

Cornell University – Ithaca Campus

Operating Budget Principles and Guidelines

Primary Objective: The purpose of this document is to define the overall operating budget principles and used to manage operating resources on the Ithaca Campus.

Note: As referenced within an operating unit consists of a school or college, a major academic support unit, or a major administrative unit or division. A budgetary division consists of the endowed general purpose budget, contract colleges, professional schools (tubs), and major enterprises or campus-wide service facilities. (See Appendix A for a list of operating units.)

Budget Principles & Guidelines

Stewardship

- The university and individual operating units will maintain balanced operating budgets within defined planning periods and over the long-term.
- Operating unit budget priorities should be generally aligned and reasonably consistent with institutional priorities. A balance should be maintained between prioritizing institutional needs and benefits with unit needs and benefits.
- Operating budget resources should be allocated and applied in a manner consistent with current unit budget priorities.
- Changes in priorities and/or growth in a particular area should be addressed first through substitution or reallocation where feasible in order to minimize the demand for additional resources.
- Opportunities for shared services and resources across departments and organizational boundaries should be aggressively pursued where feasible.
- Individual operating units have considerable discretion over the use of available resources and are responsible for ensuring such resources are used prudently in line with unit and institutional values.
- Restricted resources should be used for their intended purpose prior to using unrestricted resources for the same purpose.
- Sponsored or contractual activity performed for external entities should be fully costed with direct and indirect expenses for the purpose of seeking full reimbursement from the external funding entity in accordance with accounting and regulatory policy and procedures.

Budget Structures

- Budgets and budget structures should consider the behavioral impact resulting from inherent incentives and disincentives.
- Each major operating unit or budgetary division should be treated as a discrete budget entity for purposes of assigning and distributing revenues and a fair share of expenses.

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- Fund sources with restrictions or explicit designated purpose (e.g. sponsored awards, federal and state appropriations, restricted gifts) should be managed discretely to ensure proper stewardship and accountability to external sponsors in accordance with accounting and regulatory policy and procedures.
- Institutional shared or “public good” costs should be distributed as university overhead cost to each major budgetary unit or division based on reasonable and equitable costing principles and methodologies.
- Use of fees as a funding mechanism for institutional support functions is generally appropriate when the result is:
 - a more accurate and efficient assignment of costs to discrete funding sources internally and externally particularly when such services are used unevenly across time and campus units
 - a more effective valuation of the demand for a particular service and a more efficient rationing of the use of such service.
- Additional fees to students should be kept to minimum and should not be used to cover costs for goods or services that might generally be considered inclusive within the cost of tuition and other existing student charges. See Appendix B for General Guidelines for Student Charges and Fees.

Operating Reserves

- Reserves are an appropriate and useful source of funds to ensure the long-term stability of an operating unit’s financial operations and to enable priority investments to occur timely. Although strong reserve balances are a sign of fiscal health, such balances should be strategically managed and actively to enable limited term priority investments that can not be met through annual operating budgets.
- Discrete reserve funds should be used in addition to general operating reserves to effectively plan for the renewal and/or replacement of specific functions, facilities, and equipment.
- Major operating units and their individual departments generally have 2 types of reserves: unrestricted reserves available for any purpose and designated reserves which have been committed internally for a specific purpose. The majority of unrestricted reserves should be held at the operating unit level to optimize use for priorities throughout the operating unit.
- Individual department reserves (including designated faculty or specific program funds) should generally be limited and focused to achieve specific objectives (e.g. equipment replacement, bridge funding on sponsored awards). Guidelines for individual department reserves should be established within each operating unit based on operational requirements and incentives for desired behavior.
- Operating budgets or specific budget policies should be adjusted as necessary to maintain an adequate, but not excessive level of reserves.

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- The optimum level of reserves should be established by each operating unit considering funding risks and exposures, stability of revenue sources, and future resource needs. These risks and needs will vary by operating unit and should be documented by each as unit reserve objectives. A general guideline for units with relatively stable revenue and expenditure patterns is for reserves to total 2%-5% of revenues.

Key Elements of Sound Budget Planning

The following is intended to provide guidance for developing sound unit operating budgets. These guidelines provide examples and thoughts on key budget elements, but units are responsible for determining their own specific priority needs and strategies.

Prioritizing Use of Resources

- Prioritize budgetary needs relative to unit's core mission and responsibilities
- Align the use of resources with the priority budget needs and redistribute resources as needed to ensure limited resources meet highest priority needs
- Operate within resource constraints

Staffing

- Budget all necessary positions and with planned offsetting savings for anticipated vacancies
- Plan compensation levels consistent with university guidelines
- Budget all associated costs such as computer, voice & data connections, supplies, training, space related, etc.

Non-personnel Expenses

- Allocate resources to fund the highest priority program and support needs.
- Allocate adequate resources to properly support employees in meeting job responsibilities including appropriate training.
- Maintain facilities for a positive and productive work environment.
- Support equipment replacement needs.
- Provide adequate IT security and system support

Reserves

- Maintain a reasonable, but not excessive, levels of reserves and plan use of the reserves to meet strategic unit priorities and unforeseen contingencies
- Plan for periodic use and replenishment of reserves to enable one-time strategic investments for both short-term and long-term unit needs

Multi-Year Planning

- Maintain a current 5 year budget plan shaped to optimize the investment of limited resources to meet unit priorities, both current and long-term.

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Appendix A – Listing of Operating Divisions and Major Operating Units

Operating Units

Schools and Colleges

- College of Architecture, Art, and Planning
- College of Arts and Sciences
- College of Engineering
- College of Agriculture and Life Sciences
- College of Human Ecology
- College of Veterinary Medicine
- School of Industrial & Labor Relations
- Hotel School
- Johnson Graduate School of Management
- Law School
- Graduate School
- School of Summer Sessions and Extramural Study

Other Academic or Academic Support Units

- Research and Advanced Studies
- Research Centers
- University Library

Administrative Units and Divisions

- Admissions and Financial Aid
- Alumni Affairs and Development
- Business Services and Environmental Safety
- Communications and Media Relations
- Counsel's Office
- Executive Vice President for Finance and Administration
- Facilities Services
- Financial Affairs
- Government and Community Relations
- Human Resources
- Information Technology
- Office of the President
- Office of the Provost
- Planning and Budget
- Student and Academic Services

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Appendix B

General Guidelines for Student Charges and Fees

Undergraduate Tuition and Mandated Course Fees

- The price of tuition should provide students with access to all regularly scheduled course offerings within the academic term covered by the tuition.
- Tuition should cover all basic course costs except books, reading packets, unique or consumable supplies.
- Mandated course fees, beyond the cost of books, reading packets and consumable supplies, such as laboratory fees or field trip expenses should be kept to a minimum, published as part of the course catalog, and considered for financial aid packaging.

Miscellaneous Student Fees

The following are general guidelines and specific guidelines relating to each broad fee category. These should be considered in tandem to determine if assessing a fee to students for a specific service or activity is appropriate.

- Separate fees should not be charged for items that are generally considered a public good for which use is encouraged and expected for the vast majority of students.
- Fees should not be used to shift to students a cost burden that a department can no longer afford, particularly for instructional activities that should be covered by tuition.
- Any fee charged should be fair in the amount and frequency of the charge and reasonably tolerant of normal student behavior.
- The benefit of charging a fee outweighs the negative aspects of such charges including the additional financial burden for students and the cost of administering the fee collection process.
- The activity covered by the fee should be optional to the user and involves cost and/or efforts over and above those normally expended in the routine operations of a department.
- The charge is an efficient method of rationing access to a service.
- The charge is cost effective from a student perspective, as well as a department perspective, in comparison with other strategies.
- Providing a range of services is necessary to satisfy varying needs, tastes or quality standards.

A charge can constructively emphasize the value of a special service and reinforce desirable behavior (e.g. penalties and fines).