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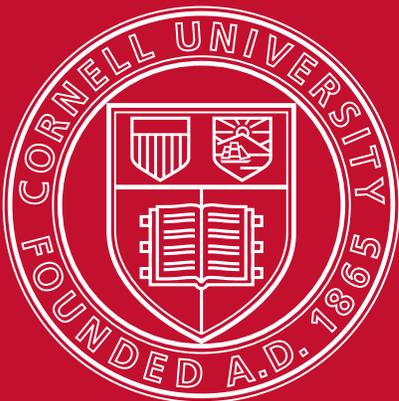
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Financial Plan

Operating and Capital

May 2008



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FROM THE PROVOST

To the Cornell University Board of Trustees:

This booklet summarizes Cornell University's 2008-09 financial plan, which is being submitted to the Board of Trustees for review and approval. The document includes detailed budgets for the two operating divisions of the university and a summary capital plan. Operating revenue is expected to grow 5 percent for the Ithaca campus in 2008-09 and 4.6 percent for the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences (including the Weill Cornell Medical College in Qatar). Overall, revenues are planned to increase 4.8 percent from the current-year forecast, to \$2.921 billion, and expenditures to increase 5.1 percent, to \$2.815 billion. The \$12.9 million net difference after transfers will be added to current fund balances and operating reserves. The capital plan, which addresses Cornell's most important facility needs, shows estimated expenditures of \$475.8 million for approved projects in 2008-09.

After three consecutive years of significant growth in state operating support, the New York State Legislature adopted a budget that yields almost no growth in state appropriations for Cornell in 2008-09. The state budget outlook continues to be challenging, and it is quite possible that we will experience in-year expenditure constraints for Cornell's state appropriations. Indications from Governor Paterson, legislative leaders, and the State University of New York suggest that a significant reduction in state operating support for higher education may occur in 2009-10, and we are planning for this possibility accordingly. We will update you on the New York State budget situation at the May 2008 Board of Trustees meeting.

The special topic in this booklet, which begins on page 9, focuses on tuition, financial aid, and the investment and use of endowments. In January of this year, the U.S. Senate Committee on Finance invited Cornell and 135 other U.S. colleges and universities to respond to a series of questions concerning these topics. Our response to this Committee is reprinted in Appendix P, beginning on page 75. The special topic article provides background information on the Committee's deliberations and Cornell's current and future policies and practices regarding these issues. The university's recently announced initiative to increase grant aid and decrease the debt burden of the neediest undergraduates beginning in 2008-09 will help address some of the concerns expressed by Senate members. Important

as this initiative is, however, the Senate and the public at large must not lose sight of the fact that higher education is funded as a partnership among individuals, governments, and institutions. The strength and commitment of that partnership has enabled America to develop the most comprehensive and envied system of higher education in the world. Institutional endowments such as Cornell's cannot alone bear the entire financial burden of providing higher education for those who desire it, and a disproportionate shift of this burden to any of the three partners threatens the very success that has benefited our country to date.

Planning occurs across the institution, in a variety of ways and for many purposes. President Skorton and I have been working with college deans and other university executives to develop a document that summarizes our efforts to position Cornell as a leader in the twenty-first century. This comprehensive plan, which was recently released, describes how Cornell will focus its financial and human resources on cutting-edge basic and applied research; integrate it into outstanding teaching and learning; and extend it into local, national, and international communities. The university's overarching goals, which President Skorton announced in his October 2007 State of the University Address, and which this plan memorializes, emphasize the recruitment, retention, and support of a world-class faculty; the hiring and retention of an outstanding staff; accessibility and affordability for the most deserving students; superior facilities and infrastructure; beautiful campus settings; and strong and vibrant intellectual communities.

The financial plan detailed in this booklet includes budget allocations and a suite of capital construction projects (which are either contemplated or underway) that will help us achieve the strategic objectives enumerated in the comprehensive plan. In addition, our fundraising drive—*Far Above... The Campaign for Cornell*—is designed to advance these priorities over the long term. Obviously, we depend on the guidance and help of trustees, faculty, staff, students, alumni, and friends to make these plans a reality.


C. Biddy Martin
Provost

OPERATING PLAN – HIGHLIGHTS

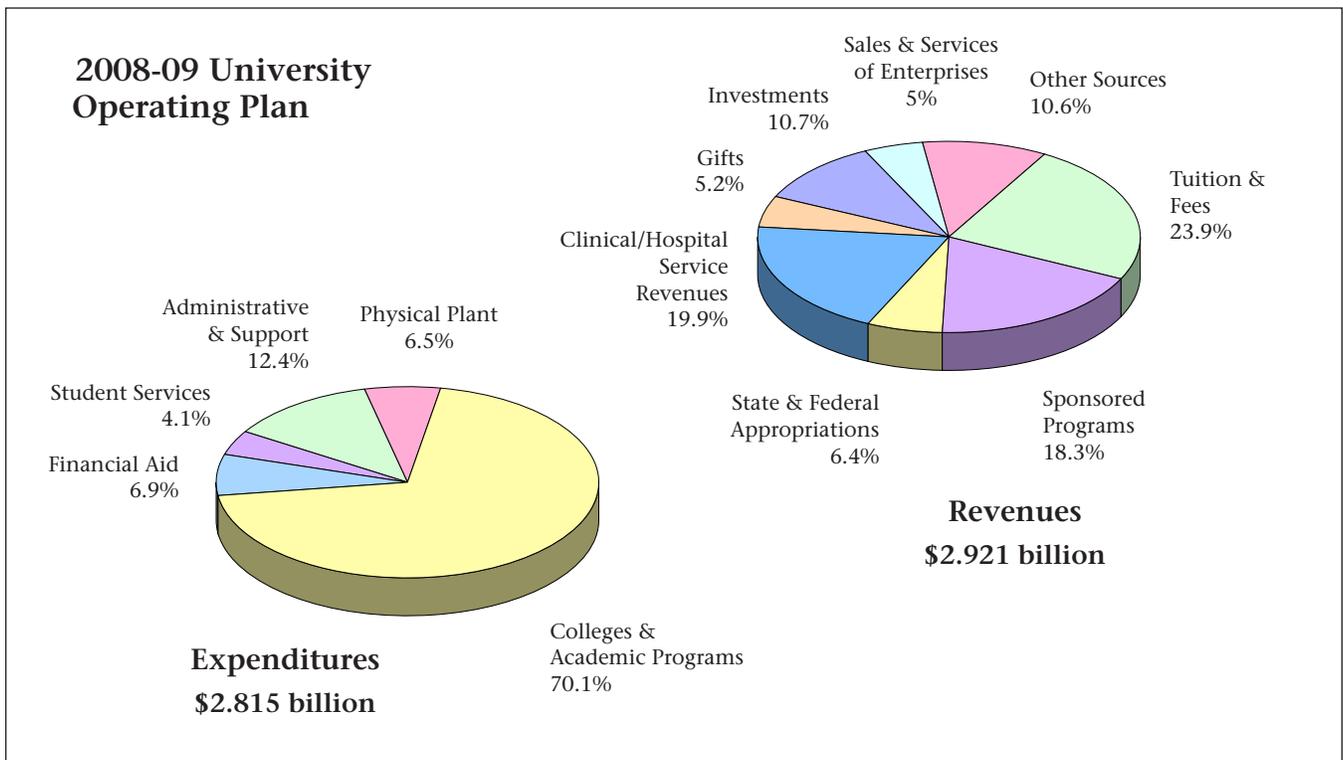
INTRODUCTION

Cornell's 2008-09 operating plan is illustrated below and described beginning on page 6. Three primary sources fund this plan: user fees, government support, and private donations.

- *User fees* are paid mainly by students for tuition, fees, room, board, and textbooks; by patients for medical services; by guests of the Statler Hotel; and by attendees of athletic events.
- *Government support* includes state and federal appropriations as well as almost all sponsored programs (grant and contract) activity.
- *Private donations* take the form of operating plan gifts as well as distributions (payouts) from endowments and other investments.

The proportion of user fees in Cornell's operating plan has grown over the past ten years, from 54 percent of the total to 59.3 percent. Donative support has also grown slightly, from 15.3 percent to 15.9 percent, while government support has declined as a percentage of the total, dropping from 30.6 percent to 24.7 percent of all operating revenues due to a series of cuts in state appropriations for the contract colleges.

Seventy percent of these resources are used to fund the direct costs of the colleges, research centers, and other academic programs. The remaining 30 percent underwrites financial aid, student services, administration and support, and the physical plant. Over the past ten years, college and academic programs have declined from 73 percent of the total to 70.1 percent while financial aid has increased from 5.7 percent to 6.9 percent. Student support has also declined, from 5.1 percent to 4.1 percent, and physical plant costs have dropped from 8.3 percent to 6.5 percent. Administrative and support costs have grown substantially, from 7.9 percent of the total to 12.4 percent. A significant factor in the administrative and support growth has been the creation of the Weill Cornell Medical College in Qatar, which did not exist ten years ago. Removing Qatar from the analysis shows that administrative and support costs have grown, but at a lower rate, expanding from 7.9 percent to 9.9 percent of total costs over this period. The growth in administrative and support costs unrelated to Qatar was due primarily to investments in administrative systems, fundraising, communications, investment management, and regulatory compliance, among other factors. Cornell expects to offset a significant portion of these costs with additional revenues derived from these activities.



COMPOSITE OPERATING PLAN

Cornell's composite operating plan for 2008-09 is based on the plans of its two main divisions: the Ithaca campus and the Medical College (with campuses in New York City and Doha, Qatar). The schedule on page 7 shows the overall university plan, while the schedule on page 8 presents the plan's two primary divisional components. These divisional plans are shown in detail beginning on page 32.

Revenues and Transfers In

Revenues are projected at \$2.921 billion, an increase of 4.8 percent over the forecast for 2007-08.

- **Tuition and fee** revenues are projected to expand 4.5 percent, based on approved tuition rate increases and decreases. A very slight overall increase in student enrollment is anticipated.
- The net increase in **investment distributions** is expected to be 12.7 percent, due primarily to the planned 12.8 percent increase in the Long Term Investment Pool (LTIP) payout rate, from \$2.66 to \$3.00 per share.
- The combination of **unrestricted** and **restricted gifts** for general operations are expected to increase 1 percent from the forecast for 2007-08, reflecting the anticipated effect of Cornell's fundraising campaign. The campaign is largely focused on raising gifts for endowment and capital and these gifts, while often significant, are not included in the operating plan.
- **Direct costs** of grants and contracts for **sponsored programs** are expected to increase 2.1 percent, to \$412.4 million, while **recoveries of facilities and administrative costs** are projected to expand 2.8 percent, to \$122.2 million.
- **State appropriations** are planned at \$169.9 million, representing an increase of \$717 thousand from the 2007-08 forecast. (See Appendix H, page 67 for additional details on state appropriations.)
- Revenues from the **Physician Organization** are projected to increase \$22.9 million over the forecast for 2007-08, due to growth in several clinical areas introduced as part of the Strategic Plan.
- **Sales and services of enterprises** are projected to increase 6.9 percent, reflecting rate increases and the opening of new student facilities.

- Included in the category of **other sources** is \$78.5 million of planned income in 2008-09 for the Qatar initiative in the Joan and Sanford I. Weill Medical College. The corresponding costs of this activity are embedded primarily in the category of **administrative and support** (line 34).

Transfers in from funds functioning as endowment and plant reserves are planned at \$28.5 million, most of which will fund recent construction, physical plant maintenance, and debt service.

Expenditures and Transfers Out

Expenditures are planned at \$2.815 billion, an increase of 5.1 percent over the forecast for 2007-08.

- Expenditures by **academic units** (colleges, research centers, and other academic programs) are planned to increase 3.2 percent, to \$1.971 billion. Expenditures of the academic and clinical departments of the Medical College will represent 40.1 percent of this total.
- **Centrally recorded financial-aid** costs for undergraduate, graduate, and professional students are planned at \$194.2 million, or 12.9 percent more than the forecast for 2007-08.
- **Administrative and support** costs are planned to increase \$23.6 million, or 7.4 percent. Forty-seven percent, or \$11.1 million, of this increase represents support for the Qatar initiative in the Medical College. All other administrative and support costs are expected to grow 5 percent in 2008-09.
- **Physical plant** expenditures are expected to increase 10.3 percent from the forecast for 2007-08 due to rising utility and maintenance costs and additional operating costs for new facilities.

Transfers out to funds functioning as endowment are planned at \$13.4 million, while **transfers to plant reserves** will total \$107.9 million.

Net from Operations

This plan will produce a \$12.9 million **net from operations**, which will be added to current fund balances and various operating reserves. Ninety percent of the total \$12.9 million represents the net from operations of the Medical College, while the balance will derive from Ithaca campus activity.

Composite Operating Plan

(dollars in thousands)

Resources	06-07	07-08	07-08	08-09	Change from	
	Actual	Plan	Forecast	Plan	Forecast to Plan Dollars	Percent
1. Tuition & Fees	\$630,749	\$658,857	\$665,952	\$696,034	\$30,082	4.5%
2. Investment Distributions	244,252	267,391	278,395	313,782	35,387	12.7%
3. Unrestricted Gifts	46,596	45,848	42,153	43,435	1,282	3.0%
4. Restricted Gifts	105,964	119,771	108,419	108,527	108	0.1%
5. Sponsored Programs (direct)	394,730	409,910	403,930	412,387	8,457	2.1%
6. Sponsored Programs (F&A)	117,286	122,081	118,852	122,202	3,350	2.8%
7. Institutional Allowances	23,063	24,514	27,052	28,282	1,230	4.5%
8. State Appropriations	156,593	174,128	169,200	169,917	717	0.4%
9. Federal Appropriations	16,766	16,781	17,100	17,840	740	4.3%
10. Physician Organization (PO)	431,788	479,583	472,234	495,164	22,930	4.9%
11. NYPH (purchased services)	79,716	82,763	84,486	86,176	1,690	2.0%
12. Enterprise Sales & Services	132,758	133,041	137,052	146,532	9,480	6.9%
13. Other Sources	<u>264,609</u>	<u>259,901</u>	<u>261,270</u>	<u>280,406</u>	<u>19,136</u>	<u>7.3%</u>
14. Subtotal In-Year Revenues	2,644,870	2,794,569	2,786,095	2,920,684	134,589	4.8%
15. Transfers From Endowment	24,142	29,710	25,120	26,859	1,739	
16. Transfers From Plant	<u>6,240</u>	<u>2,076</u>	<u>1,530</u>	<u>1,622</u>	<u>92</u>	
17. Subtotal Transfers In	30,382	31,786	26,650	28,481	1,831	
18. Total Resources	2,675,252	2,826,355	2,812,745	2,949,165	136,420	4.9%
Uses of Resources						
19. Agriculture & Life Sciences	233,600	243,175	243,375	246,973	3,598	1.5%
20. Architecture, Art & Planning	21,154	23,936	24,077	24,383	306	1.3%
21. Arts & Sciences	169,581	179,150	179,830	182,190	2,360	1.3%
22. Engineering	121,376	130,515	132,515	136,685	4,170	3.1%
23. Hotel Administration	43,022	45,257	45,300	48,693	3,393	7.5%
24. Human Ecology	52,681	55,597	52,993	53,756	763	1.4%
25. Industrial & Labor Relations	40,466	44,698	43,685	44,373	688	1.6%
26. Johnson School	48,687	51,836	54,800	58,198	3,398	6.2%
27. Law School	25,323	25,918	26,218	27,339	1,121	4.3%
28. Medical College (academic/clinical)	721,853	772,908	766,875	790,912	24,037	3.1%
29. Veterinary Medicine	105,439	106,538	106,547	110,759	4,212	4.0%
30. Research Centers	98,892	90,224	92,500	96,933	4,433	4.8%
31. Other Academic Programs	128,365	137,659	140,500	149,446	8,946	6.4%
32. Centrally Recorded Financial Aid	166,866	175,480	171,936	194,192	22,256	12.9%
33. Student Services	100,995	106,255	106,078	116,721	10,643	10.0%
34. Administrative & Support	292,060	324,841	318,505	342,145	23,640	7.4%
35. Physical Plant	146,156	169,602	166,573	183,747	17,174	10.3%
36. All Other	<u>8,718</u>	<u>6,505</u>	<u>7,275</u>	<u>7,558</u>	<u>283</u>	<u>3.9%</u>
37. Subtotal Expenditures	2,525,234	2,690,094	2,679,582	2,815,003	135,421	5.1%
38. Transfers To Endowment	17,343	18,025	16,862	13,431	(3,431)	
39. Transfers To Plant	<u>103,000</u>	<u>105,332</u>	<u>105,200</u>	<u>107,905</u>	<u>2,705</u>	
40. Subtotal Transfers Out	120,343	123,357	122,062	121,336	(726)	
41. Total Uses of Resources	2,645,577	2,813,451	2,801,644	2,936,339	134,695	4.8%
42. Net From Operations	29,675	12,904	11,101	12,826	1,725	

OPERATING PLAN – HIGHLIGHTS

Composite Operating Plan – By Division						
(dollars in thousands)						
Resources	Ithaca Campus	Medical College	08-09 Plan	07-08 Forecast	Change from Forecast to Plan	
					Dollars	Percent
1. Tuition & Fees	\$672,793	\$23,241	\$696,034	\$665,952	\$30,082	4.5%
2. Investment Distributions	263,229	50,553	313,782	278,395	35,387	12.7%
3. Unrestricted Gifts	41,574	1,861	43,435	42,153	1,282	3.0%
4. Restricted Gifts	46,410	62,117	108,527	108,419	108	0.1%
5. Sponsored Programs (direct)	296,590	115,797	412,387	403,930	8,457	2.1%
6. Sponsored Programs (F&A)	77,825	44,377	122,202	118,852	3,350	2.8%
7. Institutional Allowances	50	28,232	28,282	27,052	1,230	4.5%
8. State Appropriations	169,723	194	169,917	169,200	717	0.4%
9. Federal Appropriations	17,840		17,840	17,100	740	4.3%
10. Physician Organization (PO)		495,164	495,164	472,234	22,930	4.9%
11. NYPH (purchased services)		86,176	86,176	84,486	1,690	2.0%
12. Enterprise Sales & Services	125,499	21,033	146,532	137,052	9,480	6.9%
13. Other Sources	<u>166,066</u>	<u>114,340</u>	<u>280,406</u>	<u>261,270</u>	<u>19,136</u>	<u>7.3%</u>
14. Subtotal In-Year Revenues	1,877,599	1,043,085	2,920,684	2,786,095	134,589	4.8%
15. Transfers From Endowment	26,859		26,859	25,120	1,739	
16. Transfers From Plant	<u>1,622</u>		<u>1,622</u>	<u>1,530</u>	<u>92</u>	
17. Subtotal Transfers In	28,481		28,481	26,650	1,831	
18. Total Resources	1,906,080	1,043,085	2,949,165	2,812,745	136,420	4.9%
Uses of Resources						
19. Agriculture & Life Sciences	246,973		246,973	243,375	3,598	1.5%
20. Architecture, Art & Planning	24,383		24,383	24,077	306	1.3%
21. Arts & Sciences	182,190		182,190	179,830	2,360	1.3%
22. Engineering	136,685		136,685	132,515	4,170	3.1%
23. Hotel Administration	48,693		48,693	45,300	3,393	7.5%
24. Human Ecology	53,756		53,756	52,993	763	1.4%
25. Industrial & Labor Relations	44,373		44,373	43,685	688	1.6%
26. Johnson School	58,198		58,198	54,800	3,398	6.2%
27. Law School	27,339		27,339	26,218	1,121	4.3%
28. Medical College (academic/clinical)		790,912	790,912	766,875	24,037	3.1%
29. Veterinary Medicine	110,759		110,759	106,547	4,212	4.0%
30. Research Centers	96,933		96,933	92,500	4,433	4.8%
31. Other Academic Programs	149,446		149,446	140,500	8,946	6.4%
32. Centrally Recorded Financial Aid	179,979	14,213	194,192	171,936	22,256	12.9%
33. Student Services	116,721		116,721	106,078	10,643	10.0%
34. Administrative & Support	176,998	165,147	342,145	318,505	23,640	7.4%
35. Physical Plant	126,866	56,881	183,747	166,573	17,174	10.3%
36. All Other	7,558		7,558	7,275	283	3.9%
37. Cost Redistribution	<u>(1,775)</u>	<u>1,775</u>				
38. Subtotal Expenditures	1,786,075	1,028,928	2,815,003	2,679,582	135,421	5.1%
39. Transfers To Endowment	13,431		13,431	16,862	(3,431)	
40. Transfers To Plant	<u>105,280</u>	<u>2,625</u>	<u>107,905</u>	<u>105,200</u>	<u>2,705</u>	
41. Subtotal Transfers Out	118,711	2,625	121,336	122,062	(726)	
42. Total Uses of Resources	1,904,786	1,031,553	2,936,339	2,801,644	134,695	4.8%
43. Net From Operations	1,294	11,532	12,826	11,101	1,725	

TUITION, FINANCIAL AID & ENDOWMENT

INTRODUCTION

The intertwining policies that govern higher education's setting of tuition, awarding of financial aid, and investment and use of endowments have been the subject of intense scrutiny recently, by the federal government and the nation's press and within academia. Public and private undergraduate tuition—the “sticker price” of attendance—continues to grow at almost all U.S. colleges and universities at rates that exceed the change in consumer inflation. These institutions award financial aid variously, based on merit and financial need, using formulas and patterns that are perceived as opaque. Students are graduating with ever-increasing levels of debt, which may influence career choices. Recent financial gains coupled with changes in how some of the largest college and university investment portfolios are managed have led to a remarkable growth in the size of most higher education endowments. Concern has been expressed that colleges and universities—in inflating prices, saddling students with debt, and arbitrarily limiting the use of their endowment funds—are effectively hoarding wealth, abusing their tax-exempt status as “public charities,” and failing to help the neediest students.

Concern over these issues culminated recently in a request for information concerning institutional policies that was issued by the U.S. Senate Committee on Finance¹ to selected U.S. colleges and universities. This article contains Cornell University's response to that request and provides background on both the Committee's deliberations and Cornell's current and future policies and practices regarding undergraduate tuition and financial aid and the management of the university's endowment and other invested funds.

1 The Committee's jurisdiction covers: (a) bonded debt of the United States, except as provided in the *Budget Act of 1974*; (b) customs, collection districts, and ports of entry and delivery; (c) deposit of public moneys; (d) general revenue sharing; (e) health programs under the *Social Security Act* and health programs financed by a specific tax or trust fund; (f) national social security; (g) reciprocal trade agreements; (h) revenue measures generally, except as provided in the *Budget Act of 1974*; (i) revenue measures relating to the insular possessions; (j) tariffs and import quotas; and (k) transportation of dutiable goods. The Committee operates under the guidance of Chairman Max S. Baucus (D-Montana) and Ranking Member Charles E. Grassley (R-Iowa).

THE PUBLIC POLICY ISSUE

In a September 26, 2007 U.S. Senate Committee on Finance hearing, Lynne Munson of the Center for College Affordability and Productivity and Jane Gravelle, of the Congressional Research Service gave testimony on offshore investments in hedge funds by higher education endowments. Both veered from the issue before the Committee—whether the use of offshore arrangements served to unfairly avoid taxes—to charge that colleges and universities were hoarding wealth to the detriment of their students and the public.

Munson argued:

...endowment spending practices are stuck in a past when endowments were small, investment gains were marginal, and economic rainy days were frequent. Today higher education endowments are massive and—as we've heard today—aggressively invested. Returns often exceed 12% or more year after year. Yet endowment payouts are miserly—averaging just over 4% last year. The situation begs the question: Is the public benefiting enough? Research indicates the answer is “no.”

Tuition has been going up so rapidly for so long it has reached nearly ungraspable levels. So let me put today's tuition cost in concrete terms. Senators, what would your constituents say if gasoline cost \$9.15 a gallon? Or if the price of milk was over \$15? That is how much those items would cost if their price had gone up at the same rate that tuition has since 1980.

Senators, our colleges and universities need to be reminded that they are education institutions first and foremost—and that that is why they receive the enormous tax breaks they do. Their practices, including their handling of endowment monies, should reflect their priorities as educators.

Gravelle proposed specific remedies to

...the use of offshore feeder corporations that allow tax exempt investors, including educational institutions, to avoid the unrelated business income tax. ... Two possible revisions of current treatment to prevent tax exempt educational institutions from avoiding the unrelated business income taxes by investing in offshore funds are often discussed. The first would be to restrict the use of offshore investments, which would lead to additional taxes collected. It could also cause a shift in investments.

There are a number of policy options that might be alternatives to a restriction of these offshore investments by educational institutions. Private foundations are required to pay out a portion of their assets, and are subject to a minimum rate of 5%, which leads to an average payout of

7%. The overall payout ratio on educational institutions' endowments fall below this level. One option would be to require a payout rate; or to require a payout rate (or a higher rate) for institutions as long as their per student endowment is above a fixed amount. Alternatively, one could relate the payout rate to the earnings rate so as to preserve the real value of the endowment and perhaps some small growth, but not allow it to grow so rapidly. Another option, if the public policy concern is about affordable education, would be to impose a tax on the endowment for schools with tuition increases over a pre-determined threshold.

IRS Tax-Exempt Concerns

The Internal Revenue Service (IRS) has also expressed apprehension over the same issue. As reported recently in the *Chronicle of Philanthropy*,² Steven Miller, the commissioner of the Tax Exempt and Government Entities Division of the IRS, said that the IRS was concerned that many organizations are not making effective use of their assets, given their tax-exempt status.

"Is providing a peppercorn of public benefit enough for a tax exemption?" Mr. Miller asked. "How much savings is too much savings? Should we insist on behalf of the public that the charity provide a public benefit that is commensurate with the charity's financial resources and with the tax subsidy it receives?"

The article describes Mr. Miller as saying that:

...the IRS may want to consider a payout requirement for charities that is similar to the annual requirement for private foundations, which must distribute 5 percent of their assets each year. He said the agency may also use its enforcement tools to crack down on charities that are hoarding assets without providing much benefit to the public.

"We should review existing tools and explore whether we can hold organizations to a standard of commensurate use of assets, at least in the most offensive or egregious cases," Mr. Miller said.

He said the IRS may review how foundations are complying with the requirement to spend at least 5 percent of their assets each year. Critics have suggested that some foundations include too much administrative overhead in meeting the 5-percent threshold.

"It may be time for us to review what is being spent and counted," Mr. Miller said.

² Gose, Ben, "IRS Official Says Tax Agency May Step Up Efforts to Identify Ineffective Charities." *The Chronicle of Philanthropy* (Nov. 12, 2007). <http://www.philanthropy.com/news/updates/index.php?id=3441>

The article noted that some who believe that the IRS may be moving beyond its legal mandates viewed Mr. Miller's comments with concern.

Marcus S. Owens, a Washington lawyer who is himself a former commissioner of the IRS's tax-exempt division, urged the IRS to be cautious before stepping into new areas. ... "I would urge the IRS, as it begins to contemplate the concepts of efficiency and effectiveness, and of good governance, to keep in mind that some of those words are not found in the Internal Revenue Code," he said.

Despite these cautions, it is evident that there are those in the federal government who are concerned with the issues of tax-exempt advantage, endowment growth, tuition-setting and payout policies, cost control, accountability, and transparency.

Near the end of his speech, Mr. Miller praised nonprofit organizations for the work they are doing to figure out how they can be more accountable, but he concluded with a warning: "I would ask you not to let those efforts falter, or you may end up with the service or the Congress stepping in."

Testimony of Educational Associations

The Senate Committee did not invite any higher education officials to testify at its September 2007 hearing. To provide a clarification of the issues raised by Munson and Gravelle, written testimony was submitted to the Committee on October 10, 2007 on behalf of four higher education associations.³ This document noted that testimony by Gravelle and Munson:

...created the mistaken impression that endowments function like simple savings accounts for colleges and universities that can be spent by an institution however and whenever it chooses. This is simply inaccurate. In fact, an endowment typically consists of hundreds—and in many cases, thousands—of individual funds provided by charitable gifts, as well as some institutional funds that are invested to support the institution's mission in perpetuity.

This testimony observed that there are legal considerations governing payout, including the maximum that prudent fiduciaries may authorize:

Donor restrictions are included in the legal documents that establish an endowment fund, creating binding terms for the manner in which the college or university

³ The American Council on Education, the Association of American Universities, the National Association of Independent Colleges and Universities, and the National Association of State Universities and Land-Grant Colleges.

may spend the donor's gift. For example, an institution is legally prohibited from spending funds on student financial aid from revenue generated from an endowment fund established by a donor to support cancer research or a professorship in a particular subject. In addition to donor imposed restrictions, there are also external restrictions that affect the payout of endowments. For example, the Uniform Management of Institutional Funds Act (UMIFA) has been recently amended and has already been adopted as modified by several states. UMIFA was modified to provide that if a payout from a fund exceeds seven percent, the fiduciary to the fund may be in violation of the Act's prudent management standards.

The testimony also addressed the function of a spending rule, which helps create a stable and dependable flow of operating support from an inherently variable revenue stream:

...colleges and universities typically employ endowment spending or payout rules that seek to provide predictable and sustained funding for campus operations and the programs and activities for which donors restricted their gifts. ...According to NACUBO, the most common spending rule adopted by institutions is to spend 5 percent of the three-year average of an endowment's market value. ...College and university endowment spending rates have averaged between 4.5 and 5.1 percent of market value over the last decade. For the 765 institutions who participated in NACUBO's 2006 endowment study, the average spending rate was 4.6 percent.

An annual investment return of approximately 9-10 percent is needed to: achieve the typical spending or payout rate goal of 5 percent; reinvest part of the investment earnings to maintain the endowment's value relative to inflation (2.5-3.5 percent); and pay for investment management costs (1-2 percent). In recent years, average investment returns have been strong. For 2005-2006, the overall average rate of investment return was 10.7 percent. Institutions with the smallest investment pools had an average rate of 7.8 percent and institutions with largest investment pools had an average rate of 15.2 percent. However, one only has to go back to 2000-2001 and 2001-2002 to find examples of when returns were not so rosy. In 2000-2001, the average return was -3.6 percent and in 2001-2002 the average return was -6.0 percent.

The testimony further clarified why the proposal to extend a minimum-spending rate to college and university endowments would be problematic:

Private foundations and colleges and universities are very different kinds of tax-exempt institutions. In the case of a private foundation, the public has an interest in ensuring that, in return for the tax advantages

granted to the donor, the foundation, which remains under private control, is adequately serving its charitable purposes by spending its funds in a timely fashion. For foundations, virtually all of their income comes from their endowments and the most effective way to ensure a significant charitable activity may be through a minimum payout requirement. In contrast, charitable donations to college and university endowments are typically given for the express purpose of supporting designated educational or scholarly activities over a long period of time. When a college or university executes its daily operations, it fulfills and engages in its charitable purpose with endowment funds and other sources of revenue. There are many constituencies that play a role in ensuring that these dollars are spent for their intended purposes, including the donors themselves, students, faculty, university administrators, alumni, local residents, and government agencies.

In addressing the question of whether the government should impose tuition price controls through punitive taxation, the testimony noted:

Throughout history governments have sought to impose price controls. Invariably price control efforts have led to shortages of the commodity or service in question and/or deterioration in quality.

Taxing an endowment's earnings would only increase the upward pressure on tuition and decrease the resources available to support institutional programs, including the student financial aid funds that are crucial to making higher education affordable for families from low- and middle-income backgrounds. In addition, taxing endowments would turn a donor-intended charitable gift into a source of government tax revenue.

The Senate Request

On January 24, 2008, NACUBO⁴ released its 2007 endowment study, which highlighted a "...one-year average rate of return of 17.2 percent [for] college and university endowments."⁵ On that same day, the Senate Committee announced that it had sent a request for information to the 136 U.S. colleges and universities that had endowments of \$500 million or more, according to the NACUBO study.⁶ The Committee posed eleven questions that touched on institutional policies and practices governing tuition, financial aid,

4 National Association of College and University Business Officers.

5 <http://www.nacubo.org/x2376.xml>

6 <http://www.senate.gov/~finance/press/Gpress/2008/prg012408f.pdf>

and endowments. Cornell's response to the U.S Senate is reprinted in Appendix P, beginning on page 75.

In the Committee's press release, Senator Grassley echoed the misgivings voiced by Munson and Gravelle at the September 2007 Senate Committee hearing:

Tuition has gone up, college presidents' salaries have gone up, and endowments continue to go up and up. We need to start seeing tuition relief for families go up just as fast. It's fair to ask whether a college kid should have to wash dishes in the dining hall to pay his tuition when his college has a billion dollars in the bank. We're giving well-funded colleges a chance to describe what they're doing to help students. More information will help Congress make informed decisions about a potential pay-out requirement and allow universities to show what they can accomplish on their own initiative.

CORNELL'S POLICIES

The U.S. Senate Committee on Finance's request for information provided Cornell an opportunity to explain its tuition, financial-aid, and endowment policies and practices. The questions posed—and what was not asked—necessarily limited the breadth and depth of the discussion of some of these topics. What follows is a more in-depth exploration of these elements in the context of higher education in the United States generally and Cornell specifically.

Higher Education Viewed Globally

In her second annual academic state of the university address,⁷ Provost Bidy Martin drew attention to an article published by *The Economist* entitled "The Brains Business,"⁸ which noted that higher education is undergoing a worldwide revolution due to:

- *Democratization* – as the fraction of a country's population that either accesses or desires to access higher education increases
- *Rise of the Knowledge Economy* – as knowledge and its practical application in business and commerce

7 Martin, Carolyn, "Academic State of the University." Cornell University (Mar. 5, 2008). http://www.cornell.edu/provost/docs/academicStateofU_20080305.pdf

8 "The Brains Business." *The Economist* (Sept. 8, 2005). http://www.economist.com/surveys/displaystory.cfm?story_id=4339960

replace "...physical resources as the main driver of economic growth"

- *Globalization* – as the "death of distance" transforms colleges and universities as it already has changed commercial businesses, "...turning higher education into an export industry"
- *Competition* – as colleges and universities vie for students and resources

The Economist further argued that America is the country best poised to meet these challenges because it already "...has almost a monopoly on the world's best universities [and] ...provides access to higher education for the bulk of those who deserve it."

The success of American higher education is not just a result of money (though that helps); it is the result of organisation. American universities are much less dependent on the state than are their competitors abroad. They derive their income from a wide variety of sources, from fee-paying students to nostalgic alumni, from hard-headed businessmen to generous philanthropists. And they come in a wide variety of shapes and sizes, from Princeton and Yale to Kalamazoo community college.

The Economist offered two suggestions to countries that are trying to create or revitalize systems of higher education: (a) diversify the resources that support the system (do not rely solely on government funding) and (b) encourage a variety of models, not-for-profit and for-profit, large and small. *The Economist* noted that "...these two principles reinforce each other: the more that the state's role contracts, the more educational variety will flourish."

In the same speech, Provost Martin noted that Cornell exemplifies many of the qualities that *The Economist* finds crucial in the success of higher education:

- access for students regardless of background and ability to pay
- mixed revenue sources
- autonomy combined with state and federal support
- a strong sense of responsibility to the public
- the widest possible range of subjects
- a sophisticated infrastructure for science
- the free exchange of ideas
- a world-class faculty

This is a description of the model pioneered in the 1860s by Ezra Cornell and A.D. White. Its primary features continue to define Cornell today. *The Economist* means to be characterizing U.S. universities taken as a whole; Cornell combines all these features in one. This is Cornell's

uniqueness—the combination of equity, quality, breadth, and contribution. Everyone does some of what Cornell does, but no one does everything we do. That, for us, is an extraordinary strength and a major challenge.

Of special note in this regard are the varied resources that support Cornell’s function as a private university with a public mission. The university’s responses to the U.S. Senate Committee on Finance—and its endowment, tuition, and financial-aid policies—are framed within a mix of funding sources that have changed over time, defining and shaping Cornell.

ECONOMIC FRAMEWORK

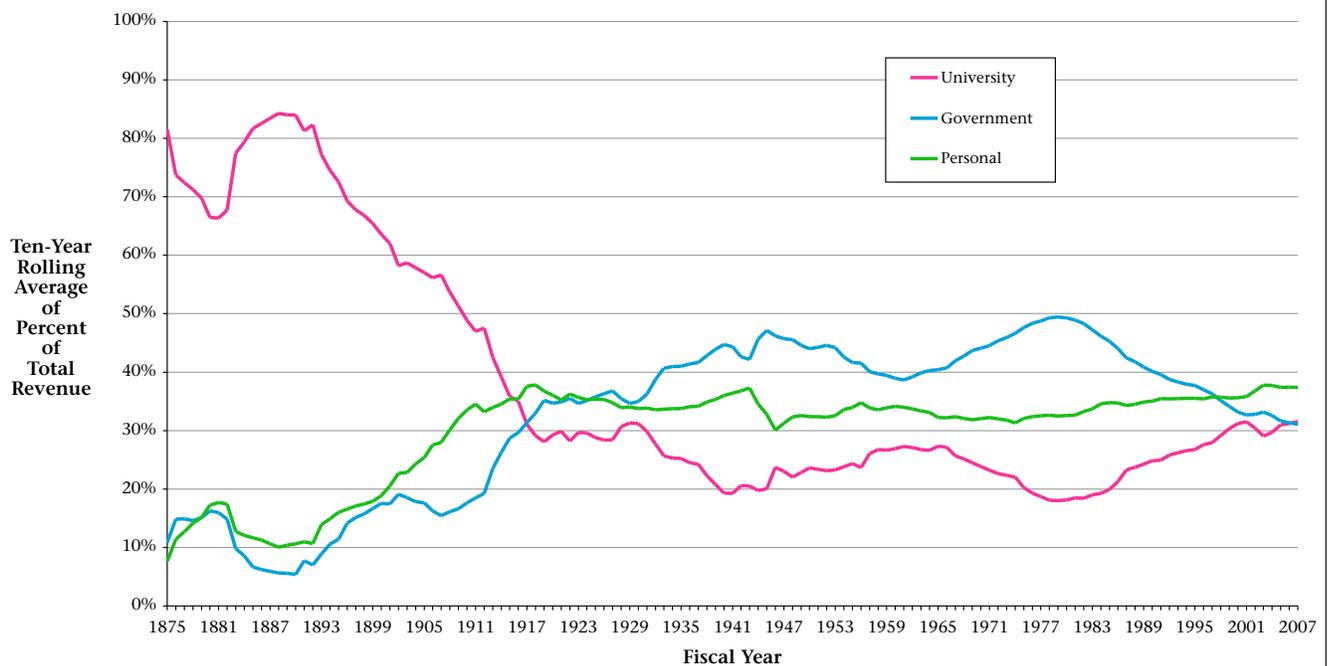
In her speech, Provost Martin noted that the success of higher education in the United States is dependent on a shared funding model that she characterized as a “three-legged stool,” which is composed of:

- *Government resources* that take the form of appropriations, payments for financial aid, and grants and contracts that are made primarily for research

- *Personal resources*, which are payments made by students and their families for tuitions, fees, room and board rates as well purchases made by other customers, including clients of the Cornell University Hospital for Animals, Statler Hotel guests, and attendees of athletic events
- *University resources*, the bulk of which represent gifts and investment returns from endowments that derive primarily from gifts but include other institutional resources as well

The graph below shows that for the first third of its existence, Cornell’s donative resources, including its land-grant endowment and set of significant gifts, provided most of the operating and capital revenue for the Ithaca campus. By the beginning of the 1920’s, the other two “legs of the stool” converged such that all three major revenue streams were comparable. The creation of the four contract colleges in the first half of the twentieth century combined with the rapid increase in federal research funding in the 1960’s and 1970’s caused government funding to dominate. A downturn in government funding as a proportion of

Ten-Year Rolling Average of the Percent of Total Operating and Capital Revenues * for the Ithaca Campus from the Date of Cornell University’s Founding in 1865



* Excludes employee benefit and debt service costs paid directly by New York State and not recorded by Cornell. Tuition receipts included in the category of “personal” revenues are net of financial aid.

TUITION, FINANCIAL AID & ENDOWMENT

Cornell's total support over the past four decades—a function of both a decline in the inflation-adjusted level of New York State appropriations for the university's four contract colleges and slower growth in federal grant and contract support for the endowed Ithaca's colleges and research centers—has been balanced by an increase in the use of Cornell's own resources.

The evolution at Cornell of a roughly balanced mix of these three primary revenue sources came about due to: (a) an effort to increase tuition so that it would more fully cover the cost of education; (b) the deployment of financial aid to maintain broad access to higher education; (c) the participation of governments as partners with higher education in funding academic programs, facilities, financial aid, and research investigations; and (d) the proactive management of financial capital and debt. A fifth ingredient—the emergence of inflation as a routine and even controllable economic force—profoundly affects these other factors, especially tuition, and sets the stage for the national conversation that the U.S. Senate Committee on Finance's recent request typifies: why does tuition grow faster than inflation? why can't colleges and universities control their costs?

TUITION AND COSTS

Cornell's founders thought that tuition should be nominal or nonexistent. The university's charter provided tuition-free education for 128 New York State citizens,⁹ and those not covered by this provision were charged \$30 per year (about \$1,900 in inflation-adjusted terms). Ezra Cornell instituted a system whereby any student could pay off the \$30 tuition cost by working for the university doing manual labor. In its first year of operation, the university recorded slightly under \$10,000 in tuition and fees from about 300 paying students. The average cost (operating expenditures plus depreciation of capital investment) of delivering

⁹ Cornell's charter stated that the university would "... annually receive students, one from each assembly district of the State...and shall give them instruction...free of any tuition fee." While the university's administration assumed this to mean 128 tuition-free students at any time, New York State's Attorney General interpreted this provision to require that Cornell offer up to 512 concurrent state scholarships (128 times 4 classes, each of which entered in successive years). The Attorney General's opinion eventually prevailed.

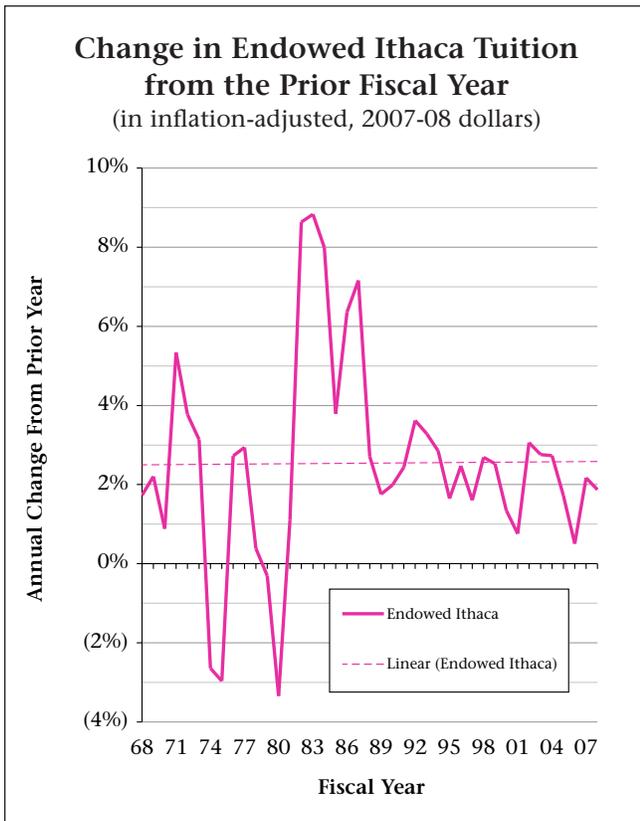
that education to Cornell University's 412 enrolled students was approximately \$200 per student (about \$12,700 in inflation-adjusted terms). Thus, in 1868-69, tuition paid about 15 percent of the cost of education.

The fundamentals of tuition policy that were set in motion by Cornell's charter and its founders remain in place. Need-based financial aid (discussed below) has replaced the merit-based state scholarship system of 1868-69, permitting the institution to charge tuitions that are closer to, though still less than, the cost of education while providing financial assistance to those students who cannot afford this price. Despite the magnitude of that price—Cornell's trustees set tuition at \$34,600 for undergraduates enrolled in Cornell's endowed Ithaca colleges in 2007-08—it remains less than the cost of the education provided. Several studies by individual institutions, including Cornell, as well as a comprehensive analysis performed by the economist Gordon C. Winston¹⁰ have demonstrated that students in private colleges and universities pay between 40 to 60 percent of the cost of their educations. The subsidies in public institutions are even greater due to the provision of substantial state funding. At Cornell, the ratio as of 2002-03 was between 47 percent and 55 percent, depending on the calculation methodology.¹¹ While Cornell has increased its tuition regularly since 2002-03, it has augmented its financial-aid budget at an even greater rate. It is likely that current Cornell students are paying no more than 60 percent of their education costs through tuition. All students, even those paying the full "sticker" price of tuition, are subsidized, and that subsidy derives from gifts, endowments, government support, and the cumulative investment in the university's physical plant, equipment, and the library's collections that have been made by generations of Cornellians who preceded the current student body.

Cornell's tuition policy is simple: tuition should approach but be less than the cost of education and tuition should increase annually to reflect the cost

¹⁰ Winston, Gordon C. and Ivan C. Yen, *Costs, Prices, Subsidies, and Aid in U.S. Higher Education*. Williamstown: Williams College, 1995. <http://www.williams.edu/wpehe/DPs/DP-32.pdf>

¹¹ Whalen, Michael L., "The Economics of Higher Education," [In] *Cornell University, 2004-05 Financial Plan, operating and capital*. Ithaca: Cornell University, 2004. <http://www.dpb.cornell.edu/documents/1000033.pdf>



increases that the university experiences in providing that education. Cornell's long-term goal is to keep the annual growth in endowed Ithaca tuition reasonably close to inflation. The graph above demonstrates Cornell's varying success in achieving this outcome. For the period 1967-68 through 2007-08, including the very high inflation years of the 1970's and early 1980's, Cornell increased endowed Ithaca tuition 2.5 percent on average above inflation.¹² Since 1986-87, that growth has averaged 2.2 percent, but the pace remains slightly above the university's long-term goal.

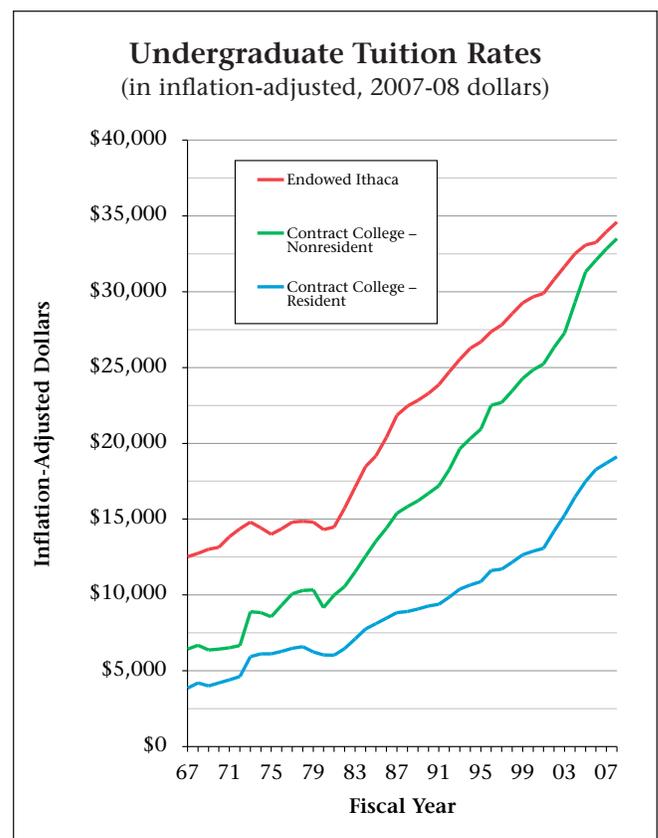
The university sets contract college tuitions similarly, although significant changes in New York State support for the contract colleges and the need to pay for local costs that are not funded through state appropriations affect tuition growth. Also, since the 1990's, Cornell has gradually increased the tuition charged to contract college undergraduates who are not New York State residents to more closely approximate the tuition rate charged to endowed Ithaca students. (See graph

12 As measured by the change in the Consumer Price Index. A more thorough discussion of inflation and how it is measured can be found beginning on page 28.

below.) The university is making this shift to recognize that, in an era of constrained state resources, the instructional appropriations that Cornell receives from New York are intended primarily to benefit New York State residents enrolled at the institution.

Cost Containment

Achieving cost containment is a challenge, given Cornell's size, decentralized governance structure, and variety of outputs and products. Also, Cornell is currently increasing expenditure for academic programs, financial aid, computer systems and support, and improved facilities, and is expanding certain revenue-producing activities, such as fund-raising and investment management, where the return on investment is substantial. Cornell recognizes that the price of education can be a burden, even for those students who appear to have the means to pay Cornell's full "sticker" rates. The university is concerned about rendering a Cornell education unaffordable for middle-class students who, in not qualifying for grant aid, may incur excessive levels of debt. Along with its tuition and financial-aid policies, Cornell continues to implement



specific cost containment strategies designed to reduce growth pressures on student prices.

- *Workforce Planning* – Launched in November 2001, this effort included a review of eight areas—human resources, financial transactions, alumni affairs and development, information technology, facilities, student support, libraries, and purchasing—with three primary objectives: (a) clarify roles, responsibilities, and accountabilities; (b) realize significant financial savings; and (c) improve the effectiveness of major support functions. Workforce Planning reported major accomplishments as of April 2005, including \$15.7 million in annual, ongoing savings, and has set in motion a continuing institution-wide focus of review and improvement of operational support activities.

- *Energy Conservation* – While Cornell has been engaged in energy conservation and the use of renewable resources for many years,¹³ one of its first large-scale initiatives was the Lake Source Cooling (LSC) project. LSC reduces the campus energy use for cooling by 80 percent, conserving over 20 million kilowatt-hours annually. To date, LSC has saved the university a cumulative \$11.3 million in electricity costs. LSC is one of more than 20 of Cornell's supply-side conservation efforts that have been undertaken since the 1980's designed to reduce energy costs for the Ithaca campus.

Other programs include: (a) a 4.4 million-gallon thermal storage tank to hold chilled water that is processed at night, saving approximately \$300 thousand annually; (b) cogeneration of electricity at the steam-heating plant, which supplies over 10 percent of the Ithaca campus's electrical needs; and (c) improved energy management and control systems.

Cornell is also employing demand-side approaches to reduce the need for energy, including: (a) converting light fixtures to high-efficiency fluorescent sources, thereby reducing lighting energy consumption by 30 percent and saving approximately 6 million kilowatt-hours of electricity annually; (b) upgrading and installing occupancy and daylight sensors and digital energy controls; (c)

introducing variable-speed fan and pump drives that reduce electricity consumption by 30 million kilowatt-hours per year; and (d) installing heat exchange systems in facilities that have a high turnover of building air to temper incoming air with heat captured from exhaust air. These strategies yield substantial savings because of the large volume of activity. For example, the buildings with heat exchangers mentioned above exhaust 3 million cubic feet of treated air per minute.

- *Supply Management Services* – Over the past 20 years, Cornell's "purchasing" function has evolved into "supply management," which merges the traditional activities of purchasing (bidding, negotiation, order processing, and delivery) with preferred supplier agreements and strategic sourcing. Cornell expects to save over \$1 million in 2008-09 as a result of these new approaches, especially in the \$15 million expended annually to purchase computer hardware and electrical and plumbing supplies and the institution's significant outlay for scientific and office supplies. Key goals of the program are to ensure a sustained level of high quality, low price, and uninterrupted supply of these essential commodities. The university is also expanding the use of management tools such as eShop, eAuctions, and Ariba (a reporting tool) as well as bundled purchases.
- *Room and Board Rates* – An early component of the Workforce Planning effort was a hiring freeze for nonacademic positions at the Ithaca campus during 2001-02. While the mandate for campus-wide limitation on hiring has been lifted, the Division of Student and Academic Services has continued it as a standing practice. No position is filled unless it is part of an approved staffing plan or has received vice presidential authorization through a waiver submission and review process. The Division continues to require annual staffing plan submissions for all of its operating units, and Divisional workforce planning committee reviews these plans. In addition, any new position request or change must be submitted through a waiver process, reviewed by that same workforce planning committee, and must receive approval from the vice president before it can be filled.

Dining chefs and managers work collaboratively to maintain consistent, industry-benchmarked

13 Constructed in 1898 on Fall Creek below Beebe Lake, Cornell's hydroelectric plant generates about 5 million kilowatt-hours annually, enough electricity for 600 homes.

food cost targets. They watch market fluctuations in various food categories and plan menus to maintain expected quality standards while controlling food costs as a percentage of sales at target levels. Success in this objective, while providing wholesome and varied food offerings, has been very challenging recently due to the significant impact of fuel costs on food transportation.

Both of these efforts are designed to limit the growth of costs that students ultimately pay for through room and board charges.

- *Cost Allocation Methodology* – Cornell has recently revised its cost allocation methodology (CAM), which is used internally to associate a little over \$250 million of central administrative and support costs with college and operating unit revenue budgets that ultimately must pay for those expenditures. One of the important features of the CAM redesign is the decision to place a “growth collar” on the central administrative and support costs being distributed that will effectively constrain the annual increase in these operating budgets. As Cornell builds these costs into student rates, the growth collar will limit future tuition, room, and board increases.

A second major CAM change is to switch the focus of the calculation from an after-the-fact costing exercise to a before-the-fact planning activity, allowing the university’s administration to more carefully plan for changes in the level of the central administration and support functions.

In addition to these specific efforts, the university is undertaking global reviews of costs and processes. For example, Cornell recently hired a space-planning director to help optimize space utilization and promote the sharing of space. The university is revising budget and costing models to simplify and decrease transaction costs and is revamping activities that span organizations, such as event management, communications, and information technologies, in order to increase efficiency and effectiveness.

FINANCIAL AID

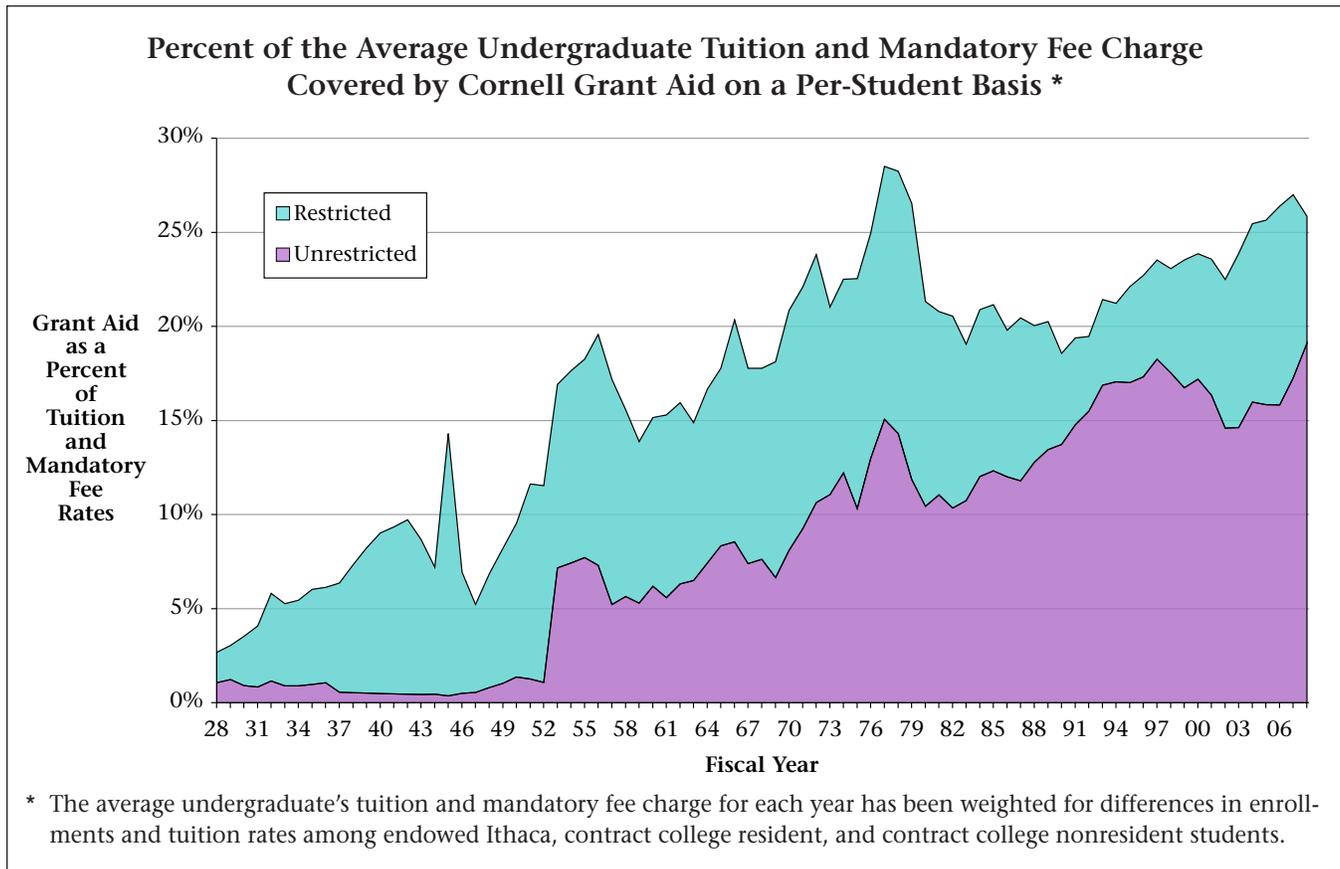
Cornell’s approach to undergraduate financial aid can best be described as a policy of fairness. The university’s current admissions and financial-aid policy (see

page 77) is a modern interpretation of ideas and ideals espoused by Cornell’s founders. Ezra Cornell’s famous motto—“I would found an institution where any person can find instruction in any study”—addressed student access directly by stating that any person should be able to attend, that is, any student without artificial limitation. The motto is best understood as a bold declaration that higher education should be open to the poor, to women, to people of all races and ethnicities, and to individuals of various religious and moral persuasions. These were radical notions in the middle of the nineteenth century, when most colleges and universities were loosely affiliated with Christian denominations and only a handful admitted women or minority students or provided need-based financial aid of any consequence. Both Ezra Cornell and Andrew D. White were convinced that the nation’s progress depended on such a social transformation.

Cornell’s admissions and financial-aid policy is purposefully designed to eliminate the ability to pay for education from influencing both the institution’s offer of admission and the student’s acceptance of that offer. Cornell’s faculty and staff who make admission decisions are not privy to the personal finances of the students applying, and instead base their recommendations on the academic quality and potential of the applicants, among other factors. Once a student is tendered an offer of admission, the university crafts a financial-aid package (if the student seeks such help) that will enable the student to attend.

Determining a student’s financial need and assembling a portfolio of financial-aid resources to meet that need are highly individualized processes.

- First, the university determines the typical *cost of attendance* for a student during the academic year. This cost varies by tuition rate between endowed Ithaca and contract college divisions and between New York State residents and nonresidents in the contract colleges. Tuition also varies for students enrolled in special programs, such as Cornell Abroad. Room and board rates are based on typical on-campus residency and use of Cornell dining services, even when students live off campus. The differential cost of living when studying abroad is also taken into consideration in the calculation. The cost of attendance includes provision for the purchase of books, travel to and from Cornell, and other miscellaneous expenses.



- Second, the *family contribution* is determined. The family contribution is composed of the *parental contribution*—the amount that the student's parents should be able to afford to pay based on an assessment of income and family assets—and a *student contribution* that is based on student assets and how much the student should be able to earn from summer employment. The difference between the cost of attendance and the family contribution becomes the student's *financial need*.
- Third, if the student is eligible for government funding such as federal Pell grants or New York State Tuition Assistance Program awards, these external grant sources are applied to meet the defined financial need.
- Fourth, financial need is then adjusted for student *self-help*, which represents the portion that the student should cover through loans and academic-year work.¹⁴ The federal government subsidizes both components of loan and work-study.

- Finally, the cost of attendance not met by family contribution, external sources, and student self-help is covered by university *grant aid*, which comes from endowments and gifts as well as the institution's general unrestricted operating budget.

The graph above shows the amount of Cornell-funded grant aid that the university has provided per student as a percentage of the average tuition and fee rates charged in each year from 1927-28 through 2007-08. Restricted grant aid comes primarily from endowments donated for that purpose. The 2008-09 sources of support for financial aid can be seen in Appendix G (page 66), which shows that Cornell will commit \$138.9 million of its own resources for that purpose. Of this total, unrestricted grant aid will increase 25 percent, from \$80.7 million to \$101 million, and restricted grant aid will expand 15 percent, from \$29 million to \$33.4 million, as the university institutes its new financial-aid policy for low-income students.

As can be seen in the graph at the top of page 19, Cornell grant aid can cover up to 88 percent of the cost of attendance for students who receive such as-

¹⁴ Students sometimes elect to underutilize the loan and work-study components of their financial-aid packages.

Distribution of Students Based on the Percent of Cost of Attendance Covered by Cornell Grant Aid (2007-08) *



* Students enrolled in both semesters of the 2007-08 academic year who were awarded grant aid from Cornell resources.

sistance.¹⁵ While demonstrated need and subsequent awards this great are rare, approximately three-fifths of all grants fall in the 40 percent to 80 percent range.

GOVERNMENT FUNDING

Federal and state governments (and local governments to a very small extent) are important partners in funding the educational and research activities of higher education, supplying three basic types of assistance:

- *Appropriations* – which underwrite basic operating and capital budgets. At Cornell these appropriations totaled \$198.6 million for 2006-07.¹⁶

15 Graphed are the 5,077 students enrolled in both semesters of 2007-08 who were awarded Cornell grant aid. The average grant award was \$19,901 and the median was \$20,366. Grant awards ranged from \$210 to \$47,866.

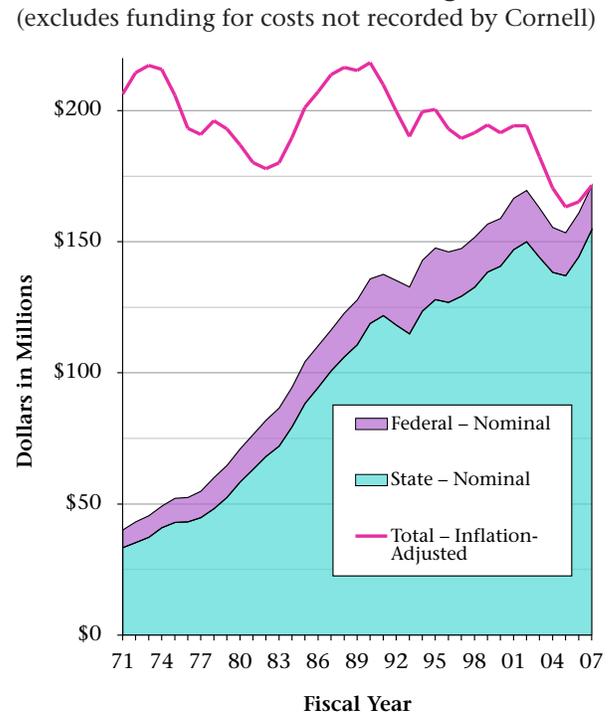
16 Excluded from this total are debt service on state-owned facilities at Cornell and certain employee benefits that are recorded by New York State rather than the university.

- *Grants and Contracts* – which fund primarily the faculty’s organized research projects. Cornell’s federal, state, and local grant and contract activity totaled \$516.4 million for 2006-07.
- *Financial Aid* – which supports undergraduate, graduate, and professional students. Government support for undergraduate financial aid in the form of grants, loans, and work-study opportunities totaled \$45.7 million in 2006-07.

Appropriations

While government appropriations benefit all of Cornell’s programs, most of this funding (99 percent) supports the four contract colleges and the bulk of it (92 percent) comes from New York State. (See graph below.) In turn, most New York State appropriations are administered through the State University of New York (SUNY). For several years prior to 2006-07, Cornell’s base allocation was established through a SUNY resource allocation methodology that generally treated the university unfavorably because increases in student populations at other SUNY campuses effectively

Government Operating Appropriations for the Contract Colleges
(excludes funding for costs not recorded by Cornell)



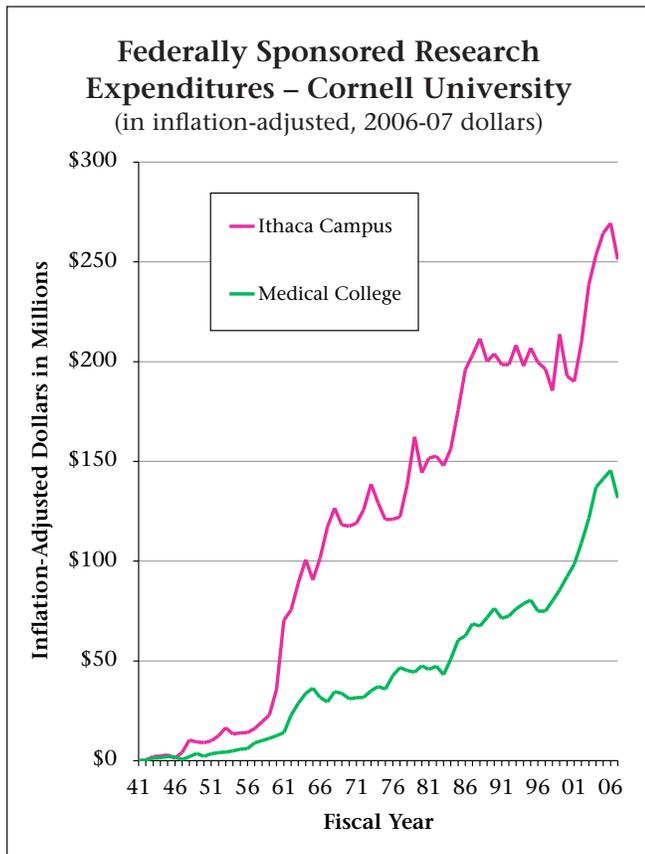
reduced Cornell’s funding. This methodology also provided no inflation for Cornell’s land-grant mission and its provision of instruction for contract college students in endowed Ithaca colleges (so-called “accessory instruction”). Beginning in 2006-07, Cornell’s overall state operating support—while still flowing through SUNY—has been largely separated from SUNY’s regular campus resource allocation process. Within that total, the portion of state operating support attributable to land-grant activities is provided through discrete, line-item funding in the governor’s executive budget. This partition appropriately recognizes that Cornell’s land-grant responsibilities as well as the organizational and financial structures associated with instructional activities are unique and should not be commingled with other SUNY campus resource allocations.

Since 1970-71, there has been nominal growth in government appropriations for the contract colleges, as federal and state funding has expanded at an average annual rate of 4.1 percent. Unfortunately, this growth has not maintained its purchasing power, and government appropriations have declined from \$206

million to \$171 million, in inflation-adjusted terms, over the same period. Appropriations that funded 67 percent of the contract colleges’ operating budget in 1970-71 now support 30 percent of that total. Other revenues—tuition and fees, grants and contracts, gifts, investment income, and sales and services of academic departments—have together supplanted government appropriations as the major sources of operating support. The gradual decline in state funding for the contract colleges—transforming them from state-supported to state-assisted—has been an important factor in the offsetting increase in contract college tuition discussed and illustrated on page 15.

Grants and Contracts

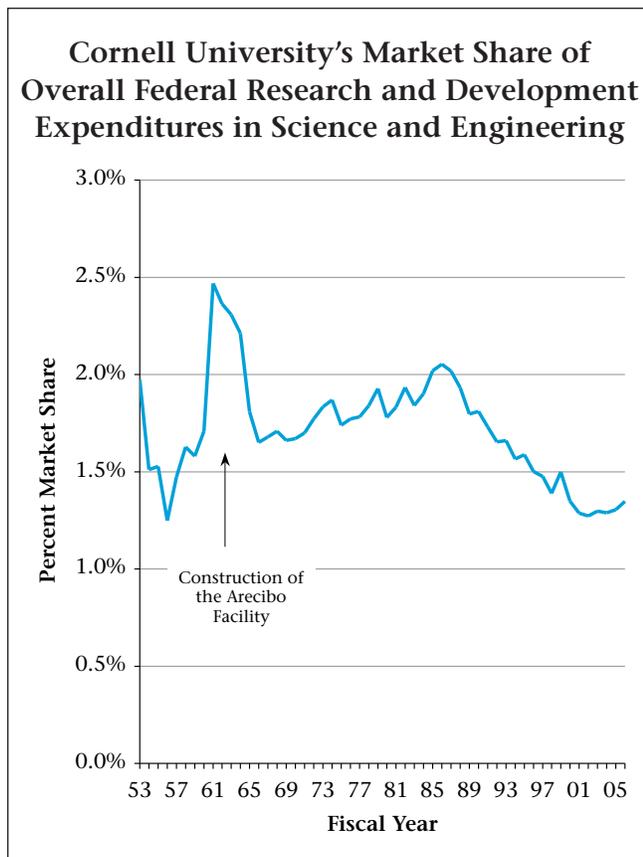
While Cornell’s faculty have engaged in scholarship and have carried out investigatory projects from the university’s founding, the concept of externally funded research did not develop until the first part of the twentieth century, when commercial firms began to underwrite graduate study by providing “industrial fellowships.”¹⁷ It was not until World War II, however, that substantial external funding was provided to Cornell and other universities in the form of research grants and contracts. As the graph at left shows, the volume of this support expanded rapidly at Cornell, and the university’s federal funding for research totaled \$382.9 million in 2006-07, while overall research expenditures—federal, state, and local government; corporate; foundation; private donor; and institutional funding—reached \$659.4 million in the same fiscal year. Inflation-adjusted expenditures of federally sponsored research on the Ithaca campus expanded rapidly from the early 1960’s through the mid-1980’s, then stalled for over a decade before increasing again in the twenty-first century. Federally sponsored research expenditures at the Joan and Sanford I. Weill Medical



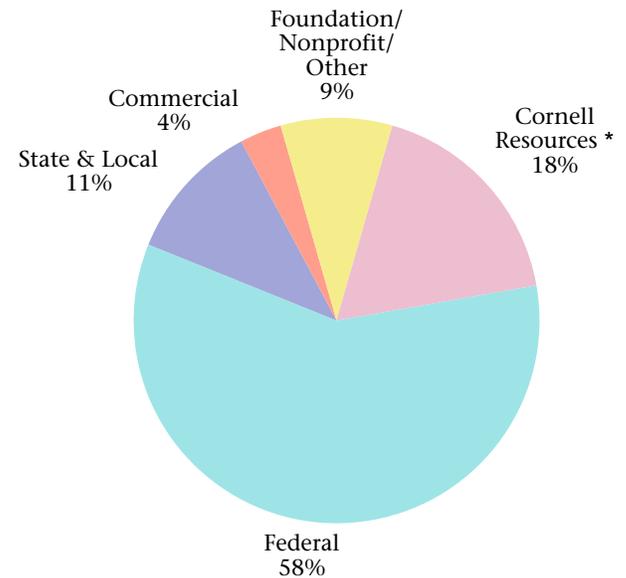
17 “Thanks to [Herbert H.] Whetzel’s initiative, industrial fellowships were established at Cornell, among the first in America. He proposed to the Niagara Sprayer Company of Middleport, New York, that it support investigations in the value of lime-sulfur solution as a spray for apple scab. The company responded in 1909 and apparently made its fortune from the results. Thus the system began by which a manufacturer pays for a graduate student to study a problem which may result in profit for the manufacturer and a doctorate for the student.” Bishop, Morris, *A History of Cornell*. Ithaca: Cornell University Press, 1962.

College and Graduate School of Medical Sciences have also increased substantially, though at a steadier pace.

Ithaca campus research growth has been driven primarily by the expansion of federal support for basic science and engineering studies that has been funneled through the National Science Foundation (NSF) and the Department of Defense. The lack of inflation-adjusted growth in federal and New York State appropriations (a portion of which fund basic and applied research) has offset some of this growth. Almost all grant and contract support for the Medical College comes from the National Institutes of Health (NIH). While Cornell's faculty are very effective in garnering a substantial share of federal research support, the university's market share of overall federal research and development funding for science and engineering has changed over time. (See graph below.) A factor affecting Cornell's success in obtaining federal research funding is the U.S. Congress's growing practice of earmarking academic research funding. As reported in the *Chronicle of Higher Education* recently, \$1.6 billion "... was directed to scientific research at almost 500 institutions... [representing] about 5 percent of all federal



Sources of Support for Cornell University Research Expenditures – 2006-07



* As per NSF reporting guidelines, Cornell resources include: institutional cost sharing, graduate assistantship tuition fellowships, university seed research grants, unrecovered facilities and administrative costs, and the organized research portion of New York State-funded employee benefits.

money for academic research" in 2007-08.¹⁸ As Cornell generally eschews federal earmarks, the university does not effectively compete for this funding source.¹⁹

Increasingly, Cornell must utilize its own resources to help fund the overall research enterprise. In 2006-07, \$118 million (18 percent of overall research expenditures) was so dedicated. (See graph above.) These expenditures include cost sharing, a portion of the cost of tuition for graduate assistantship holders, facilities and administrative costs attributable to research that cannot be recovered from the sponsors of that activity, institutional funding to encourage new research en-

18 Brainard, Jeffrey and J.J. Hermes, "Colleges' Earmarks Grow, Amid Criticism." *The Chronicle of Higher Education* (Mar. 28, 2008). <http://chronicle.com/weekly/v54/i29/29a00101.htm>

19 While *The Chronicle of Higher Education* reported that Cornell benefited from \$5.1 million in non-shared earmarks in 2007-08, the total was closer to \$4.1 million, according to an analysis conducted by Cornell's Division of Government and Community Relations.

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deavors, and New York State-funded employee benefits costs that are related to research.

Financial Aid

Most government-funded undergraduate financial-aid programs were created in the 1960's, as successors to the *Servicemen's Readjustment Act of 1944*, popularly known as the "GI Bill." Pivotal federal legislative actions of the time were the *Economic Opportunity Act of 1964* and the *Higher Education Act of 1965*, which is reauthorized periodically. These and other laws created programs to provide grant, loan, and work-study support for low-income students as well as to channel expanded funding to higher education institutions directly. As reported by the College Board,²⁰ the demand for federal financial-aid funding rose dramatically in the 1970's, so much so that the U.S. Congress reshaped these programs to diminish the cost of federal grant funding, substituting a variety of subsidized and unsubsidized loan programs.²¹ More recently, Congress has instituted education tax credits and tuition and fee deductions that benefit middle-income families primarily.²² These policy changes have: (a) encouraged generations of students to assume ever increasing levels of debt to finance their educations and (b) forced institutions of higher education to commit their own resources to substitute for the missing grant aid. (See graph at right.) Federal loan programs currently account for 40 percent of all student aid, and loans from all sources represent 52 percent of the total. At \$26.3 billion in 2006-07, grant aid funded by colleges and universities from institutional resources exceeded the

20 College Board, *Trends in Student Aid 2007*. <http://professionals.collegeboard.com/data-reports-research/trends/student-aid-2006>

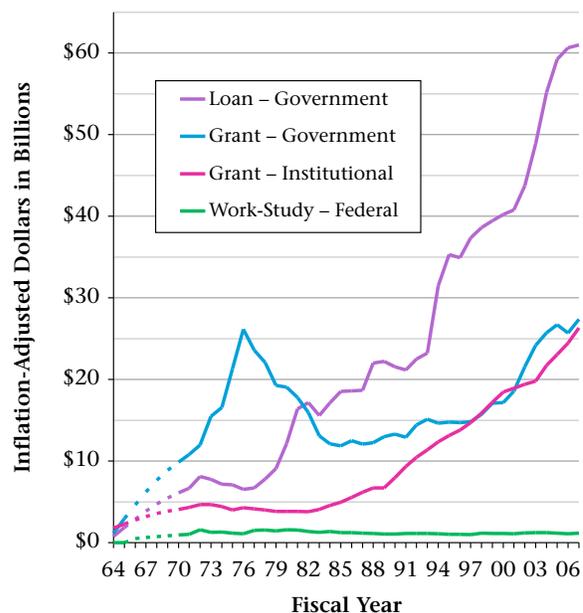
21 The enrollment of first-time freshmen in U.S. degree-granting institutions of higher education climbed from 670,000 to 1,046,000 over the ten years between 1954-55 and 1963-64. This enrollment increased 38 percent in the next two years, rising to 1,442,000. By 1975-76, the number of first-time freshmen had reached 2,515,000—almost two and a half times the number enrolled when Congress passed the 1964 and 1965 acts.

22 Educational tax benefits were introduced in 1998-99 and were projected to total \$5.9 billion in 2006-07. In 2005, taxpayers with incomes above \$50,000 enjoyed 58 percent of all tax education credits and 83 percent of all tuition tax deductions.

total of federal sources (\$19.6 billion) and was slightly less than the total grant aid provided by federal and state resources combined (\$27.4 billion).

Many of these national trends have been mirrored at Cornell over the past 20 years, though differently and in some cases more dramatically. (See graph at the top of page 23.) Federal and state funding for undergraduate grant aid increased nominally but decreased in inflation-adjusted terms, dropping from \$17.7 million in 1987-88 to \$14.6 million in 2006-07. The use of government loan resources for need-based financial aid (which accounted for 92 percent of such loans at Cornell in 2006-07) increased in inflation-adjusted terms through the late 1990's, but has declined since. Cornell-funded grant aid has tripled, in inflation-adjusted terms, over the same period, rising to \$109.3 million in 2006-07. Cornell's recently announced initiative to alter how financial aid is awarded to lower-income students will further transform the trends displayed in this graph by increasing the amount of Cornell-funded grant aid and lowering students' reliance on federal loan programs.

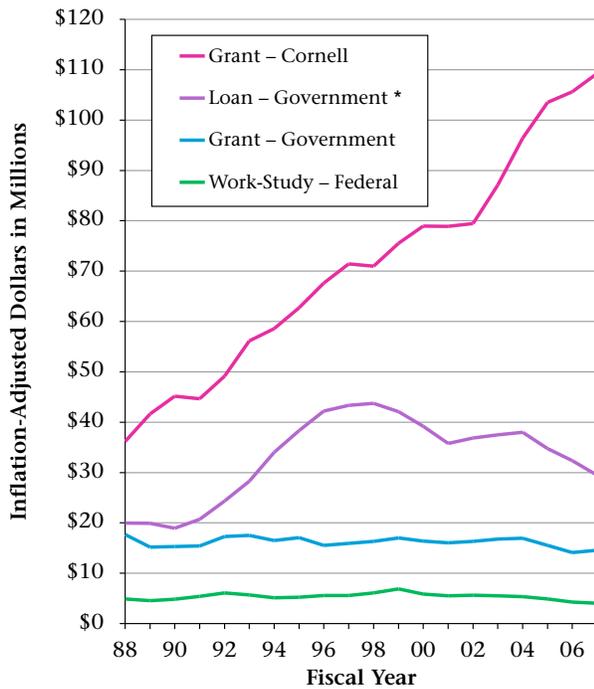
Selected Sources of Financial Aid for U.S. Postsecondary Education *
(in inflation-adjusted, 2006-07 dollars)



* Data interpolated between 1964-65 and 1969-70.

Selected Sources of Need-Based Financial Aid for Cornell Undergraduates

(in inflation-adjusted, 2006-07 dollars)



* Excludes the use of non-need based government loans by students, parents, and guardians.

ENDOWMENT AND DEBT

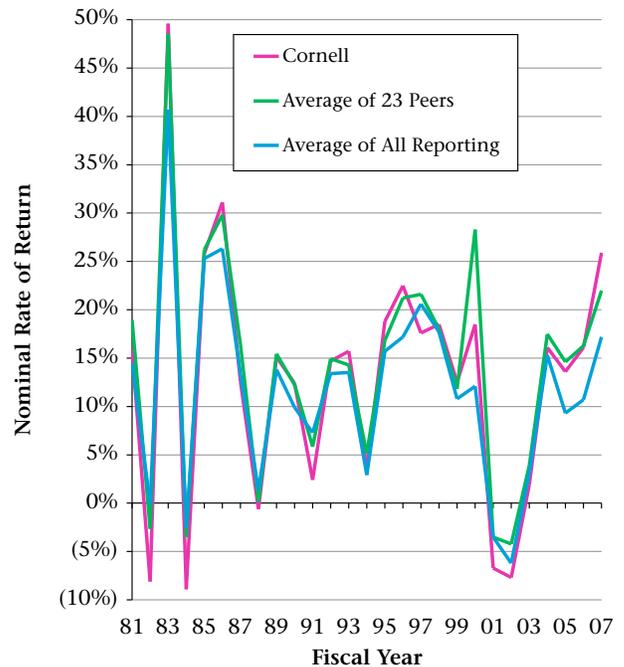
While the purpose of an endowment payout or spending policy is to regulate the use of investment return in a given budget year, such a policy undergirds a more fundamental principle—that in setting payout, university trustees must balance the demands of the present and the needs of the future, a quest that is sometimes referred to as “maintaining intergenerational equity.” A payout policy accomplishes this by:

- Ensuring regular and predictable payout increases to support a variety of university costs that experience inflationary and programmatic growth
- Regulating the absolute level of payout so that it will not reduce the endowment corpus dramatically during periods of lower or negative returns
- Making certain that payout for true endowments continues and the original corpus of the endowment gift is maintained in perpetuity

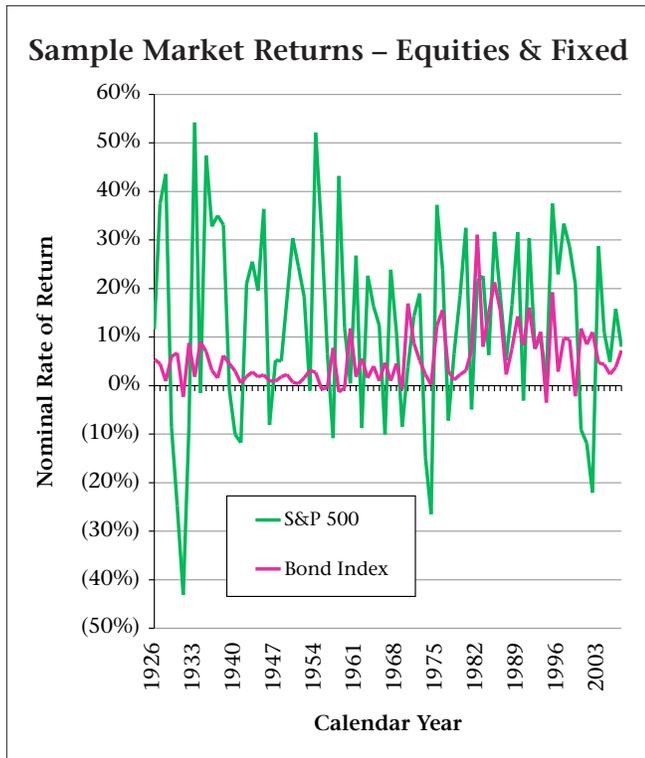
Where possible, universities pool gifts that are to be invested and treat them as mutual funds. This pooling allows a payout policy to be applied uniformly across funds. Payout must be set in advance so that it can be planned as part of the institution’s budget. The payout for a given year could theoretically equal the increase in the market value of the portfolio less the diminution of that value caused by inflation, investment management costs, and any service charges. Ideally, payout should increase annually or at least not decrease precipitously. Unfortunately, neither the total return nor the rate of inflation can be known in advance. For these reasons, institutions employ smoothing rules that link payout to previous investment performance and spending levels. Smoothing rules help to insulate payout growth from the sometimes significant swings in market returns.

The graph below shows that among institutions reporting in the NACUBO Endowment Studies, returns averaged 11.8 percent from 1980-81 through 2006-07. Annual average returns for these institutions varied

Endowment Investment Returns as Reported by NACUBO †



† Investment returns, net of investment management costs, as reported in the annual NACUBO Endowment Studies.



from 40.7 percent to minus 6.2 percent. Cornell had a cumulative 12.9 percent return over the same period, with swings from 49.6 percent to minus 8.9 percent, while 23 of Cornell’s research university peers²³ had a cumulative 14.3 percent return, with swings from 48.6 percent to minus 4.2 percent.

Such volatility is not unusual. The graph above shows the nominal rates of return for the S&P 500 index and a general bond index for the period 1926 through 2006.²⁴ While most university endowment portfolios today contain far less domestic equity than they did in 1980-81—including as they do foreign, private, and hedged equity and real-estate and resource-related investments—these endowments will continue to see swings in returns that are related to both the conditions of specific markets and changes in the general economic health of the world.

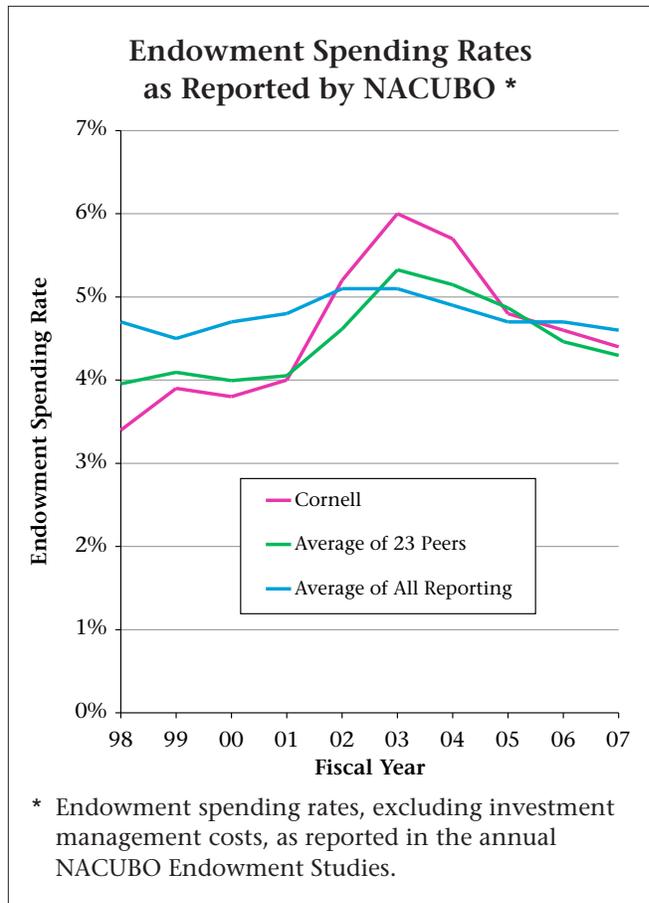
23 Those American institutions with the largest endowments plus universities that Cornell competes with for undergraduate students.

24 The S&P 500 index was reconstructed prior to 1969. The bond index shown is an amalgamation of the Intermediate Term Government Bond Index from 1926 through 1972 and the Lehman U.S. Government/Credit Bond Index thereafter.

Spending Rates

There is no generally accepted approach used to determine payout and smooth market swings. Each institution crafts a spending policy that fits its own culture and needs, yet common threads do emerge. According to the 2007 NACUBO Endowment Study, most institutions adjust payout annually by employing: (a) a fixed percentage of average market values, (b) a fixed percentage of beginning market values, (c) a fixed percentage of current yield, (d) a percent increase of the prior year’s spending, (e) a unique rate each year, or (f) a combination of these factors.

Despite this heterogeneity in spending policies, there is a remarkable consistency in the level of endowment payout practiced within higher education. The graph below shows that among all institutions reporting in the 2007 NACUBO Endowment Study spending averaged 4.8 percent over the past ten years. Average spending of 23 of Cornell’s research university peers (the endowments of which, together with Cornell’s, accounted for 46 percent of the total reported in 2007)



was 4.5 percent. Cornell's shareholder payout averaged 4.6 percent over this period.²⁵ Cornell, along with most other institutions, experienced lower-than-normal spending rates during the dot-com bubble and higher-than-normal rates when the bubble burst. More recently, Cornell's spending rate has converged with the rates of its research university peers and the overall average of the institutions that participate in the NACUBO Endowment Study.

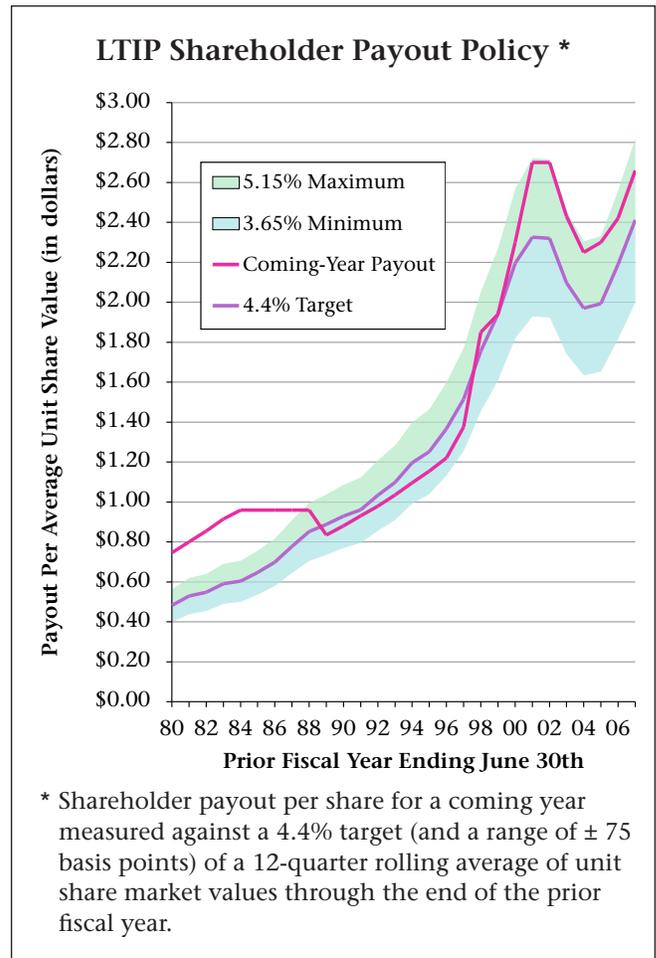
Cornell's Payout Policy

Cornell's payout policy has the following provisions:

- A per-share payout is set in advance by the trustees as part of the budget approval process.
- The proposed shareholder payout for a coming fiscal year is normally 5 percent greater than the prior fiscal year, as long as that increase allows the payout to remain within a defined target-range of 4.4 percent of a twelve-quarter rolling average of LTIP unit share values, plus or minus 75 basis points.²⁶
- In lieu of the normal 5 percent annual increase in payout, the trustees occasionally make step adjustments—both incremental and decremental—to maintain the payout within its target boundaries.

Cornell's shareholder payout policy is visualized in the graph at right, which tracks the annual payout per share and contrasts it with the payout's acceptable target range based on the rolling average of market share values.²⁷ The goal is to have the coming-year payout (the pink line) track the 4.4 percent target (the purple line).²⁸ The colored bands represent the permissible variance of the payout to its target.

The change in LTIP market value (represented in the graph as the purple line and its associated colored



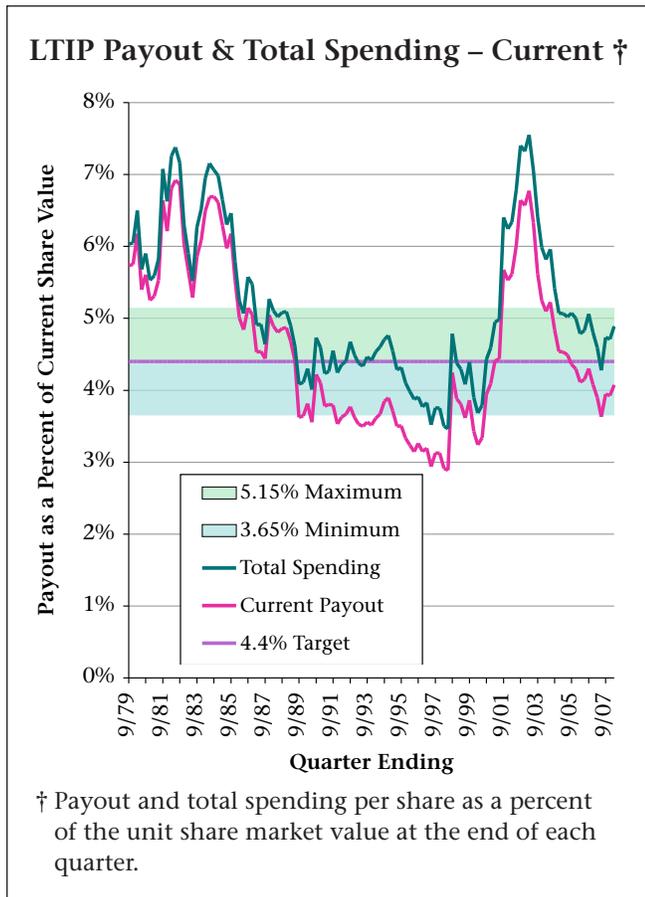
bands) isn't used to set payout but instead serves as a test for the adequacy of allowing the payout to grow by inflation. When the test reveals that the proposed payout would be too great or too small, the trustees make stepped changes as course corrections. The use of a 5 percent inflator for the annual growth in payout was predicated on an analysis of long-term inflationary growth and investment performance conducted for Cornell by Cambridge Associates, Inc. While inflation as measured by the change in the Consumer Price Index (CPI) had an average annual growth of 2.5 percent over the past 10 years, the growth has been greater over the past 50 years (4.1 percent). The inflationary growth in higher education costs, as measured by the Higher Education Price Index, trends about one percentage point above CPI inflation. Thus Cambridge Associates recommended that Cornell needed a 5 percent annual increase in endowment payout just to keep pace with the long-term growth in its cost struc-

25 Cornell reported shareholder payout for the NACUBO survey. Cornell's overall spending, which included service charges, averaged 5.1 percent for the period 1997-98 through 2006-07.

26 Total spending includes payout as well as investment expense and service charges.

27 This illustration applies the current payout policy and guidelines to all prior years, even those in which payout was set under different policies.

28 The 4.4 percent target is the fraction of the total asset value that should be paid out to shareholders every year, on average.



ture, which is dominated by personnel costs²⁹ and heavy investments in new technologies.

While the policy assumes that payout could grow at a constant 5 percent per year, it has not often done so. The annual 5 percent growth rate represents an idealized goal against which reality is measured.

The graph above displays the payout and total spending on a current basis (rather than the lagged basis used for the graph on page 25). Both payout and total spending are shown for each quarter as a percent of the unit share market value at the end of that quarter. Total spending, which includes payout as well as investment management expense and service charges,³⁰ is normally about 70 basis points above a given year's payout.

29 Salary, wage, and employee benefits expenditures represent 60 percent of operating costs at Cornell and in higher education in general.

30 Service charges were instituted by Cornell's trustees in 1948, and are designed to pay for the general and stewardship costs of endowments.

Mutual Fund or Annuity?

Some aspects of the management of the LTIP make it resemble a mutual fund; other aspects cause it to be similar to an annuity. As with a mutual fund, LTIP additions buy unitized shares, and it is the number of shares alone that determines all future payouts, even though the market value of those shares will change over time. That market appreciation, while not affecting the number of shares, permits future increases in payout level, allowing the fund to keep pace with inflation and causing all endowment shares to be treated equally no matter when they were purchased.

As with an annuity, Cornell makes a long-term and conservative prediction about its return on investment. The university couples that prediction with a commitment to provide a stable source of annual support, adjusted for inflation, for the life of the annuitant. Of course the annuitant in this case is the university itself, or more precisely the 6,900 individual funds that make up the LTIP, and lifespan is measured in centuries if not millennia. At one time, the annuity-like approach influenced how endowments were invested. For example, Cornell's investment portfolio was 97 percent bonds and mortgages 100 years ago. The mind-set that the investment portfolio had to be secured to relatively safe instruments was hinged to a related construct that only interest and dividends could be paid out to shareholders. This aspect of the annuity perspective changed as federal and state laws were revised, allowing trustees greater flexibility to invest in a variety of markets.

Despite the similarities, the LTIP is neither a mutual fund nor an annuity.

- LTIP payout is a composite of interest, dividends, and capital appreciation that is declared in advance rather than after it is earned (as would be the case of a mutual fund). While a mutual fund would distribute all interest, dividends, and realized capital gains annually, LTIP payout may represent only a portion of these earnings in a given year. It is the choice of Cornell's trustees to not distribute all earnings within the year that allows the LTIP to appreciate over time, offsetting the diminishing effects of inflation.
- Unlike the case of an annuity, the university does not enter into a contractual obligation to make periodic payments to its "annuitants." In addition,

the endowment's extremely long time horizon influences investment and payout choices that are not congruent with the model used by a typical annuity, which assumes an eventual termination of the annuity payments.

Managing Debt

For the first 100 years of Cornell's existence, its trustees were parsimonious in the use of debt, believing, as noted in a 1975 trustee report, that "while investments provide resources for the future, debt creates a mortgage against future income."³¹ Cornell had nearly gone bankrupt in the 1870's and 1880's and was strained severely during World War I and the Great Depression, incurring \$1.5 million in operating losses and unfunded capital expenses between 1925 and 1937 that were offset by the decapitalization of a portion of the Cornell endowment.³² Generations of Cornell trustees, including those of the mid-twentieth century, were suspect of incurring obligations that would be difficult to meet. Two factors combined to alter this point of view and helped set in motion the university's current approach to debt:

- The creation of the Dormitory Authority of the State of New York (DASYN) in 1944, first to construct dormitories for the State Teachers' Colleges and subsequently (in 1960) to bond construction projects for private colleges and universities
- The need to expand Cornell's facilities to accommodate both enrollment growth and an expansion in research activities

As described in that 1975 trustee report:

Prior to 1965 the University had little debt. At that time, the pressures to expand University facilities and the ready availability of government-backed credit from both state and federal sources led Cornell's trustees to re-evaluate and liberalize earlier policies to permit assuming limited amounts of debt for essential facilities—particularly those expected to generate substantial revenues—or whose construction could be partially supported from gifts.

Cornell's annual debt service payments to DASNY quickly rose from zero in 1962 to \$3.8 million in

31 "Report of the Trustee Ad Hoc Committee on Capital Financing." Ithaca: Cornell University, 1975.

32 Board of Trustees. "Minutes (Apr. 29, 1939)." Ithaca: Cornell University.

Outstanding External Debt by Category (dollars in millions)

<u>Category</u>	<u>4/30/71</u> <u>Principal</u>	<u>% of</u> <u>Total</u>	<u>2/29/08</u> <u>Principal</u>	<u>% of</u> <u>Total</u>
Residence/Dining	\$33.4	67%	\$290.7	38%
Physical Plant	3.5	7%	137.2	18%
Academic	7.0	14%	305.7	39%
Other/Miscellaneous	<u>6.2</u>	<u>12%</u>	<u>39.7</u>	<u>5%</u>
Total	50.1	100%	773.3	100%

1972-73.³³ For most of the 1960's and 1970's, debt was used to finance dormitories and utility projects, where the debt service could be built into revenue streams with defined rate structures. Few facilities projects that were academic, administrative, or general support in nature were debt financed. The trustees' approach underwent a second evolutionary change in the last decades of the twentieth century, as the judicious use of debt—within an overall financial framework that viewed endowment and debt as two sides of the same coin—was embraced. The advantageous use of debt has become a form of investment that recognizes that programmatic returns may have the same relevance and currency as financial returns. The university now examines the total amount of debt that it can reasonably incur while maintaining its current debt ratings, and allocates access to that debt as a resource.

As a result of these changes, Cornell expanded its use of tax-exempt debt and began to issue taxable debt (beginning in 1987) and variable-rate debt where rates and terms were advantageous. Cornell has also entered into forward-swap agreements to lock in rates on anticipated borrowings and has issued both tax-exempt and taxable commercial paper when conditions warrant, creating a matrix of debt instruments that approaches the complexity of the university's investment portfolio. As with investments, debt is managed in a pooled fashion (where permitted), and the internal payment of debt service for various projects is separated from the external repayment of debt by the university. The trustees' change in approach of using debt to finance academic construction projects can be seen in the table above, which shows that almost

33 "Report of the Advisory committee on Financial Planning to the President" (Cranch Report). Ithaca: Cornell University, 1972.

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40 percent of all external debt is now related to such facilities. There has also been an increase in the use of debt to finance utility projects (shown as “physical plant” in the table) in order to lower energy costs.

There are laws and important rules that govern the use of tax-exempt debt by colleges and universities.

- First, the institution cannot incur tax-exempt debt for projects in order to offset dedicated, restricted gifts that have already been made for the project. If such a restricted gift is received after the bonds have been issued, the institution is required to retire or redeem the tax-exempt bonds (or portions thereof) as rapidly as possible in an amount equal to the value of the gift.
- Second, institutions cannot exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage or engage in what is called “overburdening” the market for tax-exempt obligations.

INFLATION AND PRODUCTIVITY

At the heart of the national debate over college tuition is the fact that tuition and the underlying cost of education have grown faster than the increase in the Consumer Price Index (CPI). Absent from the discourse is any consideration of whether tuition and the cost of education should be expected to grow at the rate of change of a particular assemblage of consumer prices, weighted for their relative levels of consumption.

Absent further is any consideration of why prices inflate at all (i.e., why currencies deflate), and why that should be the normal and expected state of affairs.

While the CPI, which measures inflation in day-to-day living expenses of average American consumers, is widely known and often viewed as the definitive measure of inflation, it is only one of many ways to measure the change in the purchasing power of the dollar. Other inflation-measuring indexes include:

- The *Producer Price Index* (PPI), which measures inflation at the wholesale price level
- The *Employment Cost Index* (ECI), which measures inflation in the labor market
- The *Gross National Product Implicit Price Deflator* (GDP-Deflator), which measures the inflationary experience of the nation at large

Besides these general indexes there are many specialized measures, such as the Higher Education Price Index (HEPI), that focus on particular activities. The difficulty in relating general inflationary indexes to specific activities is the potential mismatch between the elements being measured. For example, the CPI tracks the following goods and services:

Food	15.4%
Housing	42.1%
Apparel	4.0%
Transportation	16.9%
Medical Care	6.1%
Recreation	5.9%
Education	5.9%
Other	3.7%
Total	100.0%

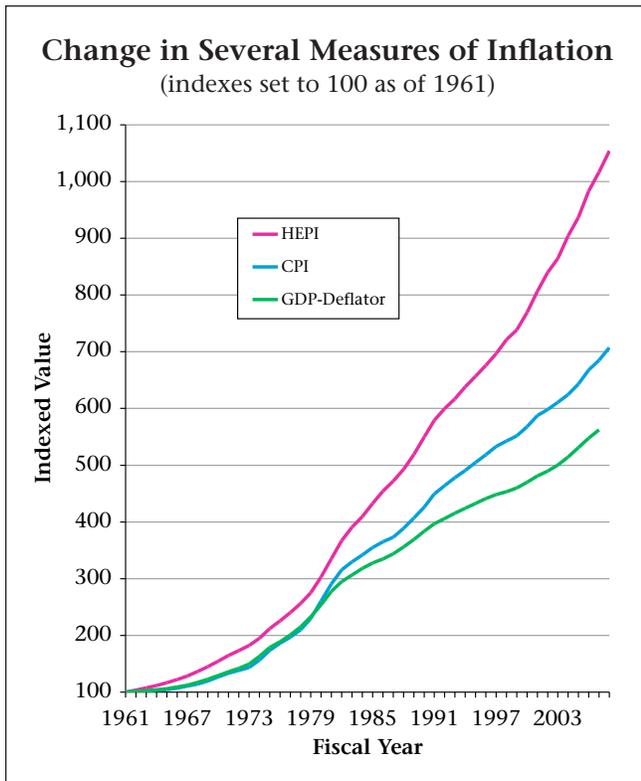
HEPI’s categories differ significantly:

Staff Salaries & Wages	62.3%
Employee Benefits	12.5%
Contracted Services	7.7%
Supplies & Materials	4.4%
Equipment	2.8%
Library Acquisitions	2.5%
Utilities	7.8%
Total	100.0%

The relative change in three of these indexes—HEPI, CPI, and GDP-Deflator—is shown in the graph on page 29. Since 1960-61, the inflationary pressure on higher education has been 49 percent greater than that felt by consumers and 81 percent greater than that experienced in the production of all U.S. goods and services. It is hardly surprising that colleges and universities experience inflation differently from consumers at large.

Beginning in the 1960’s, the economist William J. Baumol described what he eventually called the “cost disease” that affected the personal service sector of the world’s economies—those activities related to the live performing arts, health care, municipal governments, machine maintenance, care of the indigent, education, and other labor-intensive undertakings. He notes that “...inherent in the technological structure of each of these activities are forces working almost unavoidably for progressive and cumulative increases in the real costs incurred in supplying them.”³⁴ Not only is

³⁴ Baumol, William J., “Macroeconomics of Unbalanced Growth: the anatomy of urban crisis.” *The American Economic Review*, Vol. 57, No. 3 (1967).



the personal service sector of the economy labor-intensive, its workers are often skilled, highly trained, in demand, and expensive, and its cost structure is dominated by that labor cost. The nature of the services rendered by this sector does not benefit readily from the approaches used elsewhere in the economy to gain productivity: the substitution of automation (robotics and systems) for human activity, the outsourcing and offshoring of that human activity to low-wage nations, the increase in the volume of production, and the reduction of product quality. In many cases, the personal service sector of the economy must maintain wage parity with other economic sectors or risk losing workers and is often expected to improve the quantity and quality of its services. (Witness the demand for better and more comprehensive health care, improved elementary and secondary education, wider opportunities for higher education, and improved nursing-home care.) As Baumol noted:

There are at least two reasons why rapid and persistent productivity growth has eluded the stagnant services. First, some of them entail production processes that are inconsistent with standardization. Before one can undertake to cure a patient or to repair a broken piece of machinery it is necessary to determine, case by case, just what is wrong, and then the treatment must be tailored

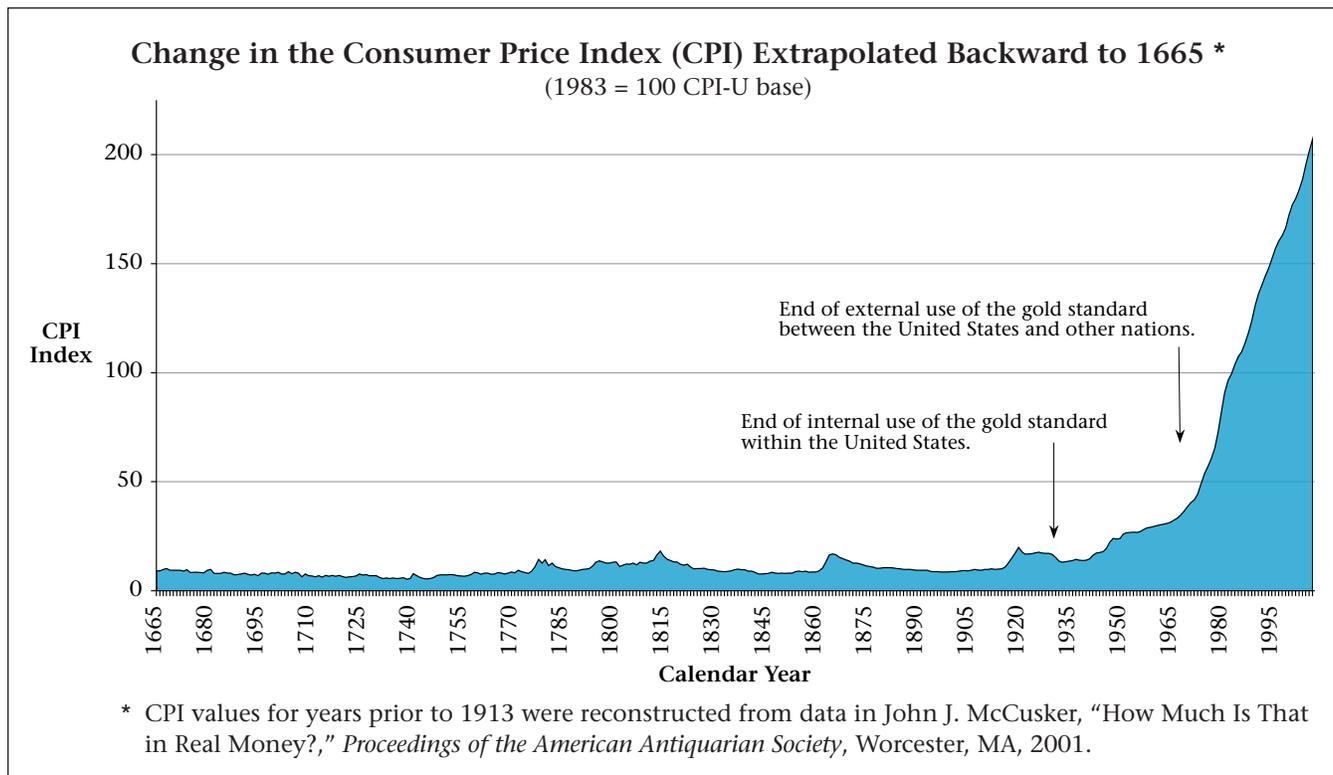
to the individual case. The manufacture of thousands of identical automobiles can be carried out on an assembly line and much of the work done by industrial robots, but the repair of a car just hauled to a garage from the site of an accident cannot be entrusted to automated processes. A second reason why it has been difficult to reduce the labor content of these services is the fact that in many of them quality is, or is at least believed to be, inescapably correlated with the amount of human labor devoted to their production. Teachers who cut down the time they spend on their classes or who increase class size, doctors who speed up the examination of their patients, or a police force that spends less time on the beat are all held to be shortchanging those whom they serve. This, then, is why the stagnant services have consistently proved unamenable to productivity growth.³⁵

This does not mean that personal service activities are immune to efficiency. The discussion of cost containment at Cornell that begins on page 15 illustrates the many ways that expenditures can be reduced and productivity improved in higher education. These important advances will not change the fact that there is a pedagogic advantage in maintaining a low student-to-faculty ratio, in limiting the number of large-enrollment classes, in ensuring that undergraduates have access to tenured faculty who are among the best in their fields, and in allowing undergraduates to participate in meaningful research and to develop critical thinking skills. The activities of scholarship and research, which also benefit from a variety of technological advances, are nevertheless inefficient enterprises in which progress is difficult to predict, advances take years, and success is often built upon a careful analysis of many failures. Unless there is a societal imperative to fundamentally change the nature of education, it will remain, along with other personal service sectors of the economy, disadvantaged vis-à-vis other sectors of the economy in terms of productivity gains and, consequently, its costs will continue to outpace the price growth in consumer goods and services.

Inflation as Normal

The concept that money's purchasing power can change over time is familiar. Less well understood, however, is the fact that chronic inflation is a rela-

³⁵ Baumol, William J., "Health Care, Education and the Cost Disease: a looming crisis for public choice," [In] *Baumol's Cost Disease: the arts and other victims*, ed. Ruth Towse. Northampton: Edward Elgar, 1997.



tively modern phenomenon. Periods of inflation and deflation occurred repeatedly during this country's history. (See graph above.) They were episodic, linked to major upheavals such as wars, in which the scarcity of goods and services drove up prices. Invariably, inflation subsided, although it sometimes settled at elevated plateaus. An American of the 1850's would have expected to sell farmland for the same \$1 per acre that he paid for it 30 years earlier, and a 2 to 3 percent interest rate was viewed as advantageous as it represented simultaneously the nominal and real return on capital.

Two events changed that pattern in the twentieth century: (a) the increasing globalization of trade, investment, and currency exchange among nations and (b) the unlinking of currencies from commodities such as gold and silver. The U.S. currency system was partially freed from the gold standard during the Civil War, when the federal government, faced with staggering war costs and a dwindling treasury, had to print what amounted to promissory notes—so called "greenbacks"—as legal tender. This currency was backed, not by a precious metal, but instead by the full faith and credit of the nation. Senator Justine S. Morrill of Vermont, the author of the 1865 Land-

Grant Act, railed against the proposal as it was debated in Congress:

If the first step were taken in making paper a legal tender, we must go on. ...having tested this facile mode of paying debts, I fear the stern and honest mode of taxation would be repugnant to many constituencies, and that the doors of the temple of paper money would not soon again be closed. Gentlemen may think otherwise, but, like a certain heroine who "Said she'd ne'er consent, and consented still," Congress would consent. If we have not the virtue and the power to resist the temptation now, while our reputation is spotless, we shall have still less when the whole country becomes debauched.³⁶

Despite Senator Morrill's worst fears, the nation and the world moved away from precious metals as the anchor for currency and currency exchanges. One unintended consequence of allowing currencies to float, as they now do, is for prices to rise faster than real changes in productivity. This can occur because of excess demand for goods and services or the need of producers to increase prices to maintain profit margins in the face of increased costs. Governments now attempt to manage inflation through their monetary

36 Bolles, Albert S., *The Financial History of the United States, from 1861 to 1885*. New York: D. Appleton & Co., 1886.

policies by regulating the amount of money in circulation and the cost of credit issued by central banks, such as the Federal Reserve in the United States.

In theory, it should not matter whether costs and prices inflate, deflate, or remain the same as long as all elements of the economy experience the change similarly. In practice, there is great psychological value in managing the economy to create a low, modulated inflation rate that can be anticipated and accommodated. Because inflation creates the illusion of constant improvement, it masks real (fundamental) changes in costs and earnings. In this capacity, inflation has become the endorphin of the modern economy. Alternatively, lack of inflation, or worse, deflation, connotes regression and deterioration. Even if it is demonstrable that one's decrease in salary is being offset by a decrease in one's cost of living, the former remains difficult to accept.

For higher education, inflation is especially problematic. While tuition, endowment payout, and salary increase rates may be announced six months prior to the start of a fiscal year, they must be planned well before then. That planning involves making educated guesses about hundreds of individual cost elements, most of which will experience a variety of inflationary changes and taken together constitute a complex moving target. Under- or over-estimating these individual inflationary pressures will result in rate changes that fail to maintain parity with the general measures of inflation such as the CPI, even if that goal were desirable. The tendency is to overestimate inflationary growth, as many rates (such as tuition) are difficult to adjust once the fiscal year begins, and the economic penalty for underestimating inflation is real.

EXTERNAL PRESSURES/INTERIORITY

While it is clearly Cornell's legal prerogative to determine tuition, provide financial aid, and set endowment payout, it has historically considered the interests of all constituencies in establishing policies and making annual rate adjustments for these factors. In doing so, the university attempts to balance the financial need of its academic programs with the significant impact that its tuition and financial-aid practices have on students and their families and to maintain an equilibrium in the use of its endowment between the

pressing demands of the immediate situation and the eventual needs of future generations. Increasingly, the university makes these decisions in an environment where the federal and state government commitment to higher education appears to be wavering, the ability and willingness of students to bear a fair share of the cost of education is in question, and public understanding of university finances is minimal.

In her March 2008 Academic State of the University address, Provost Martin noted that:

...the relative disappearance of a focus on interiority is one of my biggest concerns. I am not talking about an interiority that takes the form of navel gazing or asocial individualism, but one that fosters awareness, a sense of responsibility, the development of individuality, the ability to integrate what we take in and to establish our own sense of value—all things that require engaging with the world around us, with other people, but also engaging with the person we are in the process of becoming.

The importance of this "interiority" can be extrapolated from the individual to the institution as Cornell, in the face of external pressures such as the U.S. Senate Committee on Finance's inquiry, continues to focus its policies on what is best for Cornell and its community of students, faculty, staff, and alumni. Doing so requires that the university employ the balance of freedom and responsibility that was articulated so well by Carl Becker, who observed that despite the free range that he was granted as a faculty member at Cornell he was nonetheless "...very much bound. Not bound by orders imposed upon me from above or outside, but bound by some inner sense of responsibility [to do] ... the best I was capable of doing."³⁷

³⁷ Becker, Carl L., "Freedom and Responsibility," [In] *Cornell University: founders and the founding*. Ithaca: Cornell University Press, 1943.

OPERATING PLAN – DETAILS

ITHACA CAMPUS

Revenues and Transfers In

Revenues are planned at \$1.878 billion, an increase of 5 percent from the 2007-08 forecast.

- **Tuition and fee** revenues are expected to increase \$27.7 million, or 4.3 percent, from the 2007-08 forecast based on growth in tuition rates ranging from 3.2 to 7.5 percent and a 10.1 percent decline in the tuition rate for graduate research degrees in selected fields. A moderate expansion in enrollments is also planned. (See Appendix A, page 60, and Appendix C, page 62.)
- **Investment distributions** are projected to increase 13.5 percent from the 2007-08 forecast due to a 12.8 percent increase in the payout rate for the Long Term Investment Pool (to \$3.00 per unit share in 2008-09) combined with projected growth in investment balances.
- **Unrestricted and restricted operating gifts** are expected to total \$88 million, or 3.1 percent more than forecast for 2007-08, reflecting the impact of the new fundraising campaign, which is largely focused on raising gifts for endowment and capital.
- The **direct costs of sponsored programs** and the **indirect recoveries of facilities and administrative costs** related to those programs are projected to reach \$374.4 million in 2008-09, an increase of 2 percent over the 2007-08 forecast. Planned research growth in biomedical engineering, cell and molecular biology, nanomaterials, and biotechnology and life sciences will be offset partially by declines in particle physics, nutrition and material sciences, and astronomy.
- **State appropriations** are planned at \$169.7 million, reflecting a 2.9 percent enacted budget reduction offset by increased funding for salary programs and critical facilities maintenance. (See Appendix H, page 67.) This projection is tentative as state leaders may impose further changes during 2008-09.

Transfers in from funds functioning as endowment are planned at \$26.9 million, and will fund debt service, project construction, and renovations. **Transfers in from plant reserves** of \$1.6 million will support facility maintenance and equipment purchases.

Expenditures and Transfers Out

Expenditures are planned at \$1.786 billion, an increase of 5.4 percent over the forecast for 2007-08.

- **College** expenditures are planned at \$933.3 million, a 2.6 percent growth over the forecast, as cost increases for salaries, new faculty, program expansion, and facility construction and renovation will be offset partially by the reduction in graduate tuition support as described above.
- **Other academic program** expenditures are projected to increase 6.4 percent, to \$149.5 million, and include program implementation within the Weill Institute for Cellular and Molecular Biology.
- **Centrally recorded financial-aid** expenditures are planned at \$180 million, an increase of 14.2 percent due to the growth in tuition and its corollary effect on financial aid as well as the impact of Cornell's new undergraduate financial-aid initiative. Offsetting this growth partially will be a reduction in the cost of graduate tuition fellowships.
- **Student service** costs are expected to total \$116.7 million, representing a 10 percent increase over the forecast for 2007-08. Included in this growth are incremental costs associated with increased meal plan participation as well as the opening of three new dining facilities and two residence halls.
- **Administrative and support** costs are planned to increase \$7.9 million, or 4.7 percent, reflecting inflationary growth in salaries and general expenses.
- **Physical plant** expenditures in the operating plan are projected to increase by \$12.9 million, or 11.3 percent, reflecting higher utility costs, critical maintenance support, and additional operating expenses for new facilities such as Weill Hall and the East Campus Research Facility.

Transfers out to funds functioning as endowment of \$13.4 million and to **plant reserves** of \$105.3 million will fund future programmatic support, upcoming capital plan costs, and facility renovations.

Net from Operations

This plan is expected to yield a \$1.3 million **net from operations**, as \$22 million in planned additions to operating fund balances will be offset partially by \$20.7 million in the use of accumulated reserves (which stood at \$333 million as of June 30, 2007).

Ithaca Campus – Summary						
(dollars in thousands)						
	06-07	07-08	07-08	08-09	Change from	
	Actual	Plan	Forecast	Plan	Forecast to Plan	Percent
Resources					Dollars	Percent
1. Tuition & Fees	\$611,910	\$639,425	\$645,046	\$672,793	\$27,747	4.3%
2. Investment Distributions *	203,672	226,777	231,912	263,229	31,317	13.5%
3. Unrestricted Gifts	44,795	43,519	40,300	41,574	1,274	3.2%
4. Restricted Gifts	48,000	50,669	45,000	46,410	1,410	3.1%
5. Sponsored Programs (direct)	281,718	292,883	291,566	296,590	5,024	1.7%
6. Sponsored Programs (F&A)	74,738	76,533	75,674	77,825	2,151	2.8%
7. Institutional Allowances	57	39	39	50	11	28.2%
8. State Appropriations	156,403	173,938	169,010	169,723	713	0.4%
9. Federal Appropriations	16,766	16,781	17,100	17,840	740	4.3%
10. Enterprise Sales & Services	115,569	116,961	116,961	125,499	8,538	7.3%
11. Other Sources *	<u>160,753</u>	<u>154,152</u>	<u>156,082</u>	<u>166,066</u>	<u>9,984</u>	<u>6.4%</u>
12. Subtotal In-Year Revenues	1,714,381	1,791,677	1,788,690	1,877,599	88,909	5.0%
13. Transfers From Endowment	24,142	29,710	25,120	26,859	1,739	
14. Transfers From Plant	<u>5,261</u>	<u>2,076</u>	<u>1,530</u>	<u>1,622</u>	<u>92</u>	
15. Subtotal Transfers In	29,403	31,786	26,650	28,481	1,831	
16. Total Resources	1,743,784	1,823,463	1,815,340	1,906,080	90,740	5.0%
Uses of Resources						
17. Agriculture & Life Sciences	233,600	243,175	243,375	246,973	3,598	1.5%
18. Architecture, Art & Planning	21,154	23,936	24,077	24,383	306	1.3%
19. Arts & Sciences	169,581	179,150	179,830	182,190	2,360	1.3%
20. Engineering	121,376	130,515	132,515	136,685	4,170	3.1%
21. Hotel Administration	43,022	45,257	45,300	48,693	3,393	7.5%
22. Human Ecology	52,681	55,597	52,993	53,756	763	1.4%
23. Industrial & Labor Relations	40,466	44,698	43,685	44,373	688	1.6%
24. Johnson School	48,687	51,836	54,800	58,198	3,398	6.2%
25. Law School	25,323	25,918	26,218	27,339	1,121	4.3%
26. Veterinary Medicine	105,439	106,538	106,547	110,759	4,212	4.0%
27. Research Centers	98,892	90,224	92,500	96,933	4,433	4.8%
28. Other Academic Programs	128,365	137,659	140,500	149,446	8,946	6.4%
29. Centrally Recorded Financial Aid	154,273	163,418	157,599	179,979	22,380	14.2%
30. Student Services	100,995	106,255	106,078	116,721	10,643	10.0%
31. Administrative & Support	163,191	174,640	169,100	176,998	7,898	4.7%
32. Physical Plant	97,246	117,415	114,000	126,866	12,866	11.3%
33. Ithaca Campus All Other	8,718	6,505	7,275	7,558	283	3.9%
34. Cost Redistribution	<u>(1,700)</u>	<u>(1,738)</u>	<u>(1,738)</u>	<u>(1,775)</u>	<u>(37)</u>	<u>2.1%</u>
35. Subtotal Expenditures	1,611,309	1,700,998	1,694,654	1,786,075	91,421	5.4%
36. Transfers To Endowment	17,343	18,025	16,862	13,431	(3,431)	
37. Transfers To Plant	<u>96,319</u>	<u>102,680</u>	<u>102,700</u>	<u>105,280</u>	<u>2,580</u>	
38. Subtotal Transfers Out	113,662	120,705	119,562	118,711	(851)	
39. Total Uses of Resources	1,724,971	1,821,703	1,814,216	1,904,786	90,570	5.0%
40. Net From Operations	18,813	1,760	1,124	1,294	170	
41. Additions to Operating Reserves				22,026		
42. Use of Operating Reserves				20,732		

Note: * Amounts for 2006-07 and 2007-08 have been restated to conform with the 2008-09 plan presentation.

ITHACA CAMPUS COLLEGE PLANS

The two-page schedule on pages 40 and 41 shows the 2008-09 operating plan for each of the ten colleges on the Ithaca campus as well as summary plans for other major operational segments. The narratives below describe the individual college plans, highlighting the various academic initiatives that are either underway or being considered. Some of the capital projects mentioned below are listed in the capital plan. (See page 44.)

Agriculture and Life Sciences

The 2008-09 budget of the College of Agriculture and Life Sciences (CALs) reflects an ongoing commitment to its four program priorities: the land-grant mission, the applied social sciences, the environmental sciences, and the new life sciences.

This year's applicant pool for the fall 2008 freshman class was the most competitive in CALs's history. CALs received 4,745 applications, and admitted only 20.6 percent of that total. The projected enrollment for the fall 2008 freshman class is targeted at 648 students, with a New York State resident to non-resident ratio of 60:40. The overall planned enrollment for 2008-09 is very similar to that of 2007-08, with an undergraduate population of between 3,050 and 3,150 students plus approximately 950 graduate students.

For 2008-09, CALs tuition revenue is expected to increase by 5 percent for both resident and non-resident students. Funding from New York State is planned to remain unchanged from the 2007-08 level; however, the college is making contingency plans for the possibility of in-year budget reductions due to the state's current fiscal challenges. State appropriation funding provides critical support to core operations and an in-year reduction would have a major negative impact.

CALs continues to make strategic investments in new faculty as existing positions become vacant. The 2008-09 operating budget supports seven new faculty hires, including three faculty who will be integral to the Weill Institute of Cell and Molecular Biology.

During the past five years, CALs has invested over \$36 million in major facility improvements and capital equipment purchases. For 2008-09, the college is planning \$8 million of capital spending. Some of the major projects included in the 2008-09 operating

budget are: (a) critical maintenance repairs to the Riley Robb building (\$1.8 million), (b) capital equipment for faculty start-up (\$2.3 million), (c) completion of a biofuels laboratory in Riley Robb Hall, and (d) initial phases of the \$90 million Stocking Hall renovation and food sciences building project.

Architecture, Art and Planning

The College of Architecture, Art, and Planning (AAP) has made strategic investments in priority areas. Curricular additions have been made to assure that international learning opportunities, urban exposure, and public service are essential components of the education for as many AAP students as possible. AAP has also improved its physical, technical, and communications infrastructure.

AAP continues to enjoy year-to-year growth in applications for each of its programs, resulting in high quality students at every level of the college. The Masters of Architecture programs continue to grow, and in 2008-09 are targeted to reach 93 students—up 60 percent from 2005. Overall fall enrollment projections for 2008-09 include 512 undergraduate majors (studying on and off campus) and 233 graduate students.

In 2008-09, the college expects to achieve continued growth in its three-year-old New York City program (AAP NYC) and to validate the economic viability of this program. AAP NYC will continue to be the base of operations for the Cornell Urban Scholars Program and the Cornell Urban Mentors Initiative—two foundation-supported public service programs which place 70 students from several Cornell colleges in community agency internships and year-round mentoring relationships with inner-city youth. The Department of City and Regional Planning administers these service programs for Cornell.

The 2008-09 operating plan reflects significant cost pressures resulting from recent investments in college priorities as well as relocation of program activities in advance of the Paul Milstein Hall building project. Accumulated fund balances and limited-term resources will be used to meet operating needs in the near-term, and the college will focus on aligning programmatic priorities with its five year (2007-12) financial planning model in the coming year.

Significant capital project activity will continue in the college in 2008-09, including a renovation project to build elevators and accessible washrooms to address Americans with Disabilities Act (ADA) compliance needs for the college and the Fine Arts Library. This project will lead to the removal of trailers from the north side of Sibley Hall and continue the substantial relocation of some students, faculty, and staff that began in 2007. The trailer moves will also prepare the way for the construction of Milstein Hall, due to start in late 2008 or early 2009.

Arts and Sciences

The College of Arts and Sciences, one of the strongest liberal arts colleges in the country, has a faculty of 529 who teach both undergraduate and graduate students in more than 40 subjects. The number of undergraduate applications to the college grew for a fourth straight year, with an increase of 4 percent. The college enrolls 4,000 undergraduates and more than 1,700 graduate students in its own departments and related graduate fields and provides a sizable portion of the instruction for the undergraduates of the other colleges at Cornell. Typically 37 percent of the students enrolled in the College of Engineering and 21-25 percent of contract college undergraduates take Arts and Sciences courses each year. Arts and Sciences is committed to offering a rigorous and wide-ranging education to students throughout the university and to advancing the frontiers of knowledge in all fields through basic research and scholarship in the natural and social sciences and the humanities.

Faculty recruitment and retention remain top priorities, as the college needs to maintain academic strength during a period when faculty are retiring at a rapid rate and new areas of study are being developed to respond to the increasing internationalization of the curriculum, the growth in multidisciplinary research and scholarship, and the development of new technologies. Increased offerings in Chinese and Arabic and faculty who work in developing areas of information science in such diverse departments as Linguistics, Statistics, and Science and Technology Studies, as well as in the humanities, are some of the most recent manifestations of these developments.

The college's 2008-09 financial plan includes a significant investment in faculty salaries, to provide strong

financial incentives and recognition for productivity and promotion, as well as improved funding for new faculty startup expenses. The high level of activity in faculty recruitment and a good success rate in faculty retention is also generating a demand for additional investment in faculty research and summer support as well as a need to increase the pace at which the college creates new facilities and modernizes existing ones. These pressures are reflected in additional capital expense that has been incorporated in the financial plan to cover renovations of office and research space for new faculty and the cost of the initial design work on a new humanities building that will address the severe shortage of office and teaching space in the humanities and many of the social science departments. In addition, Arts and Sciences has again increased funding for instructional technologies, but this is an area that the college is studying and which will require more significant investments in the near future.

The college's financial plan calls for the use of existing fund balances that are being transferred to plant funds to support the humanities building. The remaining draw on fund balances is generally restricted in nature, and is being used in accordance with the intended purpose of the funds.

Engineering

The College of Engineering, a nationally ranked, top-ten engineering college, enrolls 3,000 undergraduates annually along with 810 Ph.D. and 470 Masters of Engineering (M.Eng.) students and employs 239 faculty, 330 academic and non-academic staff, and approximately 100 visiting professors and scientists.

Budgeted faculty salary expenditures reflect continued growth in the number of faculty positions in areas of strategic importance to the college and the university. Included in the 2008-09 plan is the cost of pre-filling 12 faculty lines in advance of expected faculty retirements and in anticipation of future gifts. The college is increasing the number of tenure-track faculty positions by 30 over a ten-year period, with 15 of these new positions in the Department of Biomedical Engineering (BME), which was established in 2004, and the balance in the college's six strategic areas of research priority: systems biology, nanoscience, advanced materials, energy and environment, computational science and engineering, and complex systems.

OPERATING PLAN – DETAILS

The 2008-09 budget includes the addition of two BME faculty, bringing the department's total faculty to 12. BME plans to fill all 15 new faculty lines by 2010.

In addition to BME hires, budgeted 2008-09 expenditures reflect four new faculty lines in the strategic growth areas of sustainable energy systems, computational engineering, biomaterials, and nanoscience. These lines will be funded from reserves in advance of raising endowed professorship funds.

Engineering's enrollment goals are tied implicitly to strategic programmatic goals. The college is striving to double its research funding over a ten-year period. A related goal is the plan to increase the number of Ph.D. students, with significant growth particularly in the college's six areas of strategic focus. Projected 2008-09 expenses include newly funded Ph.D. fellowships and growth in sponsored research graduate assistantships. The new three-semester Operations Research in Manhattan M.Eng. degree program in financial engineering is projecting increased enrollment in 2008-09. Students participate in internships and instruction in Manhattan during their third semester. This year, the Systems Engineering M.Eng. degree will offer its first semester of a new industry-targeted distance-learning degree program. Undergraduate enrollment is projected to remain at the current level of approximately 3,000 students. New gifts and expenditures related to the college's curriculum transformation and new Engineering Teaching Excellence Institute and the allocation of resources to international programs with India, China, Spain, and France are reflected in the 2008-09 budget.

Engineering is one of the leaders in Cornell's sustainable development initiative, with the college's 2008-09 financial plan reflecting a newly endowed Croll Professor of Sustainable Energy Systems position, funding for graduate fellowships in sustainable energy systems, and development of curriculum and undergraduate student projects on energy and the environment.

The college is implementing its facilities master plan, which is an extensive ten-year, multi-million dollar plan for new construction, renewal, and renovation of the college's facilities. The 2008-09 budget reflects implementation of elements of the plan, including the substantial construction of the Olin Hall mechanical infrastructure, safety, and building exterior upgrade; a finalized bid for the design of a Phillips Hall laboratory

addition and mechanical upgrades; and the completion of the feasibility study, site criteria selection, and concept design for a new engineering building that will replace Carpenter Hall and most of Hollister Hall.

Engineering's 2008-09 plans include funding for the Physical Sciences Building, which will provide important new space for the School of Applied and Engineering Physics. The college has also been planning for the occupancy of the Weill Hall, which will contain many of the faculty of the Biomedical Engineering Department, as well as the design for Gates Hall for the Department of Computer Science.

Hotel Administration

The School of Hotel Administration is committed to remaining the number one school in hospitality leadership education, and continues to focus on three goals: (a) assuring that it remains the source for future industry leaders (which requires continuous improvement of undergraduate and graduate curriculums, specifically the quality of its students' experiential learning and international experience), (b) improving its position as the source for industry knowledge and expertise, and (c) creating an affordable educational option for an increasing global and diverse population of students. Consistent with those goals, during 2008-09, the school will concentrate on (a) an undergraduate curriculum review and development initiative, (b) a strategic review and development to evaluate the feasibility and economics of building a much larger platform to extend its reach and influence, (c) an effort to capitalize on its global brand name and secure the revenues needed to support its continued growth and dominance within the hospitality industry, and (d) an implementation of energy conservation and sustainability initiatives for its facilities.

The Hotel School consists of 71 faculty (including visiting and adjunct) and 22 other academic professional staff dedicated to excellence in teaching, research and service to an expected 2008-09 student enrollment of 820 undergraduate students, 9 MS/PhD students, and 60 Masters in Management in Hospitality students (40 Ithaca and 20 Nanyang Technological University).

The 2008-09 operating plan for the school is \$48.7 million. Salaries and wages are expected to increase 11.3 percent due to the addition of four full-time faculty as well as other professional and administra-

tive staff to support expanded programs, fundraising, and increased departmental responsibilities. Restricted gifts are projected to grow 132 percent over the 2007-08 forecast, predicated on receipt of the first of six \$500,000 payments pledged by the Pillsbury Institute of Hospitality Entrepreneurship. The Center for Hospitality Research, the leading source for hospitality industry research, anticipates a 33 percent increase in program support. Included in the plan is a 20 percent increase in the school's non-payroll expenses due to start-up of the Pillsbury Institute, expanded financial aid, a building energy audit and related improvements, and a utility sub-metering project.

Human Ecology

The College of Human Ecology integrates fundamental research, education, and outreach across multidisciplinary units to advance and improve the human condition. The college's specific areas of focus include improving nutrition and health, advancing design and technology, enriching human development, and shaping policies that secure economic and social well-being for individuals, families, and communities. The college is comprised of approximately 100 faculty, 1,250 undergraduates (on and off campus), 225 graduate students, and 250 academic and nonacademic staff.

Human Ecology's financial plans reflect a commitment to support faculty recruitment, development, and renewal; to build and maintain strong multidisciplinary departments; to strengthen the integration of its three-fold mission by using its expertise in research to define each department, and through that, shape the education experience and the effectiveness of its outreach programs; to cultivate the highest quality undergraduate population; and to advance graduate education across all fields.

Human Ecology's expenditure plan for 2008-09 totals \$71.1 million. Sponsored research funding is expected to decline slightly next year due in part to the decline in available federal NIH funding and new faculty who are in the early stages of securing research funding. Human Ecology plans to continue an annual \$1.8 million set aside to help fund the college's share of facilities costs associated with the new Human Ecology building now under construction. This facility will replace the former north wing of Martha Van Rensselaer Hall. Sitting atop a new, 252-car parking garage, the

replacement facility will include teaching and research laboratories, an exhibition gallery, design studios, faculty offices, and a commons area that will serve to unite the college buildings and academic community. Simultaneous with the new construction is the ongoing renovation and mechanical upgrade of historic Martha Van Rensselaer Hall. The capital funding being planned for these two main projects, to be completed in the next seven years, is over \$150 million.

Once completed, the college's physical campus will both reflect and foster the innovative, multidisciplinary approach that distinguishes its research, academics, and outreach. New initiatives include the Law, Psychology, and Human Development graduate concentration—a collaboration with the Law School and the College of Arts and Sciences—and the university-wide Population Program, administered through the Bronfenbrenner Life Course Center and involving more than 70 Cornell faculty.

Industrial and Labor Relations

The School of Industrial and Labor Relations (ILR) is focused on advancing the world of work, and its 2008-09 budget will allow the school to replace and expand its faculty, invest in its facilities, and deepen its external focus in the area of grants, public relations, and fundraising. ILR's 2008-09 expense budget totals \$58.5 million, which represents a 2.2 percent increase over the prior year's budget.

Undergraduate applications for fall 2008 were up 7.7 percent, with anticipated undergraduate enrollment for 2008-09 at 852 undergraduate students (studying both on and off campus). The school is augmenting a very successful transfer student program with 124 new transfer students matriculating each year. ILR remains the nation's only institution offering a four-year undergraduate program in the field. The budget is based on 89 MILR students, 23 more than enrolled previously, and 50 MS/PhD students.

ILR has 48 full-time faculty who specialize in human resource management, labor economics, collective bargaining, labor law and history, and social statistics. ILR's Extension Division includes 46 extension associates who work with corporations, unions, governments, and non-profit agencies to improve management practices, labor relations, and alternative dispute resolution mechanisms.

OPERATING PLAN – DETAILS

The focus of ILR's operating budget will be to renew its faculty by replacing three vacant positions and adding one new position in alternative dispute resolution. During 2008-09, it is likely that the school will recruit two new faculty with an emphasis on international scholarship. The school has also eliminated several positions in order to fund new faculty and staff positions, including a new position to increase sponsored research and foundation grant awards as well as positions to support its public relations and marketing efforts and its fundraising initiatives.

In 2007-08, the school received a gift from Martin and Laurie Scheinman allowing it to create the Scheinman Institute on Conflict Resolution. ILR also added new credit-exchange international programs with the European School of Management in Paris and the School of Business at University College, Dublin.

A \$15 million renovation of the Ives Faculty Building began in February 2008 and, when completed in May 2009, it will mark the completion of a decade-long renewal of ILR's facilities. The school is also investing \$2.1 million to renew its New York City conference center in mid-town Manhattan that generates nearly \$8 million per year in revenue.

Johnson School

The Johnson Graduate School of Management (JGSM) is poised to achieve many of the goals outlined five years ago in its plan: "Inventing Our Future: 2004-2009". In early 2008-09, the school expects to articulate the future goals and objectives that will ensure that JGSM sustains and enhances its worldwide reputation as a top-ten school of management.

The 2008-09 budget includes continued investments in the initiatives outlined in JGSM's current plan. The school remains committed to recruit and retain a faculty who can deliver outstanding instruction and research in all areas of modern business. The 2008-09 budget reflects a net increase of two full-time faculty members. In addition, the plan includes salary increases that will help JGSM respond to an increasingly competitive market for faculty. The budget also provides for staff growth in a few strategic areas including career services, in order to provide students with access to professionals from industry. To ensure that JGSM retains talented staff, the school has undertaken a two-year process to ensure that salaries are appro-

priately aligned with local and regional employment markets.

Consistent with JGSM's strategic plan, the school will continue to expand its executive MBA programs. The Cornell-Queen's Executive MBA program projects a 27 percent increase in its incoming class through the addition of new locations and a second section. Applications for the Cornell EMBA program remain strong and enrollment growth is expected in that program also. While steady enrollments are planned for the school's residential MBA programs, JGSM continues to recruit a highly qualified and diverse student body, which requires additional financial aid, given competition with other business schools for these students.

JGSM's Centers of Research, Learning, and Practice remain key factors making the school unique among its peers. In 2009, the Center for Sustainable Global Enterprise will sponsor a major conference on private sector-based approaches to sustainability. A director will be hired for the Entrepreneurship@Johnson program. The Parker Center for Investment Research will make additional investments in marketing its world-class instruction and research activities as well as the Cayuga Fund. Finally, JGSM's Business of Science and Technology Initiative will expand and strengthen its relationships with industry, academe (in the form of a developing partnership with MIT), and the philanthropic sector (via funding from the Kaufmann Foundation for Entrepreneurship).

Law School

Excellence in teaching and scholarship serves as the foundation of the Cornell Law School, and it is assured by the distinction of outstanding faculty dedicated to educating the most broad-minded and technically sophisticated future lawyers and leaders. The school continues to recruit diverse faculty members to enrich and compliment the existing base of approximately 48 full-time and 20 part-time faculty members. The 2008-09 financial plan reflects the addition of 5 new faculty members, two of whom are women.

International programs continue to be a primary focus for the school. Through research, teaching, and scholarly dialogue, the Berger International Legal Studies Program and the Clarke Center for International and Comparative Legal Studies strive to bring a broad interdisciplinary focus to the study of law

and develop new ways of thinking about key issues of transnational law, politics, and culture. The Law School appointed its first Clarke Middle East Fellow, Ra'id Al-Sa'edi, Chief Investigative Judge of the Iraqi High Tribunal. Judge Ra'id will be in residence for three years. The 2008-09 program also continues to support two summer international programs: the Paris Summer Institute of International and Comparative Law and the Summer Law Institute in Suzhou, China. It also supports expansion of the Law School's already large number of formal student and faculty exchange relationships with law schools around the world.

The new Jack G. Clarke Institute for the Study and Practice of Business Law will include expanded class offerings, three new faculty members, and an executive director, as well as seminars, conferences, and other programming. The institute will also complement the school's J.D./M.B.A. joint-degree program, run in conjunction with the Johnson Graduate School of Management. The Law School continues to support and expand the Legal Information Institute (LII), known internationally as the leading "law-not-com" provider of public legal information. The LII offers all opinions of the United States Supreme Court handed down since 1992, together with over 600 earlier decisions selected for their historic importance, over a decade of opinions of the New York State Court of Appeals, and the full United States legal code.

High academic standards and attention to the importance of student diversity is maintained throughout the competitive admissions process with special attention to understanding and being sensitive to applicants' special attributes to ensure the best class possible. Key attributes include diversity in age, interest and extent of legal studies background. In 2008-09, the school plans to maintain an enrollment of 560 professional degree students and 66 graduate students.

Veterinary Medicine

The College of Veterinary Medicine (CVM) continues to maintain its status as a national leader in the field of veterinary medicine. CVM considers its national reputation as the premier program in veterinary education seriously and is cognizant of the role of both world-class veterinary teaching hospital and Animal Health Diagnostic Center in maintaining that pre-eminence. Cutting-edge research and quality gradu-

ate education programs that emphasize collaboration between the physical sciences, biological sciences, and engineering programs are also key contributors to the continuation of CVM's high ranking.

The 2007-08 fiscal year was one of transition for CVM as a new dean assumed leadership of the college. A strategic planning effort, directly attributable to this change in leadership, is currently being developed and is expected to be complete by fall 2008. Although CVM continues to enjoy leadership status in all three core mission areas of teaching, research, and service, it is essential that constant reevaluation occur to enable the college to remain current in its societal obligations, collaborative alliances, and contributions to the veterinary profession. This strategic planning process allows CVM the opportunity to undertake a bottom-up critical analysis of issues to be addressed and will provide a unified strategic direction, including clearly articulated objectives and strategies for achieving them. Once complete, this strategic plan will guide CVM priorities and distribution of resources for the next five to ten years.

The college's 2008-09 operating budget does not reflect any significant programmatic changes. Professional and graduate student enrollment planning remains relatively steady at 335 and 130 students, respectively. The operating plan includes the fourth-year of a five-year effort to strengthen clinical programs. The operating plan also includes a significant use of fund balances planned in department and college units. The use of fund balances addresses both one-time and expiring needs as well as some continuing investments in advance of long-term budget planning that will result from the college's strategic planning process.

Significant capital activity will have an impact on the college's operating budget beyond 2008-09, including construction of a new animal health diagnostic center, a new equine drug testing building, and replacement of the current incinerator facility with a state-of-the-art medical-waste digester. CVM will also launch a capital master planning effort during 2008-09, which will be guided by the outcome of the ongoing strategic planning effort.

OPERATING PLAN – DETAILS

Ithaca Campus – Detail								
(dollars in thousands)								
	General Purpose Budget	Agriculture & Life Sciences	Arch. Art & Planning	Arts & Sciences	Engineering	Hotel School	Human Ecology	Industrial & Labor Relations
Resources								
1. Tuition & Fees *	\$356,294	\$103,000	\$4,312	\$544	\$14,110	\$36,497	\$35,341	\$26,684
2. Investment Distributions	115,840	16,337	2,159	12,229	10,241	3,021	3,520	2,346
3. Unrestricted Gifts	8,129	6,600	281	2,843	4,000	715	499	691
4. Restricted Gifts		6,553	455	4,353	4,056	1,568	360	1,406
5. Sponsored Programs (direct)		76,750	176	21,715	45,671		14,215	5,672
6. Sponsored Programs (F&A)	45,954	16,791					3,540	1,125
7. Institutional Allowances		50						
8. State Appropriations	1,520	63,540				100	9,363	11,763
9. Federal Appropriations		10,050					3,634	
10. Enterprise Sales & Services								
11. Other Sources	40,193	16,968	1,207	1,534	1,650	18,071	1,898	9,028
12. Inter-Unit Transfers		<u>5,883</u>	<u>1,640</u>	<u>2,813</u>	<u>8,609</u>	<u>(196)</u>	<u>(906)</u>	<u>22</u>
13. Subtotal In-Year Revenues	567,930	322,522	10,230	46,031	88,337	59,776	71,464	58,737
14. General Purpose Allocations	(710,500)		12,665	135,651	54,566			
15. Transfers From Endowment		100			3,844			20
16. Transfers From Plant					<u>1,206</u>			
17. Subtotal Transfers In		100			5,050			20
18. Total Resources	(142,570)	322,622	22,895	181,682	147,953	59,776	71,464	58,757
Uses of Resources								
19. Salaries & Wages		154,095	11,878	109,877	79,690	25,752	29,922	26,493
20. Employee Benefits		12,089	3,394	29,635	18,407	7,859	2,011	1,570
21. Undergraduate Financial Aid		2,016	119	293	137	28	695	311
22. Graduate Financial Aid		17,601	2,449	18,999	7,890	283	3,785	2,381
23. General Expense		56,646	6,537	21,911	24,964	14,718	17,114	12,692
24. Capital Expense		<u>4,526</u>	<u>6</u>	<u>1,475</u>	<u>5,597</u>	<u>53</u>	<u>229</u>	<u>926</u>
25. Subtotal Expenditures		246,973	24,383	182,190	136,685	48,693	53,756	44,373
26. Accessory Instruction	(13,621)	3,566				(2,284)	1,469	712
27. Administrative & Support	(97,911)	41,911		18		5,868	9,180	8,356
28. Financial Aid	<u>(31,038)</u>	<u>18,488</u>				<u>3,552</u>	<u>6,675</u>	<u>4,541</u>
29. Subtotal Cost Redistribution	(142,570)	63,965		18		7,136	17,324	13,609
30. Net Expenditures	(142,570)	310,938	24,383	182,208	136,685	55,829	71,080	57,982
31. Transfers To Endowment		2,050		32	3,930	804		246
32. Transfers To Plant		<u>4,723</u>		<u>3,900</u>	<u>7,000</u>	<u>2,475</u>	<u>2,111</u>	<u>153</u>
33. Subtotal Transfers Out		6,773		3,932	10,930	3,279	2,111	399
34. Total Uses of Resources	(142,570)	317,711	24,383	186,140	147,615	59,108	73,191	58,381
35. Net From Operations		4,911	(1,488)	(4,458)	338	668	(1,727)	376
36. <i>Additions to Operating Reserves †</i>		6,692	3		1,798	784	28	1,378
37. <i>Use of Operating Reserves †</i>		1,781	1,491	4,458	1,460	116	1,755	1,002

Note: * Most of the tuition related to enrollments in the Colleges of Architecture, Art and Planning; Arts and Sciences; and Engineering is recorded in the general purpose budget and then allocated to these colleges. Exceptions to this pattern include the Rome, FALCON, and Master of Engineering Programs, where tuition is recorded directly by the colleges and is shown in line 1 for each of these three colleges.

OPERATING PLAN – DETAILS

Johnson School	Law School	Veterinary Medicine	Research Centers	Other Academic Programs	Centrally Recorded Financial Aid	Student Services	Administrative & Support	Physical Plant	Ithaca All Other	Total Ithaca Campus
\$44,405	\$29,195	\$13,114		\$9,297						\$672,793
5,800	5,730	8,340	584	12,485	36,818	1,676	469	15,551	10,083	263,229
2,394	1,972	2,500	139	1,701		10		9,100		41,574
4,078	522	3,000	1,622	7,441	177	1,819			9,000	46,410
418	129	34,180	78,568	7,920	10,542		634			296,590
		10,400		(5)			20			77,825
										50
110	75	31,665		4,170				1,800	45,617	169,723
		600		3,536			20			17,840
				1,042		92,414		32,043		125,499
1,109	284	23,710	3,905	20,937	6,400	9,005	4,625	5,542		166,066
(2,007)	(3,535)	(418)	6,087	15,827	1,739	5,543	38,640	(1,860)	(77,881)	
56,307	34,372	127,091	90,905	84,351	55,676	110,467	44,408	62,176	(13,181)	1,877,599
	386		6,598	68,692	122,030	31,578	135,233	111,851	31,250	
2,729		35				20		20,111		26,859
		226						190		1,622
2,729		261				20		20,301		28,481
59,036	34,758	127,352	97,503	153,043	177,706	142,065	179,641	194,328	18,069	1,906,080
27,957	14,563	66,647	44,765	68,659		49,399	99,993	66,103	1,125	876,918
8,422	4,399	5,038	11,969	18,637		15,384	36,440	21,728	3,232	200,214
			74	81	137,349	662				141,765
7,484	2,475	6,477	868	4,551	42,630	85	100			118,058
14,275	5,862	29,451	33,592	39,154		51,116	38,644	38,993	2,727	408,396
60	40	3,146	5,665	18,364		75	1,821	42	474	42,499
58,198	27,339	110,759	96,933	149,446	179,979	116,721	176,998	126,866	7,558	1,787,850
(4,982)	(300)								15,440	
5,438	5,295	16,842		61		5,628	1,411	6,644	(10,516)	(1,775)
9		46			(2,273)					
465	4,995	16,888		61	(2,273)	5,628	1,411	6,644	4,924	(1,775)
58,663	32,334	127,647	96,933	149,507	177,706	122,349	178,409	133,510	12,482	1,786,075
	2,400			969					3,000	13,431
400	12	3,350	722	1,618		20,184	1,303	57,329		105,280
400	2,412	3,350	722	2,587		20,184	1,303	57,329	3,000	118,711
59,063	34,746	130,997	97,655	152,094	177,706	142,533	179,712	190,839	15,482	1,904,786
(27)	12	(3,645)	(152)	949		(468)	(71)	3,489	2,587	1,294
150	287		27	2,573		46	271	3,489	4,500	22,026
177	275	3,645	179	1,624		514	342		1,913	20,732

Note: † Besides transfers in from and out to other funds (e.g., funds functioning as endowment and physical plant funds), the operating plan can involve additions to (line 36) and the use of (line 37) current fund operating reserves. These reserves for the Ithaca campus totaled \$333 million as of June 30, 2007.

MEDICAL COLLEGE

Revenues and Transfers In

Revenues for the Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences are projected at \$1.043 billion, an increase of 4.6 percent over the forecast for 2007-08.

- **Tuition and fees** are budgeted at \$23.2 million, an increase of \$2.3 million, or 11.2 percent, from the forecast. Medical College tuition will increase 6.5 percent, from \$39,180 to \$41,730, for first- and second-year students. Tuition for third- and fourth-year students will grow 5 percent, to \$37,240. Tuition for the Graduate School of Medical Sciences will increase 3 percent, to \$26,872. A slight increase in student enrollments is also projected. (See Appendix C, page 62.)
- **Restricted gifts** are expected to total \$62.1 million in 2008-09, a slight decrease from the forecast. The planned amount includes annual gift contributions and anticipated gifts to support new faculty and programs as part of the Strategic Plans for Research and Advancing the Clinical Mission.
- **Direct costs** of grants and contracts for **sponsored programs** are expected to total \$115.8 million, a 3.1 percent growth over the 2007-08 forecast, due mainly to the recently announced Clinical Translational Science Award. **Recoveries for facilities and administrative costs (F&A) from sponsored programs** are projected to increase 2.8 percent due to growth in direct costs. The on-campus federal F&A rate is expected to remain at 68 percent.
- Revenues from the **Physician Organization (PO)** are projected at \$495.2 million, a \$22.9 million increase from the 2007-08 forecast, and incorporates expected growth in receipt volume in several clinical initiatives introduced as components of the Strategic Plan and continued growth in established practices and various specialty divisions.
- Administrative, training, and supervisory services purchased by the **New York Presbyterian Hospital (NYPH)** are expected to total \$86.2 million, \$1.7 million greater than the 2007-08 forecast. These services include hospital-service costs and supervision and training of NYPH residents.
- Funding from the **Qatar Foundation** to operate the Weill Medical School in Qatar is expected to grow

\$6.9 million in 2008-09, reaching \$78.5 million.

This funding level anticipates a planned growth in faculty and support staff.

Expenditures and Transfers Out

Net expenditures are planned at \$1.029 billion, an increase of 4.5 percent, or \$44 million, over the forecast for 2007-08.

- **Academic department** expenditures, including the Physician Organization, are planned to increase 3.7 percent, to \$790.9 million. This growth will be due mainly to: (a) a 4.1 percent increase in Physician Organization expenditures, including Strategic Plan programs; (b) a 2 percent growth in the costs related to administrative, training, and supervisory functions provided to NYPH; and (c) a 3 percent increase in sponsored programs costs.
- **Administrative and support** costs are expected to grow 5.7 percent, or \$4.7 million, from the 2007-08 forecast. These costs include operating expenditures for student services, academic, and administrative support units. **Administrative and support** costs for the Medical College in **Qatar** will increase 16.4 percent, to \$78.5 million, as growth is anticipated in faculty and staff who support the program in Qatar and that the full amount budgeted in 2008-09 will be expended.
- **Physical plant** costs are expected to increase 8.2 percent, to \$56.9 million, reflecting growth in new facility costs for off-site locations at 61st Street, 67th Street, and 575 Lexington Avenue. A significant amount of the incremental space is to accommodate the planned Biomedical Research Building. The plan also includes new borrowings for the expansion of the “E” building and renovations of RARC sites in the “S” and Main Buildings.

Transfers out to plant reserves, which are planned at \$2.6 million, represent funding for capital acquisitions and renovations by the Physician Organization.

Net from Operations

This plan will produce an \$11.5 million **net from operations**, which will be held in **current fund balances**. Included in this net is a projected deficit of \$1.4 million in Housing and Ancillary Operations, which will be funded by future revenues.

Medical College						Change from	
(dollars in thousands)		06-07	07-08	07-08	08-09	Forecast to Plan	
Resources		Actual	Plan	Forecast	Plan	Dollars	Percent
1. Tuition & Fees		\$18,839	\$19,432	\$20,906	\$23,241	\$2,335	11.2%
2. Investment Distributions		40,580	40,614	46,483	50,553	4,070	8.8%
3. Unrestricted Gifts		1,801	2,329	1,853	1,861	8	0.4%
4. Restricted Gifts		57,964	69,102	63,419	62,117	(1,302)	(2.1%)
5. Sponsored Programs (direct)		113,012	117,027	112,364	115,797	3,433	3.1%
6. Sponsored Programs (F&A)		42,548	45,548	43,178	44,377	1,199	2.8%
7. Institutional Allowances		23,006	24,475	27,013	28,232	1,219	4.5%
8. State Appropriations		190	190	190	194	4	2.1%
9. Physician Organization (PO)		431,788	479,583	472,234	495,164	22,930	4.9%
10. NYPH (purchased services)		79,716	82,763	84,486	86,176	1,690	2.0%
11. Enterprise Sales & Services		17,189	16,080	20,091	21,033	942	4.7%
12. Qatar Foundation		66,865	71,593	71,593	78,467	6,874	9.6%
13. Other Sources		36,991	34,156	33,595	35,873	2,278	6.8%
14. Subtotal In-Year Revenues		930,489	1,002,892	997,405	1,043,085	45,680	4.6%
15. Transfers From Endowment							
16. Transfers From Plant		979					
17. Subtotal Transfers In		979					
18. Total Resources		931,468	1,002,892	997,405	1,043,085	45,680	4.6%
Uses of Resources							
19. Medical College (academic/clinical)		705,837	772,908	762,675	790,912	28,237	3.7%
20. Return to Qatar Foundation		16,016		4,200		(4,200)	
21. Centrally Recorded Financial Aid		12,593	12,062	14,337	14,213	(124)	(0.9%)
22. Administrative & Support		78,020	78,608	82,012	86,680	4,668	5.7%
23. Administrative & Support (Qatar)		50,849	71,593	67,393	78,467	11,074	16.4%
24. Physical Plant		48,910	52,187	52,573	56,881	4,308	8.2%
25. Cost Redistribution		1,700	1,738	1,738	1,775	37	2.1%
26. Subtotal Expenditures		913,925	989,096	984,928	1,028,928	44,000	4.5%
27. Transfers To Endowment							
28. Transfers To Plant		6,681	2,652	2,500	2,625	125	
29. Subtotal Transfers Out		6,681	2,652	2,500	2,625	125	
30. Total Uses of Resources		920,606	991,748	987,428	1,031,553	44,125	4.5%
31. Net From Operations		10,862	11,144	9,977	11,532	1,555	
32. <i>Additions to Operating Reserves</i>							
33. <i>Held in Current Fund Balances</i>		10,862	11,144	9,977	11,532		

CAPITAL PLAN

INTRODUCTION

The planning for Cornell's physical resources increasingly requires the consideration and integration of a variety of factors, impacts, and constraints. No longer can capital planning be focused on specific projects with minimal attention to the larger picture. Planning for the university's physical assets must encompass attention to the fabric and function of the campus as a whole and a careful consideration of the factors that influence or are affected by these facilities:

- The need for infrastructure (utilities, transportation, parking and service, among other elements)
- The provision of indoor and outdoor public spaces
- The campus landscape and the preservation and treatment of open spaces
- The efficient utilization of space
- The aesthetics of design
- The financial trade-offs between facilities needs and other campus priorities and initiatives
- Fundraising capacity and priorities
- The availability of educational, research, and outreach support from New York State, the federal government, and private resources
- Debt capacity and repayment burden
- The cost of operating and maintaining the campus

Organizations frequently employ the exercise of creating a master plan as a tool to examine the matrix of these factors and guide the future planning of individual facility projects. The tool's utility is based as much in its process as its outcome, for a well-crafted master plan creates a structure for its own evolution, and it is the constant revision that keeps the plan topical.

MASTER PLAN

Cornell has spent the past two years creating a comprehensive master plan for the Ithaca campus. This plan provides a framework for the development of the campus that will facilitate decision making within the vision, principles, and features of the plan. The plan does not mandate a defined set of projects, a growth rate, or a final result to be pursued, but instead offers a structure for determining how best to move forward in developing the physical campus as the university's

academic, research, teaching, extension, residential and recreational priorities present needs for growth and development. The document indicates the general nature, type of use, and massing of facilities in various parts of the campus and identifies enabling projects, the provision of coordinated infrastructure, and public good and landscape projects that will be folded into the specific capital needs of the units. The plan also provides more detailed guidelines for the design of the campus landscape and divides the campus into seven precincts and seventeen zones for more specific guidelines and initiatives.

The creation of the physical plan for the campus not only started with the campus as it currently exists as a baseline, but by necessity, also incorporated and accommodated capital project plans that are currently underway in design or the start of construction (e.g., Weill Hall, the Physical Sciences building, the Animal Health Diagnostic Center, Gates Hall, Milstein Hall, and the Human Ecology Building). Similarly, several major projects that are being considered are already being planned within the context of the comprehensive physical plan (e.g., the Engineering Research Building, the Health Services Facility, the East Hill Data Center, the Energy Recovery Linac, and the Food Science Building). As future projects are considered, their fit within the framework of the master plan will be examined. Projects that enable what are called "the big steps" in realizing the campus vision will need to be thoughtfully worked into individual facility plans.

SPACE PLANNING

Integrated space planning is a vital prerequisite of implementing the master plan. Existing building space is a limited and valuable resource and new space is costly to construct, operate, and maintain. Cornell's programs occupy 1,074 buildings, representing 17.7 million gross square feet of space, 11.3 million square feet of which is assigned for programmatic use. (See table at the top of page 45.) The Ithaca campus that is the focus of the master plan contains 57 percent of those buildings but 80 percent of that total space. Research space, which represents 13 percent of gross space and 22 percent of net assignable space on the Ithaca campus, is in growing demand, and is some of the most expensive space to construct and maintain.

Distribution of Space – Cornell University *

<u>Category</u>	<u>Cornell University</u>		<u>Master Plan Subset</u>		<u>Master Plan as a % of Cornell Total</u>
	<u>Count</u>	<u>% of Total</u>	<u>Count</u>	<u>% of Total</u>	
Number of Buildings	1,074		613		57%
Gross Square Feet	17,743,941	100%	14,255,895	100%	80%
Net Square Feet	15,017,069	85%	12,068,607	85%	80%
Net Assignable Square Feet	11,305,714	64%	8,606,543	60%	76%
Net Assignable Research Square Feet	2,526,429	14%	1,889,097	13%	75%

* Represented is space owned or occupied by Cornell as of the fall of 2007, including the facilities of the Weill Cornell Medical College in New York City, the School of Industrial and Labor Relations in New York City and Albany, the regional offices of Alumni Affairs and Development in several cities, and various off-campus research and extension locations associated with the College of Agriculture and Life Sciences, including the Geneva Experiment Station. Excluded are facilities of the Weill Cornell Medical College in Doha, Qatar, the Arecibo facility in Puerto Rico, and other program space located in both Washington, D.C. and New York City.

In order to improve space planning and the efficient use of space, Cornell has hired a director of space planning for the Ithaca campus. Over the course of 2008-09, that director will engage the Cornell community in conversations about space in order to develop more pro-active planning models for space and space utilization. Campus stakeholders will be asked to answer questions such as: What functions should occupy the core, and what are the functional priorities for the concentric rings around that core? What contiguities between programs are important? What major emerging and ongoing initiatives should receive priority for re-use of existing space or creation of new space? What guidelines and planning principles should be applied to decisions about space allocation? What best practices can Cornell emulate, and where can Cornell lead? What should Cornell measure? What technology is appropriate to support inventory, management, and analytical functions related to space? The answers to these questions and others, combined with targeted utilization studies and needs analyses, will provide direction for use, modification, and evaluation of facilities usage as expressed in the university's capital plan.

CAPITAL PLAN

While the master plan creates a framework for the development of the campus, the university's capital plan details the specific capital projects to be pursued over a 10-year horizon in order to meet the university's objectives. The capital plan describes the facility needs

for new and renovated spaces for research, academic programs, and student life, as well as the infrastructure and maintenance required to support the campus facilities. The plan examines the financial impacts of those projects, including the ability and priority for gift fundraising, the capacity to borrow and the ability to repay debt financing, the availability of New York State funding, the need for central university support, and the ongoing cost of operating and maintaining the physical assets. Each of those financial considerations is weighed in relation to other competing demands on constrained resources. In addition, the timing of the projects is considered as they relate to other projects and the internal resources and external workforce required to engage in a given level of concurrent construction activity.

Capital Activity

The capital plan is a long-term manifestation of Cornell's priorities and initiatives. This ten-year view is informed by the university's academic and student-life goals, its fundraising capabilities, the priorities of New York State in support of Cornell, and the physical constraints of its two main campuses. The schedules highlight plans to address the university's strategic initiatives; program enhancements; and the maintenance, renewal, and improvement of its buildings and campus infrastructure.

The projects in the schedules on pages 48 to 55 are those with budgets greater than \$2 million that have either been approved for planning, design, or con-

CAPITAL PLAN

struction (and include a funding plan); are facilities in the “Far Above” campaign; are ongoing maintenance or infrastructure projects; or are part of the 2004-09 State University Construction Fund (SUCF) capital plan. Not shown in project-level detail, but represented in the table at the bottom of page 57, are category totals for projects that are under consideration within the plan’s time horizon, including projects proposed for the 2008-13 SUCF capital plan, but which may have scope, schedule, or funding being determined. Finally, as part of the university’s capital planning, additional capital needs have been identified that are being contemplated, but which are beyond the current fundraising campaign or the next SUCF capital plan or do not have identified or approved funding.

- The university has authorized \$1.178 billion of capital activity on projects with an estimated total ultimate budget of \$2.785 billion. In the case of projects included in the amount allocated by SUCF as part of its capital budgeting process, each project is subject to the university’s capital approval process as it proceeds through design and construction phases.
- Of the approved project costs, \$669.7 million has been spent to date. If future projects proceed as planned, expenditures during 2008-09 will total \$475.8 million, and an estimated \$1.788 billion will be spent through 2012-13. Projects under consideration but yet to be approved are estimated to add \$1.465 billion to total costs, with \$992.5 million of expenditures during the next five years.

Projects supporting the priorities of the Far Above capital campaign and in areas of strategic research make up \$860.0 million, or 44 percent, of the list of approved capital activity for the Ithaca campus.

- Projects to improve undergraduate education and create a living/learning environment include major reconfiguration of West Campus residential facilities and new facilities for the College of Human Ecology (North Martha Van Rensselaer replacement), the Faculty of Computing and Information Science (Gates Hall), the Department of Architecture (Milstein Hall), and various humanities departments (new humanities building).
- Support of strategic research areas includes the construction of a life sciences technology building (Weill Hall), construction of a new facility for the physical sciences, and construction of a new

facility for the Animal Health Diagnostic Center in conjunction with the New York State Department of Agriculture and Markets.

- Significant investments in the university’s information technology infrastructure are underway, including a 15-year project to rewire the campus and upgrade the speed and capacity of the data network, and investments in new and upgraded administrative systems.
- Projects addressing operating unit program needs include the renovations of Helen Newman Hall and expansion of the Johnson Museum of Art.
- Major utility projects include an expansion of heating plant systems to increase steam generation and concurrently generate electricity and a variety of projects in the electric, steam, chilled water, potable water, sewer, and other areas as well as energy conservation efforts. New parking structures are planned as part of the North Martha Van Rensselaer project and on University Avenue.
- The university will continue its emphasis on maintaining and renewing existing buildings, which is also the focus of the capital budget provided by SUCF for contract college facilities. Included in the maintenance category are renovations of Stocking Hall in conjunction with the construction of a new Food Science building, the original Martha Van Rensselaer Hall and East wing, Warren, Rice and Fernow Halls, and the Ives Faculty building and a large group of relatively smaller maintenance projects. A phased, multi-year effort to upgrade life-safety systems, replace the HVAC system, and provide programmatic improvements in Olin Library is planned. It is estimated that the approved activity described herein will address \$363.3 million of deferred maintenance.
- The Medical College is planning the construction of a 413,000 gross square foot Biomedical Research Building and a series of renovations of laboratories and offices for a variety of their departments.

Nearly three-quarters of the funding for capital projects depends directly on external resources.

- Gift and grant funding is projected at \$1.544 billion, or 55 percent of the total approved capital activity. The estimated value of gifts in hand or pledged for approved projects is \$488.4 million, leaving \$1.055 billion to be raised.

- New York State support is projected to fund \$530.8 million (19 percent) of total project costs. Most of this amount is for contract college projects in the SUCF capital plan, but approximately 20 percent of the funding is state funding for certain university projects outside of the SUNY structure.
- Funding from general purpose or unit resources and enterprise operations cover \$489.5 million (18 percent) and \$220.6 million (8 percent) of approved capital activity respectively.
- Based on an analysis of project expenditures and funding availability, the university expects to finance \$801.9 million of approved project costs using long-term debt and another \$401.3 million of short-term bridge financing, which is often used to accommodate the timing of gift receipts.

A funding plan for the estimated operating and maintenance costs of each capital project is developed when construction is authorized. Projects included in the approved capital plan are expected to increase annual operating and maintenance costs for the Ithaca campus by \$28.7 million per year. These projects are projected to add about 1.5 million gross square feet of new space on the Ithaca campus and about half a million gross square feet at Weill Cornell Medical College in New York City.

DEBT PLAN

The proceeds from various university debt issuances and borrowings provide for the financing needs of the university's capital projects. Debt allows the university to undertake capital projects when cash funding is not available at the time capital expenditures are made and to spread the cost of a project over multiple fiscal years. It is also to the university's financial benefit to take advantage of the low cost of tax-exempt debt.

The need for short-term bridge financing and long-term debt as indicated in the university's 10-year capital plan is the basis for the University Treasurer's planning for Cornell's debt structure (defined as debt load, timing, and type of borrowing instrument, among other factors). In addition to an assessment of the ability to repay borrowings by the relevant internal university source of funding, there is regular monitoring of the university's external capacity to borrow (measured by the impact that additional debt

would have on financial ratios and the debt ratings by independent rating agencies). The borrowing needs from the capital plan and projected repayment of existing and new debt are key inputs into the university's recently created 10-year financial model.

Debt and Debt Repayment

The university's external debt includes tax-exempt and taxable borrowings but excludes debt issued by New York State for contract college projects, which is paid directly by the state and is not recorded in the university's budgets or financial statements. Cornell is expected to have \$988.4 million of external debt at the beginning of 2008-09. (See line 21 on page 58.) During 2008-09, the university is scheduled to pay an estimated \$61.4 million in principal and interest on this outstanding debt.

In 2007-08, the university issued \$70 million of variable-rate demand bonds to finance the central heating plant and \$130 million of variable-rate demand bonds to refund tax-exempt commercial paper. Cornell also re-offered the 2004 bonds from an auction-rate mode to a variable-rate demand bond. In addition, in 2007-08, the university entered into forward-swap agreements to lock in interest rates for three anticipated future borrowings of \$575 million, bringing the university's total forward starting swaps to \$1.175 billion. Cornell entered into these agreements to take advantage of historically low interest rates. The new swap agreements will take effect in 2008-09 for \$100 million at a rate of 3.551 percent, in 2009-10 for \$275 million at a rate of 3.649 percent, and in 2013-14 for \$200 million at a rate of 3.766 percent. The university plans to use the tax-exempt commercial paper program (authorized at \$200 million) during fiscal year 2009 to finance capital projects in Ithaca and New York City. The taxable commercial paper program (also authorized at \$200 million) will be used for operating working capital, capital projects, and equipment purchases for the Ithaca and New York City campuses.

Unit Debt and Debt Repayment

The schedule on page 59 identifies outstanding debt and budgeted debt service by operating unit. A distinction is made between debt service paid directly by an operating unit and that budgeted and paid by central university resources for the benefit of operating units.

CAPITAL PLAN

Approved Capital Activity

(dollars in thousands)

	<u>Approved Budget</u>	<u>Estimated Total Budget</u>	<u>Estimated Completion Date</u>	<u>Additional Space GSF *</u> (in thousands)
1. Weill Hall	\$162,714	\$162,714	May-08	271
2. Physical Sciences Facility	141,900	141,900	Fall 2010	197
3. Animal Health Diagnostic Center	80,500	80,500	Jun-10	126
4. Energy Recovery Linac Planning	2,957	12,000	Sep-10	
5. Riley Robb Biofuels Laboratory	7,800	7,800	Jul-09	
6. Lake Erie Research and Extension Lab	1,202	5,359	Sep-09	10
7. Clark Hall AEP Relocation/Renovation	<u>157</u>	<u>2,800</u>	Dec-10	
8. Subtotal Research	397,230	413,073		604
9. CIS Gates Hall	1,170	65,000	Mar-12	100
10. Milstein Hall	8,140	54,500	Aug-10	42
11. New Humanities Building	3,282	50,000	Summer 2012	60
12. Johnson Museum Expansion	1,400	17,000	Mar-10	16
13. Statler Hall Fly Tower	800	8,980	Spring 2010	8
14. Plantations Welcome Center/Botanical Garden	745	6,950	Jun-11	7
15. Anabel Taylor Organ Replacement	<u>2,025</u>	<u>2,025</u>	Sep-10	
16. Subtotal Program	17,562	204,455		233
17. West Campus Residential Initiative	225,900	225,900	Aug-08	256
18. Helen Newman Hall		30,000	Jun-12	25
19. Child Care Center	6,994	6,994	Aug-08	16
20. Cornell Rowing Center	792	6,000	Jun-10	9
21. Sigma Phi Fraternity House	<u>1,225</u>	<u>3,940</u>	Jun-11	<u>5</u>
22. Subtotal Student/Support	234,911	272,834		311
23. Planned Maintenance (10 years)		98,652	Ongoing	
24. Stocking Hall Renovation & Food Science Building	6,460	90,780	Jun-13	100
25. North MVR Replacement/Parking Garage	71,100	71,100	Jan-11	193
26. MVR 1933/East Rehab	32,350	75,000	Jul-14	
27. Warren Hall Renovations	464	60,000	Jun-16	
28. Olin Library Improvements	1,755	40,000	Aug-13	
29. Contract College Misc. Rehab/Repair		38,000	Jun-13	
30. Geneva Food Science Renovation	242	36,000	Sep-15	
31. Rice Hall Rehab and Roof Replacement	3,256	19,380	Sep-14	5
32. Steam Line Projects	199	16,635	Ongoing	
33. Ives Faculty Building	16,000	16,000	Dec-10	12
34. Fernow Hall Rehab and Roof Repairs		14,280	Sep-11	5
35. Olin Hall HVAC, Power, Fire Suppression	2,073	14,000	Jan-10	
36. Electric Distribution Projects		11,750	Ongoing	
37. Water Distribution/Sewer Collection Projects		10,590	Ongoing	
38. Transportation Projects < \$2M		10,147	2011-12	
39. Fernow/Rice Surge Space	1,400	9,940	Dec-09	
40. Waste Management System	8,338	8,338	Dec-10	2
41. Engineering Restroom Upgrades	790	7,000	Jan-17	
42. Equine Drug Testing Facility	560	7,000	Jun-10	6

* GSF = Gross square feet.

FUNDING SOURCES							FINANCING		
Present Value of Gifts/Grants			General Purpose	Unit	Enterprise	New York State †	Bridge	Long-Term	
In Hand	Pledged	To Be Raised							
\$40,051	\$30,305	\$61,094	\$5,258	\$456	\$550	\$25,000	\$83,012	\$29,658	1.
7,994	9,406	121,678	1,411	1,411			113,698	1,411	2.
			12,000	12,000		56,500	8,000	16,000	3.
						12,000			4.
				1,800		6,000			5.
						5,359			6.
<u>1,000</u>		<u>1,643</u>		<u>157</u>					7.
49,045	39,711	184,415	18,669	15,824	550	104,859	204,710	47,069	8.
27,268		37,732					29,485		9.
10,865	13,787	28,948	900				20,001	14,626	10.
85		49,400		515			25,948		11.
5,939	5,369	1,389		4,303			2,232	4,500	12.
1,894	3,000	3,000		1,086					13.
6,663	287								14.
<u>2,000</u>				<u>25</u>					15.
54,714	22,443	120,469	900	5,929			77,666	19,126	16.
124,093	14,466	87,341					87,015		17.
55	100	29,845					26,157		18.
			6,994					6,994	19.
761	2,121	3,118					275		20.
<u>434</u>	<u>1,213</u>	<u>1,493</u>		<u>800</u>			<u>500</u>	<u>800</u>	21.
125,343	17,900	121,797	6,994	800			113,947	7,794	22.
			98,652						23.
				1,780		89,000			24.
				9,500	19,500	42,100		19,500	25.
				1,506		73,494			26.
				1,200		58,800			27.
4,000			33,000	3,000			3,000	33,000	28.
						38,000			29.
				700		35,300			30.
				380		19,000			31.
					12,135	4,500		8,201	32.
				2,000		14,000			33.
				280		14,000			34.
		6,000	6,000	2,000			2,000	12,000	35.
					11,750			6,225	36.
					10,090	500		2,200	37.
					10,147				38.
				199		9,741			39.
				40		8,298			40.
			6,900	100					41.
						7,000			42.

† Includes funds administered by the State University Construction Fund and grants provided directly from New York State.

CAPITAL PLAN

Approved Capital Activity (cont.)

(dollars in thousands)

	Expended To Date	08-09	09-10	10-11
1. Weill Hall	\$157,714	\$5,000		
2. Physical Sciences Facility	27,100	45,000	53,000	16,800
3. Animal Health Diagnostic Center	10,000	40,000	30,500	
4. Energy Recovery Linac Planning	6,000	3,000	3,000	
5. Riley Robb Biofuels Laboratory	1,800	6,000		
6. Lake Erie Research and Extension Lab	1,000	1,500	2,859	
7. Clark Hall AEP Relocation/Renovation	157			2,643
8. Subtotal Research	203,771	100,500	89,359	19,443
9. CIS Gates Hall	1,200	7,300	15,000	18,500
10. Milstein Hall	8,000	5,000	25,000	16,500
11. New Humanities Building	990	2,400	4,410	18,800
12. Johnson Museum Expansion	1,000	8,889	7,111	
13. Statler Hall Fly Tower	1,347	6,286	1,347	
14. Plantations Welcome Center/Botanical Garden		950	3,000	3,000
15. Anabel Taylor Organ Replacement	250	850	875	50
16. Subtotal Program	12,787	31,675	56,743	56,850
17. West Campus Residential Initiative	211,000	14,900		
18. Helen Newman Hall			2,000	20,000
19. Child Care Center	6,500	494		
20. Cornell Rowing Center	250	2,750	3,000	
21. Sigma Phi Fraternity House	1,100	940	100	1,800
22. Subtotal Student/Support	218,850	19,084	5,100	21,800
23. Planned Maintenance (10 years)		8,192	8,548	8,890
24. Stocking Hall Renovation & Food Science Building	750	2,000	6,000	15,000
25. North MVR Replacement/Parking Garage	4,712	18,100	29,472	13,016
26. MVR 1933/East Rehab	6,350	16,000	16,000	6,000
27. Warren Hall Renovations	464	536	1,500	12,000
28. Olin Library Improvements	1,255	1,500	7,000	9,300
29. Contract College Misc. Rehab/Repair	6,300	11,500	8,800	3,800
30. Geneva Food Science Renovation	200			
31. Rice Hall Rehab and Roof Replacement	500	1,000	250	250
32. Steam Line Projects	224	1,561	1,710	2,260
33. Ives Faculty Building	4,200	4,700	4,600	2,500
34. Fernow Hall Rehab and Roof Repairs			1,500	6,000
35. Olin Hall HVAC, Power, Fire Suppression	2,073	9,927	2,000	
36. Electric Distribution Projects		3,500	1,650	1,100
37. Water Distribution/Sewer Collection Projects	300	1,150	1,750	1,075
38. Transportation Projects < \$2M	1,982	5,765	1,600	800
39. Fernow/Rice Surge Space	400	8,540	1,000	
40. Waste Management System	1,200	4,500	2,638	
41. Engineering Restroom Upgrades	790	1,220	1,230	1,100
42. Equine Drug Testing Facility	500	2,000	4,500	

EXPENDITURE PATTERN							Deferred Maint. Addressed	O&M † Cost Impact	
Estimated									
11-12	12-13	13-14	14-15	15-16	16-17	17-18+ or TBD *			
								\$5,777	1.
							500	4,508	2.
							5,426	2,014	3.
									4.
							1,800	246	5.
								80	6.
							<u>700</u>		7.
							8,426	12,625	8.
23,000								1,971	9.
								844	10.
19,400	4,000							688	11.
								135	12.
								199	13.
									14.
									15.
<u>42,400</u>	<u>4,000</u>							3,837	16.
							6,725	1,815	17.
8,000							3,000	275	18.
								207	19.
							500	74	20.
							<u>2,100</u>	<u>25</u>	21.
8,000							12,325	2,396	22.
9,245	9,615	10,000	10,400	10,816	11,248	11,698	98,652		23.
42,400	24,630						19,800	1,700	24.
5,800							1,000	1,503	25.
6,000	12,650	12,000					38,850	800	26.
6,000	1,000	15,000	12,500	11,000			16,430	1,000	27.
9,300	9,400	2,245					12,000	150	28.
3,800	3,800						38,000	100	29.
1,500	4,300	10,000	15,000	5,000			18,113		30.
250	7,500	8,250	1,380				4,475	50	31.
1,860	4,060	1,060	1,260	960	1,560	120		(100)	32.
							6,700	300	33.
6,780							3,900	40	34.
							6,185	TBD	35.
2,500	1,800	250	250	300	400			(100)	36.
1,240	825	800	150	1,825	1,325	150		(10)	37.
									38.
							5,000		39.
							2,000	60	40.
660			500	500	500	500	7,000		41.
							709	135	42.

* 17-18 += 2017-18 and beyond; TBD = To be determined. † O&M = Operations and maintenance.

CAPITAL PLAN

Approved Capital Activity (dollars in thousands)	Approved Budget	Estimated Total Budget	Estimated Completion Date	Additional Space GSF * (in thousands)
43. Chilled Water Cathodic Protection	\$1,270	\$7,000	Jun-15	
44. Water Filtration Plant Projects		6,900	Ongoing	
45. Barton Hall Roof/Exterior Repairs	4,034	5,034	Sep-09	
46. Heating Plant Projects		4,450	Ongoing	
47. Schoellkopf Crescent Repairs	2,950	4,200	Aug-10	
48. CHP Water Treatment Plant Upgrade	1,900	4,000	Dec-08	
49. Baker/Clark Code Upgrades	3,750	3,750	Fall 2010	
50. Contract College Roof Replacements	3,648	3,648	Jun-09	
51. Sibley Hall Accessibility	379	3,300	Aug-10	
52. Statler Hotel Guest Room Renovations	3,107	3,107	Feb-09	
53. Hoy Road Rehabilitation/Stabilization	2,909	2,909	Aug-08	
54. Hydroplant Projects		2,300	Ongoing	
55. Contract College Fire Alarm/Sprinklers		2,151	Jun-11	
56. Campus Lighting Project, Phase III		2,000	Jun-09	
57. McGraw Hall Roof and Masonry Repairs	<u>545</u>	<u>2,000</u>	Fall 2009	
58. Subtotal Renovation/Renewal	169,479	711,341		323
59. Campus Network Wiring Upgrade	23,161	83,855	2017-18	
60. CHP Steam/Electric Expansion	54,850	81,800	Nov-09	15
61. Administrative Systems (approved projects)	63,442	63,442	2008-09	
62. Endowed Energy Conservation Initiative	11,881	24,344	Ongoing	
63. Contract Energy Conservation Initiative	3,660	21,788	Ongoing	
64. Server Farm		16,510	Ongoing	
65. LambdaRail – Wide Area Network	14,510	14,510	Ongoing	
66. Central Avenue Parking Garage	1,324	13,500	2012-13	64
67. Campus Area Network		12,450	Ongoing	
68. Water Tank/Distribution Expansion	1,135	6,850	Jun-10	
69. Telephony Infrastructure Upgrades		6,025	Ongoing	
70. Campus-Wide Wireless Network		<u>3,540</u>	Ongoing	
71. Subtotal Infrastructure	173,963	348,614		79
72. Total Ithaca Campus	993,145	1,950,317		1,550
73. Biomedical Research Building	6,025	655,000	2014-15	413
74. 407 E. 67th Street Fit-Out	67,894	67,894	Oct-08	63
75. Deferred Maintenance	45,300	45,300	2010-11	
76. RARC A-7 & C-7 Renovation	21,826	21,826	Aug-08	
77. RARC S-3	17,403	17,403	Jul-09	
78. Public Health/Environ. Health & Safety Fit-Out	13,036	13,036	Oct-08	26
79. Urology Renovation	11,541	11,541	Feb-09	
80. A-950 Classroom Renovation	<u>2,250</u>	<u>2,250</u>	Aug-08	
81. Total Medical College	185,275	834,250		502
82. Total Approved Projects	1,178,420	2,784,567		2,052

* GSF = Gross square feet.

FUNDING SOURCES							FINANCING		
Present Value of Gifts/Grants			General Purpose	Unit	Enterprise	New York State †	Bridge	Long-Term	
In Hand	Pledged	To Be Raised							
					\$7,000				43.
					6,900			3,200	44.
				5		5,029			45.
					4,450				46.
			4,200						47.
					4,000			4,000	48.
			3,750					3,750	49.
				38		3,610			50.
			3,300					3,300	51.
				3,107					52.
			1,096		1,813			950	53.
					2,300			2,100	54.
						2,151			55.
			2,000					2,000	56.
			2,000					2,000	57.
<u>4,000</u>		<u>6,000</u>	<u>160,898</u>	<u>25,835</u>	<u>90,085</u>	<u>424,523</u>	<u>5,000</u>	<u>102,426</u>	58.
			83,855					73,595	59.
					80,800	1,000		80,800	60.
			63,442						61.
			24,044			300		21,149	62.
			21,688			100		19,153	63.
			16,510						64.
1,350			4,850		8,310				65.
					13,500			13,500	66.
					12,450				67.
					6,850			6,850	68.
				1,500	4,525				69.
					3,540				70.
<u>1,350</u>			<u>214,389</u>	<u>1,500</u>	<u>129,975</u>	<u>1,400</u>		<u>215,047</u>	71.
234,452	80,054	432,681	401,850	49,888	220,610	530,782	401,323	391,462	72.
33,690	88,169	533,141						375,000	73.
		67,894							74.
30,673	14,627								75.
1,700			20,126					20,126	76.
2,050			15,353					15,353	77.
		13,036							78.
734	2,253	8,554							79.
			2,250						80.
<u>68,847</u>	<u>105,049</u>	<u>622,625</u>	<u>37,729</u>					<u>410,479</u>	81.
303,299	185,103	1,055,306	439,579	49,888	220,610	530,782	401,323	801,941	82.

† Includes funds administered by the State University Construction Fund and grants provided directly from New York State.

CAPITAL PLAN

Approved Capital Activity (cont.) (dollars in thousands)	Expended			
	To Date	08-09	09-10	10-11
43. Chilled Water Cathodic Protection	\$75	\$1,000	\$1,000	\$1,000
44. Water Filtration Plant Projects	200	600	700	700
45. Barton Hall Roof/Exterior Repairs	500	2,500	2,034	
46. Heating Plant Projects	200	400	450	450
47. Schoellkopf Crescent Repairs	2,100	700	700	700
48. CHP Water Treatment Plant Upgrade	1,898	2,102		
49. Baker/Clark Code Upgrades	1,257	1,189	870	434
50. Contract College Roof Replacements	1,891	1,757		
51. Sibley Hall Accessibility		2,000		1,300
52. Statler Hotel Guest Room Renovations	311	2,796		
53. Hoy Road Rehabilitation/Stabilization		2,909		
54. Hydroplant Projects		200		1,600
55. Contract College Fire Alarm/Sprinklers		515	1,000	636
56. Campus Lighting Project, Phase III		2,000		
57. McGraw Hall Roof and Masonry Repairs		2,000		
58. Subtotal Renovation/Renewal	40,632	124,359	108,502	89,911
59. Campus Network Wiring Upgrade	23,161	8,500	4,832	5,050
60. CHP Steam/Electric Expansion	24,100	46,900	10,800	
61. Administrative Systems (approved projects)	59,489	3,953		
62. Endowed Energy Conservation Initiative	9,078	2,525	2,616	1,360
63. Contract Energy Conservation Initiative	2,700	2,225	2,502	2,870
64. Server Farm		1,350	1,410	1,470
65. LambdaRail – Wide Area Network	6,010	1,340	1,190	640
66. Central Avenue Parking Garage	1,545			
67. Campus Area Network		1,010	1,170	1,090
68. Water Tank/Distribution Expansion	2,105	4,250	495	
69. Telephony Infrastructure Upgrades		400	175	200
70. Campus-Wide Wireless Network		250	320	340
71. Subtotal Infrastructure	128,188	72,703	25,510	13,020
72. Total Ithaca Campus	604,228	348,321	285,214	201,024
73. Biomedical Research Building	6,025	19,968	110,470	162,456
74. 407 E. 67th Street Fit-Out	3,881	64,013		
75. Deferred Maintenance	30,673	5,000	5,977	3,650
76. RARC A-7 & C-7 Renovation	19,459	2,367		
77. RARC S-3	1,274	13,463	2,666	
78. Public Health/Environ. Health & Safety Fit-Out	1,715	11,321		
79. Urology Renovation	1,566	9,975		
80. A-950 Classroom Renovation	914	1,336		
81. Total Medical College	65,507	127,443	119,113	166,106
82. Total Approved Projects	669,735	475,764	404,327	367,130

EXPENDITURE PATTERN							Deferred Maint. Addressed	O&M † Cost Impact
Estimated								
11-12	12-13	13-14	14-15	15-16	16-17	17-18+ or TBD *		
\$1,000	\$1,000	\$1,000	\$925					(\$50) 43.
400	1,150	1,350	600	800	200	200		(50) 44.
							5,000	45.
450	450	450	400	400	400	400		46.
							4,200	47.
								(50) 48.
								49.
							3,350	50.
								51.
								52.
								53.
					500			(25) 54.
							2,150	55.
								(400) 56.
							2,000	57.
99,185	82,180	62,405	43,365	31,601	16,133	13,068	295,514	5,053 58.
9,277	5,515	5,763	6,022	6,293	6,576	2,866		59.
								500 60.
								8,217 61.
1,150	1,375	1,150	1,390	1,150	1,400	1,150		(2,000) 62.
2,100	2,079	2,222	1,390	1,150	1,400	1,150		(2,000) 63.
1,530	1,600	1,670	1,750	1,830	1,910	1,990		64.
640	690	690	690	1,240	690	690		65.
4,000	7,955							5 66.
1,020	1,300	1,230	1,410	1,340	1,290	1,590		67.
								20 68.
4,500	100	100	250	100	100	100		69.
350	310	390	350	370	450	410		70.
24,567	20,924	13,215	13,252	13,473	13,816	9,946		4,742 71.
174,152	107,104	75,620	56,617	45,074	29,949	23,014	316,265	28,653 72.
162,456	97,474	77,979	18,172					TBD 73.
								700 74.
							45,300	75.
							1,700	76.
								77.
								300 78.
								79.
								80.
162,456	97,474	77,979	18,172				47,000	1,000 81.
336,608	204,578	153,599	74,789	45,074	29,949	23,014	363,265	29,653 82.

* 17-18 += 2017-18 and beyond; TBD = To be determined. † O&M = Operations and maintenance.

CAPITAL PLAN

Cash Flow (Including Financing) for Capital Activity

(dollars in thousands)

	Expended To Date	08-09	09-10	10-11
1. Gifts/Grants in Hand	\$200,515	\$40,226	\$26,627	\$11,531
2. Gifts/Grants Pledged	5,427	18,356	48,311	23,315
3. Gifts/Grants to be Raised	<u>13,157</u>	<u>101,409</u>	<u>15,762</u>	<u>29,181</u>
4. Subtotal Gifts/Grants	219,099	159,991	90,700	64,027
5. General Purpose	82,733	19,747	11,888	12,160
6. Unit Resources	6,202	3,853	1,590	5,400
7. Enterprise Operations	4,541	12,564	8,115	6,855
8. New York State	65,314	108,303	91,813	54,802
9. Total Sources of Funding	377,889	304,458	204,106	143,244
10. Bridge Financing	177,824	50,474	64,212	59,350
11. Long-Term Financing	<u>114,022</u>	<u>120,832</u>	<u>136,009</u>	<u>164,536</u>
12. Total Financing	291,846	171,306	200,221	223,886
13. Total Funding/Financing	669,735	475,764	404,327	367,130

Funding Sources for Capital Activity

(dollars in thousands)

	Direct Funding	Financing Repayment		Ultimate Funding	Percent of Total
		Bridge	Long-Term		
1. Gifts/Grants in Hand	\$278,899		\$24,400	\$303,299	10.9%
2. Gifts/Grants Pledged	130,676	54,427		185,103	6.6%
3. Gifts/Grants to be Raised	<u>325,587</u>	<u>335,896</u>	<u>393,823</u>	<u>1,055,306</u>	<u>37.9%</u>
4. Subtotal Gifts/Grants	735,162	390,323	418,223	1,543,708	55.4%
5. General Purpose	214,490		225,089	439,579	15.8%
6. Unit Resources	27,785	11,000	11,103	49,888	1.8%
7. Enterprise Operations	73,084		147,526	220,610	7.9%
8. New York State	530,782			530,782	19.1%
9. Total Sources of Funding	1,581,303	401,323	801,941	2,784,567	100.0%

Note: • The cash flow table at the top of pages 56 and 57 presents the projected cash flow by year for approved capital projects, showing the use of various funding sources and debt financing. The repayment of that debt financing by some of those resources is shown in the funding sources table (immediately above), which displays the ultimate funding sources for approved projects in the capital plan.

EXPENDITURE PATTERN

Estimated

<u>11-12</u>	<u>12-13</u>	<u>13-14</u>	<u>14-15</u>	<u>15-16</u>	<u>16-17</u>	<u>17-18+*</u> <u>or TBD</u>	<u>Total</u> <u>Expenditure</u>	<u>Percent</u> <u>of</u> <u>Total</u>
							\$278,899	10.0%
17,634	17,633						130,676	4.7%
<u>6,352</u>	<u>63,575</u>	<u>77,979</u>	<u>18,172</u>				<u>325,587</u>	<u>11.7%</u>
23,986	81,208	77,979	18,172				735,162	26.4%
11,435	11,215	11,670	12,650	13,146	13,658	14,188	214,490	7.7%
8,780	880	780	300				27,785	1.0%
9,660	6,734	5,370	5,085	6,135	4,365	3,660	73,084	2.6%
65,750	55,000	44,470	28,580	16,250	500		530,782	19.1%
119,611	155,037	140,269	64,787	35,531	18,523	17,848	1,581,303	56.8%
45,048	3,415	1,000					401,323	14.4%
<u>171,949</u>	<u>46,126</u>	<u>12,330</u>	<u>10,002</u>	<u>9,543</u>	<u>11,426</u>	<u>5,166</u>	<u>801,941</u>	<u>28.8%</u>
216,997	49,541	13,330	10,002	9,543	11,426	5,166	1,203,264	43.2%
336,608	204,578	153,599	74,789	45,074	29,949	23,014	2,784,567	100.0%

* 17-18 + = 2017-18 and beyond; TBD = To be determined.

2008-09 Capital Plan – Ten-Year Capital View

(dollars in thousands)

	<u>Estimated</u> <u>Total</u> <u>Budget</u>	<u>Gifts</u> <u>In Hand/</u> <u>Pledged</u>	<u>Gifts</u> <u>To Be</u> <u>Raised</u>	<u>General</u> <u>Purpose/</u> <u>Unit</u>	<u>Enterprise</u>	<u>New</u> <u>York</u> <u>State</u>	<u>Bridge/</u> <u>Long-</u> <u>Term</u> <u>Financing</u>
Ithaca Campus							
1. Approved Capital Activity	\$1,950,317	\$314,506	\$432,681	\$451,738	\$220,610	\$530,782	\$792,785
2. Under Consideration	<u>1,148,487</u>	<u>5,000</u>	<u>336,323</u>	<u>367,814</u>	<u>86,830</u>	<u>352,520</u>	<u>568,295</u>
3. Total Ithaca Campus	3,098,804	319,506	769,004	819,552	307,440	883,302	1,361,080
Medical College							
4. Approved Capital Activity	834,250	173,896	622,625	37,729			410,479
5. Under Consideration	<u>316,757</u>		<u>22,970</u>	<u>93,787</u>	<u>200,000</u>		<u>290,987</u>
6. Total Medical College	1,151,007	173,896	645,595	131,516	200,000		701,466
University Total							
7. Approved Capital Activity	2,784,567	488,402	1,055,306	489,467	220,610	530,782	1,203,264
8. Under Consideration	<u>1,465,244</u>	<u>5,000</u>	<u>359,293</u>	<u>461,601</u>	<u>286,830</u>	<u>352,520</u>	<u>859,282</u>
9. Total University	4,249,811	493,402	1,414,599	951,068	507,440	883,302	2,062,546

Note: • *Approved capital activity* includes projects that have received some level of approval to proceed through the project process. These are the projects itemized in the schedules on pages 48 through 55. *Under consideration* refers to projects that are being contemplated and studied but have not received formal approval to proceed.

CAPITAL PLAN

Sources of External Debt Financing

(dollars in thousands)

	Interest Rates	Maturity Date	Actual	Forecast	Projected External		
			Balance 6/30/07	Balance 6/30/08	Debt Service Payments 08-09	09-10	10-11
Tax-Exempt Debt							
1. Series 1990B	Variable	2025	\$57,300	\$56,700	\$2,503	\$2,681	\$2,752
2. Series 1995 Education Loan	5.80–5.90%	2008	6,339				
3. 1998 Commercial Paper	Variable	2037	89,005	100,000	3,085	3,085	3,085
4. Series 2000A	Variable	2029	58,320	56,620	3,467	3,479	3,499
5. Series 2000B	4.63%	2030	76,765	74,835	5,497	5,488	5,490
6. IDA Series 2000	5.10-5.25%	2011	4,335	3,330	1,401	1,348	1,287
7. IDA Series 2002A	4.52%	2030	42,710	42,530	2,112	2,109	2,110
8. IDA Series 2002B	4.33%	2015	15,390	15,390	666	666	489
9. Series 2004	3.51%	2008	90,150	88,175	5,195	5,196	5,245
10. Series 2006	4.00–5.00%	2035	239,750	231,160	22,820	22,179	21,549
11. IDA Series 2008	*	2037		70,000	2,689	2,689	3,989
12. Series 2008	*	2037		130,000	5,001	4,995	7,355
13. Subtotal Tax-Exempt Debt			680,064	868,740	54,436	53,915	56,850
Taxable Debt							
14. Series 1987B	11.11%	2012	10,370	8,825	2,700	2,698	2,697
15. 2004 Commercial Paper	Variable		86,979	100,000	3,250	3,250	3,250
16. Capitalized Leases	Variable	2008	11,296				
17. Sallie Mae – Series 1999	5.75–6.50%	2019	5,340	5,030	654	651	653
18. Urban Development Corp.	0.00%	2029	2,750	2,625	125	125	125
19. Other	Various	2010	3,308	3,164	209	194	184
20. Subtotal Taxable Debt			120,043	119,644	6,938	6,918	6,909
21. Total External Debt			800,107	988,384	61,374	60,833	63,759

Notes: • The total outstanding external debt and the sum of external debt service payments for 2007-08 shown above are different from the corresponding outstanding operating unit debt balances and debt service totals shown on page 59 due to a combination of: (a) differences in timing of borrowing and repayment between the university and various operating units; (b) debt costs, including compounded interest, to be recovered from future interest payments on operating unit debt; (c) external debt service on commercial paper programs that is planned above as interest only; (d) proceeds of debt issues used to pay issuance costs, on deposit in construction funds, or deposited into reserves to pay future debt service or fund project maintenance; and (e) debt incurred for student loans that is not reflected in operating unit balances.

• While Series 2000B, 2002A, 2002B, and 2004 were issued as variable-rate debt, they have been swapped to fixed rates for various terms, which are reflected in the interest-rate information and projected debt service payments.

* Variable until 7/1/2008.

Debt Service by Operating Unit

(dollars in thousands)

	Outstanding Balance		2008-09 Debt Service		
	2/28/07	2/29/08	Unit Budget	Central Budget	Total
Ithaca Campus					
1. Agriculture & Life Sciences	\$3,820	\$4,181	\$173 †	\$147	\$320
2. Arts & Sciences	11,574	19,106	†	1,442	1,442
3. Engineering	9,995	9,120		2,307	2,307
4. Hotel Administration	13,161	11,702	1,975		1,975
5. Human Ecology	1,352	1,212	311		311
6. Industrial & Labor Relations			153		153
7. Johnson School	11,244	11,638	†		
8. Law School	4,021	3,606		572	572
9. Veterinary College	<u>5,656</u>	<u>8,476</u>	<u>1,772</u>	<u>219</u>	<u>1,991</u>
10. Subtotal Colleges	60,823	69,041	4,384	4,687	9,071
11. Animal Facilities	34,859	53,100		4,746	4,746
12. Biotechnology	7,309	6,555		1,041	1,041
13. Life Sciences	36,338	96,346	†	1,774	1,774
14. Theory Center	2,875	2,625		127	127
15. All Other	<u>3,783</u>	<u>4,070</u>	<u>150</u>	<u>699</u>	<u>849</u>
16. Subtotal Research Centers	85,164	162,696	150	8,387	8,537
17. Africana Center	2,968	2,698		385	385
18. Athletics & Physical Education	8,945	9,006	281 †		281
19. Cornell in Washington	3,017	2,983	265		265
20. Library	11,726	12,520		1,890	1,890
21. All Other	<u>1,842</u>	<u>1,616</u>	<u>285</u>		<u>285</u>
22. Subtotal Other Academic Programs	28,498	28,823	831	2,275	3,106
23. Campus Life	160,724	204,760	15,275		15,275
24. Fraternities/Sororities	3,200	3,427	217		217
25. Gannett Clinic	2,841	2,601		353	353
26. All Other	<u>11</u>	<u>206</u>	<u>31</u>		<u>31</u>
27. Subtotal Student Services	166,776	210,994	15,523	353	15,876
28. Information Technologies	9,187	9,355	813	1,891	2,704
29. All Other	<u>1,750</u>	<u>2,098</u>	<u>50</u>	<u>282</u>	<u>332</u>
30. Subtotal Administrative & Support	10,937	11,453	863	2,173	3,036
31. Facilities & Campus Services	87,779	98,243	14,388	2,404	16,792
32. Life Safety	864	775	123		123
33. Real Estate	27,651	23,712	2,030		2,030
34. Transportation/Mail Service	<u>8,127</u>	<u>8,241</u>	<u>1,686</u>		<u>1,686</u>
35. Subtotal Physical Plant	124,421	130,971	18,227	2,404	20,631
36. Ithaca Campus All Other	11,134	15,083		3,538	3,538
37. Total Ithaca Campus	487,753	629,061	39,978	23,817	63,795
Medical College					
38. Research	28,504	44,206	5,170		5,170
39. Residences	84,985	82,538	5,957		5,957
40. Clinical Care	1,115	924	234		234
41. Infrastructure & Administrative	<u>16,264</u>	<u>16,646</u>	<u>1,327</u>		<u>1,327</u>
42. Total Medical College	130,868	144,314	12,688		12,688
43. Total University	618,621	773,375	52,666	23,817	76,483

Note: † These payments are pending receipt of gifts; portions of the interest are being compounded.

ACADEMIC-YEAR TUITIONS

	05-06	06-07	07-08	08-09	Change from 07-08
Endowed Ithaca					
1. Undergraduate	\$31,300	\$32,800	\$34,600	\$36,300	4.9%
2. Graduate School (research degrees)	31,300	32,800	32,800	29,500	(10.1%)
3. Graduate School (professional degrees)	31,300	32,800	34,600	36,300	4.9%
4. Hotel Administration (Mgt. Intern Pgm. – per term)	12,506	13,106	13,826	14,520	5.0%
5. Johnson School (entering MBA students)	36,350	38,800	42,700	44,950	5.3%
6. Johnson School (continuing MBA students)	36,350	38,800	40,700	44,950	10.4%
7. Johnson School (accelerated MBA program – summer)	22,050	23,800	25,000	26,400	5.6%
8. Johnson School (Cornell-Queen's EMBA – 17 month)		92,000	95,000	98,000	3.2%
9. Johnson School (executive MBA program – 2-year)	111,900	116,800	122,400	127,800	4.4%
10. Law School (entering students)	37,750	40,580	43,620	46,670	7.0%
11. Law School (2nd-year students)	37,000	39,640	42,710	45,800	7.2%
12. Law School (3rd-year students)	36,280	38,850	41,720	44,850	7.5%
13. Law School (LLM 1-year Program)	39,530	42,500	45,690	49,120	7.5%
14. Cornell Abroad (Bologna I – per term)	14,400	15,240	15,150	16,200	6.9%
15. Cornell Abroad (Bologna II – spring term)	16,800	17,830	17,600	18,850	7.1%
16. Cornell Abroad (Denmark – per term)	17,640	19,120	20,600	21,985	6.7%
17. Cornell Abroad (Europe & Nepal – per term)	18,550	19,400	20,200	21,100	4.5%
18. Cornell Abroad (Kyoto – per term)	25,000	26,000	26,500	27,500	3.8%
19. Cornell Abroad (External General – per term) ‡	4,250	4,440	4,640	4,850	4.5%
20. Cornell Abroad (External Israel & UK – per term) ‡	4,250	4,800	5,000	5,250	5.0%
Contract Colleges					
21. Undergraduate – Resident §	17,200	18,060	19,110	20,160	5.5%
22. Undergraduate – Nonres. (entering students) **	30,200	31,700	33,500	35,200*	5.1%
23. Undergraduate – Nonres. (2nd-yr. & 3rd-yr. students)	30,200	31,700	33,500	35,200*	5.1%
24. Undergraduate – Nonres. (4th-yr. students)	29,000	30,500	33,500	35,200*	5.1%
25. Sea Education Association (per term)	15,630	15,900	16,570	17,230	4.0%
26. Environmental Science (per term)	14,572	15,155	15,761	16,391	4.0%
27. Graduate School (non-veterinary research degrees)	19,300	20,800	20,800	20,800	
28. Graduate School (non-veterinary professional degrees)	19,300	20,800	22,600	23,750	5.1%
29. Veterinary Medicine – Resident DVM	22,000	23,000	24,000	25,100	4.6%
30. Veterinary Medicine – Nonresident DVM	31,500	33,000	35,000	37,100	6.0%
31. Veterinary Medicine – Graduate School	19,300	20,800	20,800	20,800	
Medical Campus					
32. Medical College (entering students)	32,320	33,775	39,180	41,730	6.5%
33. Medical College (continuing students)	32,320	33,775	35,465	37,240	5.0%
34. Graduate School of Medical Sciences	23,600	24,660	26,089	27,157	3.0%

- Notes:
- Research degrees include: MA, MS, MS/PhD, PhD, MFA, DMA programs and non-degree students.
 - Professional degrees include: CIPA (MPA), FALCON, MArch I, MArch II, MAT, MEng, MFS, MHA, MILR, MLA MPS, MPS Africana Studies, MPS Applied Statistics, MPS Real Estate, and MRP.
 - ‡ Excludes the tuition costs of the host university, which the student pays directly.
 - § Also used for master of professional studies programs in existence before 1999-2000.
 - ** Also used for master of professional studies programs created in 1999-2000 and thereafter.
 - * From 2003-04 through 2006-07, nonresident tuition was greater for entering undergraduate students in the contract colleges. As of 2007-08, all non-resident undergraduate students paid the same tuition.

STUDENT FEES AND OTHER TUITION RATES

	05-06	06-07	07-08	08-09	Change from 07-08
Ithaca Campus					
1. Acceptance Deposit – Undergraduate *	\$400	\$400	\$400	\$400	
2. Active File Fee – Graduate (per term)	200	200	200	200	
3. Activity Fee – Undergraduate (mandatory)	167	181	181	204	12.7%
4. Activity Fee – Graduate (mandatory)	62	68	68	70	2.9%
5. Administrative/Special Fee †	6,150	6,450	6,805	7,140	4.9%
6. Application Fee – Undergraduate ‡	65	70	70	70	
7. Application Fee – Graduate §	70	70	70	70	
8. Application Fee – Johnson School (U.S.)	180	180	180	200	11.1%
9. Application Fee – Johnson School (international)	180	180	180	200	11.1%
10. Application Fee – Law School (JD degree)	70	70	70	75	7.1%
11. Application Fee – Law School (PhD degree)	75	75	75	75	
12. Application Fee – Veterinary Medicine **	40	40	40	60	50.0%
13. Candidate for Degree Only Fee – Graduate	35	35	35	35	
14. Cornell Card Annual Fee	10	10	10	10	
15. Doctoral Thesis Fee – Graduate	125	125	125	125	
16. Extramural Study Course Tuition (per credit)	835	875	925	970	4.9%
17. Extramural Study Military Science (per course) ¶	15	15	15	15	
18. I.D. Replacement Fee	25	35	35	35	
19. In-Absentia Fee – Graduate (per term)	200	200	200	200	
20. In-Absentia Fee – Johnson School (per term)	75	75	75	75	
21. In-Absentia Fee – Law School (per term)	75	75	75	75	
22. Late Registration Fee – General ◇	200	350	350	350	
23. Late Thesis Filing Fee – Graduate	100	100	100	100	
24. Summer Session Course Tuition (per credit) ∞	795	835	875	925	5.7%
25. Shoals Marine Lab (per credit, includes board) ∞	530	723	800	942	17.8%
26. Summer Session Registration Δ	50	50	50	50	
Medical Campus					
27. Application Fee – Medical College	75	75	85	85	
28. Application Fee – Medical Sciences	60	60	60	60	
29. Health Service Fee – Medical Campus (mandatory)	625	650	750	1,250	66.7%

Notes: * The undergraduate acceptance deposit is a one-time payment made by newly accepted students that is reimbursed as a tuition credit during the first semester of enrollment.

† The administrative/special fee covers administrative and support costs for the pre-1983 CCTS program.

‡ Applicants are being charged \$80 for paper applications and \$70 for online submissions.

§ This fee will increase in the summer of 2008.

** The College of Veterinary Medicine uses the Veterinary Medicine College Application Service (VMCAS) to process applications. This fee is supplemental to the VMCAS fee of \$137.

¶ The Military Science course rate shown here is for non-Cornellians only.

◇ The late registration fee is \$350 after the third week, then \$25 per additional week over six weeks. No charge is made prior to the third week.

∞ The summer session course tuition and Shoals Marine Lab fee for 2008-09 are applicable for the summer of 2008 instructional period.

Δ The summer session registration fee, due after the applicable early enrollment deadline, is \$50. Students who enroll after the registration deadline for any session may also be assessed late fees of \$50 per week.

ENROLLMENT ASSUMPTIONS

	Fall 07	08-09	Fall 08	08-09 Projected		
	Actual Registrar Enrollments	Overall Enrollment Targets	Projected Registrar Enrollments	Full-Time Equivalent (FTE) Tuition-Paying Enrollments *		Total
				Resident	Nonres.	
Undergraduate – On-Campus						
1. Agriculture & Life Sciences	3,166	3,057	3,134	1,771	1,296	3,067
2. Architecture, Art & Planning	459	444	460	444		444
3. Arts & Sciences	3,995	3,929	4,037	3,932		3,932
4. Engineering	2,729	2,701	2,723	2,722		2,722
5. Hotel Administration	857	825	848	820		820
6. Human Ecology	1,204	1,186	1,213	669	509	1,178
7. Industrial & Labor Relations	802	784	814	407	384	791
8. Internal Transfer Division	38	49	40	49		49
9. Subtotal On-Campus	13,250	12,975	13,269	10,814	2,189	13,003
Undergraduate – Off-Campus †						
10. Cornell Abroad	126	275	160	275		275
11. Cornell-in-Washington	31	39	39	39		39
12. Field Study/Other Programs	102	110	103	110		110
13. Rome Program	34	53	55	53		53
14. New York City Program	13	13	15	13		13
15. Subtotal Off-Campus	306	490	372	490		490
16. Total Undergraduate	13,556	13,465	13,641	11,304	2,189	13,493
Professional						
17. Johnson School (MBA)	867	908	918	868		868
18. Law School (JD)	578	560	560	560		560
19. Medical College (MD)	394	410	410	410		410
20. Veterinary Medicine (DVM)	336	335	335	200	135	335
21. Total Professional	2,175	2,213	2,223	2,038	135	2,173
Graduate						
22. Agriculture & Life Sciences	905	935	935	935		935
23. Architecture, Art & Planning §	403	400	403	400		400
24. Arts & Sciences	1,225	1,255	1,255	1,255		1,255
25. Engineering	1,288	1,270	1,284	1,270		1,270
26. Hotel Administration	65	69	69	69		69
27. Human Ecology	187	184	184	184		184
28. Industrial & Labor Relations	183	180	180	180		180
29. Johnson School	47	40	40	40		40
30. Law School	75	66	66	66		66
31. Graduate School of Medical Sciences	310	381	381	381		381
32. Veterinary Medicine	142	140	140	140		140
33. Total Graduate	4,830	4,920	4,937	4,920		4,920
34. Total Enrollment	20,561	20,598	20,801			20,586

Notes: * Tuition revenues are based on FTE enrollments, which account for fall-to-spring enrollment differences, tuition prorations for students attending less than a full semester, and Johnson School enrollees in the Queens EMBA program who pay tuition to Queens University rather than Cornell University.

† The difference between fall registrar and FTE paying enrollments for off-campus programs reflects higher enrollments in these programs during the spring semester, especially in Cornell Abroad.

§ All Cornell Institute for Public Affairs enrollments have been consolidated on line 23 in this schedule.

UNDERGRADUATE TUITION, FEES, ROOM, AND BOARD IVY LEAGUE, PEER, AND COMMON ACCEPTANCE INSTITUTIONS

Tuition & Mandatory Fees				Tuition, Fees, Room & Board			
Institution	06-07	07-08	%	Institution	06-07	07-08	%
Carnegie Mellon	\$34,578	\$37,354	8.0	Georgetown	\$45,676	\$48,286	5.7
Columbia	35,166	37,223	5.8	NYU	45,200	47,490	5.1
Tufts	34,730	36,700	5.7	Columbia	44,814	47,160	5.2
Brown	34,620	36,342	5.0	Carnegie Mellon	43,858	47,014	7.2
U. Pennsylvania	34,408	36,242	5.3	Chicago	44,613	47,007	5.4
Georgetown	34,110	36,140	6.0	Johns Hopkins	45,022	46,992	4.4
Johns Hopkins	34,400	35,900	4.4	Tufts	45,000	46,860	4.1
RPI	33,496	35,885	7.1	Washington U.	44,602	46,776	4.9
Chicago	34,005	35,868	5.5	U. Pennsylvania	44,212	46,450	5.1
Duke	34,067	35,620	4.6	Boston U.	44,272	46,368	4.7
Washington U.	33,788	35,524	5.1	RPI	43,411	46,305	6.7
Northwestern	33,567	35,429	5.5	Northwestern	43,833	46,205	5.4
Boston U.	33,792	35,418	4.8	Cornell (Endowed)	43,757	46,021	5.2
NYU	33,420	35,290	5.6	Brown	43,754	45,948	5.0
Rochester	33,426	35,190	5.3	Stanford	43,631	45,897	5.2
Dartmouth	33,501	35,178	5.0	Rochester	43,618	45,830	5.1
Stanford	33,264	35,089	5.5	Harvard	43,655	45,620	4.5
Harvard	33,709	34,998	3.8	Dartmouth	43,341	45,483	4.9
MIT	33,600	34,986	4.1	Duke	43,407	45,400	4.6
Cornell (Endowed)	32,981	34,781	5.5	MIT	43,550	45,386	4.2
Yale	33,030	34,530	4.5	Yale	43,050	45,000	4.5
Princeton	33,675	33,780	0.3	Cornell (Contract-nonres.)	42,657	44,921	5.3
Cornell (Contract-nonres.)	31,881	33,681	5.6	Princeton	42,875	44,760	4.4
U. Michigan (nonres.)	29,131	31,301	7.4	UC–Berkeley (nonres.)	38,412	40,633	5.8
U. Virginia (nonres.)	25,945	27,940	7.7	U. Michigan (nonres.)	36,939	39,491	6.9
UC–Berkeley (nonres.)	25,338	26,785	5.7	U. Virginia (nonres.)	32,854	35,375	7.7
Pennsylvania State (nonres.)	22,712	23,712	4.4	Pennsylvania State (nonres.)	30,128	31,452	4.4
Michigan State (nonres.)	21,538	23,699	10.0	Cornell (Contract-res.)	29,017	30,531	5.2
Rutgers (nonres.)	18,463	19,783	7.1	Michigan State (nonres.)	27,632	30,425	10.1
Cornell (Contract-res.)	18,241	19,291	5.8	Rutgers (nonres.)	27,775	29,545	6.4
SUNY–Buffalo (nonres.)	12,389	12,478	0.7	SUNY–Binghamton (nonres.)	20,768	21,460	3.3
SUNY–Binghamton (nonres.)	12,180	12,272	0.8	SUNY–Buffalo (nonres.)	20,497	21,098	2.9
SUNY–Buffalo (res.)	6,129	6,218	1.5	SUNY–Binghamton (res.)	14,508	15,200	4.8
SUNY–Binghamton (res.)	5,920	6,012	1.6	SUNY–Buffalo (res.)	14,237	14,838	4.2

Notes: • Institutions are ranked in descending order of rates for 2007-08.
 • Institutions with different resident and nonresident tuitions are indicated *res.* and *nonres.* respectively.
 • *Common acceptance* refers to institutions that had significant overlap with Cornell in the common acceptance of students who eventually matriculated at Cornell rather than those other institutions.

UNDERGRADUATE TUITION AND FEES SELECTED PUBLIC AND LAND-GRANT INSTITUTIONS

Institution	Resident			Institution	Nonresident		
	06-07	07-08	%		06-07	07-08	%
Cornell (Contract)	\$18,241	\$19,291	5.8	Cornell (Contract)	\$31,881	\$33,681	5.6
Pennsylvania State	12,164	12,844	5.6	U. Vermont	26,308	27,938	6.2
U. Vermont	11,324	12,054	6.4	UC-Davis	26,260	27,144	3.4
U. Illinois (Urbana)	9,882	11,130	12.6	U. Illinois (Urbana)	23,968	25,216	5.2
U. Mass. (Amherst)	9,595	9,921	3.4	U. Texas (Austin)	20,364	24,544	20.5
Michigan State	8,843	9,690	9.6	Pennsylvania State	22,712	23,712	4.4
U. Minn. (Twin Cities)	9,173	9,598	4.6	Michigan State	21,538	23,699	10.0
U. Connecticut (Storrs)	8,362	8,852	5.9	U. Connecticut (Storrs)	21,562	22,796	5.7
Ohio State (Columbus)	8,667	8,676	0.1	Indiana U. (Bloomington)	20,472	22,316	9.0
UC-Davis	7,576	8,124	7.2	Purdue	21,266	22,224	4.5
Indiana U. (Bloomington)	7,460	7,837	5.1	U. Wisconsin (Madison)	20,726	21,435	3.4
U. Texas (Austin)	7,630	7,670	0.5	Ohio State (Columbus)	20,562	21,285	3.5
Purdue	7,096	7,416	4.5	U. Minn. (Twin Cities)	20,803	21,228	2.0
Texas A & M	6,966	7,335	5.3	U. Mass. (Amherst)	19,317	20,499	6.1
U. Wisconsin (Madison)	6,726	7,185	6.8	Iowa State (Ames)	16,354	16,919	3.5
SUNY-Buffalo	6,129	6,218	1.5	Texas A & M	15,216	15,675	3.0
Iowa State (Ames)	5,860	6,161	5.1	SUNY-Buffalo	12,389	12,478	0.7
SUNY-Albany	5,939	6,018	1.3	SUNY-Albany	12,199	12,278	0.6
SUNY-Binghamton	5,920	6,012	1.6	SUNY-Binghamton	12,180	12,272	0.8

Note: • Institutions are ranked in descending order of rates for 2007-08.

TUITION AND FEES SELECTED MEDICAL COLLEGES

Institution	Tuition			Institution	Tuition and Fees		
	06-07	07-08	%		06-07	07-08	%
Washington U.	\$41,910	\$43,380	3.5	U. Pennsylvania	\$43,463	\$45,473	4.6
Stanford	39,840	41,619	4.5	Columbia	43,700	45,213	3.5
Case Western	39,272	41,500	5.7	Cornell	39,283	45,193	15.0
Columbia	40,270	41,478	3.0	Stanford	42,058	43,902	4.4
Yale	39,150	40,720	4.0	Duke	41,213	43,403	5.3
U. Pennsylvania	38,308	39,648	3.5	Washington U.	41,910	43,380	3.5
U. Pittsburgh (nonres.)	38,064	39,206	3.0	Case Western	40,752	43,206	6.0
Cornell	33,775	39,180	16.0	Yale	41,025	43,060	5.0
Duke	36,882	38,982	5.7	U. Pittsburgh (nonres.)	41,020	42,622	3.9
Harvard	37,200	38,600	3.8	Harvard	40,279	41,861	3.9
Rochester	35,800	37,200	3.9	Johns Hopkins	37,234	40,099	7.7
Johns Hopkins	34,000	36,500	7.4	Rochester	38,755	39,799	2.7
Chicago - Pritzker	33,624	35,305	5.0	Chicago - Pritzker	36,401	37,758	3.7

Notes: • Institutions are ranked in descending order of rates for 2007-08.
• Tuition and fees include tuition, mandatory fees, and health insurance fees, whether mandatory or not.

AVERAGE NINE-MONTH FACULTY SALARIES SELECTED RESEARCH INSTITUTIONS

<u>Institution</u>	<u>87-88</u>	<u>Institution</u>	<u>97-98</u>	<u>Institution</u>	<u>07-08</u>
Cal Tech	\$60,297	Cal Tech	\$93,436	Harvard	\$143,872
Stanford	59,870	Harvard	93,126	Stanford	141,772
Harvard	57,763	Stanford	92,599	Cal Tech	137,110
MIT	56,660	Chicago	88,125	Chicago	134,854
Princeton	55,059	Princeton	88,000	Princeton	134,243
U. Pennsylvania	55,034	U. of Pennsylvania	87,890	U. Pennsylvania	133,293
Yale	54,580	NYU	87,703	NYU	130,274
Columbia	54,228	MIT	87,644	Columbia	126,855
Johns Hopkins	53,707	Yale	85,425	Yale	126,802
Carnegie Mellon	53,670	Northwestern	84,872	MIT	126,381
UC–Berkeley	53,670	Columbia	84,460	Northwestern	124,660
Chicago	53,439	Duke	83,424	Duke	124,480
Georgetown	53,075	Georgetown	80,216	Cornell (Endowed)	123,053
NYU	52,918	Carnegie Mellon	79,917	Dartmouth	119,543
UCLA	52,723	U. of Michigan	78,172	Georgetown	117,839
Duke	52,323	USC	78,008	Cornell (Ithaca Campus)	117,474
Rutgers	52,207	UC–Berkeley	77,190	USC	115,357
U. Virginia	52,197	Cornell (Endowed)	77,179	UC–Berkeley	114,411
USC	52,065	UCLA	77,030	UCLA	113,616
Northwestern	51,734	Johns Hopkins	76,194	U. North Carolina	111,892
UC–San Diego	51,344	U. of Virginia	75,680	Carnegie Mellon	111,801
U. Michigan	51,329	Rutgers	75,615	Brown	111,421
Cornell (Endowed)	50,881	Dartmouth	74,808	U. Michigan	111,280
Ohio State	49,792	UC–San Diego	73,762	Cornell (Contract)	108,876
UC–Davis	48,950	U. of North Carolina	73,117	U. Virginia	108,347
U. Texas	48,834	Brown	72,211	Johns Hopkins	†
Dartmouth	48,466	U. of Illinois	71,242	UC–San Diego	106,680
U. North Carolina	48,008	Cornell (Ithaca Campus)	70,200	U. Maryland	106,375
Cornell (Ithaca Campus)	47,826	Pennsylvania State	69,371	Rutgers	106,135
Brown	47,655	UC–Davis	69,105	U. Texas	103,339
U. Maryland	47,587	U. of Minnesota	69,085	U. Illinois	102,441
Purdue	46,824	U. of Texas	69,075	Pennsylvania State	101,926
Pennsylvania State	46,408	Ohio State	69,006	U. Minnesota	100,342
Cornell (Contract)	46,245	U. of Maryland	68,845	UC–Davis	100,239
U. Illinois	46,176	Purdue	68,052	Ohio State	99,238
U. Wisconsin	45,298	U. of Wisconsin	64,940	U. Washington	98,004
U. Minnesota	45,108	Michigan State	64,454	Michigan State	95,266
Michigan State	44,666	U. of Washington	63,222	Texas A&M	94,196
Texas A&M	44,624	Texas A&M	62,994	Purdue	92,738
U. Washington	43,829	Cornell (Contract)	61,736	U. Wisconsin	90,070

Notes: • The average salary (excluding extra pay and summer compensation) for each institution (including Cornell's contract college subset) was computed by weighting the mean salary by academic rank for the number of endowed Ithaca faculty in those ranks. Twelve-month salaries were converted to a nine-month appointment basis.

† Did not participate in the 2007-08 salary survey that was published in *Academe*, March-April 2008.

UNDERGRADUATE FINANCIAL AID

Sources of Funding for Undergraduate Financial Aid						Change from Forecast to Plan	Annual Growth Rate from 87-88
(dollars in thousands)							
	87-88 <u>Actual</u>	06-07 <u>Actual</u>	07-08 <u>Plan</u>	07-08 <u>Forecast</u>	08-09 <u>Plan</u>		
Family Contribution							
1. Parental	\$22,189	\$73,932	\$76,889	\$75,500	\$78,520	4.0%	6.2%
2. Student	7,819	16,803	17,307	16,677	17,511	5.0%	3.9%
3. Subtotal	30,008	90,735	94,196	92,177	96,031	4.2%	5.7%
Federal Government							
4. Grants	5,143	9,353	9,695	10,364	11,106	7.2%	3.7%
5. Loans	11,192	27,102	29,500	26,895	27,061	0.6%	4.3%
6. Work/Study	2,769	4,044	4,000	4,068	4,200	3.2%	2.0%
7. Subtotal	19,104	40,499	43,195	41,327	42,367	2.5%	3.9%
State Government							
8. Grants	4,903	5,221	5,250	4,969	4,968	(0.0%)	0.1%
9. Work/Study	692						
10. Subtotal	5,595	5,221	5,250	4,969	4,968	(0.0%)	(0.6%)
Other External							
11. Grants	2,663	7,758	7,803	7,236	7,382	2.0%	5.0%
12. Subtotal	2,663	7,758	7,803	7,236	7,382	2.0%	5.0%
Cornell							
13. Unrestricted Grants	12,751	69,851	88,130	80,735	101,002	25.1%	10.4%
14. Restricted Grants	7,770	39,402	29,012	28,956	33,380	15.3%	7.2%
15. Loans	130	2,380	2,500	2,932	300	(89.8%)	4.1%
16. Work/Study	1,846	4,044	4,000	4,068	4,200	3.2%	4.0%
17. Subtotal	22,497	115,677	123,642	116,691	138,882	19.0%	9.1%
18. Total	79,867	259,890	274,086	262,400	289,630	10.4%	6.3%
Financial-Aid Population							
(on- and off-campus)							
	1987 <u>Actual</u>	2006 <u>Actual</u>	2007 <u>Plan</u>	2007 <u>Actual</u>	2008 <u>Plan</u>		
Undergraduate Student Counts							
1. Total Enrollment	12,958	13,562	13,531	13,510	13,641	1.0%	0.2%
2. Overall Financial-Aid Population	N/A	8,347	8,300	8,132	8,291	2.0%	
3. Percent of Total Enrollment		61.5%	61.3%	60.2%	60.8%		
4. Need-Based Financial-Aid Population	5,173	6,181	6,034	6,032	5,956	(1.3%)	0.7%
5. Percent of Total Enrollment	39.9%	45.6%	44.6%	44.6%	43.7%		
6. Cornell-Grant Recipients	3,815	5,551	5,345	5,394	5,347	(0.9%)	1.6%
7. Percent of Total Enrollment	29.4%	40.9%	39.5%	39.9%	39.2%		
8. Pell-Grant Recipients	1,820	1,834	1,800	1,856	1,850	(0.3%)	0.1%
9. Percent of Total Enrollment	14.0%	13.5%	13.3%	13.7%	13.6%		

Notes:

- Family contribution amounts are for students who demonstrate a financial need according to Cornell's methodology. Financial-aid amounts are shown as computed and as awarded.
- Enrollments exclude *in-absentia* and extramural students.
- * Cornell-grant recipients are those U.S. citizens and permanent residents (excluding international students) who receive need-based grant aid from Cornell resources.
- † The number of Pell Grant recipients for fall 1987 is estimated based on the total funding received by Cornell in that year and the national average of Pell Grant awards.

NEW YORK STATE APPROPRIATIONS

Sources of Funding

(dollars in thousands)

	06-07	07-08	07-08	08-09
Ithaca Campus	Actual	Plan	Forecast	Plan §
1. Original Base Appropriation Through SUNY	\$136,477	\$149,033	\$149,033	\$159,969
SUNY/Cornell Negotiated/Planned Increases				
2. For inflation and fixed costs	<u>11,412</u>	<u>7,621</u>	<u>7,621</u>	<u>6,388</u>
3. Subtotal Base (prior to legislative actions)	147,889	156,654	156,654	166,357
4. SUNY-Initiated Adjustments		2,565*	2,565*	(6,579)†
5. Empire Innovation	<u>1,144</u>	<u>750</u>	<u>750</u>	
6. Revised Base	149,033	159,969	159,969	159,778
Additional Planned State Funding Through SUNY				
7. Cooperative Extension (support for County Associations)	3,670	4,170	4,170	4,170
8. Institute for Community College (ICCD)	300	300	300	291
9. SUNY Program Support (academic equipment/fellowships)	1,664	1,666	1,776	1,728
10. SUCF Critical Maintenance In-Year Funds	<u>(58)</u>	<u>6,038</u>	<u>1,038</u>	<u>1,951</u>
11. Subtotal of Additional State Funding	5,576	12,174	7,284	8,140
12. Total State Appropriations Through SUNY	154,609	172,143	167,253	167,918
Other State Appropriations				
13. Bundy Aid (based on degrees granted)	<u>1,794</u>	<u>1,795</u>	<u>1,757</u>	<u>1,805</u>
14. Total Ithaca Campus	156,403	173,938	169,010	169,723
Medical College				
15. Bundy Aid (based on degrees granted)	<u>190</u>	<u>190</u>	<u>190</u>	<u>194</u>
16. Total Medical College	190	190	190	194
17. Total State Appropriations	156,593	174,128	169,200	169,917

- Notes:
- Cornell receives New York State appropriations through the State University of New York (SUNY) and directly from the state. Most appropriations flow through SUNY.
 - Not represented in this schedule are certain student financial-aid funds, grants and contracts from state agencies, and appropriations for capital acquisitions. The schedule also excludes the value of employee benefits provided by New York State and debt service on facilities provided through SUNY, neither of which is recorded by Cornell.
- § The amounts shown for 2008-09 are tentative, pending final approval by New York State and SUNY.
- * Deficiency funding provided by New York State to address extraordinary energy rate increases.
- † Mandated budget reduction, including efficiency savings of 2.9% and an energy deficiency reduction of \$1.9 million.

FACILITIES AND ADMINISTRATIVE COST AND EMPLOYEE BENEFITS BILLING RATES

Facilities and Administrative Cost Rates

	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>	<u>05-06</u>	<u>06-07</u>	<u>07-08</u>	<u>08-09</u>
Endowed Ithaca							
1. On-Campus	57.00	58.00	58.00	58.00	58.00	59.00	59.00
2. Off-Campus	26.00	26.00	26.00	26.00	26.00	26.00	26.00
3. Off-Campus – Arcibo Observatory	9.50	9.50	9.50	9.50	11.00	11.00	11.00
4. Other Restricted Funds	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Contract Colleges							
5. On-Campus – Research	59.00	58.00	58.00	53.50	53.50	53.50	54.00
6. Off-Campus – Research	26.00	26.00	26.00	26.00	26.00	26.00	26.00
7. On-Campus – Educational Services	62.50	60.00	60.00	56.70	56.70	56.70	56.70
8. Off-Campus – Educational Services	26.00	26.00	26.00	26.00	26.00	26.00	26.00
9. On-Campus – Research – Geneva	53.70	54.00	54.00	56.50	53.50	53.50	54.00
10. Off-Campus – Research – Geneva	26.00	26.00	26.00	26.00	26.00	26.00	26.00
11. New York State	12.30	18.00	18.00	18.00	18.00	18.00	18.00
12. Other Restricted Funds	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Medical Campus							
13. On-Campus	69.50	65.00	68.00	68.00	68.00	68.00	68.00
14. Westchester	43.00	43.00	38.00	38.00	38.00	38.00	42.00
15. Clinical Research Center	36.00	36.00	42.00	42.00	42.00	42.00	44.00
16. Off-Campus	26.00	26.00	26.00	26.00	26.00	26.00	26.00
17. Other Restricted Funds	25.00	25.00	25.00	25.00	25.00	25.00	25.00
18. Industrial Agreements – Clinical Trials	33.00	33.00	33.00	33.00	33.00	33.00	33.00
19. Industrial Agreements – Research	69.50	65.00	68.00	68.00	68.00	68.00	68.00

Employee Benefits Rates

Endowed Ithaca							
1. Full	34.00	31.00	31.00	32.00	33.00	33.00	33.00
2. Minimum Plus *	20.75						
3. Minimum	10.25	10.25	10.25	10.00	10.00	10.00	10.00
4. Zero	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contract Colleges †							
5. Federally Reimbursed (restricted funds)	36.44	38.30	42.67	47.50	45.60	47.60	45.10
6. All Other Funds (where applicable)	38.31	41.05	46.68	49.86	50.27	51.44	50.73
Medical Campus							
7. General	28.00	28.00	29.40	29.40	29.40	29.60	29.60
8. Postdoctoral Fellow	20.00	20.00	20.00	20.00	20.00	20.00	21.00
9. NRSA Postdoctoral Fellow	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10. Temporary Employee and Student	8.50	8.50	8.50	8.50	8.50	8.50	9.00

Notes: • Shown are the billing rates, expressed as percentages, used in each fiscal year; actual cost rates vary.
 • Endowed Ithaca has three employee benefit rates: (a) the *full* rate is used for most benefit-eligible employees; (b) a *minimum* rate is used when only mandated benefits are provided or when tips or pension-ineligible bonus payments are made; and (c) a *zero* rate is applied in limited situations, such as in the case of academic-year student wage payments, where the cost of any benefits provided is negligible.

* The *minimum plus* rate was eliminated in 2003-04.

† The 2008-09 contract college benefits rates have been submitted to the Department of Health and Human Services for approval. The 2007-08 values shown are actual rates.

INVESTMENT ASSETS, RETURNS, AND PAYOUTS

Investments at Fair Value (dollars in thousands at year end)	6/30/06	Percent of Total	6/30/07	Percent of Total	Change from 6/30/06
	Total		Total		
1. Working Capital	\$22,735	0.4%	\$3,807	0.1%	(\$18,928)
2. Intermediate-Term (PBIF)	540,290	10.3%	609,353	9.6%	69,063
3. Long-Term Investment Pool (LTIP)	4,180,389	79.5%	5,197,503	81.5%	1,017,114
4. Separately Invested Portfolio	360,682	6.9%	478,902	7.5%	118,220
5. Pooled Life Income Funds	17,712	0.3%	16,935	0.3%	(777)
6. Other *	138,641	2.6%	62,725	1.0%	(75,916)
7. Total	5,260,449	100.0%	6,369,225	100.0%	1,108,776

Note: * A major portion of *other investments* are DASNY (Dormitory Authority of the State of New York) holdings, which include bond proceeds held at custodial banks and certain debt service reserves.

Endowment – Net Assets (dollars in thousands at year end)	05-06	06-07	Change	Percent Change
1. True Endowment	\$2,788,940	\$3,459,072	\$670,132	24.0%
2. Funds Functioning as Endowment	1,357,908	1,652,213	294,305	21.7%
3. Subtotal Under Cornell Management	4,146,848	5,111,285	964,437	23.3%
4. Contribution Receivable † and Bequests	69,319	135,757	66,438	95.8%
5. Funds Held in Trust by Others §	168,994	177,691	8,697	5.1%
6. Subtotal Funds External to Cornell	238,313	313,448	75,135	31.5%
7. Total University Endowment	4,385,161	5,424,733	1,039,572	23.7%

Notes: † Unconditional written or oral promises to donate funds in the future that will be treated as endowment.
§ Funds that the university neither possesses nor controls but which provide Cornell income or in which the university has a residual interest in the assets.

Long-Term Investment Pool	6/30/02	6/30/03	6/30/04	6/30/05	6/30/06	6/30/07
	Actual	Actual	Actual	Actual	Actual	Actual
1. Market Value (per share)	\$44.95	\$42.65	\$46.51	\$50.11	\$55.42	\$66.62
2. Annualized Total Gross Return ‡	(7.5%)	2.1%	16.3%	13.9%	16.4%	26.2%
3. Number of Shares (in millions)	61.2	63.8	66.0	72.3	75.4	78.0
4. Payout per Share	\$2.70	\$2.70	\$2.43	\$2.25	\$2.30	\$2.42
5. Shareholder Payout (in millions)	\$160.55	\$167.55	\$157.09	\$153.46	\$168.95	\$185.51
6. Payout as a % of 6/30 Market Value	6.0%	6.3%	5.2%	4.5%	4.1%	3.6%
7. Total Spending per Share	\$3.05	\$3.01	\$2.77	\$2.52	\$2.68	\$2.85
8. Total Spending (in millions)	\$186.49	\$192.01	\$183.00	\$181.87	\$201.88	\$222.32
9. Spending as a % of 6/30 Market Value	6.8%	7.1%	6.0%	5.0%	4.8%	4.3%

Note: ‡ Total returns net of investment management fees for 2001-02, 2002-03, 2003-04, 2004-05, 2005-06, and 2006-07 were (7.7%), 1.9%, 16.12%, 13.6%, 16.1%, and 25.9% respectively.

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ENDOWMENT PER FULL-TIME STUDENT SELECTED INSTITUTIONS

<u>Institution</u>	<u>84-85</u>	<u>Institution</u>	<u>05-06</u>	<u>Institution</u>	<u>06-07</u>
Princeton	\$255,600	Princeton	\$1,910,501	Princeton	\$2,228,257
Harvard	166,000	Yale	1,589,159	Yale	1,983,641
Rice	145,000	Harvard	1,504,616	Harvard	1,774,875
Yale	125,300	Stanford	1,070,671	Stanford	1,152,776
Stanford	86,800	MIT	820,399	MIT	973,699
Dartmouth	85,800	Rice	795,107	Rice	946,785
MIT	84,700	Dartmouth	534,965	Dartmouth	664,705
Washington U.	77,200	Emory	409,865	Duke	475,868
Rochester	77,000	Washington U.	407,015	Washington U.	473,738
Chicago	74,700	Chicago	384,106	Chicago	469,765
Columbia	62,900	Duke	337,768	Emory	458,511
Emory	62,800	Northwestern	320,690	Northwestern	397,390
Johns Hopkins	55,900	Columbia	279,954	Brown	350,226
Northwestern	39,900	Brown	268,148	Columbia	337,398
Vanderbilt	34,900	Vanderbilt	265,680	U. Pennsylvania	317,336
U. Texas System	34,600	U. Pennsylvania	252,029	Vanderbilt	300,647
Carnegie Mellon	33,600	Cornell	222,204	Cornell	276,222
Brown	31,800	Rochester	195,219	Rochester	219,522
Cornell	29,900	Johns Hopkins	179,446	Johns Hopkins	195,434
Duke	26,900	Tufts	137,896	Tufts	156,861
U. Pennsylvania	23,100	RPI	113,381	RPI	127,329
RPI	20,900	Carnegie Mellon	103,353	Carnegie Mellon	119,933
Tufts	12,800	U. Texas System	96,049	U. Texas System	111,775
Boston U.	5,000	Boston U.	37,202	Boston U.	44,223
† Cornell (+ NYS support)	99,581	Cornell (+ NYS support)	373,095	Cornell (+ NYS support)	442,018

- Notes:
- Institutions are ranked in descending order of endowment per full-time student (undergraduate, graduate, and professional) for each year.
 - Endowment per student calculated based on endowment value as of June 30th of the fiscal year divided by the full-time equivalent enrollment for the previous fall semester.
 - Endowments include true endowments, funds functioning as endowment, and (beginning in 1995-96) funds held in trust by others. Endowments exclude living trusts and pledges.
 - Cornell's figures include full-time enrollments for the Ithaca campus and Weill Cornell Medical College.
- † Cornell's endowment per student has been recast for illustrative purposes to include the imputed endowment principal (based on a 4.4 percent payout) that would be needed to provide annual support equal to the level of New York State (NYS) appropriations for Cornell's contract colleges (excluding research and outreach—the so called "land-grant" activities) for each of the fiscal years shown.

Source: 2007 NACUBO Endowment Study, prepared by TIAA-CREF.

GIFTS/CONTRIBUTIONS – THROUGH MARCH 31, 2008

Status by Division (dollars in thousands)	Ithaca Campus	Medical College	07-08 Year to Date	06-07 Year to Date	05-06 Year to Date	04-05 Year to Date
General Operations						
1. Unrestricted	\$27,297	\$43,430	\$70,727	\$60,269	\$87,697	\$81,262
2. Temporarily Restricted	<u>79,220</u>	<u>35,827</u>	<u>115,047</u>	<u>31,164</u>	<u>100,205</u>	<u>15,451</u>
3. Subtotal	106,517	79,257	185,774	91,433	187,902	96,713
Financial Capital						
4. True Endowment	77,104	22,190	99,294	39,102	33,846	71,826
5. Funds Functioning as Endowment	20,994	809	21,803	23,099	19,556	10,724
6. Life Income Funds	9,460	403	9,863	10,415	3,737	1,705
7. Trusts Held by Others				205	2,438	28
8. Loan Funds	<u>1</u>	<u>109</u>	<u>110</u>	<u>109</u>	<u>116</u>	<u>291</u>
9. Subtotal	107,559	23,511	131,070	72,930	59,693	84,574
Physical Capital						
10. Cash Gifts	13,508	83,246	96,754	29,548	35,273	12,513
11. Gifts in Kind	<u>3,504</u>	<u> </u>	<u>3,504</u>	<u>3,310</u>	<u>4,299</u>	<u>13,557</u>
12. Subtotal	17,012	83,246	100,258	32,858	39,572	26,070
13. Contributions Total	231,088	186,014	417,102	197,221	287,167	207,357
Reconciling Adjustments to Cash Gifts						
14. Gifts from Outside Trusts	2,008	2,761	4,769	(120)	(2,436)	1,962
15. Gift Annuities	9,237	436	9,673	1,526	1,197	998
16. Split-Interest Agreements	9,054		9,054	7,525	3,947	2,049
17. Pledges (net present value)	(40,581)	(73,104)	(113,685)	72,281	23,522	40,179
18. Timing Differences	(8,251)	(10,885)	(19,136)	28,273	9,257	(18,537)
19. Other	<u>3,479</u>	<u> </u>	<u>3,479</u>	<u>122</u>	<u>59</u>	<u>10</u>
20. Total Reconciling Adjustments	(25,054)	(80,792)	(105,846)	109,607	35,546	26,661
21. Cash Gifts Total	206,034	105,222	311,256	306,828	322,713	234,018

- Notes:
- This table reconciles the differences between *contributions* as displayed in the financial statements (line 13) and *cash gifts* as reported from the contributor relations system (line 21). The reconciling adjustments (lines 14 through 19) represent the changes to the financial statements figures that would be needed to make them equal to cash gifts as defined by Alumni Affairs and Development. The largest of these adjustments (positive or negative) are often the change in the net present value of pledges (line 17) and timing differences in the recording of gifts between the two systems (line 18).
 - Line 14 shows the net difference in valuation of gifts from outside trust agreements that are recorded in the contributor relations system at full value and may be reflected at present value in the financial statements. Lines 15 and 16 identify trusts in which Cornell shares an interest with the donors. While the gifts are reflected at full value in the contributor relations system, Cornell's financial statements recognize the liability owed to the beneficiaries of these trusts. Line 17 reflects the net present value of unconditional promises to give (pledges) that were recorded in the financial statements but not treated as cash gifts in the contributor relations system. Lines 18 and 19 identify other periodic adjustments.
 - Some of these exclusions—all of which are based on the reporting standards appropriate for each record—are entire (e.g., the inclusion of pledges in the financial statements and the exclusion of such promises from the cash gifts of the contributor relations system). Others are partial (e.g., the recognition in the financial statements of the interest that beneficiaries may have in split-interest agreements).

PROJECTED MAINTENANCE FUNDING – ITHACA CAMPUS

Maintenance Inventory

(dollars in millions)

	Actual 06-07	Forecast 07-08	Plan 08-09	Proj. 09-10	Proj. 10-11	Proj. 11-12	Proj. 12-13
Endowed Ithaca							
1. Beginning Inventory	\$101.0	\$118.4	\$122.6	\$127.8	\$129.0	\$136.8	\$147.9
2. Maintenance Projects	33.0	20.5	32.8	34.1	35.4	36.9	38.5
3. Operational Funding	(15.6)	(15.7)	(16.3)	(16.9)	(17.6)	(18.3)	(19.0)
4. Capital Funding		(0.6)	(11.3)	(16.0)	(10.0)	(7.5)	(15.0)
5. Year-End Inventory	118.4	122.6	127.8	129.0	136.8	147.9	152.4
Residence Facilities							
6. Beginning Inventory	67.1	67.4	75.1	82.1	89.3	96.5	103.0
7. Maintenance Projects	14.2	14.0	13.5	14.2	14.9	15.6	16.4
8. Operational Funding	(4.8)	(4.9)	(5.0)	(5.5)	(5.8)	(6.1)	(6.4)
9. Capital Funding	(9.1)	(1.4)	(1.5)	(1.5)	(1.9)	(3.0)	(2.9)
10. Year-End Inventory	67.4	75.1	82.1	89.3	96.5	103.0	110.1
Contract Colleges							
11. Beginning Inventory †	505.7	504.2	510.5	491.7	481.6	479.6	474.9
12. Maintenance Projects	8.5	16.8	17.8	18.9	20.0	21.3	22.5
13. Operational Funding	(4.0)	(4.5)	(4.5)	(5.0)	(5.0)	(5.5)	(6.0)
14. Capital Funding	(6.0)	(6.0)	(32.1)*	(24.0)	(17.0)	(20.5)	(19.9)
15. Year-End Inventory	504.2	510.5	491.7	481.6	479.6	474.9	471.5
Ithaca Campus Total							
16. Beginning Inventory	673.8	690.0	708.2	701.6	699.9	712.9	725.8
17. Maintenance Projects	55.7	51.3	64.1	67.2	70.3	73.8	77.4
18. Operational Funding	(24.4)	(25.1)	(25.8)	(27.4)	(28.4)	(29.9)	(31.4)
19. Capital Funding	(15.1)	(8.0)	(44.9)	(41.5)	(28.9)	(31.0)	(37.8)
20. Year-End Inventory	690.0	708.2	701.6	699.9	712.9	725.8	734.0

- Notes:
- This table provides a projection of building maintenance activity, the funding of maintenance costs from operating and capital plans, and the inventory of unfunded maintenance for the Ithaca campus through 2012-13. Excluded are utilities, parking, and information technology projects. The projected year-end inventory of unfunded maintenance is for planning purposes only, and illustrates the potential need for maintenance resources beyond those already identified in operating and capital plans.
 - There are three categories of building maintenance: routine, preventive, and planned. Maintenance needs and projects are identified annually. Most routine and preventive activities are funded and completed. Some planned maintenance is deferred due to timing issues or lack of funding.
 - The lines labeled *maintenance projects* include routine and preventive activities and additions to the planned maintenance inventory. The projection of such projects through 2012-13 was made using a model developed by the Association of Higher Education Facilities Officers.
 - Operational funding is that portion of total maintenance funding that is expended on routine and preventive activities and planned maintenance, and includes the use of operating reserves. It excludes certain administrative costs and debt service.
 - Capital funding is from projects in the capital plan, not all of which have been approved or funded. The impact of capital funding is shown in the year that the project is expected to be completed.
 - † The beginning maintenance inventory for the contract colleges has been revised based on a comprehensive facilities review that the State University Construction Fund conducted in the spring of 2007.
 - * Capital funding for contract college facilities maintenance reflects the initiation of the 2008-2013 State University Capital plan beginning in 2008-09.

WORKFORCE – ITHACA CAMPUS

2007-08 Ithaca Campus Work Force Distribution	Full-Time and Part-Time Headcounts				Ratio of Support to Academic
	Academic Staff		Support	Total	
	Faculty	Other	Staff		
1. Agriculture & Life Sciences	376	351	1,122	1,849	1.54
2. Architecture, Art & Planning	55	12	44	111	0.66
3. Arts & Sciences	536	217	321	1,074	0.43
4. Engineering	236	62	199	497	0.67
5. Hotel Administration	42	16	264	322	4.55
6. Human Ecology	89	92	187	368	1.03
7. Industrial & Labor Relations	52	62	161	275	1.41
8. Johnson School	59	18	98	175	1.27
9. Law School	49	1	69	119	1.38
10. Veterinary Medicine	<u>134</u>	<u>117</u>	<u>707</u>	<u>958</u>	2.82
11. Subtotal Colleges	1,628	948	3,172	5,748	1.23
12. Research Centers		126	301	427	2.39
13. Other Academic Programs	<u>9</u>	<u>100</u>	<u>656</u>	<u>765</u>	6.02
14. Subtotal Other Centers	9	226	957	1,192	4.07
15. Total Academic Units	1,637	1,174	4,129	6,940	1.47
16. Student Services		17	1,108	1,125	
17. Administrative & Support		2	1,566	1,568	
18. Physical Plant		—	<u>737</u>	<u>737</u>	
19. Subtotal Support		19	3,411	3,430	
20. Total Work Force	1,637	1,193	7,540	10,370	2.66

Change in Support Staff					Change from 04-05	
	04-05	05-06	06-07	07-08	Number	Percent
1. Agriculture & Life Sciences	1,143	1,151	1,121	1,122	(21)	(1.8%)
2. Architecture Art, & Planning	32	33	43	44	12	37.5%
3. Arts & Sciences	339	339	329	321	(18)	(5.3%)
4. Engineering	221	218	203	199	(22)	(10.0%)
5. Hotel Administration	245	259	261	264	19	7.8%
6. Human Ecology	192	195	189	187	(5)	(2.6%)
7. Industrial & Labor Relations	171	169	160	161	(10)	(5.8%)
8. Johnson School	96	95	96	98	2	2.1%
9. Law School	65	65	70	69	4	6.2%
10. Veterinary Medicine	<u>696</u>	<u>669</u>	<u>691</u>	<u>707</u>	<u>11</u>	1.6%
11. Subtotal Colleges	3,200	3,193	3,163	3,172	(28)	(0.9%)
12. Research Centers	319	316	318	301	(18)	(5.6%)
13. Other Academic Programs	<u>580</u>	<u>600</u>	<u>637</u>	<u>656</u>	<u>76</u>	13.1%
14. Subtotal Other Centers	899	916	955	957	58	6.5%
15. Total Academic Units	4,099	4,109	4,118	4,129	30	0.7%
16. Student Services	975	1,045	1,081	1,108	133	13.6%
17. Administrative & Support	1,410	1,438	1,508	1,566	156	11.1%
18. Physical Plant	<u>731</u>	<u>736</u>	<u>729</u>	<u>737</u>	<u>6</u>	0.8%
19. Subtotal Support Units	3,116	3,219	3,318	3,411	295	9.5%
20. Total Support Staff	7,215	7,328	7,436	7,540	325	4.5%



ROOM AND BOARD RATES – ITHACA CAMPUS

Selected Institutions

Institution	Room Rates *			Institution	Board Rates †		
	06-07	07-08	%		06-07	07-08	%
NYU	\$8,280	\$8,600	3.9	Princeton	\$4,315	\$5,000	15.9
Cornell	6,390	6,680	4.5	Stanford	4,796	4,945	3.1
Johns Hopkins	6,096	6,340	4.0	Harvard	4,618	4,766	3.2
U. Pennsylvania	6,022	6,324	5.0	Yale	4,560	4,760	4.4
Dartmouth	5,895	6,165	4.6	Johns Hopkins	4,526	4,752	5.0
Northwestern	5,838	6,129	5.0	Northwestern	4,428	4,647	4.9
MIT	5,600	6,000	7.1	Duke	4,390	4,630	5.5
Princeton	4,885	5,980	22.4	Cornell ‡	4,386	4,560	4.0
Brown	5,690	5,958	4.7	MIT	4,350	4,400	1.1
Stanford	5,571	5,863	5.2	Dartmouth	3,945	4,140	4.9
Harvard	5,328	5,856	9.9	Columbia	4,008	4,128	3.0
Columbia	5,640	5,809	3.0	U. Pennsylvania	3,782	3,884	2.7
Yale	5,460	5,710	4.6	Brown	3,444	3,648	5.9
SUNY–Binghamton	5,106	5,662	10.9	NYU	3,500	3,600	2.9
Duke	4,950	5,150	4.0	SUNY–Binghamton	3,482	3,526	1.3

Notes: • Institutions are ranked in descending order of rates for 2007-08.
 * Room rates shown represent average double occupancy for undergraduates.
 † Board rates shown generally represent full meal plans, providing 18 to 21 meals per week.
 ‡ Cornell board rates shown are for the *Traditional 14 Meals Per Week Plus \$1,000 Declining Balance Plan*.

Cornell University

	03-04	04-05	05-06	06-07	07-08	08-09	Change from 07-08
Room Rates ¶							
1. Undergraduate – Average Double	\$5,675	\$5,875	\$6,080	\$6,390	\$6,680	\$6,950	4.0%
2. Undergraduate – Average All Types	5,937	6,142	6,391	6,713	7,015	7,320	4.3%
3. All Students – Average Double	5,675	5,875	6,080	6,390	6,680	6,950	4.0%
Board Rates							
4. Full Meal Plan ◇	3,854	4,008	4,170	4,336	4,510	4,690	4.0%
5. Administrative Fee §	50	50	50	50	50	50	

Notes: ¶ Includes \$245 of ResNet fees that prior to 2003-04 were previously billed separately from these rates.
 ◇ Rates shown are for the *Traditional 14 Meals Per Week Plus \$1,000 Declining Balance Plan*.
 § Nonrefundable administrative fee that is charged to participants in the meal plans that covers the cost of flexible enrollment, allowing students to change, add, and drop meal plans. The fee funds the tracking and processing system used to record and monitor changes.

U.S. SENATE RESPONSE

The Senate Committee posed eleven questions that touched on institutional policies and practices governing tuition, financial aid, and endowments. Cornell's responses, which have been broken into subsections, is reproduced below.¹

Cornell University Response to the Questions Posed by The United States Senate Committee on Finance

February 20, 2008

Much of the information requested by the United States Senate Committee on Finance is regularly published and freely made available to the public through Cornell University's website. (www.cornell.edu) Published documents that are referenced in this response are listed throughout, with linking URLs where online copies are available.

1) Please provide the number of undergraduate and graduate students year-by-year for the last ten years.

Response:

Headcount enrollments as of the 6th week of the fall semester of each year are displayed in Table 1 (above at right) for all of Cornell's colleges and schools. "Graduate" includes professional school students.

Reference: Cornell Factbook – Enrollment. (http://www.dpb.cornell.edu/F_Enrollment.htm)

2a) Please provide the total cost of undergraduate tuition (including all fees)—both sticker and average, mean and median—year-by-year for the last ten years.

Response:

Shown in Table 2 (at right) are the applicable "sticker" tuition and mandatory fee rates for incoming freshmen. Cornell has three main undergraduate tuition rates:

- Endowed Ithaca tuition applies to the students enrolled in architecture, art and planning; arts and sciences; engineering; and hotel administration.
- The other two rates are associated with three of the four contract colleges at Cornell that enroll undergraduates:

¹ A copy of this response, including President David J. Skorton's cover letter, can be found at: http://www.cornell.edu/president/docs/20080220_financeResponse.pdf

Table 1. Total Enrollment – Headcount
(6th Week of the Fall Semester)

<u>Fiscal Year</u>	<u>Undergraduate</u>	<u>Graduate</u>
1997-98	13,294	5,762
1998-99	13,442	5,857
1999-00	13,669	5,985
2000-01	13,590	6,030
2001-02	13,801	6,340
2002-03	13,725	6,512
2003-04	13,655	6,679
2004-05	13,625	6,611
2005-06	13,515	6,683
2006-07	13,562	6,855

agriculture and life sciences, human ecology, and industrial and labor relations. The contract colleges are affiliated with the State University of New York and are chartered under specific state laws. While components of a private university, the contract colleges employ a system of resident and non-resident tuition rates to recognize the financial assistance that New York State provides to Cornell to support these colleges.

Cornell's only mandatory fee—the student activity fee—applies equally to all on-campus undergraduates.

In addition to these main rates, Cornell charges other tuitions for undergraduates enrolled in off-campus programs, within the U.S. and abroad. In some abroad programs, Cornell charges reduced tuition and the hosting university charges the student its own tuition and fees. These off-campus rates (Cornell's or other institutions') are not shown under "sticker."

Reference: Cornell Factbook – Tuition & Mandatory Fees. (<http://www.dpb.cornell.edu/documents/1000212.pdf>)

Table 2. Tuition & Mandatory Fees Undergraduate – "Sticker"

<u>Fiscal Year</u>	<u>Endowed Ithaca</u>	<u>Contract Resident</u>	<u>Contract Nonresident</u>
1997-98	\$21,914	\$9,374	\$18,024
1998-99	22,868	9,938	18,988
1999-00	23,848	10,418	19,988
2000-01	24,852	10,922	20,992
2001-02	26,062	12,062	22,292
2002-03	27,394	13,274	23,624
2003-04	28,754	14,624	25,924
2004-05	30,167	16,037	28,567
2005-06	31,467	17,367	30,367
2006-07	32,981	18,241	31,881

U.S. SENATE RESPONSE (continued)

The mean net tuition and mandatory fee amounts paid per year are displayed in Table 3 (below), weighted for the relative proportion of student enrollments at the different tuition rates shown in Table 2 (on page 75). Net tuitions were computed two ways: (a) by taking gross tuition revenues and subtracting grant aid from Cornell's sources and (b) by taking gross tuition revenues and subtracting grant aid from all sources: Cornell, governments, and other externalities. Those averages have been contrasted with the weighted average "sticker" prices charged during the period. The first method represents what Cornell experiences as net revenue; the second represents what the student experiences as net price.

The figures in Table 3 (below) represent on-campus enrollments and rates only. The population of students enrolled in off-campus programs (and their attendant special tuition rates) was not considered in these calculations. Factored into the analysis, however, are lower tuition rates that were charged to continuing nonresident contract college students during some of these years.

As is evident in Table 3 (below), Cornell provides most of the grant-aid that its students receive and has increased the proportion of that grant aid as a percent of the "sticker" price over the past six years. Over the past ten years, the fraction of Cornell's "sticker" price paid for from external grant aid—including federal and state resources—has declined steadily, from 7.3% in 1997-98 to 5.6% in 2006-07.

Cornell cannot easily provide the median net tuition and mandatory fee amount charged for the ten-year period, as the university did not track this metric during this time. Until recently, the bursar files that would be required for such a

detailed, person-by-person analysis were purged every year at the start of a new year's billing cycle.

2b) Please provide the amount of tuition assistance (not including loans or work study) that the university has provided to undergraduate students year-by-year for the last ten years.

Response:

Cornell provides undergraduates with financial aid that helps to pay for the total cost of attendance: tuition, fees, room, board, textbooks, and miscellaneous expenses (e.g., travel to and from home to campus). Thus, the financial aid provided (grant aid, as opposed to loans and work/study) is not just for "tuition assistance," and for some students it exceeds the cost of tuition. Table 4 (at the top of page 77) displays the total amount of grant aid provided in each year from Cornell's resources, including aid to international students.

Reference: Appendix G of Cornell University's annual financial plan booklet, available by fiscal year. (http://www.dpb.cornell.edu/FP_Current_Pubs.htm)

2c) For the most recent year, please provide the percentage of students receiving university grants (for example 25%; 50%; 75% and 100% of tuition and fees). Please provide the average grant amount.

Response:

Table 5 (at the bottom of page 77) indicates the number of undergraduates who received grant aid from Cornell's resources, by the ranges suggested in question 2c—including the number

Table 3. Tuition & Mandatory Fees – Undergraduate – “Sticker” Versus Net

<u>Year</u>	<u>Tuition & Fees “Sticker” *</u>	<u>Tuition & Fees Net of Cornell Sources *</u>	<u>Cornell Aid Sources as a % of “Sticker”</u>	<u>Tuition & Fees Net of All Aid Sources *</u>	<u>All Aid Sources as a % of “Sticker”</u>
1997-98	\$18,912	\$14,656	22.5%	\$13,274	29.8%
1998-99	19,931	15,374	22.9%	13,930	30.1%
1999-00	20,814	15,994	23.2%	14,508	30.3%
2000-01	21,830	16,815	23.0%	15,255	30.1%
2001-02	23,107	18,041	21.9%	16,426	28.9%
2002-03	24,424	18,718	23.4%	17,057	30.2%
2003-04	25,862	19,375	25.1%	17,597	32.0%
2004-05	27,575	20,391	26.1%	18,665	32.3%
2005-06	29,152	21,475	26.3%	19,830	32.0%
2006-07	30,637	22,520	26.5%	20,814	32.1%

* Tuition and mandatory fees displayed in this table—“sticker” and both net amounts—have been weighted for the relative proportion of student enrollments at the different main tuition rates shown in Table 2 as well as the lower tuition rates that were charged to continuing nonresident contract college students during some of these years.

of students whose grant aid exceeds 100% of tuition—based on the individual tuition and mandatory fee rates that each paid. (See answer to question 2a above concerning Cornell's various tuition and mandatory fee rate structures.)

Because undergraduate financial aid is awarded based on the overall cost of attendance—tuition and mandatory fees, room and board, books, and personal expenses—a number of students (631 in 2006-07) qualify for grant-aid in excess of their individual tuition and mandatory fee rates.

3a) Please explain your university's financial aid policy.

Response:

Cornell's undergraduate financial-aid policy—which was predicated on its founding mission as the land-grant university for New York State; its founding goal to extend education to students regardless of race, gender, creed, or economic circumstances; and a history of providing significant financial assistance to students—was adopted by the Board of Trustees in March 1998.

Cornell University makes admissions decisions without regard to the ability of students or parents to pay educational costs. Students who are U.S. citizens or permanent residents and who demonstrate financial need will be assisted in meeting that need through one or more of the following: federal and state grants, employment opportunities, loans, The Cornell Commitment programs, scholarships from endowments and restricted funds, and Cornell grants. Annual adjustments will be made in self-help and family contribution levels.

Cornell will continue its commitment to excellence and diversity in the student population. Self-help levels for individual students may reflect the University's recognition of outstanding merit, unique talent, commitment to work and community service, and its commitment to diversity in the class.

Within this policy, Cornell assists each family in assembling a portfolio of resources that will cover that student's cost of

Table 4. Grant Aid * – Undergraduate Cornell Resources

<u>Fiscal Year</u>	<u>Grant Aid</u>
1997-98	\$56,217,000
1998-99	60,868,000
1999-00	65,463,000
2000-01	67,653,000
2001-02	69,368,000
2002-03	77,679,000
2003-04	87,909,000
2004-05	97,194,000
2005-06	102,959,000
2006-07	109,253,000

* Includes aid to international students.

attendance. This portfolio is highly customized, taking into account family income; federal, state, and local income taxes; family assets; medical and dental expenses; number of dependents in the family and the number of those dependents in college simultaneously; and a variety of special circumstances (such as noncustodial and self-employed parents). The family's contribution toward educational costs is determined by using the 568 Presidents' Group Consensus Approach methodology.

Cornell is a founding member of the 568 Presidents' Group, named for Section 568 of the Improving America's Schools Act (IASA) of 1994. Section 568 applies only to institutional aid and only to colleges and universities that admit all students on a need-blind basis—that is, without considering the financial circumstances of the student or the student's family. (<http://www.568group.org/>) It permits those institutions:

- To agree to award aid only on the basis of demonstrated financial need

Table 5. Grant Aid as a % of Tuition & Fees – Undergraduate (2006-07)

<u>Category</u>	<u>Number of Students</u>	<u>% of Grant-Aid Population *</u>	<u>% of Overall Undergraduate Enrollment</u>	<u>Average Grant</u>
Total with Cornell Grant Aid	5,553	100.0%	40.9%	\$18,778
<=25% of Tuition/Fees	776	14.0%	5.7%	\$3,723
>25% and <=50% of Tuition/Fees	1,207	21.7%	8.9%	\$10,991
>50% and <=75% of Tuition/Fees	1,478	26.6%	10.9%	\$19,118
>75% and <=100% of Tuition/Fees	1,461	26.3%	10.8%	\$26,563
>100% of Tuition/Fees	631	11.4%	4.7%	\$33,368

* Excludes those international students who are not eligible for financial aid under Cornell's March 1998 financial-aid policy. In the fall semester of 2006, Cornell enrolled 1,070 international students of whom 781 were not eligible for grant aid under that policy. Some of these 781 international students received grant aid under a separate program established to aid international students.

U.S. SENATE RESPONSE (continued)

- To use common principles of analysis for determining the need of students for that aid
- To use a common application form for institutional aid
- To exchange certain financial data through an independent third party before the award of institutional aid

Cornell and other Section 568 institutions have jointly developed the Consensus Approach methodology that is applied within reasonable variation within the group. (<http://www.568group.org/methodology/index.html>) The Consensus Approach is derived from the College Board's Institutional Methodology. (<http://professionals.collegeboard.com/higher-ed/financial-aid/im>) The Institutional Methodology is the result of over 50 years of analysis, review, revision, and formulation by the financial aid members of the College Board. As noted by the 568 Presidents' Group:

The Consensus Approach consists of a set of common standards for determining the family's ability to pay for college. It seeks to eliminate much of the variance in need analysis results that has been experienced in recent years. The participating institutions believe that the Consensus Approach, when applied in a consistent manner, serves to diminish or eliminate the divergent results that threaten the long-standing tradition of awarding aid on the basis of need.

Once the net financial need of the student has been calculated ("net" being defined as cost of attendance less the resources that families and externalities can be expected to pay), Cornell uses a mix of university grant, loan, and work/study opportunities to fund that need. This mix is not awarded uniformly, however, as Cornell has goals that it is trying to achieve, such as increasing the number of low-income students and underrepresented minorities. Currently, the university reduces the level of loans (and increases the corresponding amount of grant aid) for families with incomes below \$25,000. Beginning in 2008-09 and coming to full fruition in 2009-10, Cornell will eliminate need-based loans for all undergraduates from families with incomes under \$75,000, making it possible for new students to graduate debt-free. Cornell will also cap annual loans at \$3,000 for students from families with incomes between \$75,000 and \$120,000. The details of this are explained in a press release dated January 31, 2008. (<http://pressoffice.cornell.edu/Jan08/fin.aid.endowment.shtml>)

Reference: A more thorough discussion of Cornell's financial-aid history prior to the most recent initiative noted above can be found in an article published in May 2005. (<http://www.dpb.cornell.edu/documents/1000030.pdf>)

3b) How do you inform students and parents of that policy?

Response:

Cornell interacts with prospective students and their families in a variety of ways. The university's approach to admissions and financial aid is featured in its website for prospective

students. (<http://www.cornell.edu/admissions/>) The policy is stated clearly (<http://finaid.cornell.edu/Prospective/Policy.htm>), links are provided to the College Board website and other sites that will be of use to a prospective student (<http://finaid.cornell.edu/Shared/Links.htm>), and an FAQ page (<http://finaid.cornell.edu/Shared/FAQ2007.htm>) provides answers in simple language. Similar information is provided in brochures and other print materials (such as Cornell's "view book" and a separate booklet devoted to financial aid) and at numerous one-on-one and group information sessions. The view book is distributed to over 100,000 first-time freshman prospects and an additional 40,000 copies are given to transfer prospects and others interested in Cornell. Changes in Cornell's admissions and financial-aid policies are featured in university press releases, *The Cornell Chronicle* (a weekly publication of the university), *The Cornell Daily Sun* (a daily, independent, student-run newspaper), and the local and regional press.

3c) What outreach efforts does your university take to recruit potential low-income students?

Response:

Since Cornell has a need-blind admissions policy, the university does not recruit students by income specifically, but it does have outreach efforts that target students who attend economically disadvantaged high schools. Cornell partners with community-based organizations (such as *Prep For Prep*, *ABC [A Better Chance]*, *Washington Metro Scholars*, and *Venture Scholars*, among others). These organizations all work with students who attend economically disadvantaged high schools or who live in economically disadvantaged neighborhoods. The university's outreach includes bringing prospective students to campus for day and overnight visits, hosting workshops on admissions and financial aid, and conducting information sessions for parents. University staff members also visit high schools in low-income areas and work with counselors and students to introduce them to Cornell.

3d) How is low-income defined? What is the amount spent on these efforts?

Response:

While Cornell provides financial assistance to all students who demonstrate a financial need and therefore does not focus solely on "low income" students, the university's recently announced initiative to reduce and eliminate loan burdens for some students beginning in 2008-09 provides a surrogate for defining an important income cutoff: families earning \$75,000 or less. This value was chosen as it represents, approximately, the U.S. median family income of families in the 45- to 54-age range (the age span statistically most likely to have college-age eligible children)—in essence the lower half of the income spectrum. Cornell's initiative goes beyond that

income threshold, however, in also reducing the loan burden of families earning between \$75,000 and \$120,000. Cornell included this additional component in its initiative because the university, as noted by Cornell Provost Carolyn A. Martin, believes that it is critical that all students "...excel at their academic work and consider a range of careers without the worry of excessive debt at graduation."

Of the \$109.9 million in grant aid that Cornell expects to spend on undergraduate financial aid in 2007-08 from institutional resources, the university estimates that \$62.5 million in grant aid will go to families at the \$75,000 or less income level. When Cornell's newly announced initiative takes full effect in 2009-10, the institution expects to provide a total of approximately \$76.7 million (in 2007-08 dollars) in grant aid for this population.

4a) Who determines and decides when tuition increases are necessary?

Response:

Ultimately, the university's president recommends tuition increases and decreases to Cornell's Board of Trustees, which has the authority to make such decisions. The university's provost and her staff provide the analysis and supporting documentation on which the president's recommendation is based. In developing proposals, the provost reviews a range of scenarios with the Provost's Budget Planning Advisory Group. (See answer to question 4b below.)

Reference: See the Cornell University Bylaws, Article XXIII, §2. (http://www.cornell.edu/trustees/cornell_bylaws.pdf)

4b) What is the process for making this decision?

Response:

Tuition setting is done in the context of developing Cornell's overall annual financial plan as well as its multi-year, long-range operating and capital plans. The planning process involves discussions of a wide range of revenue and expense categories, including tuition, fees, room and board rates, gift revenues, endowment payout, support from grants and contracts, compensation costs, financial aid, capital and debt-service expenses, maintenance and utility costs, and general operating expenses, among others. Individuals at all levels of the institution are involved, including deans, provosts, and vice presidents. Planning assumptions are also reviewed with representative bodies of the faculty, students, and staff. Several trustee committees review these plans as they develop, prior to the final adoption of a financial plan. Undergraduate tuition rates are formally reviewed by the Provost's Budget Planning Advisory Group, which prepares recommendations for the president to take to the Board of Trustees. This group is composed of the provost, the executive vice president for finance and administration, the deputy provost, the

vice president for student and academic services, the vice president for planning and budget, and the deans of the two largest undergraduate colleges.

Cornell also consults with the trustees of the State University of New York concerning the tuition levels of the four state-assisted colleges at Cornell, three of which enroll undergraduate students.

Setting Cornell's multiple tuition rates requires the university to balance the need to fund the institution's core academic programs and the ability of students and their families to accommodate rate changes. Cornell's financial-aid policy serves to buffer low-income families from the deleterious effects of tuition inflation by adjusting grant aid upward based on cost increases.

4c) Does the full Board of Trustees vote on tuition increases?

Response:

Yes.

4d) Are students, parents and the public provided an opportunity to comment on tuition increases prior to final decisions being made?

Response:

As a private institution, Cornell does not have a "public comment" review as part of its tuition-setting process. Two student-elected members, however, sit on the Cornell Board of Trustees. These students serve as full-functioning trustees and vote on all tuition changes, among other duties.

Reference: See the Cornell University Bylaws, Article II, §2.4.c. (http://www.cornell.edu/trustees/cornell_bylaws.pdf)

4e) What role does your university endowment play in providing financial assistance to students?

Response:

Of the \$109.9 million in grant aid that Cornell expects to spend on undergraduate financial aid in 2007-08, \$28.1 million, or 25.6%, will come from endowment payout. Cornell's recently announced fund-raising initiative, *Far Above... The Campaign for Cornell*, seeks to increase financial-aid endowment principal by \$225 million, which will augment this by \$11.3 million annually.

5a) Please explain how your university's endowment is managed and the role of the Board of Directors?

Response:

Cornell's University Investment Office is charged with managing endowment and other invested assets. As provided for in Cornell's bylaws (Article III, §5), the Investment Committee, a standing committee of Cornell's Board of Trustees,

U.S. SENATE RESPONSE (continued)

provides policy guidance and oversight for the Investment Office:

a. The Investment Committee shall consist of the Chairperson of the Board and the President of the University, each *ex officio*, together with trustees, emeritus trustees, and nontrustee members to be elected by the Board. The presence of three voting trustee members shall constitute a quorum.

b. The Committee shall determine investment policy, objectives, and guidelines for the University. The Committee shall allocate assets between classes of investments and shall generally supervise management of the University's assets available for investment and the investment office, consistent with the provisions of Article VIII of these Bylaws.

c. There shall be a Chief Investment Officer who shall report to the President and to the Investment Committee, and shall hold office at the pleasure of both. The Chief Investment Officer shall have responsibility for managing the Investment Office. The Chief Investment Officer also shall be responsible for coordinating the University's relationships with investment managers as designated by the Investment Committee.

d. The Chief Investment Officer shall select and appoint outside investment managers and internal investment officers. The Chief Investment Officer may authorize outside investment managers or internal investment officers to purchase, sell, transfer and assign securities, real estate and other investment assets for their assigned portions of the University's investment portfolio within guidelines established by the Committee and to perform such acts with respect to assets held by the University as a fiduciary in the same manner as when held for the University's own benefit.

In discharging its duties, the Investment Office oversees more than 200 investment accounts and partnerships with external investment managers.

Sb) What are your university's endowment payout and investment policies?

Response:

While the concept of endowment is useful, the institution does not manage its investments based on an "endowment" construct. Instead, the university maintains a number of investment pools or categories for specified purposes, the most significant of which are the Long-Term Investment Pool (LTIP), described below, and the Pooled Balances Investment Fund (PBIF), established to maximize total return derived from the investment of intermediate-term cash balances. Other investment categories include Working Capital, the Separately Invested Portfolio, and Pooled Life Income Funds. The fair value of these assets as of June 30, 2007 is shown in Table 6 (above at right).

Reference: The Cornell University Financial Report, 2006-07, page 42. (http://www.accounting.cornell.edu/CM_Images/Uploads/ACT/AnnualReport06-07.pdf)

Cornell tailors its investment strategies around these pools and categories. For example, the high turnover in working

Table 6. Investment Pools/Categories
(at fair value at June 30, 2007)

<u>Pool/Category</u>	<u>Amount</u>
Working Capital	\$3,807,000
Intermediate-term (PBIF)	609,353,000
Long-Term Investment Pool (LTIP)	5,197,503,000
Separately Invested Portfolio	478,902,000
Pooled Life Income Funds	16,935,000
Other	<u>62,725,000</u>
Total	6,369,225,000

capital necessitates a short-term approach, while the assets of the LTIP are invested for the long term. Individual agreements governing many of the funds in the separately invested portfolio and life income funds often dictate the investment approach that is applied. Ninety-two percent of Cornell's endowment is invested in the LTIP, and in turn, 96% of the LTIP is made up of endowments. Thus, the LTIP's investment and payout policies govern the level of resources that are made available annually for most endowments. For clarity (and because this is how these assets are managed), Cornell has based its answers to the questions about endowment investment strategy, performance, and payout policy based either on its overall investment portfolio or the specifics of the LTIP. Table 7 (below) reconciles the differences between Cornell's endowment and its LTIP.

The university employs a unit method of accounting for the LTIP. Each participating fund enters into and withdraws

Table 7. Reconciliation of Endowment and LTIP (at June 30, 2007)

	<u>Amount</u>
Total Endowment	\$5,424,733,000
Separately Invested Endowments	(139,064,000)
Contributions Receivable * and Bequests	(135,757,000)
Funds Held in Trust by Others †	<u>(177,691,000)</u>
Endowment Funds in the LTIP	4,972,222,000
Non-Endowment Funds in the LTIP	<u>225,281,000</u>
Total LTIP	5,197,503,000
Percent of Endowment in the LTIP	92%
Percent of the LTIP that is Endowment	96%

* Unconditional written or oral promises to donate funds in the future that will be treated as endowment.

† Funds that the university neither possesses nor controls but which provide Cornell income or in which the university has a beneficial interest in the assets.

from the pooled investment account based on monthly unit market values. At June 30, 2007, the fair value per unit was \$66.62. Payout is also managed on a unit basis. Cornell's trustees declare a payout per share in advance of the start of the fiscal year, and each fund receives programmatic payout based on the number of unit shares that it "owns" in the pool. (See below for a description of the payout-setting process.)

The LTIP's current payout policy, which was enacted by the trustees in 1988-89 and revised several times through to 1998-99, has the following provisions:

- Payout is set in advance by the trustees as part of the budget process. Total payout for the LTIP consists of programmatic payout plus payout for the general and stewardship costs of the programs supported by the LTIP.
- The proposed programmatic payout for a coming fiscal year is normally 5% greater than the prior fiscal year as long as that increase allows programmatic payout to remain within a defined target range of 4.4% of a twelve-quarter rolling average of LTIP unit share values, plus or minus 75 basis points. The additional payout for general and stewardship costs represents 0.46% of that rolling average. As the rolling average of unit share values extends through the end of the prior fiscal year and the trustees normally declare the programmatic payout in January, the final two quarters of the average are estimated.
- In lieu of the normal 5% annual increase in programmatic payout, the trustees sometimes make step adjustments—both up and down, based on prior investment performance and current market conditions—to maintain the total payout within its target boundaries. As the general and stewardship cost component of payout is a fixed fraction of programmatic payout, it rises and falls with any step adjustment made in programmatic payout.
- Overall spending from the LTIP includes total payout as well as internal investment management expenses and external management fees.

The university's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the world equity, fixed income, commodities, real estate, and private equity markets. Based on guidelines established by the Investment Committee, the university's Investment Office directs the investment of endowment and trust assets, certain working capital, and temporarily invested expendable funds. The trustees have established short- and long-term targets for various asset classes, delineating upper and lower ranges for each. The portfolio is rebalanced periodically to maintain asset classes within these limits.

The investment objective is to achieve a total return, net of investment expenses, of at least 5% in excess of inflation, as

measured by a rolling average of the Consumer Price Index. Achieving favorable returns enables the university to distribute increasing amounts over time from its investments so that present and future needs can be treated equitably in inflation-adjusted terms.

Reference: See page 42 of the Cornell University Financial Report, 2006-07 for a description of the LTIP. (http://www.accounting.cornell.edu/CM_Images/Uploads/ACT/AnnualReport06-07.pdf)

Sc) What is the mission of your university's endowment?

Response:

Building on the vision of Cornell University's founder, Ezra Cornell, who aspired to build "an institution where any person can find instruction in any study," the general principle of Cornell's endowment is to support those two fundamental themes: enabling access and providing a comprehensive range of academic offerings and activities.

Endowments provide Cornell with a stable flow of operating revenues that funds core academic activities like instruction and research and allows the institution to admit and educate students from a wide variety of economic backgrounds. Endowed professorships, like the Frank H.T. Rhodes Professorship of Humane Letters, permit the university to hire and retain excellent, world-class scholars. As a case in point, Nobel Laureate Roald Hoffmann holds that professorship. Professor Hoffmann has taught primarily undergraduates at Cornell, and almost every year since 1966 he has taught first-year general chemistry. Some undergraduate financial-aid endowments have special terms that allow the institution, within the framework of need-based aid, to recognize superior academic achievement. For example, the John McMullen Scholarship is awarded to students with potential for exceptional success at Cornell and in the field of engineering. The scholarship is named for John McMullen, who was the president of the Atlantic Gulf & Pacific Dredging Company. Although not a Cornellian himself, on the advice of a friend who was, McMullen bequeathed his estate to Cornell to provide scholarships for engineering students. The first McMullen Scholar entered Cornell in 1925. Receiving this honor places students in a select group of individuals who received McMullen support during their undergraduate years at Cornell.

Cornell's endowment is made up of approximately 6,800 separate funds (as of December 31, 2007). Most have individual uses—some imposed by donor restrictions—that limit or prevent payout from being used in a fully fungible manner. The most common restrictions are tied to the purpose of a fund. A fund may be limited for use by a specific college or department within Cornell or the donor agreement may provide that the payout be reinvested as new principal when the purpose of the endowment gift cannot be executed (e.g., payment of salary that cannot be made when an endowed professorship is vacant

U.S. SENATE RESPONSE (continued)

due to turnover). Thus each of Cornell's approximately 6,800 endowment funds has its own mission, and only the most generalized phrases can describe all of them collectively.

In addition, New York State law mandates honoring donor distinctions and restrictions:

(b) Except as may be otherwise permitted under article eight of the estates, powers and trusts law or section 522 (Release of restrictions on use or investment), the governing board shall apply all assets thus received to the purposes specified in the gift instrument and to the payment of the reasonable and proper expenses of administration of such assets. The governing board shall cause accurate accounts to be kept of such assets separate and apart from the accounts of other assets of the corporation. Unless the terms of the particular gift instrument provide otherwise, the treasurer shall make an annual report to the members (if there be members) or to the governing board (if there be no members) concerning the assets held under this section and the use made of such assets and of the income thereof.

Reference: See the Laws of New York State, Not-For-Profit Corporation Law (Article 5, §513.b). (<http://public.leginfo.state.ny.us/menuf.cgi>)

5d) When was the last time that the university's endowment policy was reviewed?

Response:

The university's LTIP payout policy was last reviewed and changed for the fiscal year beginning 1998-99. The institution regularly checks the validity of the policy's assumptions as it sets payout for the coming year.

Investment strategy is reviewed annually by the Investment Committee of the Board of Trustees, and fine-tuned as needed in terms of the portfolio mix. The fundamental approach used for long-term investment—that of seeking the best total return within reasonable levels of risk—has been in place since 1988-89.

5e) When will it next be reviewed?

Response:

Both of these policies will be reviewed as circumstances dictate.

6a) Please provide the year-by-year net growth of the university's endowment for the last ten years (in both percentage and dollars).

Response:

This question has been answered for both the endowment (Table 8 above at right) and the LTIP (Table 9 at right).

Reference: The Cornell University Financial Reports, various years. (http://www.accounting.cornell.edu/View_Annual_Reports.cfm)

Table 8. Endowment
(net assets at fiscal year end)

<u>Year</u>	<u>Net Assets</u>	<u>Change from Prior Year</u>	<u>% Change</u>
1997-98	\$2,564,139,000	\$409,025,000	19.0%
1998-99	2,905,741,000	341,602,000	13.3%
1999-00	3,436,928,000	531,187,000	18.3%
2000-01	3,210,370,000	(226,558,000)	(6.6%)
2001-02	2,920,154,000	(290,216,000)	(9.0%)
2002-03	2,914,641,000	(5,513,000)	(0.2%)
2003-04	3,314,228,000	399,587,000	13.7%
2004-05	3,859,610,000	545,382,000	16.5%
2005-06	4,385,161,000	525,551,000	13.6%
2006-07	5,424,733,000	1,039,572,000	23.7%

6b) What is the amount of donations the endowment has received year-by-year for the last ten years?

Response:

Gifts to the endowment are shown in Table 10 (top of page 83). In accordance with generally accepted accounting principles, Cornell includes in the category of "gifts to endowment" any changes in pledge (contributions receivable) balances for endowments as well as gifts to outside trusts. Pledge balance changes may be positive or negative.

6c) Please provide the percentage of investment in each asset class (equity, fixed income, hedge funds, private equity, venture capital, etc.) and the amount invested outside the United States.

Response:

The breakdown by asset class for Cornell's overall investment portfolio (described above in answer to question 5b) is shown in Table 11 (bottom of page 83).

Table 9. LTIP
(market value at fiscal year end)

<u>Year</u>	<u>Net Assets</u>	<u>Change from Prior Year</u>	<u>% Change</u>
1997-98	\$2,427,635,000	\$392,837,000	19.3%
1998-99	2,760,263,000	332,628,000	13.7%
1999-00	3,287,965,000	527,702,000	19.1%
2000-01	3,043,876,000	(244,089,000)	(7.4%)
2001-02	2,750,401,000	(293,475,000)	(9.6%)
2002-03	2,720,790,000	(29,611,000)	(1.1%)
2003-04	3,070,235,000	349,445,000	12.8%
2004-05	3,623,192,000	552,957,000	18.0%
2005-06	4,180,389,000	557,197,000	15.4%
2006-07	5,197,503,000	1,017,114,000	24.3%

Table 10. Gifts to Endowment
(including pledge balance adjustments)

<u>Year</u>	<u>Amount</u>
1997-98	\$81,943,000
1998-99	\$95,094,000
1999-00	\$113,619,000
2000-01	\$80,354,000
2001-02	\$103,609,000
2002-03	\$55,090,000
2003-04	\$153,646,000
2004-05	\$121,158,000
2005-06	\$81,603,000
2006-07	\$191,120,000

As noted in Table 11 (below), 17.2% of the overall investment portfolio on June 30, 2007 was invested in foreign equities. In addition, Cornell invests in partnerships and other entities that invest outside the United States. Cornell estimates that its overall foreign investments (equities and indirect investments through partnerships) approximates between 30% to 35% of its investment portfolio. This range includes the 17.2% of foreign equities noted above.

Reference: The Cornell University Financial Report, 2006-07, page 41. (http://www.accounting.cornell.edu/CM_Images/Uploads/ACT/AnnualReport06-07.pdf)

7a) Please explain how you determine what is considered part of the university endowment. In other words, how is your endowment defined?

Response:

Cornell's endowment, which is reported using generally accepted accounting principles, is composed of funds invested by the university and resources managed externally. (See Table 12 at right.) There are two types of endowment:

Table 11. Investments at Fair Value
(at June 30, 2007)

<u>Asset Class</u>	<u>Amount</u>	<u>% of Total</u>
Cash and Cash Equivalents	\$137,757,000	2.20%
Domestic Equities	923,789,000	14.50%
Foreign Equities	1,097,843,000	17.20%
Absolute Return	519,094,000	8.20%
Hedged Equities	1,299,482,000	20.40%
Fixed Income	728,462,000	11.40%
Private Equities	738,445,000	11.60%
Real Assets	892,774,000	14.00%
Other	<u>31,579,000</u>	<u>0.50%</u>
Total	6,369,225,000	100.0%

- *True endowments* are those funds that have been established by donor intent to be invested (generally in perpetuity), with the earnings being used to support the purposes of the endowment. Normally, the principal of true endowments may not be invaded and must be invested in a manner that reasonably protects its basis or book value.
- *Funds functioning as endowment* are primarily otherwise spendable monies that the university's trustees have set aside to be invested in an endowment-like manner. Unlike true endowment, the principal of funds functioning may be expended at the discretion of the trustees.

The externally managed assets include a contributions receivable portion that is part of true endowment and a set of funds that are held in trust by external agents and in which Cornell has a beneficial interest.

Table 12. Endowment Net Assets
(at June 30, 2007)

	<u>Amount</u>
True Endowment	\$3,459,072,000
Funds Functioning as Endowment	<u>1,652,213,000</u>
Subtotal Under Cornell Investment Management	5,111,285,000
Contributions Receivable * and Bequests	135,757,000
Funds Held in Trust by Others †	<u>177,691,000</u>
Subtotal Funds External to Cornell	313,448,000
Total University Endowment	5,424,733,000

* Unconditional written or oral promises to donate funds in the future that will be treated as endowment.

† Funds that the university neither possesses nor controls but which provide Cornell income or in which the university has a beneficial interest in the assets.

7b) Are there any other long-term investments that are not included in the endowment as reported to NACUBO?

Response:

Yes. The amount reported to NACUBO for 2006-07 was \$5,424,733,000. For the same period, Cornell's overall investment portfolio was valued at \$6,369,225,000. (See Table 6 on page 80 for a breakdown of these funds.) Most of these assets were invested for the long-term.

7c) If so, what are they and what are their values?

Response:

As detailed in Table 6 (on page 80), in addition to the LTIP (\$5,197,503,000), Cornell's other long-term investment

U.S. SENATE RESPONSE (continued)

categories include the PBIF (\$609,353,000), the Separately Invested Portfolio (\$478,902,000), Pooled Life Income Funds (\$16,935,000), and other miscellaneous categories (\$62,725,000). These amounts are shown at fair value as of June 30, 2007.

8) What has been the cost of management of the endowment year-by-year for the last ten years?

Response:

The costs of managing the LTIP are shown in Table 13 (below). These include external management fees as well as Cornell's internal management costs, including its investment office as well as investment accounting and oversight functions. Table 13 also shows the annual totals of these costs as a percent of the LTIP's market value for the beginning of the fiscal year in which the costs were incurred. In some cases, external investment managers incurred costs that were netted from the investment proceeds delivered to the university.

9a) What was the payout (both in dollars and percentage) from the endowment year-by-year for the last ten years?

Response:

The average payout for the period 1997-98 through 2006-07 was 5.1%. At Cornell, the total LTIP payout consists of the monies released during the fiscal year to support the programmatic costs of an individual endowment's purpose and a distribution for the attendant general and stewardship support of these activities. The investment management costs itemized in Table 13 (below) and excluded in Table 14 (at the top of page 85) are separate from this total payout. For

purposes of answering this question, total payout as a percent of market value is shown for the beginning of the fiscal year in which the total payout was applied, in keeping with the 2007 NACUBO convention on the reporting of spending rates:

As a guideline, the calculated spending rate is the percentage of the beginning market value of the investment pool that is made available annually for spending. The rate is calculated net of any expenses for managing and administering the endowment.

9b) What is the targeted payout (in percentage) from the endowment year-by-year for the last ten years?

Response:

The average targeted payout for the period 1997-98 through 2006-07 was 5.1%. The trustee policy on distributions from the LTIP targets total payout at 4.86% (4.4% programmatic payout plus 0.46 % payout for the general and stewardship costs of the programs supported by the LTIP) of a twelve-quarter rolling average of unit share values \pm 75 basis points. A total payout rate for a coming year could be as low as 4.11% of that rolling average or as high as 5.61% and remain within trustee policy guidelines.

The Board of Trustees establishes a payout rate (target) for a coming fiscal year five months in advance of the start of that fiscal year. The trustees measure that payout against a largely retrospective rolling average of market values in order to smooth out the fluctuations of investment factors that can greatly vary the LTIP's market valuations. Table 15 (at the bottom of page 85) lists those targeted payout amounts per share, the increase in the payout amount per share from the prior year, the twelve-quarter rolling average of unit share values through the end of the prior fiscal year, and the percent

Table 13. LTIP Investment Management Costs

<u>Year</u>	<u>External Management Fees</u>	<u>Internal Management Costs</u>	<u>Total Management Costs</u>	<u>Total Management Costs as a % of Beginning Market Value</u>
1997-98	\$7,146,000	\$1,328,000	\$8,474,000	0.4%
1998-99	6,513,000	1,809,000	8,322,000	0.3%
1999-00	6,691,000	2,210,000	8,901,000	0.3%
2000-01	6,827,000	2,225,000	9,052,000	0.3%
2001-02	5,910,000	2,141,000	8,051,000	0.3%
2002-03	5,098,000	2,678,000	7,776,000	0.3%
2003-04	5,794,000	3,435,000	9,229,000	0.3%
2004-05	8,247,000	4,079,000	12,326,000	0.4%
2005-06	10,503,000	4,870,000	15,373,000	0.4%
* 2006-07	10,884,000	6,456,000	17,340,000	0.4%

* Beginning in 2006-07, Cornell's Board of Trustees significantly restructured the university's Investment Office, increasing the number of staff and the quality of oversight of external investment managers and partners. The Board of Trustees also imposed a cap on internal investment costs vis-à-vis the investment portfolio, and actively manages against this limit.

Table 14. LTIP – Total Payout

<u>Year</u>	<u>Total Payout</u>	<u>Total Payout as a % of Beginning Market Value</u>
1997-98	\$75,573,000	3.7%
1998-99	\$104,186,000	4.3%
1999-00	\$115,851,000	4.2%
2000-01	\$142,578,000	4.3%
2001-02	\$177,487,000	5.8%
2002-03	\$185,230,000	6.7%
2003-04	\$173,663,000	6.4%
2004-05	\$169,653,000	5.5%
2005-06	\$186,779,000	5.2%
2006-07	\$205,012,000	4.9%

that those payouts were of each corresponding average market value (e.g., \$2.63 for 2006-07, which the trustees measured against the twelve-quarter average through June 30, 2006).

9c) If either the actual and/or targeted payout is below 5%, please explain how this meets the needs of the current student body.

Response:

While year-to-year total payout rates targeted by Cornell varied from a low of 4.4% to a high of 5.5%, they averaged 5.1% over the period. (See Table 15 below.) Actual spending rates (using NACUBO’s definition) also varied over the period (from a low of 3.7% to a high of 6.7%). They also averaged 5.1% over the period. (See Table 14 above.)

Table 15. LTIP – Total Payout Targets

<u>Year</u>	<u>Total Payout Per Share</u>	<u>Change in Total Payout Per Share From Prior Year</u>	<u>Rolling Average of Unit Share Market Values</u>	<u>Total Payout as a % of 12-Quarter Rolling Average</u>
1997-98	\$1.48	11.9%	\$33.95	4.4%
1998-99	\$1.93	30.2%	\$39.23	4.9%
1999-00	\$2.05	6.1%	\$43.56	4.7%
2000-01	\$2.43	18.5%	\$49.25	4.9%
2001-02	\$2.90	19.4%	\$52.47	5.5%
2002-03	\$2.90		\$52.62	5.5%
2003-04	\$2.63	(9.4%)	\$48.49	5.4%
2004-05	\$2.35	(10.8%)	\$45.33	5.2%
2005-06	\$2.48	5.5%	\$45.29	5.5%
2006-07	\$2.63	6.1%	\$49.22	5.3%

9d) If there is a material variation between actual and targeted, please explain.

Response:

Actual rates varied more than targeted rates because the actual rates are based on a single sampling point for the divisor (the beginning-year market value) whereas the targeted rates use a smoothing-rule average of a 12-quarter sample for the divisor, which tends to average out peaks and troughs. Cornell’s investment portfolio experienced significant swings in valuation during this particular ten-year period as the dot-com bubble grew and burst. The university also modified and rebalanced its investment portfolio over this period, which also influenced market values. These are differences of timing not substance, as the payout per share that is declared by the trustees is in fact the payout per share that is used throughout the fiscal year. And that payout rate is shaped not only by earnings to date but what the trustees expect to happen over the near term. Both tell the same story that, in fact, Cornell planned and has had an average total payout of slightly over 5% of market value during this period.

Cornell’s use of a smoothing rule, if left on autopilot, will always result in lower-than-average distributions during bull markets and higher-than-average distributions during bear markets. Cornell’s trustees do not allow the smoothing rule to run on autopilot, and make step adjustments in the payout rate as circumstances dictate. For example, the payout rate per share for 2007-08 was originally scheduled to increase 5.3% from 2006-07’s rate. In June 2007, based on strong investment performance to date, the trustees adjusted the payout rate for 2007-08 so that it would represent a 9.9% increase from the prior fiscal year’s level. The data in the third column of Table 15 lists the adjustments that the trustees made in the payout rate annually in response to changing market conditions and with a view of maintaining total payout at or near the long-term 4.86% target.

9e) What were the top 10 major expenditures from the endowment last year?

Response:

Expenditures made from endowment funds followed, in proportion, the use categorizations of endowment principal. Table 16 (on page 86) provides a list of the major categories of Cornell’s endowment, based on the restrictions placed by donors and the uses to which unrestricted payout has been put.

10a) How much of the endowment is subject to permanent spending restrictions or limitations set by the original donor?

Response:

As illustrated in Table 16 (on page 86), \$3,462,617,000, or 63.8%, of Cornell’s endowment of \$5,424,733,000 was subject to permanent spending restrictions or limitations set by the original donor as of June 30, 2007.

Table 16. Endowment Principle Categorized by Use
(June 30, 2007 market value)

<u>Category</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>% of Total</u>
Academic Programs	\$568,540,000	\$1,143,509,000	\$1,712,049,000	31.6%
Student Aid *	200,929,000	1,070,694,000	1,271,623,000	23.4%
Position Support †	351,793,000	551,812,000	903,605,000	16.7%
General Purpose	593,466,000		593,466,000	10.9%
Facilities	38,108,000	87,981,000	126,089,000	2.3%
Student Services	16,155,000	98,304,000	114,459,000	2.1%
Libraries	9,897,000	54,949,000	64,846,000	1.2%
Public Service	15,209,000	23,702,000	38,911,000	0.7%
Institutional Support	31,226,000	5,113,000	36,339,000	0.7%
Miscellaneous Categories	<u>136,793,000</u>	<u>113,104,000</u>	<u>249,897,000</u>	<u>4.6%</u>
Subtotal Categorized	1,962,116,000	3,149,168,000	5,111,284,000	94.2%
Outside Trusts, etc. §		<u>313,449,000</u>	<u>313,449,000</u>	<u>5.8%</u>
Total	1,962,116,000	3,462,617,000	5,424,733,000	100.0%
% of Total	36.2%	63.8%		

* “Student Aid” includes undergraduate, graduate, and professional student populations and encompasses support for grant aid, loans, and work/study opportunities as well as graduate fellowships and tuition remission programs.

† “Position Support” is composed primarily of endowed professorships designed to support faculty positions.

§ “Outside Trusts, etc.” includes restricted outside trusts, pledges, and bequests where the specific purpose of restriction is not available.

10b) Of the portion subject to permanent limitations, what percentage is restricted for need-based scholarships?

Response:

Of the \$3,462,617,000 of endowment assets subject to permanent spending restrictions or limitations (as reported above in Table 16), \$1,070,694,000 is categorized as “student aid.” Student aid includes undergraduate, graduate, and professional student populations and encompasses support for grant aid, loans, and work/study opportunities as well as graduate fellowships and tuition remission programs. A total of \$981,680,000, or 28.4% of the \$3,462,617,000 is further limited to grant aid as opposed to student loans and student prizes. (Student prizes are small, non-need-based awards that are given primarily at graduation to recognize exemplary academic achievement.)

All undergraduate financial aid at Cornell is need-based. Graduate and professional student financial aid is awarded based on financial need and merit (although the bulk of it is need-based). The “grant aid” category represented by the \$981,680,000 figure is not pure, however, as some endowments so characterized can be used for both grants and loans (and in some cases, variably from year to year). Also, in accordance with the terms of individual gift agreements, some endowments can be used to support both undergraduate and graduate/professional students, and the proportion of such aid can vary among these populations annually.

10c) What portion is restricted for undergraduate financial aid?

Response:

Of the \$3,462,617,000 of endowment assets subject to permanent spending restrictions or limitations (as reported above in Table 16), endowments totaling \$750,332,000, or 21.7%, provided payout to support undergraduate financial aid (grant aid, loans, and work/study opportunities). As noted above in the answer to question 10b, the payout from some of this endowment principal may have provided support for graduate and professional students as well in 2006-07.

10d) Please provide the top five types of restrictions on the endowment by category.

Response:

Table 17 (at the top of page 87) provides a list of the five major types of endowment restrictions by market value of category.

10e) What percentage of the endowment is subject to significant limitations placed on it due to a decision by the board (or a subcommittee of the board) or a college or university official—such as a set-aside for a specific program?

Response:

As can be seen in Table 16 (above), 36.2% of Cornell’s total endowment is unrestricted. Of the total unrestricted amount,

Table 17. Endowment Restrictions
(June 30, 2007 market value)

<u>Restriction Category</u>	<u>Amount</u>
Academic Programs	\$1,143,509,000
Student Aid *	\$1,070,694,000
Position Support †	\$551,812,000
Student Services	\$98,304,000
Facilities	\$87,981,000

* "Student aid" includes undergraduate, graduate, and professional student populations and encompasses support for grant aid, loans, and work/study opportunities as well as graduate fellowships and tuition remission programs.

† "Position Support" is composed primarily of endowed professorships designed to support faculty positions.

30.2% is available for the general purpose use of the institution and the remaining 69.8% has a designation or limitation as to use that was placed on it by decisions of the Board of Trustees or its delegatee, the university's president.

10f) Please provide the investment return to the endowment year-by-year for the last ten years.

Response:

Table 18 (at right below) shows the investment return for the LTIP. As noted in Table 7 (on page 80), almost all of the endowment is invested in this pool.

The annualized average return for this period was 10.2%. The change in LTIP market values referenced in Table 9 (on page 82) differs from the investment return shown in Table 18 as the data in Table 9 includes not only investment returns but also reflects the impact of additions and withdrawals of principal and annual payout.

Reference: The Cornell University Financial Reports, various years. (http://www.accounting.cornell.edu/View_Annual_Reports.cfm)

11a) Please explain the fee arrangement to investment advisors.

Response:

Fees vary widely among asset classes. All fees paid, however, are negotiated and determined by the Investment Office, with advice from counsel and under the general oversight of the Board of Trustee's Investment Committee. Fees are outlined as part of the investment management or subscription agreement between Cornell and the advisor/manager.

11b) How is the fee and compensation measured and determined?

Response:

Fees are measured and determined according to industry standards, within major asset classes. For example, traditional asset class manager fees range from 35 basis points (after eleemosynary discounts) to 150 basis points. Alternative asset class fees range from 100 basis point plus 15% to 30% of carried interest. Manager returns are measured against pre-determined benchmarks, on an after-fee basis.

11c) What is the process to review reasonableness of the fee and compensation and what comparables are used?

Response:

Compensation and fee review is part of Cornell's overall due diligence process when considering the merit of an investment opportunity. Industry standards, regional focus, and investment type are taken into account when assessing reasonableness for any fee structure—all of which occurs under the general oversight of the Board of Trustee's Investment Committee.

11d) Who reviews and approves the fee?

Response:

The Investment Committee of the Board of Trustees reviews and approves all investments and related terms, including fees and appropriate benchmarking. The Investment Office oversees the fee payment and ensures compliance with terms negotiated.

11e) Who pays the fee (the endowment, general funds)?

Response:

Management fees are accumulated along with other investment-related expenses (such as investment accounting and oversight costs) and then apportioned among several investment pools using fair-share prorations.

Table 18. LTIP – Return
(net of external management fees)

<u>Year</u>	<u>Return</u>
1997-98	18.5%
1998-99	12.2%
1999-00	18.5%
2000-01	(6.7%)
2001-02	(7.7%)
2002-03	1.9%
2003-04	16.1%
2004-05	13.6%
2005-06	16.1%
2006-07	25.9%

U.S. SENATE RESPONSE (continued)

11f) Please explain what relationship, if any, exists between endowment size and/or growth and the compensation given to the college or university president and the endowment manager.

Response:

There is no direct relationship between Cornell University's endowment size and/or growth and the compensation provided to Cornell's president. The president's compensation is established and maintained by the Board of Trustees. They take into consideration the incumbent's qualifications and performance towards pre-established institutional goals, within a market-competitive range. That range is defined by presidential compensation among peer institutions and considers broad scope data including undergraduate enrollment, graduate enrollment, annual operating budget, annual research budget, advanced degree graduates, faculty headcount, staff headcount and endowment size. The current and former presidents' compensation arrangements do not provide any opportunity for earned incentive payments in relation to any aspect of the role's responsibilities.

In 2006, Cornell implemented a compensation plan for its Chief Investment Officer (CIO). The CIO's compensation is established and maintained considering incumbent qualifications and performance within a market-competitive range. That range is defined by compensation received by top investment officers employed at peer institutions having a similarly sized and similarly managed endowment.

Under the plan implemented in 2006:

- The CIO's compensation consists of a base salary and the opportunity to earn incentive pay based on a combination of quantitative investment performance results and the accomplishment of established annual qualitative performance goals.
- Investment performance returns are evaluated in relationship to standard investment industry benchmarks. The quantitative incentive component of the CIO's pay is based on the fund's performance as compared to pre-established industry benchmarks; it is not calculated on the fund's aggregate growth.

11g) Please list what endowment-related bonuses, if any, either the college or university president or the investment manager has received year-by-year for the last ten years.

Response:

The current CIO was hired in 2006 and has not yet received any incentive payments based on entity performance. The first opportunity for such incentive is anticipated to occur based upon 2008 entity performance. Former incumbents employed in the CIO role from 1997 to 2006 did not receive any incentive payments based upon the performance of the endowment.