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## 2006-2007 Annual Report of the Financial Policies Committee

The committee chair and co chair, Ronald Ehrenberg and Kevin Hallock, met with Vice President Carolyn Ainslie in August to set out an agenda for the committee's work during the year. Among the issues that they agreed to discuss were progress on improving faculty salaries and how salaries compare across the endowed and contract colleges for faculty in common disciplines, the development of the current year budget that would be presented to the trustees for approval in January 2007, endowment spending policies, the funding of health services, graduate student tuition policies, administrative cost allocations and information technology costs.

The committee met biweekly during the academic year. During the year the committee worked with Vice President Ainslie on the development of the current year budget, learned how the 2005-2006 faculty salary improvement program influenced our progress on improving faculty salaries, spent several meetings learning about the 10-year budget projection model and what the key financial pressures facing the university are, discussed the endowment payout rate (and learned that because our endowment functions like a mutual fund that additions to the endowment automatically lead to increases in the total spending from the endowment), commented on a proposal to institute a mandatory health services fee to aid in the funding of student health services, commented on a proposal to institute a uniform graduate tuition that would be set close to the current contract college tuition level, and developed an understanding of a current year financial aid endowment funding shortfall and some of the longer run problems facing Cornell in the financial aid area.

Several of the spring meetings of the committee were cancelled due the university being shut down because of weather on one day and the unavailability of Vice President Ainslie because she had to assume emergency temporary duties in the Provost office. Because of this and the limited staff resources that Vice President Ainslie had available to deal with committee concerns, the committee never got to discuss administrative cost and information technology cost issues. Similarly a planned study of how salaries for faculty in disciplines at Cornell that span both the contract and endowed colleges compare was never undertaken.

The committee's work was handicapped during the year by several other factors in addition to the meeting cancellations. A key person in institutional research who dealt with financial aid modeling left the university during the summer and his newly hired replacement was in a learning mode during the year, which limited the latter's ability to work on issues of concern to the committee. Due to Vice President Ainslie and Professor

Ehrenberg's schedules, the committee meeting times were limited to Wednesday and Thursday mornings. Several committee members could not meet during each of these days and, while the committee alternated meeting times to try to give everyone a chance to attend some meetings, this meant that some members had to miss every other meeting. The committee also disproportionately consisted of contract college faculty members (by faculty legislation half of the committee should have come from the endowed colleges) and at least one member felt that this may have led to insufficient attention to endowed college issues. Finally, the committee chair was perhaps not as aggressive in pushing faculty issues as he should have been because he saw a conflict between his role as chair of the committee and his role as faculty trustee (in which he is asked to work on behalf of the university as a whole, not on behalf of any single constituent group).

The co chair of the committee has been asked by the Dean of the Faculty and has agreed to serve as chair of the committee next year. He has a good working relationship with Vice President Ainslie and they will meet during the summer to map out issues the committee will address next year. I have suggested to the new chair that Vice President Ainslie and he quickly choose a meeting time for next year and inform the Associate Dean of the faculty of this time, to aid him in recruiting new committee members. The process of expanding endowed college committee membership has already begun and hopefully equal representation will fairly quickly be realized.

As I leave the position of chair of the committee, a few reflections on the operation and role of the committee is in order. This committee was formed, over my objection, a number of years ago, by merging two separate faculty committees. One dealt with faculty compensation and benefit issues; that committee aggressively argued for higher faculty salaries and investigated ways to improve faculty benefit programs. A second committee, the faculty budget committee, took a broader view and worried about the university as a whole and the trade offs that existed in the budget. The current committee is asked to play both roles and while I think it has done that effectively over the last few years, there are too many issues for the one committee to address. While I understand the difficulty of attracting faculty to senate committees, I think it is worth reconsidering whether two separate committees would make sense.

Second, historically the committee conducted its own studies on issues that were of importance to financial policies decisions. So, for example, my own research on preferential packaging in financial aid began while I was a committee member and the university was trying to decide how to react to much better financial aid offers being made by richer competitors. Such research could be undertaken because the committee has access to staff from institutional research and planning. Over time, as the demands on that office have increased, it has become difficult for the committee to get access to staff to conduct studies that it wants to undertake.

A good example is the persistent desire by the committee to conduct a study of comparing compensation of faculty in a discipline that spans both the contract and endowed colleges (e.g. economics, sociology, psychology, communications, life sciences, and statistics); if we want to have one Cornell which is of equal quality, we need to worry

about salary differentials across the divide. The outlines of how such a study might be undertaken were presented to the Provost's office several years ago and, although this study was an agreed upon item (by Vice President Ainslie and the committee) to be done this year, it never happened because of limitations on her staff resources. In my role as a trustee I understood the pressures that Vice President Ainslie faced and thus I did not push her on this issue. But if the committee is to be effective, it needs to gain access to the resources that it needs to do such studies. Vice President Ainslie indicated in our last meeting a willingness to work to find the necessary resources to support committee activities and I encourage next year's committee to continue to push on this type of issue.

Finally, at the risk of sounding like a broken record, historically faculty were much more involved in actual financial policies decisions than they are now. Provost Nesheim had a budget policies committee consisting of deans, vice presidents and two faculty members (one appointed by the faculty senate, one picked by the Provost) that met to make final recommendations on policies after consultations with the faculty financial policies committee and other groups. The analogous committee that Provost Martin has developed contains no faculty representation. If the university is really serious about shared governance, it would be good to have several faculty members, including the chair of the FPC involved with this group. While you and others have commented at times about the great expertise that I have in university financial matters, this expertise developed only because Frank Rhodes and a number of Provosts and Financial Vice Presidents involved me in such roles. Cornell would do wise to think about involving faculty members in these budget deliberations as a way of helping to develop its next generation of faculty leaders.

Sincerely yours



Ronald G. Ehrenberg  
Chair, Financial Policies Committee