



Cornell University ILR School

Ronald G. Ehrenberg
*Irving M. Ives Professor of
Industrial and Labor
Relations and Economics
Stephen H. Weiss Presidential Fellow
Director, Cornell Higher
Education Research Institute*

Telephone: 607-255-3026
Fax: 607-255-4496
E-mail: rge2@cornell.edu
Web: <http://faculty.cit.cornell.edu/rge2/>

Web: www.ilr.cornell.edu/cheri

Cornell University
271 Ives Hall
Ithaca, NY 14853-3901

May 2011

2010-2011 Annual Report of the Faculty Financial Policy Committee (FPC)

Committee Membership

1. Joe Burns (Mechanical and Aerospace Engineering)
2. Tony Simons (Hotel)
3. Amy McCune (Ecology and Evolutionary Biology)
4. Ronald Ehrenberg (ILR and Economics)
5. Tom DiCiccio (ILR)
6. Stephen Pope (Mechanical and Aerospace Engineering)
7. Donald Rutz (Entomology)
8. Charles Seyler (Electrical and Computer Engineering)
9. Donald Smith (Clinical Sciences/Vet Medicine)
10. Peter Wolczanski (Chemistry and Chemical Biology)

Committee Activities

The committee was inactive during the Fall 2010 because the 2009-2010 committee chair resigned as chair and no one would be agree to be chair. Committee members present during the Spring 2010 were unhappy with the limited role that the committee had played then in discussions with the administration about proposed changes in Cornell's budget model. I was not in Ithaca during the Spring 2010 and I hope that Dean Fry would find new leadership for the committee; I had been chair numerous times before and did not believe that faculty committees should have permanent chairs.

However, Dean Fry and the Provost discussed the issue, Dean Fry prevailed upon me to chair the committee and beginning in January 2011 the committee was reconstituted and met regularly with Vice President Elmira Mangum. The semester was spent bringing the committee up to date on discussions relating to changes in the proposed university budget model and discussing other issues relating to budgetary matters. It turned out that the budget model discussions were not far enough along to the FPC to react to specific proposals. With the expertise committee members developed on a number of issues, it is my hope that the committee can play a more active role in discussions with the administration next year.

The committee met eight times with Vice President Mangum and other administrators joined some of our meetings as follows:

1. January 17- VP Mangum discussed the budget presentations she was going to make to the trustees the following week. The committee discussed with her how it could be helpful to her in

- discussions about the progress of the new budget model. After the meeting, she provided us with a number of confidential documents that summarized administrative discussions that had taken place to date.
2. February 9 – VP Mangum outlined the range of issues that administrators were considering and what some of the key points of contention were. Committee members decided that it made most sense for us to focus on issues relating to undergraduate and graduate tuition and to facilities and administration charges in sponsored research grants. Committee members also expressed interest in learning more about the university’s capital planning process.
 3. February 24 – Tom Cole, Director of Capital Budgets joined the group and talked to us about how the capital planning process had been modified since the financial meltdown. He stressed that debt financing had been limited and that plans for funding the increased maintenance and operations costs that come with new construction have now been firmed up. The committee reluctantly concluded that there is little useful role that it could play in the process because most projects are driven by operating units (e.g. colleges or administrative units). Projects that are of concern to the university faculty as a whole, for example a faculty club, are part of the central university capital planning process, The Provost and the President are the key players in this process and the case for such projects must be made to them by the faculty senate.
 4. March 8 – Vice Provosts Barbara Knuth and Laura Brown joined the group to discuss issues relating to undergraduate and graduate tuition. They emphasized to us that no firm decisions had been made, other than to treat all colleges symmetrically, and that tuition allocation rules are intimately related to enrollment management discussions (e.g. the allocation of first-year and transfer admissions slots to colleges). Both Vice Provosts emphasized the importance of budget models being based on core educational principles and that careful consideration needs to be given to unintended side effects of proposals; these views were echoed by committee members.
 5. March 31 – VP Mangum reiterated that no firm decisions had been made relating to undergraduate tuition. Committee members stressed that whatever model emerges needs to be clearly articulated, transparent, easy to understand, and provide freedom for students to take classes in whatever colleges make sense to them. Also any changes in the model should hold each college’s budget “harmless” in the first year and changes in allocations should be gradually phased in over a number of years to give the colleges time to adjust to the change.
 6. April 19 – Senior Vice Provost Bob Buhrman joined with us to discuss issues relating to facilities and administration costs in sponsored research grants. His major message was that any reform of the process should “do no harm” to our wonderful research enterprise.
 7. April 26 – Vice President and CFO Joanne DeStefano briefed the committee on the key financial indicators that the administration now provides to the Board of Trustees each month. VP Mangum then updated us on the financial projections she had recently presented to the Board on the university’s budget forecasts. Things are looking much better than they did at this time last year, but there are a number of key variables that will influence our ability to reach financial equilibrium. In particular, the university needs to get a handle on how to finance exploding financial aid costs (or to modify existing policies) and to assure that it achieves promised savings from the redesign initiative it is undertaking. VP Mangum emphasized that

faculty help will be needed to achieve some of the promised saving from the redesign initiatives, but committee members responded that some of the initiatives, in particular those in the purchasing area are imposing significant time costs on faculty and so the budgetary saving from them may be largely illusory.

8. May 17 the committee met with Provost Fuchs. He expects to make major decisions involving the budget model during the summer in preparation to present the outline of it to the Board of Trustees' Finance committee at their September meeting. Meetings of deans may be as frequent as weekly. The committee indicated a willingness to participate in this process and if he decides to involve us, he will send a meeting schedule to Dean Fry, who will in turn contact members of the committee to see if they are available for specific meetings. The Provost also told us that a financial aid task force headed by Barbara Knuth will be studying financial aid issues this summer and we may be invited to respond to their analysis in late August

Pending what happens in what was described at our May 17 meeting, I will meet with VP Mangum this summer to sketch out with her the issues that the committee and she will deal with in 2011-2012. Hopefully with this head start, the committee will play a more important advisory role to the administration in the year to come.

Ronald G. Ehrenberg