. This concern has been heard by the Task Force's leadership.

The Task Force has a high level board, strong leadership, a targeted purpose, and a short window in which to conduct its work. From our due diligence, it is a worthwhile and thoughtfully constructed effort to spotlight the structural roots of the crisis and identify a balanced set of possible solutions. The Task Force's bipartisan composition, and the reach that its recommendations will have due to its influential board, lead us to recommend that this early investment in intensive data collection and high level analysis is a worthy one.