

Progress Report on the Financial Situation at Cornell University

January 25, 2009

To the Cornell community,

Following several months of planning by the university leadership and thorough discussions at its meeting last week in New York City about the best ways to manage the university's finances in the face of the continuing economic crisis gripping the nation, Cornell's Board of Trustees yesterday voted unanimously to adopt a set of proposals to protect the strength and character of Cornell, while dealing with financial challenges that impact all aspects of the university's balance sheet. To be successful, the plan will require support, involvement and sacrifice from faculty, staff, students and alumni. Once completed, Cornell will be best positioned for future growth and competitive strength.

As I mentioned in my message to the campus of [December 16, 2008](#), we are facing a 10 percent budget shortfall caused by a combination of reduced state funding, a structural deficit in our operating budget, the loss of 27 percent in our endowment over the past six months and a decline in philanthropic gifts. Prompt correction is necessary to confront a persistent negative financial outlook sweeping the entire higher education sector. After careful consideration, the trustees and senior administrators approved the following actions:

1. We will draw down approximately \$150 million in reserves held in Ithaca over the next two fiscal years to strengthen the institutions cash flow.
2. In order to address most of the shortfall in the operating budget of the university, Cornell will reduce expenditures on both its Ithaca and New York City campuses, with a 5 percent (\$50 million) budget reduction of unrestricted revenues in Ithaca and an 8 percent (\$13 million) budget reduction of general purpose funds at Weill Cornell Medical College in New York City, effective July 1, 2009. This action will affect all units, including the Office of the Provost in Ithaca and the Office of the President. Our two offices will reduce expenditures by 10 percent, including a 10 percent voluntary reduction in my salary. Strategic planning is being initiated across campus for an additional 5 percent budget correction in Ithaca, which will take effect by July 1, 2010 and will include savings from organizational efficiencies and revenue enhancements.

While the administration recognizes that some of these cuts will result in additional job losses, the priority is to avoid layoffs whenever possible. Initial efforts focused on instituting an external hiring pause, which now has been extended to June 30, 2009, and establishing a university-wide effort to facilitate internal hiring of staff dislocated by program cuts. Moreover, case managers and outplacement assistance will continue to be offered to help those affected arrange needed benefits and begin their job searches.

3. The university will suspend its Salary Improvement Program for faculty and non-bargaining unit staff in Ithaca in 2009-10. In July, staff whose annual base pay is \$40,000 or less will receive a one-time bonus of \$750, pro-rated accordingly for eligible part-time staff. At the same time, Vice President for Human Resources Mary Opperman will establish a hardship fund to assist people on the campus who have special needs during this difficult time. We appreciate the counsel of the many faculty and staff who recommended a one-year suspension of the Salary Improvement Program to allow us to attenuate the number of layoffs that will be necessary. We are committed to resuming salary increases for 2010-11.
4. In order to maintain our historic commitment to student financial aid and to fund the two financial aid initiatives announced last year, there will be an additional endowment draw of \$35 million for undergraduate financial aid in 2009 -10.
5. Tuition policies in the 2009-10 budget include a 4 percent tuition increase for undergraduate students in Cornell's endowed colleges the lowest endowed tuition percentage increase at the university since 1966. Tuition for undergraduate students in the university's statutory colleges will rise by 7.2 percent, reflecting comparable dollar increases in endowed and statutory-resident tuition, and establishing a contract non-resident tuition identical to the endowed. [See linked tuition tables for 2009-10.](#)
6. The campus construction pause, as announced in my communication of [October 30, 2008](#), will be extended through June 30, 2009. Those facilities constructed by the State University Construction Fund (SUCF) will proceed as planned.

Moving forward, we will continue to foster the university's long-term stability and protect its assets through the careful stewardship of our financial and human resources as well as our natural and built environment. In the coming months, we will vigorously pursue proposals to achieve improved operational efficiency, including the strategic planning efforts of the provost, executive vice president and other leaders. The success of these undertakings will require broad community involvement and participation evident in the 500-plus suggestions already submitted through the electronic suggestion box (<http://www.cuinfo.cornell.edu>) - in order to insure long-term success. I count on your continued input. Through all phases of strategic planning and implementation, we will strive to maintain and improve our transparency.

All of these measures are being undertaken to preserve and enhance Cornell's quality, competitiveness and historic character. It is essential that we join forces to make the necessary effort to sustain our university's excellence in education, research, scholarship, creative activity, outreach and clinical care in order to thrive during these turbulent times and position Cornell University for success in the years to come.

In closing, I want to underscore my appreciation for the patience and cooperation of the campus community as we go through these difficult times.

Best regards,

David J. Skorton