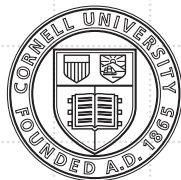
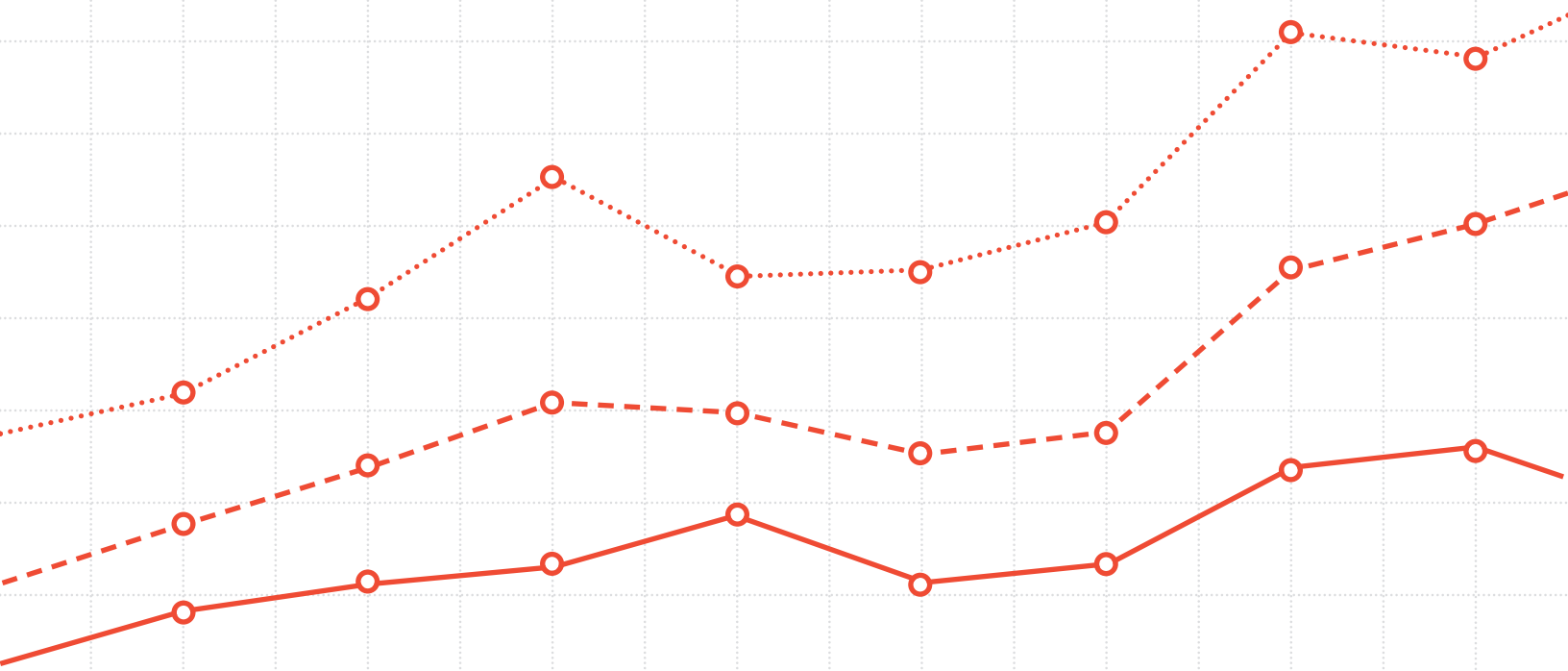


CORNELL UNIVERSITY

# New Budget Model Updated - March 2017



Cornell University

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# Budget Model Principles

The Ithaca campus implemented a new budget model in fiscal year 2014. The new model distributes resources and shared costs to the colleges and campus-level academic, student, administrative, facilities and other support operations under policy and practices common to all units. In previous years, the Ithaca campus operated under multiple budget models which resulted in complexity, lack of transparency, perceptions of unfair or inconsistent treatment, and sometimes conflicting or suboptimal decisions and behaviors, especially between units with different models and incentives.

As much as possible, the budget model should provide Senior Leadership with the ability to make decisions that enable the university to achieve its goals and strategic priorities. Responsibility and accountability should be aligned and revenues and expenses should be treated (distributed) consistently.

Presented below and on the pages that follow is an overview of the major resource and shared cost distribution elements of the budget model.

## 1 UNDERGRADUATE TUITION

- a. Academic year undergraduate tuition revenue will be pooled.
- b. To provide an equal contribution for all students, the pool will include a payment from the state allocation for every in-state student such that the payment per student will result in a tuition contribution at the level of full, endowed-college tuition for all students. In calculating the amount of state allocation to be contributed to the full value of the “true-up” will also be discounted at the campus-wide financial aid discount rate and subtracted from the contract college true-up.
- c. A 10% assessment will be deducted from the net tuition pool (i.e. net of financial aid) to contribute to the University Support Pool (USP). Before applying this tax, tuition associated with Cornell Abroad will be removed.
- d. The remaining tuition pool will be returned to 1) the home college in which the student is enrolled, and 2) colleges where instruction occurs as determined by the college home of the instructor(s)/faculty member(s) teaching (in the case where a course is taught by administrative staff, the funding will go to the home college of the course). The proportion of the allocation based on home enrollment versus the total teaching distribution will be set by the Provost and this proportion has been set at 40% enrollment and 60% teaching since fiscal year 2015. Teaching will be measured equally according to both total course enrollments and total credit hours taught. An enrollment management committee will advise the Provost’s office on how changes in credit hours, course enrollments and college enrollments should affect the distribution of tuition with decisions to be made by the Provost.
- e. All tuition received by the School of Continuing Education and Summer Sessions (CESS) (i.e. summer and winter sessions and academic year non-degree students enrolled through CESS) will flow to CESS and will be distributed in accordance with separate revenue distribution policies managed by CESS. Athletics/Physical Education will receive an allocation rather than tuition revenue.

## 2 FINANCIAL AID

- a. The financial aid office will continue to package students using Cornell’s need-based policy.
- b. The financial aid costs will be pooled and distributed across all colleges that admit or teach undergraduate students based on their proportionate share of the undergraduate student tuition.
  - i. Centrally held endowments will be used to reduce the amount of financial aid billed to the colleges.
  - ii. Units will be able to pay the bill using all available resources within resource regulations and restrictions. It is expected that college specific endowments for grant aid will be the first source of payment, but will not be a pooled resource. This is an explicit bill, and the credit will be shown as payment toward the amount due.



### 3 GRADUATE TUITION

- a. Graduate research tuition revenue and expense (and allocated costs associated with the student) will be aligned and, in general, assigned to the unit paying the student's expenses. (For GRA's and federally-funded training grants, the college holding the sponsored account pays and receives the tuition and the allocated costs. For TA's, VA's, EA's, GA's and RA's, the college providing the assistantship package pays and receives the tuition and allocated costs. Tuition for university and external fellowships will be handled as outlined in 3.a.i below. For fellowships provided by the college, the college processing the appointment pays and receives tuition and allocated costs. In all cases, if the funding account is held in a research center, then the tuition is paid by the college of the student's special committee chair and the tuition revenue and allocated costs are assigned to the college of the student's special committee chair. If the student is self-funded, tuition will be returned to the unit of the special committee chair and allocated costs will be assigned to the college of the special committee chair.)

Graduate research degrees include the M.A., M.S., and Ph.D. Additionally, tuition for Tier 3 professional degrees will be returned to the colleges in the same manner (M.F.A., D.M.A., and J.S.D.)

- i. Individual colleges will manage and fund all tuition waivers for degree and visiting non-degree graduate students except for students on certain external or university fellowships as follows: for external fellowships requiring an institutional coordinating official and for university fellowships, the Graduate School will act as the academic unit of student appointment and will manage and fund all tuition, stipend, and health insurance, including top-offs as noted in 3.a.iii below.
  - ii. Individual colleges will manage and fund all tuition waivers, stipends, and health insurance for TA, RA, GRA, VA, EA and GA assignments.
  - iii. The Graduate School will administer university "top-offs" or supplementation for graduate stipends to the nine-month assistantship rate and health insurance for external fellowship awards meeting certain criteria: (1) the external award must provide at least 50% of the 9-month stipend and annual health insurance and the award must be available to students in multiple colleges (or 50% of one-semester stipend and annual health insurance to qualify for top-off to the single semester level); or (2) if the external award does not meet the 50% criterion as above, the Graduate School may top-off the award if it contributes to the university's ability to address diversity goals in graduate education. In addition, the Graduate School will pay student health insurance for students appointed to U.S. government-funded training grants and students on federally-funded external fellowship awards (but will not provide stipend supplementation); stipend supplementation for these awards is at the discretion of the individual colleges.  
 Costs for supplementation of graduate stipends and health insurance for external awards meeting the first criterion above as well as NSF Graduate Research Fellowships (including tuition supplementation), NSF IGERTs, and training grant supplementation will be distributed by Allocated Costs principle 5c. Stipends and health insurance costs (and any tuition supplementation provided by the Graduate School) meeting the second criterion (diversity goals) will be funded by the USP tax.
- b. All Professional Masters programs and professional student tuition (except for Tier 3 professional degrees as above) will be returned to the home college for the degree program. A USP assessment will be applied against professional student tuition net of financial aid. The USP tax rate shall be the same for both undergraduate and professional student tuition and shall be on the net tuition for both undergraduate and professional students and this rate is currently 10%.
- i. Shared teaching and funding agreements for out of college professional degree enrollment will be managed under the principle that the enrolling (home) college, which receives the tuition, will reimburse the teaching college based on the percentage of courses in the program taken in other colleges, net of financial aid. This percentage will be computed by averaging the percentages of credit hours and course enrollments.
  - ii. All financial aid expenses will be borne by the college of enrollment, except that this will affect the reimbursements to the teaching college as stated above.

**4 OPERATIONS AND MAINTENANCE**

Operations and maintenance expenses will be distributed and paid by all units that have assigned space, using a university-wide per-square-foot charge for all space as identified in the university space database maintained by Facilities & DB&P. This charge will reflect averaged costs for the entire campus not actual costs for individual buildings except as noted below.

- a. State appropriation for O&M will be distributed to contract colleges except for O&M related to Bailey Hall, Barton Hall, Biotech, and the Boyce Thompson Institute (BTI).
- b. There will be two rates – contract college (without benefits) and endowed (with benefits). Critical maintenance costs will be spread only to endowed units since contract college critical maintenance funds are received from the state via the State University Capital Fund (SUCF).
- c. All space will be charged by square foot, technical complexity, and room type. The standard of care will be set in the rate structure. Rate differentials will be developed by Facilities and approval will follow the Interdepartmental Fee Committee review process.
- d. All utilities use will be billed per building based on metering.
- e. Building care will be based on full-time equivalent (FTE) assigned per facility plus materials and supplies. There will be two rates – contract college (without benefits) and endowed (with benefits).
- f. Public facilities will be included in the cost base and thereby distributed to all units as part of the rates for the associated costs (maintenance, utilities, building care).
- g. Maintenance, utilities, and building care for central units will be distributed out to academic and enterprise units as part of their Allocated Costs bills.

**5 ALLOCATED COSTS**

The Allocated Costs will be based on key drivers of administrative costs: number of graduate and professional students, undergraduate tuition, number of faculty, number of staff, research expenditures, and five-year rolling average of gifts received. Each unit will be assessed Allocated Costs based on its proportional share of each of these metrics. Budgeted central costs will be assigned to categories, where each category is distributed according to the metrics. The costs will be distributed to all units, academic, enterprise and administrative, according to these factors.

- a. Faculty FTE costs, such as the Provost's office, Dean of the Faculty, etc. are distributed by the proportionate share of faculty FTE (three professorial ranks not including clinical and acting).
- b. Employee FTE costs, such as Human Resources, Cornell Children's Tuition Scholarship (CCTS), childcare, grounds, etc., are distributed by the proportionate share of total employee FTE in all units (note this is all employees including academic FTE's).
- c. Research administration includes costs such as the Office of Sponsored Programs (OSP), the Office of Research Integrity and Assurance (ORIA), and the Cornell Center for Technology, Enterprise, and Commercialization (CCTEC), central research service and facility support costs (after user fees, sponsored income, and facilities and administrative (F&A) recovery offsets), such as the Center for Animal Resources and Education (CARE), the Center for Advanced Computing (CAC), Life Sciences Cores, and the Cornell Center for Materials Re-search (CCMR), and administrative costs of the interdisciplinary research centers (after user fees, sponsored income, and F&A recovery offsets). These costs are distributed by the proportionate share of Modified Total Direct Cost (MTDC) sponsored research expenditures in each unit. This includes expenses on all externally funded organized research accounts, including restricted gift accounts designated for faculty research support, but does not include expenditures on externally sponsored non-research accounts, expenditures of federal or state appropriations, or work study expenditures in Subfund Federal Financial Aid (FEDFIN). Research expenditures also include Mandatory and Voluntary Committed cost share activity. Costs for supplementation of graduate stipends and health insurance for external training grants and fellowships meeting the first Graduate School criterion above (4.a.iv.1) will also be distributed by the proportionate share of MTDC sponsored research expenditures in each unit. The Research Administration cost pool excludes the administrative and support costs associated with research.
- d. Undergraduate costs such as Admissions and Financial Aid, Athletics, Campus Life, etc are distributed by

- the proportionate share of undergraduate tuition and distributed to each academic unit.
- e. Student costs such as Student & Campus Life, Learning Strategies Center, University Health Services, etc., are distributed by the proportionate share of all students enrolled (undergraduate, professional, and graduate) in each academic unit. The undergraduate portion of these costs is distributed proportionally based on the undergraduate tuition distribution and not undergraduate enrollment. Career Center Services costs will be distributed by the undergraduate tuition distribution and the proportionate share of graduate students enrolled in each academic unit excluding professional students in the professional schools (i.e. students enrolled in J.D., LL.M., M.B.A., and D.V.M. degrees).
  - f. Graduate School operations are distributed by the proportionate share of all graduate and professional enrollments in each academic unit excluding professional students in the professional schools (i.e. students enrolled in J.D., LL.M., M.B.A., and D.V.M. degrees). Stipend and health insurance costs for University and Diversity Fellowships provided by the Graduate School are distributed by the proportionate share of all Ph.D. and D.M.A. enrollments in each academic unit.
  - g. Mixed costs that cannot readily be assigned to just one of the cost drivers such as IT, finance, communication, payroll, etc. are distributed based on the three primary drivers of cost: proportionate share of all students plus faculty and staff.
  - h. Library costs are distributed based on the proportionate share of all students plus faculty and non-faculty academics, including academic research and teaching staff, postdocs. Colleges and Schools will be encouraged to partner with the Library in fundraising and make additional investments in the Library.
  - i. It may be appropriate to charge only a portion of the full rate for staff located off campus or for research located off campus.
  - j. Allocated Costs bills attributed to central units will be added to the cost of those central units and distributed out to academic and enterprise units, based on the metric used for that particular support unit (e.g. distribute Library's Allocated Costs bill based on the proportionate share of all students + faculty/academic staff.
  - k. Alumni Affairs costs will be distributed based on the number of degreed alumni. Development costs will be distributed to the center and units based on a five year rolling average of cash gifts received, excluding deferred and in-kind gifts and restricted gifts received for sponsored research.

## **6 FACILITIES AND ADMINISTRATIVE RECOVERY**

F&A charges recovered on sponsored awards will primarily be distributed to the unit expending the research dollars, and central research costs will be distributed using Allocated Costs as described in item 5.

- a. 2% of the actual recovered F&A on sponsored research awards paying the full federal F&A rate will be re-turned to the principal investigators (PI) to help defray unallowable direct costs.
- b. The remainder of recovered F&A will be credited to the unit expending the research funds. This includes O&M, equipment depreciation, library, facility interest and depreciation, and administrative components of recovered F&A, under the assumption that this unit will also be primarily responsible for the Allocated Costs of their space and facilities, and library, central research costs, etc. as described in item 5.
- c. Units will receive full central research administration Allocated Costs charges (per item 5) regardless of the F&A rate that they receive and must thus use other funds sources to pay these bills when accepting reduced overhead funds.

## **7 NEW YORK STATE APPROPRIATIONS**

The two main uses of state aid will be equalization of in-state undergraduate tuition and support of identified functions in the contract colleges that are critical to the state.

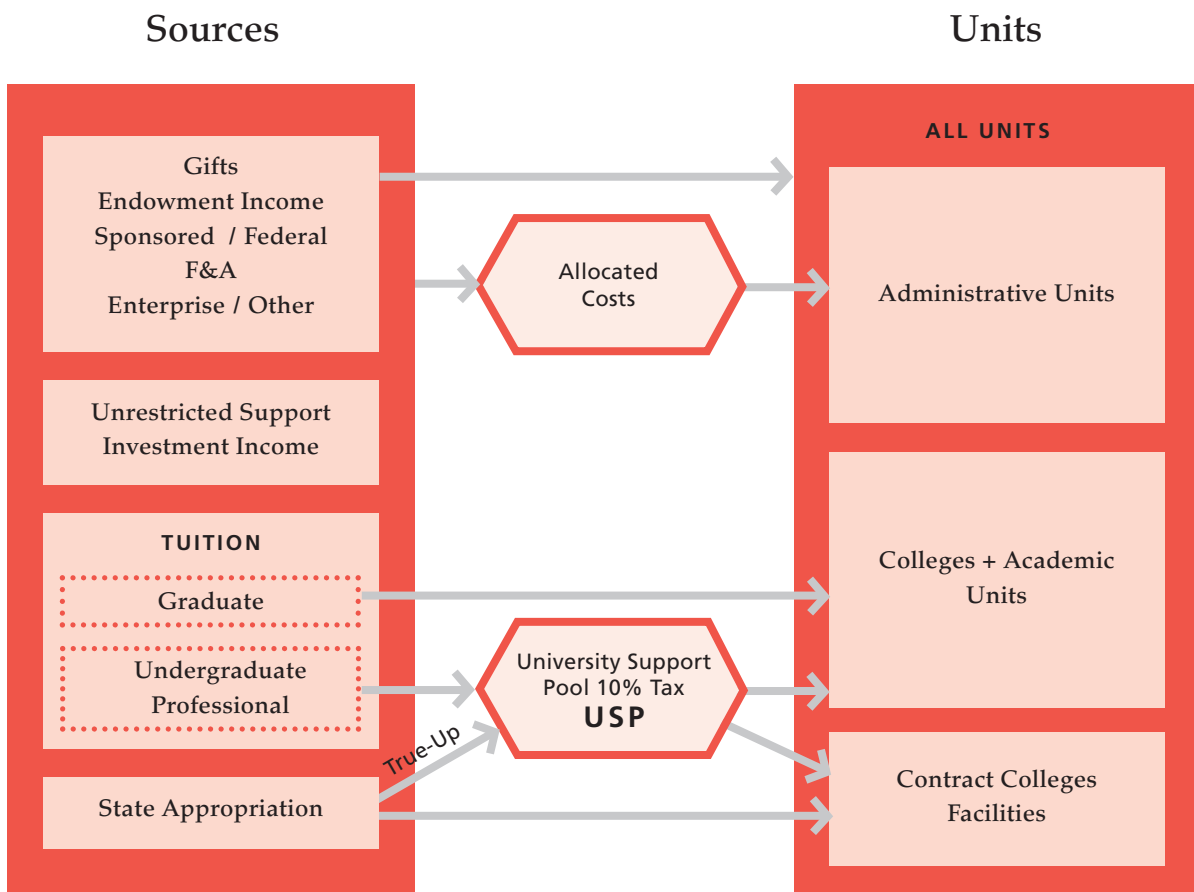
- a. In the first year, the base state appropriation will be based on the most current actual appropriation with the following adjustments:
  - i. Subtract out the undergraduate tuition true-up (payment from the contract colleges for in-state students).
  - ii. Add in accessory instruction (formerly distributed to the Central University budget) for the three undergraduate contract colleges according to the number of their students enrolled in endowed college courses.

- iii. Distribute utility funds (now held centrally) based on the proportionate share of actual utility billings.
- iv. Distribute O&M funds (now held centrally) based on the proportionate share of assignable net annualized square feet.
- b. Subsequent years will build off the prior year and distribute annual changes equally across the four contract colleges:
  - i. Fund any Provost approved change in rate and/or enrollment mix for the undergraduate tuition and DVM tuition true-up.
  - ii. Calculate the total change in state appropriation + net tuition for the contract colleges and apply the change equally across the four colleges.
  - iii. Cap the state increase on a percentage basis for each college at the overall state increase rate excluding tuition true-up.

**8 DEBT SERVICE**

Debt service will be paid by the unit(s) occupying each facility. Debt Service for existing loans for Bailey Plaza, Communications, Day Hall, Facilities, Information Technologies, and the Master Plan will be paid with central unrestricted funds.

## NEW MODEL



## ALLOCATED COST METRICS

Cost Item	Metric
Dean of Faculty; Provost; Vice Provosts (except Research and Undergraduate Education)	<b>Faculty FTE</b> - Three professorial ranks: Full, Associate, & Assistant excluding Clinical & Acting
Childcare Center; Cornell Children's Tuition Scholarship (CCTS) – Central Units; Facilities Costs & Grounds; Institutional Dues & Memberships; Office of Human Resources; University Ombudsman	<b>Employee FTE</b> - Faculty, non-faculty academic, and staff counts
Cornell Center for Animal Resources and Education (CARE); Cornell Center for Technology, Enterprise & Commercialization (CCTEC); Office of Research Integrity & Assurance (ORIA); Office of Sponsored Programs (OSP); Supplementation of graduate stipends & health insurance on external grants; Vice Provost for Research	<b>Research Support</b> - Actual Modified Total Direct Cost (MTDC) sponsored research expenditures
Admissions; Athletics & Physical Education; Cornell Abroad; Cornell Commitment; Dean of Students; Office of Academic Diversity Initiatives (OADI); Prefreshman Summer Program (PSP); Public Service Center (PSC); ROTC; Student and Academic Services (Undergraduate); Vice Provost for Undergraduate Education	<b>Undergraduate Tuition</b> - Proportionate share of undergraduate tuition distributed to each academic unit
Center for Teaching Excellence (CTE); Commencement; Financial Aid; Student and Campus Life; University Health Services	<b>Students</b> - Proportionate share of students enrolled. The undergraduate portion is distributed proportionally to undergraduate tuition distribution.
Central Career Services	Central career services are distributed proportionally to the undergraduate tuition distribution and share of students excluding professional students in the professional schools.
Graduate School	<b>Graduate &amp; Professional</b> - Proportionate share of graduate and professional students excluding professional students in the professional schools
Stipend and health insurance for University and Diversity Fellowships	<b>Graduate</b> - Proportionate share of all Ph.D. and D.M.A. students
Capital Projects; Community Contributions; Cornell Police; Division of Budget & Planning; Division of Financial Affairs; Government & Community Relations; Insurance; Judicial Administrator; Office of Information Technology; President & President Emeritus; Risk Management & Public Safety; University Audit Office; University Communications; University Counsel	<b>Student &amp; Employee</b> - Proportionate share of all students, faculty, and staff
Cornell University Library	<b>Students &amp; Academic Employees</b> - Proportionate share of students, faculty, non-faculty academics, and postdocs
Alumni Affairs and Development	<b>Central Sources and Gifts Received</b> - Alumni Affairs costs are distributed based on degreed alumni. Development costs are distributed on a five year rolling average of cash gifts received (excluding deferred & in-kind gifts and restricted gifts for sponsored research)





