

FY21 Budget Projections

Faculty Senate Presentation

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Principles

- Caring for Students
- Safeguarding our Future as a World-Class Academic Institution
- Maintaining our Staffing to the Degree Possible
- Seeking New Knowledge

FY21 Budget

- The pandemic has caused significant uncertainty in next year's budget
- We project that we are facing a roughly \$210M shortfall for next year, but it could be much higher
- What I want to do today is show the state of our financial planning and provide some detail about the steps that have been taken and those that we are contemplating

FY21 Budget Uncertainties

- Undergraduate Financial Aid
- Housing and Dining
- Tuition
 - Masters Programs
 - Undergraduate Enrollment
- Cost of Operations
 - Testing
 - Social distancing/PPE measures
- Other reduced revenues
 - Hotel
 - Other Enterprise Units

Approach

- Three Speculative and General “Scenarios”
 - For budget purposes only
 - Scenarios bracket the likely range of possibilities
- Measures to Close the Gap
- Proposed approach and budget will be brought to the Board of Trustees at a special meeting in June

No Scenario Decisions Have Been Made

Scenarios

1. Full Residential/Hybrid Instruction

- Shortened In-person Semesters with some period online
- Limited International graduate students
- Modest enrollment reduction

2. Limited Residential/Hybrid Instruction

- Shortened In-person Semesters with some period online
- Partial Undergraduate Residence
- More limited International graduate students
- More significant enrollment and housing/dining reductions

3. Online Fall

- Most significantly reduced undergraduate enrollment
- Least International enrollment
- Least housing and dining

Ithaca and Cornell Tech Actions Taken to Date ~ \$110M

\$35 million	<ul style="list-style-type: none">• Capital spending reductions
\$25 million	<ul style="list-style-type: none">• No salary increases for FY21
\$20 million	<ul style="list-style-type: none">• Hiring pause
\$5-10 million	<ul style="list-style-type: none">• Eliminate discretionary spending
\$5-10 million	<ul style="list-style-type: none">• Travel pause
\$10 million	<ul style="list-style-type: none">• Shift philanthropy to current use
\$1 million	<ul style="list-style-type: none">• Senior leadership voluntary pay cut

** Amounts are estimated annual savings*

FY21 Budget – Scenario Projections (Remaining deficit)

\$ in millions

FY21 Budget Scenarios

	Scenario 1 Residential	Scenario 2 De-densified	Scenario 3 Online
<u>OPERATING REVENUES</u>			
Tuition & Fees	\$ 1,119	\$ 975	\$ 818
Investment Distributions	253	253	253
Gifts	149	149	149
Sponsored (Direct & Indirect)	419	419	419
Federal & State Appropriations	139	139	139
Housing, Dining & Other Auxiliaries	105	70	70
Educational Activities & Other Sources	217	217	217
TOTAL OPERATING REVENUES	\$ 2,402	\$ 2,223	\$ 2,066
<u>OPERATING EXPENDITURES</u>			
Personnel Costs	\$ 1,359	\$ 1,357	\$ 1,357
Undergraduate Financial Aid	372	353	286
Graduate & Professional Financial Aid	171	156	156
General Expense & Services	412	399	397
Maintenance & Facilities	131	130	130
Debt Service	53	53	53
TOTAL OPERATING EXPENDITURES	\$ 2,499	\$ 2,449	\$ 2,380
NET BEFORE TRANSFERS	\$ (98)	\$ (226)	\$ (314)
Transfers (To)/From-FFE & Other	\$ 5	\$ 5	\$ 5
Transfers (To)From-Plant Funds	(43)	(43)	(43)
Use of Fund Balance	39	39	39
NET FROM OPERATIONS	\$ (98)	\$ (226)	\$ (314)

Closing the Gap: Scenario #1 - \$98M

- 5% Reduction through attrition— ~\$20M
- Other Savings (miscellaneous additional cost reductions, reduced faculty hiring, additional use of reserves) — ~\$20M

Still short ~\$60M

Additional Steps To Consider (Totals ~ \$60M)

- 1-year pause in Retirement Contribution (Endowed) 1-year salary reduction (Contract)
 - Contribution to plan and full salary return in FY22
 - Retirement:
 - Individual retirement contribution can still occur
 - All employees – contribution capped
 - Salary:
 - No reduction below a fixed salary level
 - Progressive reduction from 1% to 5%
- Voluntary Retirement Plan
 - 6 months incentive payment + 1 year retirement contribution
 - Future savings need for out years

Closing the Gap - \$226M

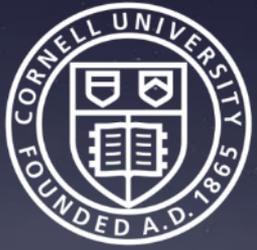
- 10% Reduction, as much as possible through attrition and reassignment ~\$40M
- Other Savings (miscellaneous additional cost reductions, reduced faculty hiring, additional use of reserves) ~\$40M
- Retirement/Salary Program ~ \$60M
- Furloughs in enterprise units – ~\$5M
- Voluntary Retirement Plan – future savings
- Use of debt

Closing the Gap - \$314M

- 15% Reduction, as much as possible through attrition and reassignment ~\$60M
- Furloughs ~\$5M
- Other Savings (miscellaneous additional cost reductions, reduced faculty hiring, additional use of reserves) ~\$40M
- Retirement/Salary Program ~ \$60M
- Furloughs in enterprise units – ~\$5M
- Voluntary Retirement Plan – future savings
- Use of debt
- Use of endowment

The Endowment

- The endowment supports essential university activities that are not otherwise funded—mainly financial aid, endowed faculty positions, academic programs
 - These costs are covered with 5% annual payout—averaged so when the endowment is down (like now), the payout is higher; when up, it's lower
 - Cornell's endowment per student is by far the lowest of our peers
- The endowment is actually a large collection of funds, the vast majority of which have restricted purposes
 - Donors provide gifts for a particular purpose, e.g., an endowed chair. The expectation and requirement is that this will be supported in perpetuity
- Even when it's possible to draw down the endowment for an intended purpose, doing so results in a permanent decrease in funds available for that purpose
 - So drawing down the endowment now means we'll need to make more operational cuts later
 - Our strength as a university comes in part from the generosity of our predecessors; we have an obligation to our successors to keep Cornell strong
- There is massive uncertainty about the next year, and if necessary we can seek approval from the board to tap the endowment, but it should be preserved as the last lever we pull



Discussion

