

Presentation to the Faculty Senate

Financial Policies Committee

19 May 2021

The FPC

- “The Financial Policies Committee (FPC) tracks the financial condition and policies of the University and develops priorities, based on educational considerations, which should be reflected in the budgets of the endowed and statutory units. The FPC assists the administration with the budget-planning process. It considers the financial implications of financial aid, retirement policies, and faculty salary levels.”

Normal Operation

- Meets once a month in term time.
- Two meetings each semester with VP Budget and Provost.
Presentations on Operating Budget, Capital Budget, 10 Year Budget Projections, in sync with cycle of presentations to Trustees.
- Themes and issues emerge and are discussed and developed as they mature (examples will follow).
- This is the “normal” pattern.
- But....

A Non-Normal Departure

- By April 2020 the University was into a full blown Financial Crisis caused by the repercussions of Covid.
- The salience of the FPC escalated as it engaged with the Administration's proposals to address the Crisis.
- Monthly meetings became weekly meetings, every other meeting being with the Provost and VP Budget.
- The FPC prepared a report and a presentation for the Senate, at the same session as the presentation of the President and the Provost.
- This report is appended to last year's Annual Report.

Back to Normal (?)

- This academic year the operations of the FPC have slowly come back to normal, although the meetings with the Provost and VP Budget have still focused on recovery from the Crisis.
- But alongside these, a number of other issues and themes have been taken up and discussed, including in meetings with the Chief Investment Officer, the Vice Provost for Research, and Assistant Director of Institutional Research and Planning.
- Summaries of FPC meetings are in the Draft 2020-2021 Annual Report.
- One particular theme, which had been set aside last year with the focus on the Pandemic, was that of Research Costs.

A Recommendation on Research Costs

- During the Fall semester of 2019, the FPC assembled a sub-committee to examine financial implications of policies surrounding Cornell research.
- The sub-committee examined a range of issues, from Facilities and Administration (F&A) rates to College policies on revenue returns to PIs.
- One particular issue highlighted by the sub-committee in its report, just submitted to FPC, is Cornell's definition of off-campus research:
- “For all activities performed at a location which has neither the use nor aid of owned or leased University operated facilities and with personnel off campus *for two months or longer*, the off-campus rate will apply” (emphasis added).

A Recommendation on Research Costs

- The sub-committee argues in its report that the stipulation of a required duration for off campus research is quite unusual compared to our peers and may be a result of an earlier standard that has not been revisited in some time. Most of our peers, in contrast, define off campus research in terms of a *preponderance of effort*.
- The proposal is to change the wording as follows:
- “The criterion for determining whether the on- or off-campus F&A rate is applied to a research award is an assessment of the preponderance of effort. If over 50% of budgeted direct costs support activities to be performed on campus, then the on-campus rate applies to the entire budget. If over 50% of the budgeted direct costs support activities that take place off campus, then the off-campus rate applies to the entire budget.”

A Recommendation on Research Costs

- In its detailed argument the Sub-Committee argues that apart from being an unexamined vestige of the past this definition has significant negative consequences:
- (i) Cornell researchers conducting off campus research find that their projects, assessed at an indirect cost rate of 64%, cannot compete for awards alongside peers assessed at the lower 26% rate;
- (ii) this can and has led some researchers to off-shore their research grants to other universities or private think tanks;
- (iii) the current “duration away” measure for off-campus research unfairly impacts two groups more than others: female scholars and faculty in administrative roles (e.g., department chair).

A Recommendation on Research Costs

- The Full FPC has endorsed the Report and the Recommendation.
- We have communicated the Report and Recommendation to the Provost with whom there will be continued engagement prior to this summer's F&A discussions with the Department of Health and Human Services.

Possible Themes for Next Year

- The Research Costs recommendation is an example of an issue that came to fruition in a specific way. But the FPC has been discussing a number of other themes, some of which will be taken up and highlighted next year. Here are some examples:
- Salaries: Diversity and Inclusion Dimension
- Debt Capacity and its allocation across units
- Contingency Fund for the Next Crisis
- Endowment Returns
- Research Costs continued: Allocations of indirect cost income to units on campus that directly bear costs such as utilities and building maintenance; F&A policy effect on contracts and grants; F&A policy within and between colleges.

Operational Issue (1): Interaction with the Senate

- The FPC has regular interaction with the University Administration in the person of the Provost and VP Budget.
- It reports back to the Senate through its Annual Report.
- However, perhaps the interaction between the FPC and the Senate could be enhanced.
- If there is a desire, the FPC is ready to make presentations to the Senate from time to time on specific financial themes to engage the Faculty.
- Moreover, if Faculty would like the FPC to consider an issue, they can propose that through the Dean of Faculty, or directly through FPC members closest to their unit at Cornell.

Operational Issue (2):Committee Composition

- Although this is “above its pay grade”, because appointments to the FPC are a matter for the Nominations Committee, in its Annual Reports the FPC has noted that its composition is imbalanced in terms of (i) gender, (ii) URM and (iii) Contract Colleges.
- We know the Nominations Committee is trying to change this as turnover happens, but it is difficult to find replacements.
- So we would like to say to Cornell Faculty to give serious thought to serving on the FPC—it has great esprit the corps, it interacts with Senior Administration on a regular basis, and it is fun!

Thank You!