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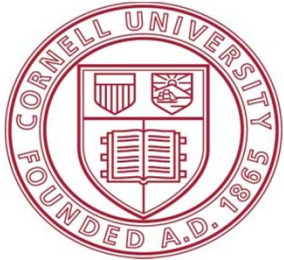


Financial Policies Committee Report

Ronald G. Ehrenberg
5/11/11



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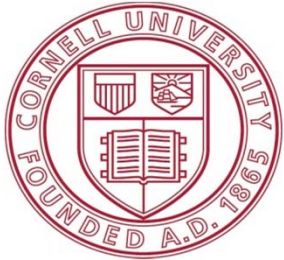


• **Committee Membership**

- **Joe Burns (Mechanical and Aerospace Engineering)**
- **Tony Simons (Hotel)**
- **Amy McCune (Ecology and Evolutionary Biology)**
- **Ronald Ehrenberg (ILR and Economics)**
- **William Lesser (Applied Economics)**
- **Tom DiCiccio (ILR)**
- **Stephen Pope (Mechanical and Aerospace Engineering)**
- **Donald Rutz (Entomology)**
- **Charles Seyler (Electrical and Computer Engineering)**
- **Donald Smith (Clinical Sciences/Vet Medicine)**
- **Peter Wolczanski (Chemistry and Chemical Biology)**



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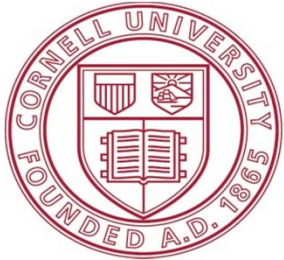


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- **Committee was inactive in Fall 2010**
- **No one would agree to be chair because committee members present last spring (I was away) were unhappy with the limited role the committee was playing in discussions with the administration about proposed changes in Cornell's budget model.**
- **Dean Fry and the Provost discussed this issue and beginning in January 2011 the committee was reconstituted and began to meet regularly with Vice President Elmira Mangum**
- **As you will see this semester was one of bringing committee members up to date on discussions relating to the budget model and other budgetary issues. Budget model discussions are not yet far enough along for the FPC to react to specific proposals**
- **With increased faculty expertise on these issues, it is my hope that the committee can play a more active role in discussions with the administration next year**



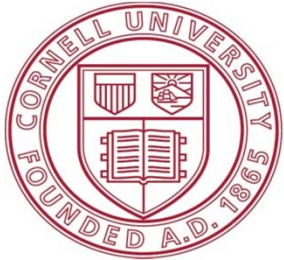


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- So far the committee has met 7 times this semester
- 1/17 VP Mangum discussed the budget presentation she would make to the trustees the following week and explained the assumptions behind a number of the proposed policies. The committee discussed with her how it could be helpful to her in discussions in progress about the proposed new budget model. After this meeting, committee members received a number of confidential documents summarizing the administrative discussions that had taken place to date relating to the proposed budget model
- 2/9 VP Mangum outlined the range of issues administrators were considering and she and the committee discussed how we could be most helpful to the process. Committee members decided that it made most sense for us to focus on issues relating to undergraduate and graduate tuition and on facilities and administration (F&A charges) in sponsored research grants. Committee members also expressed interest in learning more about the university's capital planning process





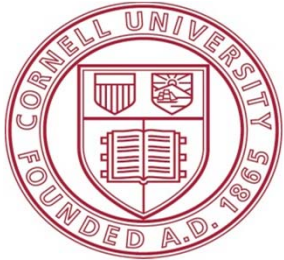
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- 2/24 The committee met with VP Mangum and Tom Cole (Director of Capital Budgets) to learn about how the capital planning process had been modified since the financial meltdown, including how debt financing has been limited and the emphasis on accounting for increased maintenance and operations expenses that come with new construction. Committee members reluctantly concluded that there is little useful role that the committee can play in this process. 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 and the President and the Provost are the key players in this process. So the case for such projects must be made to them by the Faculty Senate.



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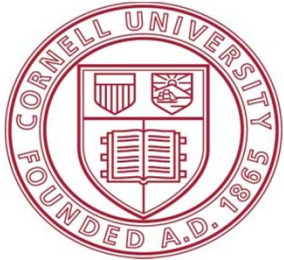
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- 3/8 Vice Provosts Barbara Knuth and Laura Brown discussed issues relating to undergraduate and graduate tuition being considered in the design of the new budget model. They emphasized that no firm decisions have been made, other than to treat all colleges symmetrically, and that tuition allocation rules are intimately related to enrollment management discussions. Both the Vice Provosts emphasized the importance of decisions on the form of the model being based on core educational principles and that careful consideration needs to be given to unintended side effects of proposals



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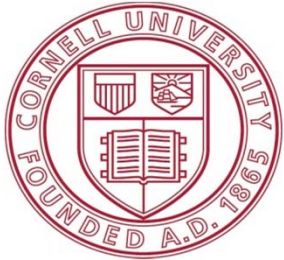
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- 3/31 The committee met with VP Mangum who again stressed that no firm decisions has been made relating to undergraduate tuition. Committee members stressed that whatever model emerges needs to be clearly articulated, transparent, easy to understand, and provide freedom for students to take classes in whatever colleges makes sense for them. Any change in the allocation of tuition revenues that arises from the change in the model, should hold each college harmless in the first year and should be gradually phased in over a number of years to give the colleges time to adjust to the change



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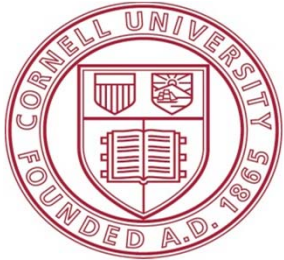
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- 4/19 The committee met with Senior VP Bob Buhrman to discuss issues relating to facilities and administration costs in sponsored research grants. His major message was that any reform of the process should “do no harm” to our wonderful research enterprise



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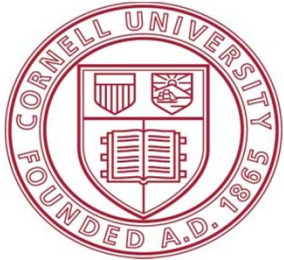
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- 4/26 The committee met with VP Joanne DeStefano who explained to us the key financial indicators that are now presented to the Board of Trustees each month so that the Board can keep track of the university's financial position. VP Mangum provided us with an update on the financial projections she had presented to the Board on the university's budget forecasts for a number of years into the future and what key variables may influence our ability to achieve financial equilibrium (e.g. achieving "promised" saving from the redesign initiatives and getting a handle on exploding financial aid costs). Faculty help will be needed to achieve some of the promised savings from the redesign initiative, but committee members stressed to her that these initiatives are imposing significant time costs on faculty.



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- May - Dean Fry and the Provost are in the process of arranging a time for the committee to meet with the Provost to get his sense of how the budget model discussions are proceeding and how the committee can be of use to him in the upcoming year
- June/July I will meet with VP Mangum to sketch out with her the issues the committee and she will deal with in 2011-2012

