

Financial Update for Cornell University
March 6, 2009

Dear Members of the Cornell Community:

I write to update you on the state of our university as the economy worsens around the world and at home. Even though Cornell's financial situation has become more challenging, I remain confident in our collective ability to re-imagine the university in ways that will not only get us through the immediate crisis but also set us on a sounder long-term course, with our excellence undiminished and our commitment to student access preserved. This communication continues my pledge to proceed with transparency and accountability through the difficult days ahead and to keep the Cornell community informed.

The size of Cornell's required budget reductions has grown in recent weeks, reflecting diminished investment performance and other factors dictated by the realities of the marketplace. Today, at its meeting in Ithaca, the Cornell University Board of Trustees approved the following additional initiatives to help us through these difficult times:

The board has authorized the sale of up to \$500 million in taxable bonds to provide working capital and institutional liquidity. This approach - which is similar, though more modest in size, to that being utilized by other large universities - will alleviate pressure on the endowment and other sources of funding as may be necessary over the next several years to meet operating shortfalls and other potential liquidity needs.

To address the decrease in endowment earnings, which we expect to continue for the next two to three years, the board has agreed to reduce endowment spending by 15 percent, effective July 1, 2009, with additional reductions planned in fiscal years 2011 and 2012.

These actions are to be taken in addition to those already reported to you in earlier communications, including: pausing construction through June 30; reducing base budgets across the university; tapping reserves (uncommitted fund balances) to pay down existing lines of credit; increasing charges for tuition, room and board; growing the size of the Class of 2013 by approximately 100 students; and beginning to develop institutional and academic plans that will inform our budget decisions over the longer term. Specifically, these measures include:

Budget adjustments:

- \$60 million base budget cut that will net \$50 million in savings for FY10;
- \$50 million budget correction based on strategic planning in FY11; and
- \$35 million allocated from the endowment for financial aid starting in FY10.

Use of uncommitted fund balances:

\$75 million reallocated from unrestricted fund balances (reserves) in FY09; and
\$75 million reallocated from unrestricted fund balances (reserves) in FY10.

It is clear that, in addition to the pause on external hiring currently underway, Cornell will need to reduce its workforce over the next few years to bring our budget back in balance. Faculty and staff retention remains a top priority during this operational review, and we will continue to examine solutions that temper the need for layoffs. Last week, Vice President Mary Opperman announced [two voluntary retirement programs](#) that give eligible staff members the option to consider retiring and enable the university to reduce its payroll through a voluntary workforce reduction strategy.

With these actions now in place, we must come together as a single university and embrace strategic planning for the university. Such planning has a checkered history in higher education, but our ability to choose wisely those areas to emphasize and to invest in will be completely dependent on developing a shared vision of our future.

I appreciate the more than 650 suggestions that have been submitted to help set Cornell on a better course and the sacrifices that many in our community have already made as a result of the financial crisis. We still have much work to do before we are in a position to rebuild the university, but I am heartened by the willingness of so many to think creatively about the future.

In less challenging times, we might have avoided some of the difficult decisions that lie ahead. But a new reality is at hand for higher education, as well as for the rest of our economy. We are at a defining moment in Cornell's history. It is time to reconfigure the university in ways that not only guard our excellence and breadth, preserve our accessibility and meet our responsibilities to the local community and the State of New York, but that also consolidate our academic and administrative functions in imaginative and cost-effective ways.

I thank you for your patience and understanding in these difficult times and welcome your suggestions and insights as we move forward.

Best regards,

David J. Skorton