

Financial Policies Committee

Annual Report 2022-2023

June 29 2023

Committee Membership

Douglas Antczak	(CVM)
Victoria Beard	(AAP)
Vanessa Bohns	(ILR)
Ronald Ehrenberg	(ILR)
Donald Kenkel	(CHE)
Dan Luo	(CALs)
Muna Ndulo	(LAW)
Annette Richards	(CAS)
David Ruppert	(CIS)
Gideon Saar	(COB)
Luis Schang, Chair	(CVM)
Eve De Rose, Ex Officio	
Chelsea D. Specht, Ex Officio	
Laura Syer, Ex Officio	

The Financial Policies Committee of the University Senate meets at least monthly during the term and on occasion during the summer. Typically, there are two meetings with the Provost and/or VP Budget and Planning per term, to discuss ongoing and predicted budgets, including Operating Budget, Capital Budget, the impact of inflation on the budget and affordability, and long term projections. These are highly interactive and productive discussions that provide administration with Faculty feedback and questions regarding budgetary issues. Other themes pertinent to Cornell Financial Policies are discussed internally and with guests, typically from University administration.

This year, the meetings were hybrid. In person participants met in 305 Day Hall and remote participants attended via a secure Zoom meeting. Guests were offered the choice of joining in person or remotely, which facilitates the attendance by guests who are not located in Ithaca.

After the COVID-19 focus of past years, the FPC has now returned to other themes that affect Cornell Financial Policies, including Endowment management, Development, Contingency Funds, eCornell and other remote initiatives and International Programs. A summary of each meeting is provided below.

Monthly meetings summaries

Friday, August 26, 2-3pm

Considering the high turnover of the committee from last academic year, including six new members and a new Chair, this first meeting was dedicated to the introductions of the members of the committee and the new Chair, an overview of the committee mandate, a summary of the committee tasks and accomplishments in the past five years, as presented in the annual summaries, and to establishing a strategy for the academic year.

During the meeting, the FPC members decided that it was critical to meet with CIO Ken Miranda, and to continue with the customary meetings with Provost Kotlikoff and VP Laura Syer. The Chair was tasked with scheduling these meetings. The committee also set the agenda for all fall 2022 meetings.

Friday, September 16, 2-3pm

The second meeting of the FPC was dedicated to establishing the year's agenda.

As a brief summary:

- The Chair reported on the ongoing efforts to book a meeting with Ken Miranda
- Potential topics to be covered in the term were discussed, including:
 - Endowment and its performance
 - Contingency fund

- Long term (ten year) Administration budgetary vision and its implications on affordability
 - Implications of affordability on development by the units and their ability to develop towards hiring or retaining faculty and its implications on faculty diversity
 - Salary equity
- There was agreement in flexibilizing the schedule to invite CIO Ken Miranda to discuss the Endowment if necessary. It was unanimously agreed on setting an ad hoc special meeting for this purpose if necessary.
- There was an agreement to proceed at some later time with a discussion about faculty salary equity, and that the FPC would eventually coordinate with the Faculty Senate and Administration to distribute the information to the faculty.
- There was consensus in dedicating the second meeting with Provost Kotlikoff to the long term vision, and in particular the impact of the rising inflation on the consequences of the budgetary model to student affordability, and the impact of the University plan to develop funds specifically to support student affordability on the ability of the units to pursue development toward faculty hiring and retention.

Friday, October 7, 2-3pm

Meeting with Provost Kotlikoff & VP Syer

- Report, overview and discussion of the annual budgets FY21 (actual), FY22 (budget and actual), proposal for FY23, and preview of FY24 guidance (10-year inflation trends by CBO).

Friday, November 4, 2-3 PM

CIO Ken Miranda was invited to this meeting and he participated remotely from NYC via Zoom. The meeting was dedicated to the presentation by CIO Miranda and a discussion about Cornell's endowment and its management. The presentation and conversation covered:

- The principles of the management of the Endowment
- The comparative endowment value per student of endowments across peer institutions
- Asset allocations and the changes in the last years
- The strategy of the asset allocation and the changes in this strategy
- Potential threats, including war in Ukraine, commodity markets, international landscape, inflation, COVID-19, and others
- The relative performance of the different assets through the years
- The relative performance of Cornell's endowment in comparison to peer institutions

- Ongoing and future improvements

Friday, December 16, 2023, 2-3 PM

The final FPC meeting of the 2022 calendar year included Provost Kotlikoff and was focused on the long term vision. As per the decisions at the November meeting, the conversation was centered on the four questions presented to the Provost in advance.

The main points from the meeting can be summarized as:

- There is a policy of fiscal discipline matching Tuition and Fees increases in revenue with salary expenses and on Endowment draws. The decisions are made based on employment cost index (ECI), which is the best proxy for costs. There are minor adjustment to the increases in tuition for endowed or contract colleges and for salary increases for faculty and staff in consideration of the different competitive landscapes and this year there will be a one-time increase for staff paid less than \$100,000. Increases in tuition and fees have been kept at below 5% yearly since the current administration is in place (they used to be higher). Endowment draw is nowadays capped at 5%, whereas it used to be among the highest among Ivy League peers for many years in the past.
- The endowment has drastically increased performance among our peers, now being consistently in the top 1/3. Not surprisingly, the endowment was expected to produce a loss in 2022.
- A contingency fund is being built centrally and it is centrally managed. Colleges and other units have developed separate reserves that are to be used in specific projects or pooled with the central reserves pool. Weill Cornell is managed separately financially, including any reserve funds.
- There was a productive discussion regarding potential best strategies to invest these contingency funds, needs to replenish them to maintain real value, and the potential management of these investments. Considering their use in times of financial constraints, the investment of these contingency funds has different needs than that of the long-term endowment.
- Beyond tuition and fees and salaries, there is a Capital campaign focused on targeted development for financial aid, buildings, and professorships. On the costs side, however, there are challenges in that many costs increase as a result of new regulations, local constructions costs, and changes in the competitive landscape, together with the complex administration structure of a decentralized university like Cornell. In some instances, the University responsibility “stops at the door of the Colleges” and thus requires central administration to be outstanding at developing and communicating the plans for their remote implementation, which can be challenging.

- The “new budget model”, which has brought clarity and discipline to the distribution of funds has several “built in” mechanisms to minimize the incentive to duplicate courses, such as the seven year average. However, it may have incentives to develop curricula that keep the students in the college of enrolment for most courses, which would be undesirable. Another challenge is in fast growing unites, best exemplified by CIS, for which the seven years average results in a delay in income while the expenses increase simultaneously with the increased number of students. The balance in the allocation between college of enrollment and college of instruction is complex in that it has to match the costs of instruction and those of the Colleges. CIS is now treated basically as a college for the budget model as is the Brooks School of Public Health. The increase in the student body from 15,000 to 15,800 was allocated to different colleges according to need, student motility, new programs, and redistribution of students to the new Schools.

Friday, January 20, 2-3 PM

The first meeting for the spring 2023 term was focused on reviewing the fall 2022 term. There was a unanimous opinion that the last term had been very productive, particularly when considering the number of new members in the panel and the new chair. The overall impression was that the meetings with Provost Mike Kotlikoff, Vice Provost Laura Syer and Chief Investment Officer Ken Miranda were most informative and had helped towards establishing most productive interactions.

The following topics were then prioritized for the spring 2023 term:

- An area of great interest was Development. In particular, priorities, strategies and coordination. It was unanimous support to invite Vice President for Alumni affairs and development Van Sickle. The FPC agreed on scheduling an “ad hoc” meeting for this purpose, as Van Sickle was not available in any of the two potentially open dates.
- Salary equity was discussed, and an ad-hoc committee was created. Annette Richards proposed this subcommittee and volunteered to lead it and David Ruppert joined it. The FPC chair will participate ad initio, and anybody interested in participating was invited to join. There was also interest in exploring faculty and staff levels and turnover, and whether there is equity in the relative numbers of endowed professorships in Contract versus endowed colleges.

Friday, February 17, 2-3 PM

The February meeting was centered in the preparation of the questions to be submitted in advance to the meeting with Provost Kotlikoff. The focus was on the priorities established at the January meeting:

- A more in depth understanding of the tuition revenue, in particular the tuition differential between contract and endowed colleges and its evolution.
- A better understanding of the eCornell, International programs, and Global Cornell models, including revenue stream, net revenue, whether it is overtaxing faculty, or results in any detrimental effect for the experience of in campus students.
- Faculty and staff levels and turnover.
- Equity in the relative numbers of endowed professorships in Contract versus endowed colleges.

Friday, March 24, 2-3 PM

- Annette Richards reported on the first meeting of the FPC salary equity subcommittee (held on March 7 at 9:00AM in Lincoln hall). The complexity of the issue was discussed, including the data being used for these analyses and whether any information from external comparators can be shared even with a subcommittee under the expected constraints on sharing data shared by the consortia. Equity analyses require information about gender, discipline, endowed, career stage. Different institutions associated variables, local cost of living, quality of the individual, composition in career stage, recent promotions versus old ones, etc. The subcommittee will be tasked with exploring how much of this information can be shared without compromising confidentiality. This will be a multi-year endeavor.
- The committee set up the agenda to discuss in the May meeting with Provost Kotlikoff.
 - eCornell opportunity. Creating programs and delivering content and scalable revenue. IP shared across entire Cornell. Any unit can use any material created by any member or unit.
 - Cornell being a worldwide institution, it has several international programs, such as study abroad and multiple cooperation with institutions through the world, including Weill Qatar and the Jockey Club College of Veterinary Medicine and Life Sciences at the City University of Hong Kong. The FPC would like to discuss how these programs are coordinated centrally, how are the risk of international cooperation and programs managed and what are their financial implications for the students in campus (such as the uses of any additional revenue for the Units or Central administration, or income lost from unpaid tuitions during the external components). Faculty Senate vote. Humans rights issue - equity. Challenges for professors and students in campus. Dynamic changes.
 - Budget model modifications. The FPC would like to hear the vision for managing the tuition differential between endowed and contract colleges, the impact of inflation on tuition and expenses, the flow of graduate tuition across units, and affordability, including the possibility of tuition waving substituting in part the current approach of financial aid. Affordability.

Friday, April 21, 2-3 PM

The meeting on April 21 was a conversation with VP Kotlikoff exploring the different financial policies of Cornell International and remote programs.

- The conversation started with eCornell, which was started about 20 years ago as a not for profit enterprise independent of the academic enterprise and supported directly from the endowment. At the time, eCornell did not report to the Provost and had limited interactions with the academic enterprise. There were also different remote learning units, including eCornell, CTI, undergraduate education, and the library. Since then, the remote system has been streamlined, with eCornell becoming an integral component of the academic enterprise, reporting to the provost and becoming part of the academic system. In the process, eCornell has grown about 3.6-fold; this growth was most likely influenced by the pandemic.
- eCornell differentiates Cornell from most peer institutions that distribute their remote courses through Cursare or similar enterprises, and thus do not establish a direct relationship with the students. Harvard is the only other peer following the University-owned remote learning model
- eCornell is designed as a quality program, not competing in price.
- Tensions were acknowledged and freely discussed. The early eCornell model was very entrepreneurial, negotiating individual deals directly with individual faculty. The deals were quite diverse. The model has since evolved and now the same deal is offered to all participants and potential conflicts of commitment are managed. However, some divergence among the units was acknowledged, with some colleges managing the deals with eCornell as a College and others leaving them to individual faculty.
- The programs are produced by eCornell produced and owned by the Colleges.
- eCornell net income is funneled back to the Colleges according to their participation. Most revenue is generated by certificate programs. Master programs are also growing. The immediate growth is toward making certificates stackable and useful for matriculation. The following step would be an undergraduate degree.
- The concerns among faculty about their material being used as the core of another course, being modified without knowing, or being used for advertisement, were discussed. There is a limit of 25% total of material from other units for an eCornell program. If there is more, then it becomes a shared program between the units.
- Other issues including appropriate transfer pricing and growth vision were discussed.
- An Internal report identified the risks of the remote programs, and so did the Faculty Senate. One is self-competition or diminishing the value of a Cornell degree. Another is how to deliver the quality education without overwhelming the faculty. The new Dean has just been hired. English faculty member, literature scholar. From Northeastern.
- Recognition for eCornell participation is varied. This participation can be part of a job description, summer salary, or consulting.
- The goal for eCornell is to grow slowly over time, with timely hiring in advance

- The School for continuing education provides summer programs, summer sessions, and high school programs. Historically, most programs were opportunistic, not strategic, which has changed of late. There is no night school or non-traditional education components as they are not viable in Ithaca.
- Weill Qatar reports to the Medical School. Finances are embedded in the Medical School, the Dean reports to the Dean of Weill New York. The Jockey Club College of Veterinary Medicine and Life Sciences program is a City University program for which Cornell is a collaborator, and is marketed as a collaboration.
- These programs is managed by the participating Colleges. Approval processes through the Faculty senate (as a courtesy for the ones that involve only one College).
- Broad discussion of these issues at the Faculty, Colleges, and Senate.
- Global Hubs establish collaborations in areas that are neither political nor otherwise sensitive and support continuous engagement. Global hubs are an effort to create better abroad studies. Traditional abroad semesters one-on-one experiences that sometimes work well and sometimes don't. The goal for the hubs is to have collaborators abroad, know the programs, and have faculty embedded in them. There is a revenue advantage too in that the tuition comes to Cornell but there is also a coherence about the program in that several students go together creating a cohort and there is strategic student placement.

Friday, May 19, 2-3 PM

The May meeting was dedicated to an update by VP Laura Sayer. The presentation described long term strategies and an update on the ongoing budgets.

- Long term planning is directed by the strategic goals put forward by President Martha Pollack (Academic vision; Affordability (financial aid); Civic responsibility; Capital and deferred maintenance; and Technology).
- There is an ongoing transition from 10 to 5 year planning.
- Contingency strategies include central administration as well as individual colleges. The central contingency funds are already established and the aim is to keep on supplementing them yearly indefinitely. The individual units are also requested to keep contingency funds, which are more of reserve funds. There was a discussion on how to best invest contingency funds (which are currently kept as cash).
- The relationships with the City of Ithaca are framed in a MUA. Cornell contributes 1.5M to the city's budget. The tangibles coming to Campus include fire services. The MUA is being negotiated, including the City, School district, and TCAT.
- Inflation. Maintenance and services and utilities are currently at their highest, while tuition rates are kept as low as possible.
- The budget model to be re-evaluated next year (it is 10 years old now). Financial aid distribution across colleges is not edged by the number of students needing it.
- Capital budget is approved for each year.

- Cornell is having a limited success getting bidders for Capital projects as there is a shortage of labor.
- The potential challenges for the next years were discussed, including aggressive faculty hiring with its salary and support requirements.

Friday, June 2, 3-4 PM

The additional meeting was scheduled to invite VP for AAD, Fred Van Sickle, who provided a vision of AAD, its structure, focus, and activities.

- AAD encompasses about 400 FTE across all campuses, who are funded by the individual unites and cross report to their unites and AAD
- Return 7 USD/1USD invested
- Great loyalty from Alumni, comparable to other peer institutions. Corporations are less engaged generally. The most loyal donors tend to be multigenerational Cornell alumni, to have links to athletics and perhaps to have received health care at Weill Cornell. There is a focus on working with students to build long term relationships.
- Donors are becoming more and more proactive and AAD forward ideas from donors to academic leadership as appropriate
- Ongoing University Campaign ends on June 30, 2026. The goal is that 40% of the funds raised go to the endowment.
- A major goal is to increase affordability: increase socio-economic diversity; reduce costs for mid income students, and provide more access to summer opportunities
- The campaign is being very successful; last year was the record in Cornell's development history and this year is going to end in the top 4 or 5 years.
- Athletics stand out in giving day. Athletics relies in large percentage of the budget on gifts- and teams have a target development for the year to meet their goals.