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Charles Van Loan
Dean of Faculty
315 Day Hall

RE: **2016-17 Annual Report for the Financial Policies Committee**

Dear Charlie,

As you know, I took over as chair of the FPC in January of 2017 (I was on sabbatic leave during the fall of 2016, so Larry Blume agreed to remain chair until the end of 2016). I did not attend meetings during my sabbatic leave, so my report covers only our spring meetings.

The FPC met 5 times this spring. Our January 20th session was a short organizational meeting to set the agenda for the semester. Several committee members expressed ongoing concerns about the budget model, in some cases about its general incentive-based principles (especially with respect to units that may be limited in the kind of revenue they can generate) and in some cases about the particular effects of its implementation. There is a general perception that resolving the deficit and building resources at the center has left units and departments feeling pinched. One member wondered how much should be at the center, what the framework of accountability is, and whether there is space for faculty input in the financial governance of the University. The handling of summer school tuition came up. And we revisited concerns related to the flow of tuition dollars by student enrollment. Other issues that were raised in that opening meeting were: the Engaged Cornell initiative, the College of Business, grant planning, deferred maintenance (specifically McGraw Hall), and the proposed increase in new housing and enrollment. Most members acknowledge that it would be advantageous for us to meet more frequently, but this may not be practically feasible. We agreed to a schedule of four additional meetings for the spring term: a meeting with Dean Knuth to consider the report of the Admissions and Financial Aid Working Group (AFAWG); a meeting with Provost Kotlikoff (with a preparatory meeting in advance); and a meeting with Vice Provost Appleton to discuss Engaged Cornell.

From our meetings with Dean Knuth and Provost Kotlikoff, we learned that AFAWG was charged with looking at fairness in the financial aid policy. There were some (anecdotal?) concerns that Cornell's FA policy was putting a squeeze on families in the upper middle income range, and that these families were increasingly relying on loans. The Trustees want a contingency plan in the event of another financial crisis on the scale of the 2008 market crash and some feel that Cornell cannot afford the level of financial aid that it is currently providing. The AFAWG report recommendations amount to a "suite of choices" that the university leadership could act upon in changing the financial aid policies. The FPC reviewed this report and discussed it with Dean Knuth. All but one of the AFAWG recommendations had a desirability rating "to be determined." We were curious to know how that desirability would be determined and how the decisions would be made about any potential changes to the financial aid

policy. And we flagged those recommendations that seemed *undesirable* to one or more members of the committee. To stave off cuts to financial aid, the Provost committed to cost control measures and a modest increase in enrollments. Improved endowment performance would certainly make it easier for Cornell remain competitive among its peers in granting aid. So, we'll be interested to see if moving the Investment Office to New York will have a salutary effect.

The FPC discussed a range of issues, in addition to financial aid, at our April 20 meeting with Provost Kotlikoff. Members asked the Provost about administrative cost controls at the center; about the endowment payout rate; about the calculation of allocated costs and the taxes on revenue (in the form of restricted gifts, tuition, endowment payout); about “unfreezing the metric” that has governed tuition distribution and about the RCM budget model overall; about the relationship of Dyson to the new Business College; and about the budgeting implications of the Provost's 7 new task forces.

The FPC also met with Vice Provost Appleton on May 22 to discuss the Engaged Cornell initiative. The 10-year Initiative was endowed with a 50 million dollar family trust; Cornell was obliged to raise 100 million on top of that and VP Appleton says they are on target to meet that goal. The idea of the Initiative was to integrate service learning into the curriculum. CE has been offering curricular development grants (as well as updating grants to service learning courses that were already on the books) and now has a center. Appleton thinks that the time has come to transition to a faculty board. Concerns were raised by FPC members about evaluation and accountability (how will we know if this program is a success?); about the relationship between EC and the Service Center; about whether the programs are equally accessible to all students (since some EC programs require extra funds for travel or summertime internship commitments). Because the EC Initiative is a 10-year plan, after 2025 the administrative costs of the EC curriculum will fall to the colleges. For this reason, applications for EC curriculum grants have to be approved by the appropriate Dean. The “10-year cliff” does still remain a concern. The FPC is mindful that units ultimately have to assume financial responsibility for such gift-driven initiatives, whether they be buildings or programs.

In recent years, FPC meetings have largely been organized around gathering information from various administrators and we should continue to do that. But the FPC also needs time to meet as a group to discuss what we've learned and to redefine our role as an advisory committee. I am hopeful that some of these discussions can happen over email, but I would like slowly to increase the number of meetings we have each term. I will aim for 6-7 meetings over the course of the fall semester. We also need to communicate what we've learned more effectively with the faculty. I appreciate your commitment to work with me on that over the next academic year.

Before preparing this report, I looked at the available FPC reports for the last 14 years and it is clear that the history of the FPC bears out concerns about the decline in faculty governance. The authority of the FPC has not been consistently recognized — nor perhaps has it been consistently asserted. But, at present, I believe that we've established a good working relationship with members of the central administration. And, in its current composition, there is a wealth of expertise among the members of the FPC — and a strong commitment to the charge of the committee. Too much turnover on the committee can hinder our ability to maintain an institutional presence, so I am especially grateful to Doug Antczak (VET) and Ron Ehrenberg

(ILR) for agreeing to serve another term on the committee. I look forward to welcoming two new members: Victoria Beard from AAP and José Martínez from Engineering. Continuing members of the FPC are: Ravi Kanbur (CALs/ECON), Charles Walcott (CALs), Larry Blume (A&S), David Easley (A&S), Adam Smith (A&S), and Luis Schang (VET).

Given the expertise among members of the FPC, I have stressed the importance of setting our agenda collectively. Before we convene again in the fall, I plan to meet with VP Streeter and Provost Kotlikoff to gather information that will help us set our agenda. I am particularly interested in better understanding the accounting for CIS, the Business College, and Cornell Tech. I would like to know more about how the budget roll out looks from an administrative perspective. Some members of the FPC have suggested that it would be useful for us to have data on expenditures from the Center over the last 15 years; I will explore with Paul Streeter whether it might be possible to get this data.

Here are a few of the ongoing issues that the FPC will want to keep in its sights:

1. Financial Aid
2. How will the increases in undergraduate enrollment be allocated across the colleges?
3. How often do we want to evaluate faculty salaries and what kind of data do we want for that evaluations? Comparison of faculty salaries by rank in relation to peer institutions? Comparison of faculty salaries at Cornell by field and rank?
4. Endowment performance and endowment payouts
5. With respect to tuition distribution, what should happen when the administration “unfreezes metric” in F19?

I thank you for the opportunity to chair the FPC and look forward to working with you to communicate the FPC’s work to the faculty and to solicit their feedback and concerns.

yours,

A handwritten signature in cursive script, appearing to read "Rayna".