

**Financial Policies Committee**

**Annual Report 2021-2022**

**14 June, 2022**

**Committee Membership**

Douglas Antczak

Victoria Beard

Vanessa Bohns

David Easley

Ronald Ehrenberg

Rayna Kalas

Ravi Kanbur (Chair)

Neema Kudva (ex officio)

José Martínez

Luis Schang

Adam Smith

Eve De Rosa (ex officio)

Charles Walcott

# Overview

## **Introduction**

The Financial Policies Committee (FPC) of the Faculty Senate meets typically once a month during term time. On a normal pattern, it has two meetings each semester with the Provost and the VP Budget and Provost. There are presentations to the FPC on Operating Budget, Capital Budget, 10 Year Budget Projections, in sync with the cycle of presentations leading up to the Trustees. A range of themes and issues emerge and are discussed and developed as they mature.

This academic year even more so than last year, discussions of the FPC have come back to normal after the firefighting of the pandemic years. Alongside the regular discussions during the budget cycle, specific topics taken up have been: F&A rates and definition of Off-Campus research; Contingency Fund; Debt Capacity and Debt Allocation; Salary Equity; and International Programs. Summaries of all meetings are given in Appendix I. This Overview will focus on the first two items, on which discussion with the Administration has advanced most this year.

## **Recommendation on F&A Rates and Definition of Off-Campus Research**

Last year the FPC sub-committee on Research Costs made a specific recommendation on the definition of Off-Campus Research (the full document is available in Appendix II), as set out in last year's Annual Report:

“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.”

The full FPC endorsed the subcommittee recommendation. We communicated the Report and Recommendation to the Provost.

The Administration's initial response over the summer was minimalist. It did not follow the FPC recommendation to revise the off campus policy to a “preponderance of effort” model in line with our peer institutions. Instead, the 2 month away requirement for classification as off-campus was reduced to a 1 month away requirement.

This year the sub-committee in turn prepared a response to this response, setting out the counter argument in detail. This FPC response is in Appendix II. We met with the Provost (see meeting summary for 5.10.2022 in Appendix I), and the Chair of the sub-committee continued correspondence with the Provost. The Administration has now agreed in principle to move significantly in the direction of the “preponderance of effort” model favored by the FPC. They are working to introduce appropriate language into the proposal to the Feds for approval. We will await the outcome of those negotiations, and the implementation plan following the agreement with the Feds. FPC will follow up on this in the coming year.

## **Contingency Fund**

An important issue arising out of the Pandemic engagement of the FPC with the Administration was that of the Contingency Fund. The basic idea is that had there been such a fund, the University would not have needed to dip into Faculty salary and retirement to meet the financial exigencies of an

unanticipated financial shock. But of course there are tradeoffs. To build up the Fund the operating budget needs to be taxed and this is the short term cost that needs to be paid in order to provide longer term insurance against shocks.

These issues have been discussed at FPC presentations to the Senate. The FPC has continued to discuss the matter with the Administration, and there seems to be sufficient interest in the matter to develop concrete proposals. As set out in the summary of the 3.29.2022 meeting (Appendix I), the Administration's proposal in broad terms is to set aside sums from the operating budget annually which would cumulate in ten years to around \$100M in inflation adjusted dollars. The discussion centered on the uses to which the Contingency Fund would be put, and on the principles and governance structures which would guide access to the fund. The Provost suggested that the discussion should be continued and these principles could be specified and formulated in greater detail through that discussion. This is an item to be considered for the FPC agenda next year.

#### **Next FPC Chair**

The Dean of Faculty has announced that the next FPC Chair will be Luis Schang, from 1 July, 2022.

# **Appendix I**

## **Meeting Summaries**

8.10.2021

First meeting with the new VP Budget and Planning, Laura Syer.

The main part of the meeting was devoted to a review of the issues which the FPC has broached in the past year, and which will need to be prioritized at our meeting in September.

1. Research Costs. Ongoing work of the sub-committee.
2. Salaries. Follow up meeting with William Searle of Institutional Research and Avery August, Vice Provost, in December.
3. Contingency Fund. Issue will most likely come up, or can be brought up, in the presentation of the 10 year budget model in October.
4. Financial and risk aspects of International Programs and Partnerships. Possible meeting with Wendy Wolford in the Spring semester.
5. Debt. The issue will no doubt come up in the 10 year budget model presentation. But we can also ask for a meeting with Joanne DeStefano in the Spring.
6. Endowment returns. We have had a meeting with the Chief Investment Officer. What follow ups can we productively undertake?
7. Faculty Governance and the Budget Process. At what stage can Faculty input be provided and how?
8. Are our accounting systems fit for purpose for budgetary processes?
9. Review of budget model and its incentive effects.

9.28.2021

Internal meeting to take stock and to discuss the agenda for the coming year.

1. We would follow past practice in inviting VP Budget and Provost to join us for two meetings per semester.
2. We noted that the meetings for the rest of the Fall semester will be on (i) the 10 year budget (October, with VP Budget and Provost), (ii) the annual budget (November, with VP Budget and Provost), and (iii) Salaries (December, with VP Budget, Director of Institutional Research and Vice Provost for Academic Affairs).
3. We would ask the VP Budget to discuss the Contingency Fund issue in the context of the 10-year budget presentation in October.
4. We would send a list of questions/issues to the Administration a few weeks before the Salaries meeting in December, focusing particularly on internal equity questions.
5. For the Spring semester, apart from the two meetings with VP Budget and Provost, we would schedule three further meetings, on:
  - a. Research Costs (led by the sub-committee).
  - b. Debt, with invitation to CFO Joanne DeStefano.
  - c. International Programs, with invitation to VPIA Wendy Wolford.
6. The FPC stands ready to speak to the Trustees, as relevant issues arise and if requested to do so by the Faculty Senate through the Dean of Faculty.

10.14.2021

“10 year horizon” meeting with the Provost and VP Budget.

1. Before the VP’s presentation, the Provost and VP were updated on the issues the FPC was going to discuss this year: (i) Salaries (continued from last year); (ii) Research Costs (continued from last year); (iii) Debt (invitation to EVP and CFO Joanne DeStefano); (iv) International Programs (invitation to VPIA Wendy Wolford); and (v) Contingency Fund, which would be a focus of today’s discussion in the framework of the 10 year projections.
2. There was a brief discussion of debt and allocation of debt capacity across units. Provost agreed that this should be done in accordance with agreed principles rather than in ad hoc fashion. This can be taken up in greater detail with CFO Joanne DeStefano.
3. Before presenting the 10-year framework, VP Budget showed us the very favorable budget outcomes for FY21. Provost also confirmed that the endowment had posted a phenomenal return of 41.9%.
4. The broad framework for the 10-year horizon, in terms of assumptions etc, was analogous and similar but not of course identical to the presentation VP Paul Streeter had made to us in October 2019.
5. The basic proposal for the Contingency Fund is to set aside annual amounts, increasing every year, the annual set aside increasing to 1% of the budget. On this plan, the cumulative build up by the end of the period would mean a Contingency Fund in excess of \$100M.
6. A discussion ensued which addressed: (i) how the amount needed in the CF should be decided (eg using downturn metrics from past crises in 2008 and 2020?); (ii) the division of the aggregate fund between the center and colleges, and relationship of this fund to contingency funds colleges may build up separately; (iii) governance of the fund in terms of transparent criteria for triggering access.
7. Provost and VP Budget acknowledged that these were important issues to be further discussed and developed. They agreed to come back to the FPC for a separate meeting to discuss specifics on the above issues when the draft proposal is more fully developed.



11.16.2021

Meeting with Provost and VP Budget on annual budget proposal.

- The meeting began with a quick review of state of play on the F&A recommendation from the FPC. The Provost briefly explained the thinking behind the Administration's decisions, which was also in the documents circulated to the FPC. He said he is open to a meeting to discuss this further, together with Jeff Silber and others.
- The VP Budget then presented the annual budget assumptions, in the framework of the 10 year planning assumptions. The framework and issues were broadly similar to pre-pandemic annual budgets. The presentation also touched on key proposals based on the Employment Cost Index.
- There was a discussion of the proposed SIP. One issue highlighted was whether in light of current circumstances, including projected higher inflation, this SIP may prove to be inadequate.
- On tuition, there was a discussion of the substantive and political dimensions of undergraduate rates. The Provost explained his thinking on the evolution of the gap between endowed and contract college rates, taking into account the political nature of the headline numbers.
- On competitiveness of non-Faculty salaries, there was a discussion of the extent to which remote work would move markets for key staff (eg IT) from local to national, with cost implications in the years to come.
- It was also noted that there was a line item in the budget for flows into a Contingency Fund.
- The next scheduled meeting with Provost and VP Budget is in February, on the Capital Budget. We will try to set up an additional meeting with them in the first half of the semester to (i) round off the discussion on F&A rates and (ii) start a discussion on the Contingency Fund based on specific proposals from the Administration.

12.7.2021

Follow up discussion (from last year) on Salaries, focusing on Equity, with Vice Provost for Academic Affairs Avery August, VP Budget Laura Syer, and Associate Director of institutional Research and Planning William Searle.

The detailed discussion revisited many points that had been raised at our last meeting on this topic.

- the issue of rank explaining much of variation in income with no statistical significance attributable to race and gender, and that this left out of account that promotion to rank itself may have discrimination built into it.
- or the issue of how to take productivity into account in the analysis.

Three additional points stood out and need underlining.

- First, measurement and analysis. Continued work is needed in measuring productivity in research and in broader service, in order to bring these into an assessment of salary variation, and further work is needed in confirming what seems to come out of Cornell data, that gender and race are not statistically significant determinants of salary controlling for other factors.
- Second, transparency. If salaries were public knowledge, as they are in many Universities, the disconnect between the results of the Administration's analysis and ground level perceptions on competitiveness and especially on internal equity might not be as keenly felt as it is at Cornell.
- Third, communication. Given that full transparency is unlikely to happen at Cornell any time soon, our recommendation is that the Administration engage Faculty and staff through presentations of the type they have made to the FPC. Specifically, we recommend that Avery and William speak to the Faculty Senate, perhaps as soon as next semester, on the topic of salary competitiveness and equity.

1.26.2022

Internal meeting to look ahead to the program for the rest of the semester, and discuss three outstanding issues.

### **Research Costs**

- On F&A and Off-Campus Rates, it was noted again that the Administration had made a minor gesture but in effect turned down our major recommendation.
- The “off-shoring” implications of off-campus rates was again raised in the discussion. There was also a broader discussion of F&A rates more generally and their implications for research funding incentives. FPC members were invited to send in our experiences to the Chair of the sub-committee for documentation.
- These broader issues could be raised in a meeting the Provost has offered to the committee to discuss further his decision on the Off-Campus rate policy. The sub-committee would meet to discuss a possible framing of issues for this meeting.
- The sub-committee would also meet to discuss flow of F&A funds to and through Colleges.

### **Salary Transparency**

- There was an engaged discussion on salary transparency as an important component of the salary equity agenda.
- There are HR and other literatures on the arguments for and the consequences of salary transparency and we should try to understand what that literature says.
- What are the intermediate steps that can be taken towards transparency in the short and medium term, anticipating that full transparency might be some distance away?
- What would be the nature of and steps towards a Senate resolution on salary transparency as a way to engage the Administration?
- It was suggested and agreed that a sub-committee be formed to work on these and other questions in the broad frame of salary transparency. Victoria Beard has kindly agreed to Chair this sub-committee. She will be approaching FPC members to join her and formulate a work program.

### **Part Time BA Proposal**

- The Proposal from the Committee on Part Time BA was briefly presented and briefly discussed.
- A number of issues were raised and questions were asked, including who would teach it and if (as is the intent) this would be mainly Cornell Faculty, then where would the additional resources come from?
- Similarly, questions were raised about the general financial model. Would it need to be subsidized overall, or would it earn money? In either case, would there be cross-subsidy, for example from international students to deprived communities in the US?

3.17.2022

Meeting with EVP and CFO Joanne DeStefano on Debt and Debt Allocation.

1. Moody's and S&P have related but different methodologies for debt ratings, particularly how qualitative dimensions are brought in to complement quantitative assessment. A key indicator is Expendable Resources to Total Debt; on this, Cornell is at the bottom of the league table of its peers.
2. Cornell has Moody's second highest rating on their scale, and S&P's third highest rating. In comparisons with its Ivy League peers Cornell is near the bottom.
3. These ratings impact borrowing costs. Less obviously, alumni and donors also watch these as indicators of sound management.
4. Maintenance of ratings is a key determinant of debt capacity. Cornell's debt rose to close to \$2B, above debt capacity, after the Great Recession of 2008/9. It fell to around \$1.4B, below debt capacity, in 2017, but is now back up to close to \$2B, above debt capacity, after Covid. Current projections show debt dipping below debt capacity only after 2024.
5. On the question of allocation of debt capacity across units, it is the institutional leaders who make that decision. For example, the decision to allocate debt capacity to Weill during the Covid crisis, and to thus defer other projects, was made at the highest levels.
6. Looking ahead to the issue of deferred maintenance and the Contingency Fund, within an overall debt capacity constraint each of these presents tradeoffs within the Operating budget, with other items and indeed with each other.

3.29.2022

Meeting with VP Budget and Provost on Capital Budget and Contingency Fund.

1. Before the main agenda, the Associate Dean of Faculty announced that Luis Schang had accepted to be the next Chair of the FPC from July 1. He and the present Chair would work together in the next few weeks ensure a smooth handover.
2. Also before the main agenda, it was agreed to return to the off-campus F&A rates issue at the May meeting of the FPC with the Provost and VP Budget. The Provost suggested that Jeff Silber be invited to the meeting.
3. The VP Budget presented the broad outline of the capital budget. In essence the outline followed the capital budget presentations for previous years, with priorities and their projected costs. But a key item, on which there is now significant focus, is the Contingency Fund.
4. The proposal is to set aside sums from the operating budget annually which would cumulate in ten years to around \$100M in inflation adjusted dollars.
5. The discussion centered on the uses to which the Contingency Fund would be put, and on the principles and governance structures which would guide access to the fund.
6. The Provost suggested that the discussion should be continued and these principles could be specified and formulated in greater detail through that discussion.
7. This is an item to be considered for the FPC agenda next year.

4.15.2022 (1)

Internal meeting.

1. Luis Schang was introduced as the next Chair of FPC from July 1.
2. The meeting then turned to a stock take on issues under consideration, and new issues arising, to provide a pool of topics from which an agenda could be formulated for next year.
3. The Chair of the sub-committee on Research Costs Adam Smith discussed the ongoing work committee. The main item has been formulating a response to the Provost on his decision on the FPC proposal for off campus F&A rates. After comments and revision this will be sent to the Provost for our meeting with him and VP Budget on May 10. Adam will also invite Jeff Silber to join the meeting. Adam also proposed that with this work done, the sub-committee be closed at this stage.
4. Prompted by observations from the Research Costs sub-committee, the FPC also began an initial discussion of the highly variable college level policies and practices on charging and allocating income from F&A rates. This melded into a discussion on graduate student support, which also vary greatly across colleges.
5. The above discussion ties in to a possible new topic for next year—a review of the Budget model after 10 years of operation. We will include this in a presentation to the Provost of a list of topics of interest to the FPC for next year, to put it on the agenda of the Provost.
6. Another topic on the table for next year is continued discussion of the Contingency Fund. There are still issues on the opportunity cost of budgetary flows into the Fund, as well as financial engineering issues about the best way to address contingencies, including borrowing. The issue of governance of such a fund is also important and a discussion with the Provost on this began last month. We will put this issue, and the role of the FPC in advising on these structures, in our presentation to the Provost at next month's meeting.
7. Other current topics on the table include debt allocation, international programs, and salary transparency. On salary transparency, Victoria Beard has agreed to take the lead on the topic by chairing a sub-committee on it next year.
8. Several additional topics were put on the table as possible candidates to be taken up next year: (i) Faculty time and financial implication of the new part time B.A proposal; (ii) Central initiatives which turn out, after initial funding, to have long term financial implications for colleges who are asked to implement them.
9. This is a rich agenda of potential items for the coming year(s). The first meeting of next year will be devoted to prioritizing and selecting a small number of topics to pursue over the year.

4.15.2022 (2)

Meeting with Vice Provost for International Affairs Wendy Wolford.

1. We had asked the VPIA to address three issues: “The first is for the FPC to learn about the work of your office in broad brush terms, including recent initiatives. The second is to have a discussion on the financial dimensions of Cornell’s international programs. Taken as given the substantive academic value of international programs in relation to Cornell’s mission, are they also a net plus on the financial front? Third, relatedly, how does the University assess and factor in financial and reputational risks when assessing the financial dimensions of international programs?”
2. The VPIA made a detailed presentation on the broad structure of international programs at Cornell, setting out also the programs that her office has direct responsibility for. What is striking is the extent to which there are programs at Cornell which are outside of her office. Revenue earning international programs are mainly outside of her office, many of them directly in the Colleges.
3. However, her office, and herself as VPIA in particular, are involved in oversight or advice on nearly all aspects of reputational risk of international programs. There was a discussion on some of the detail of this oversight, for example distinguishing between relationships with potentially problematic individuals versus problematic states. It does look as though there are a significant number of checks to satisfy legal and ethical requirements.
4. The complications of navigating an ever more complex international environment for a University such as Cornell were made abundant in the presentation and the discussion.
5. Referring back to the earlier internal meeting of the FPC, this presentation will provide a good background to discuss what specific aspects of international programs could be taken up by the Committee next year.

5.10.2022

Meeting with Provost, VP Budget and Senior Director Jeff Silber to discuss the sub-Committee's response to the Administration's decision on definition of "off campus" for F&A rates.

At the start of the meeting we reported to the Provost and VP Budget a list of the major items the Committee will select from to focus on next year. Among these the major ones are: Research Costs, Budget Model review, Contingency Fund, Debt Allocation, Salary Inequality and Transparency. The Provost said the Budget Model review was a good suggestion; but it may be good to break it down into various component parts (eg undergrad tuition, Financial Aid, etc). At the end of the meeting VP Budget indicated that she was looking forward to scheduling discussions on items like the Contingency Fund, on which they will have made more progress by next year.

The main topic for discussion was the FPC response in turn to the Administrations' minimalist response to the FPC proposal to move the definition of off-campus research to a "preponderance of effort" rather than the current "time spent away" criterion. Jeff Silber provided a response to our response. The discussion touched on many points we have covered before. The issues seem to be as follows:

1. Is Cornell an outlier on policy relative to our peers? The sub-committee response argues Yes; Jeff argued that Cornell is "somewhere in the middle." This is an empirical question which can be resolved with discussion.
2. What is the responsiveness of offshoring in its various forms to the current policy? There is no rigorous study of this. But the sub-committee argued that a survey of FPC members showed a possible sum of \$6M being off shored because of the off campus rates policy.
3. One argument from the Administration is that the move to preponderance of effort would create "winners and losers". The sub-committee's argument is that these already exist in the current structure. But by adopting the approach of our peers, we give all Cornell faculty a level playing ground in the national grant arena. The current policy could be said to unduly favor some researchers in obtaining grants while shutting others out entirely. The FPC proposal would bring Cornell policy in line with institutions whose faculty we compete with for grants. That seems a matter more of basic fairness than winners and losers.
4. Jeff Silber suggested that we consider targeted support of those disadvantaged by the current policy. The administrative dimensions of this targeting would need to be thought through.
5. There is a timing crunch. The agreement with the Feds needs to be signed in the very near future (weeks) so there may not be enough time to do detailed analysis of the consequences of a major policy change. However (i) some small changes, for example changing language towards "field research", might be possible; and (ii) the discussion could continue on points 1-4 above in preparation for the next round, which will be in three years' time.

*Postscript:* After this meeting, the Chair of the sub-committee Adam Smith continued correspondence with the Provost on modification of Cornell criteria to move it closer to a preponderance of effort model. The Provost consulted with his IvyPlus colleagues and felt the Stanford "threshold approach" could address our concerns. In the final round to date, Adam wrote to the Provost on 5.19.2022 as follows:



“We had two suggestions for amending the Stanford model that would go quite a ways toward addressing our concerns.

First, we think that \$100,000 is too low for the cut off between tier 1 and 2. For federal grants, it is hardly worth applying for less than \$100k, even in fields like archaeology. We would suggest raising the break point to \$300k. That provides a pretty cogent distinction between moderately budgeted disciplines like field biology or archaeology and the big ticket applications that push closer to the half million plus mark.

Second, we would reduce the burden in tier 2. Requiring 80% off campus activities to qualify for the off campus rate seems too high both pragmatically and in terms of public perception. But we can understand wanting it to be above 51%. So we would suggest we lower that threshold to 60%. If 61% of the research is off campus, that really is an off campus project.

But we are very pleased with a model like this that removes a stipulation of time away from campus and focuses evaluation instead on the location of research.

Happy to discuss these suggestions further. And thank you again for engaging with us on the matter.”

Further correspondence on this has led to a significant movement on the part of the Administration in the direction of the sub-committee’s alternative, and they are working to introduce appropriate language into the proposal to the Feds. We will await the outcome of those negotiations, and the implementation plan following the agreement with the Feds.

## **Appendix II**

### **FPC Recommendation on Off Campus Policy, And Response to the Administration Proposal**

Financial Policy Committee

Subcommittee on Research Costs

Recommendation on off-campus determination policy

April 29, 2021

Adam T. Smith, Doug Antczak, Larry Blume, Ronald Ehrenberg, Luis Schang

During the Fall semester of 2019, the FPC assembled a small subcommittee to examine the financial implications of Cornell research policies. The subcommittee, chaired by Adam Smith, included Doug Antczak, Larry Blume, and Luis Schang. We were fortunate also to be joined by Ronald Ehrenberg during the final stages of our discussions. During deliberations, we conferred with Emmanuel Giannelis (Vice Provost for Research), Paul Streeter (Vice President for Budget and Planning), and Jeffrey Silber (Senior Director, Sponsored Financial Services) on matters and wish to thank them for their contributions to our deliberations.

Having examined a range of issues from Facilities and Administration (F&A) rates to College policies on revenue returns to PIs, we have been strongly encouraged by the mechanisms currently shaping the flow of resources related to research. But we recommend one change in policy that will be of significant import to field-based research and will bring us better in line with our peers on a matter where we currently face a competitive disadvantage.

We recommend that Cornell alter its definition of off-campus research. Currently, Cornell uses this 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).

The stipulation of a required duration for off-campus research is quite unusual compared to our peers and may result from 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*. As an example, here is Harvard’s policy:

“The criterion for determining whether an activity is conducted on-campus or off-campus for a sponsored project is as follows: when 50 percent or more of budgeted Harvard time and effort is performed on-campus, then the on-campus indirect cost rate applies; when more than 50 percent of budgeted Harvard time and effort is performed off-campus, the off-campus indirect cost rate (26%) applies.”

We recommend that Cornell adopt a “preponderance of effort” for assessing whether research is on or off campus. An example of a preponderance policy might be worded 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.”

Our recommendation is based on several observations gathered during the committee’s deliberations.

First, the existing policy harms Cornell researchers competing for federal research grants. With congressional allocations flat and F&A costs rising, 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. NSF panels, to take one example, weigh the funds directly supporting research, and if there is a choice between awarding one large project with a 64% F&A rate or two leaner projects with just 26% F&A rate, the one bloated by the higher F&A rate may lose out regardless of how meritorious the proposal.

Second, the harms of the existing policy extend beyond a single grant. We have extensive anecdotal evidence that the high F&A rates and the existing policy on off-campus research at Cornell have led a significant number of researchers to offshore their research grants to other universities or private think tanks. Some have even begun to establish their own non-profit organizations. These tactics can provide more advantageous terms for funding research but at considerable loss for Cornell.

Third, 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). For female scholars who often bear a sizable caretaking burden, a two-month away standard is unfairly discriminatory. These scholars often must conduct off-campus research during multiple shorter periods rather than a single period of duration in order to meet familial obligations. There is no reason why their work should be assessed differently than the scholar who is free to sojourn off campus for longer periods of time.

For Faculty in administrative roles, like department chair, the rule forces them to choose between research obligations and administrative duties. If a faculty member serving as a department chair wishes to conduct off-campus research during the summer, they would not be able to be off campus for two months, given their administrative obligations. And hence they too would find their work assessed at a different F&A rate than a colleague who did not willingly commit to university service.

Based on these findings, the Research Costs subcommittee of the FPC recommended changing Cornell policy to a “preponderance of effort” model for off-campus research. In conversation with Jeffrey Silber, we learned that the projected cost of such a move is not highly significant and see the potential economic benefit of “re-shoring” awards now funneled through other organizations as important to the University. Anticipating a surge in research following the COVID-19 hiatus, we recommend that this policy change be negotiated with federal authorities this year as part of any discussion of F&A rates, whether a request for extension or renegotiation.

On May 13, this recommendation was unanimously endorsed by the full body of the Financial Policy Committee.

## **Cornell F&A Rates:**

### **A response from the FPC to the recent revision of Off campus policy**

The purpose of this document is to provide the FPC's point of view regarding the administration's decision in the summer of 2021 to not follow our recommendation to revise the off campus policy to a "preponderance of effort" model in line with our peer institutions. Instead, the 2 month away requirement was reduced to a 1 month away requirement. Following an invitation by the Provost to continue the discussion, the Research Costs Subcommittee continued to research and deliberate on the issue. Our goals continued to be a) to enhance faculty competitiveness for external awards, b) to better align Cornell's research policies with peer institutions to create a more even playing field for Cornell researchers, and c) reduce the current incentives to off-shoring of research awards.

### The scale of off-shoring.

It is very difficult to assess the scale of research dollars that do not come to Cornell. However, the research costs subcommittee undertook two efforts to put a number on this. First, we canvassed just the FPC, a largely randomized sample of faculty, at least when it comes to this issue. Voluntary responses to our request for information on dollar amounts off-shored due to Cornell policy ranged from the tens of thousands to hundreds of thousands to the millions. The total off-shored research funding attested by just this small faculty group was just under \$6 million. Generalizing to the faculty as a whole, it is clear the scale of off-shoring is highly significant.

A second effort to understand off-shoring focused specifically on field biology, a discipline potentially highly impacted by off campus policy. We learned from these conversations that Cornell's approach to off campus rates resulted in a) not applying for grants out of an awareness that a Cornell application wouldn't be competitive at the on-campus F&A rate, b) forwarding of funding opportunities to other partner organizations who would be more competitive, c) trainees working in the field co-supervised by a Cornell mentee and a mentee at another institution tend to be assigned to the other institution. There was a sense that the shift from 2 months required away to 1 month was an improvement, but would not dramatically change the competitiveness of Cornell faculty or change off-shoring practices.

It is difficult to assess the revenue loss to Cornell of grants not applied for, or steered totally or partially to other institutions. However, it is worth noting a third strategy that faculty appear to be using to off-shore grants to avoid non-competitive F&A rates. An unknown number of faculty have set up non-profit organizations that provide alternative routes to funnel research awards. Our inquiries identified at least three such cases from an unsystematic set of conversations. While the subcommittee does not expect this to be a common occurrence, it does highlight that Cornell's policies are sufficiently unaligned with faculty needs that there are clear incentives to undertaking the process of establishing a non-profit despite the time and expense involved.

### A Family Friendly Policy

In our original recommendation, the FPC noted that the two month requirement under the previous off campus policy placed an undue burden that fell particularly on female faculty members. In our Fall 2021 meeting with the Provost, the shift to the 1 month requirement was described as an effort to respond to this issue. The Subcommittee is of the opinion that a reduction of the time away requirement does not achieve the goal of providing faculty, especially female faculty, the tools required for work-life balance. Being required to leave one's children for a month in order to be in compliance with Cornell policy seems only marginally less unfriendly than being required to be away two months. Instead, the "preponderance of effort" model endorsed by the FPC empowers faculty to decide for themselves how to balance work and life. In some cases, this may indeed entail being away for 4 consecutive weeks or more. In other cases, it may be more appropriate to conduct several shorter field excursions. Moreover, the latter model might also be better for the university as it allows people working in the field regular returns for service and obligations to students. The FPC believes that University policies should not be compelling faculty absence from campus and family in order to conduct research.

Several faculty members that we talked to mentioned that the off-campus time requirement impeded their teaching, mentoring, administrative, and service duties. It should be noted that faculty bearing administrative obligations would not be able to be away from campus for a month, discouraging research active faculty from stepping into chair or director roles.

### Rationalizing F&A rates

We also took note of the Provost's interest mentioned at our last meeting of assessing F&A rate based on the actual location of research performance. Neither the 2 month or 1 month requirement achieve this goal. Work in the Amazon for 3 weeks will still be assessed as on campus research while work in Tibet for 32 days will be off. This approach is difficult to rationalize and it may be another reason Cornell's policy is not widely shared by any of our peer institutions.

One alternative considered by the Research Costs Subcommittee was to assess F&A rates for individual budget lines based on the location of performance. This would achieve the Provost's goal and align F&A rates with the real geographical location of performance. This method has the significant drawback of requiring an extensive time commitment from OSP to ascertain the location of use for individual line items. A bucket purchased for use in an archaeology lab on campus would be assessed at the on campus rate while the same bucket purchased for use on an excavation in Peru would be off campus. Making these kinds of assessments is clearly not an efficient use of OSP resources. And it is also likely why most of Cornell's peer institutions have moved to the preponderance of effort model recommended by the FPC in the spring of 2021.

Following our additional process of research and discussion, the Research Costs Subcommittee of the FPC remains convinced that it would be best practice to align Cornell's policy on Off Campus research with that of our peers under a preponderance of effort model. We recognize the estimates of lost revenue provided to the Provost and the FPC. However, we also recognize that our peer institutions have made this transition already and have not faced unsolvable budgetary constraints.