New Budget Model
2013–14
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The recent financial challenges facing Cornell have accelerated the desire on campus to improve the budget and planning model in order to more effectively support short and long term planning and to support good decision-making. The current crisis has uncovered weaknesses in the system. In particular, there is a heightened awareness of the need for more consistent cost control and accountability at all levels. In the past, knowledge of commitments and liabilities was masked by the complexity of the multiple models and understood by only a few individuals. There is a perception that there is an absence of clear, consistent practices at all levels regarding prudent financial practices and reporting. The full costs and cross-subsidizations of activities are not always understood and there is no systematic way to determine and scale direct or indirect intra-university subventions or support. Institution and unit leaders do not always understand the financial implications of their decisions. Cost containment is also made more difficult by the complexity and scope of the GP budget.

In addition to highlighting the need for better and more consistent controls, the tight budget environment also has focused the campus on revenue generation. In an era of shrinking resources, the university is interested in promoting entrepreneurial behavior with respect to academic priorities to generate new revenue sources. The current budget models do not always align activities with financial and programmatic rewards.

Finally, responsibility and accountability in the current model are often not aligned with the resources to make appropriate decisions. For example, there are a number of decisions that are made at the institutional level that might be better made at a level closer to the underlying activities.

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Budget Model Principles

2013–14

As much as possible, the new budget model should provide Senior Leadership with the ability to make decisions that enable the university to achieve its goals and strategic priorities. Revenues and expenses should be treated (distributed) consistently. Philanthropy income will continue to be allocated as in the past, based on donor wishes. Use of payout from professorship endowments will be consistent across the university.

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 financial aid (see 3, below), this “imputed tuition” will be discounted at the campus-wide discount rate such that “imputed financial aid” is returned to the state appropriations pool.
   c. An assessment will be deducted from the gross tuition pool to contribute to the University Support Pool (USP). Before applying this tax, tuition associated with Cornell Abroad and Cornell in Washington 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. 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) will flow to CESS and will not be included in this model (i.e. summer and winter sessions and academic year non-degree students enrolled through 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. An additional “imputed financial aid” bill will be calculated as the campus-wide discount rate multiplied by the gross contract-college true up value. This too will be distributed to the colleges based on the proportionate share of undergraduate tuition they receive. This imputed financial aid will then be returned to the state allocation pool.
      iii. 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.

c. Units charging non-tuition fees that impact financial aid will also receive financial aid bills in order to fairly distribute the aid costs, thereby reducing the financial aid distributed to colleges and schools.

**GRADUATE TUITION**

a. Graduate research tuition for each student will, in general, be returned to the unit paying the student's expenses. (For GRA's, the college holding the sponsored account will pay and receive tuition. For TA's, the college providing the TA package pays and receives the tuition. For external fellowships, the college of the special committee chair pays the balance of tuition not provided by the fellowship and receives tuition revenue. For University and Diversity fellowships provided by the Graduate School, the college of the special committee chair pays and receives tuition. For fellowships provided by the college, the college processing the appointment pays and receives tuition. If the student is self-funded, tuition will be returned to the unit 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.

ii. Individual colleges will manage and fund all tuition waivers, stipends, and health insurance for TA, RA, and GRA assignments.

iii. The Graduate School will administer university and diversity fellowships that cover graduate student stipend and health insurance; individual colleges are responsible for tuition for these fellowship students. (Professional masters students will not be eligible for these fellowships.)

iv. The Graduate School will administer university "top-offs" or supplementation for graduate stipends 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. For all top-off situations, individual colleges are responsible for all tuition not covered by the award. Top-offs for NIH first-year training grant stipends and for NSF Graduate Research Fellowships are included under this policy. If a graduate field or department has a question about whether a certain type of fellowship award is eligible for top-off according to this policy, please consult with the Graduate School Associate Dean for Administration. Costs for supplementation of graduate stipends and health insurance for external awards meeting the first criterion above will be distributed by Allocated Costs principle 6c. Stipends and health insurance meeting the second criterion will be funded by the USP tax.

v. This tuition will not be subject to 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 after an assessment is deducted for the USP. The USP tax rate shall be the same for both undergraduate and professional student tuition and shall be on the gross tuition for both undergraduate and professional students.

i. Shared teaching and funding agreements for out of college enrollment will be managed between the college deans and business officers, 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 of 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.
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 & DPB. 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.

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. These costs 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 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 Research (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.

d. Undergraduate costs such as Admissions and Financial Aid, Athletics, Campus Life, etc are distributed by
the proportionate share of undergraduate tuition (and financial aid) and distributed to each academic unit.
e. Student costs such as Student and Academic Services, Center for Teaching and Learning, University Health Services, etc. These costs 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 to the undergraduate tuition distribution and not undergraduate enrollment. Central Career Services costs will be distributed by the proportionate share of all 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, and academic temps. 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 paid by central resources. 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 6.
a. 2% of the actual recovered F&A on sponsored research awards paying the full federal F&A rate will be returned 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 6.
c. Units will receive full central research administration Allocated Costs charges (per item 6) 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 GP 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.

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**NEW MODEL**

**Sources**

- Gifts
- Endowment Income
- Sponsored / Federal
- F&A
- Enterprise / Other

- Unrestricted Support
- Investment Income

**Tuition**

- Graduate
- Undergraduate
- Professional

**State Appropriation**

**Units**

**ALL UNITS**

- Administrative Units

**College + Academic Units**

**Contract Colleges**

**Facilities**

- University Support Pool 10% Tax
- USP

- True-Up

- Allocated Costs
The Ithaca campus currently has several budget categories in use across the major organizational units with some units using multiple models. The primary models are generally described as follows:

- **CENTRAL BUDGET** – The central budget provides initial funding for institutional administrative and support costs and undergraduate financial aid that are subsequently distributed to and recovered from the major revenue producing activities.

- **CONTRACT COLLEGES** – These are the colleges that are partially funded by the State of New York in direct support of the land grant mission. This group includes the College of Agriculture and Life Sciences, the College of Human Ecology, the School of Industrial and Labor Relations, and the College of Veterinary Medicine. State appropriations are allocated to each college based on the decisions of the Provost, but these allocations are generally sized at historical levels that are increased or decreased incrementally each year based on the change in state funding. In addition to the state appropriation received, NYS also provides financial support through the direct funding of employee benefit costs for contract college employees and the direct funding for major capital projects provided through the State University Construction Fund.

- **ENDOWED COLLEGES** – This group has historically been considered to be privately supported. It includes the College of Architecture, Art and Planning; the College of Arts and Sciences; the Engineering School; the School of Hotel Administration; the Johnson Graduate School of Management; and the Cornell Law School.

- **AUXILIARY ENTERPRISES** – The group includes Campus Life housing and dining operations, and the Cornell Campus Store. Revenues earned are held directly by each. Central university administrative and support costs are distributed to each based on the current allocated costs. Space related costs such as utilities, building care, and routine and preventive maintenance are paid by each unit.

- **RECHARGE OPERATIONS** – This category consists of operations that receive a major portion of their resources through internal billings for services provided. CIT and Facilities Services are the largest of these operations, but dozens more exist throughout the campus. CIT and Facilities Services billing rates often include a share of university central administrative and support costs in additional to unit-specific overhead costs.
# Allocated Cost Metrics

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