MINUTES OF THE ARTS AND SCIENCES FACULTY:

MEETING OF DECEMBER 10, 2013,

A DISCUSSION OF A&S BUDGET ISSUES,

COLUMBIA COLLEGE TUITION AND FINANCIAL AID,

AND THE IMPACT OF CURRENT UNIVERSITY-WIDE INITIATIVES ON A&S

Jack Snyder, chair of the Planning and Policy Committee, began the meeting at about 2:10 pm in the Broadway Lounge on the second floor of Lerner Hall. About 60 people were present.

Introduction. Prof. Snyder said the PPC was seeking faculty input on critical financial issues facing Arts and Sciences. Some of these are short-run budget challenges, but the context is a larger situation that requires longer-term strategic decisions.

First, Prof. Snyder said, EVP David Madigan would provide a briefing on the A&S budget. It would show that there is almost no cushion to absorb unexpected shocks in the short term.

Speaking from the vantage point of the PPC, Prof. Snyder noted some unrealistic planning assumptions that led to this year's budget.

One was the assumption of a 4.5 percent tuition increase.

There were also overly optimistic assumptions about tuition revenue from the School of Continuing Education. That income has risen steadily but not at the rate predicted. This may have been a case of planning based on the size of the hole to be filled.

Still another burden, Prof. Snyder said, involved high common costs (the taxation rate assessed by the central administration on all Columbia schools), making it harder for A&S to do the things it needs to do.

Next, Columbia College Dean James Valentini would discuss tuition and financial aid in some detail, including the news that Columbia College now has the highest tuition in the nation.

Then Provost John Coatsworth would report on some major university-wide fundraising initiatives, including the Mind Brain Behavior building in Manhattanville and the current focus on personalized medicine. Prof. Snyder said these efforts may offer important opportunities to the Arts and Sciences, or they may divert resources from fundamental priorities. What can be done to make sure A&S gets the former rather than the latter?

Finally the group would hear from Douglas Chalmers, professor emeritus of political science and now special assistant to the provost for faculty retirement.

Budget update from David Madigan. EVP Madigan said he would provide a high-level summary on the current A&S budget that he had recently presented to A&S department chairs.

He offered to go into more detail in offline conversations. His focus at this meeting would be on reserve balances—basically the money A&S has in the bank. He said there had been some minor changes, both positive and negative, since his meeting with the chairs, but those changes were not shown on the present charts.

EVP Madigan said his concern is the next two budget years: FY15 (2014-15) and FY16 (2015-16). In FY15 the ending reserve balance will be $439K—essentially zero. In FY16 that number would be $951K—basically the same. In FY17, things would get better, under current assumptions, with an ending reserve balance of more than $6 million.

EVP Madigan then reviewed the key assumptions:

--Tuition increases of 4 percent in Columbia College through FY16, and 3 percent thereafter;

--Tuition increases of 5 percent in FY15 in the MA and SCE programs, which A&S controls.

This year, EVP Madigan said, the average tuition increase for Columbia schools was 4.03 percent. He asked how sustainable that rate was.

--Increases in student FTEs (full-time equivalents) in SCE, which would see total tuition revenue increases of 10-15 per annum; in General Studies, student FTEs would rise 3 percent in FY15 and again in FY16, then level off.

--In financial aid, the discount rate (the fraction of total tuition revenue that would be returned back to students in aid) would remain roughly constant.

--Five percent annual increases in current-use gifts, and about $25 million in usable endowment income per year.

--Five percent growth in the raise pool for faculty salaries in FY13, FY14, and FY15; a 4 percent rise in FY16, and 5 percent thereafter.

--The A&S faculty would grow by 9 professors in FY15, then remain constant. In the IBS process last spring, the plan was to hold the faculty constant throughout, but this became impossible with hiring necessitated by the new Mellon grant and other unanticipated developments.

--Ph.D. stipends would rise 3 percent in FY15, and 4 percent thereafter.

--Common costs would continue to rise 5 percent. EVP Madigan said A&S collects its tuition, ICR, and other revenues, then pays its taxes on that amount to Central. In FY14 that tax bill is $110 million.

--The Refresh Fund will be $250K in FY15, then $500K thereafter. This fund has been $500K, but will now be reduced.

EVP Madigan said the consequences of the new budget assumptions will be painful, but they have to be faced.

Cathy Popkin said she understood Columbia's poverty compared to Harvard, Yale, and Princeton, but why aren't, say, Chicago and Penn in Columbia's pain?

EVP Madigan said he didn't know. Provost Coatsworth said Harvard had a $34 million deficit when Columbia had a small surplus. Chicago is always living on a shoestring.

Scott Norum, A&S VP for finance and operations, said the Wharton business school helps out the Arts and Sciences at Penn.

Thomas Di Prete asked why the deficit will rise in FY15 to S29 million. Mr. Norum said the main issue is a one-time windfall in FY14 that goes away in FY15. That's why the deficit rises by $8 million in FY15.

Prof. Popkin asked what significant additional assessments are *not* included in common costs.

Mr. Norum listed three:

--A&S and all schools make an additional annual contribution for Manhattanville. That amount for A&S is $5 million.

--An assessment to the Academic Quality Fund of 1.5 percent of all dollars spent by Morningside schools that are not grant-related. The A&S contribution for AQF will amount to $7 million this year.

--There is also the payment A&S makes each year for faculty housing.

James Applegate, recognizing that he sounded like a Republican Congressman, said $110 million is a lot of money for A&S to pay in taxes. Why was this assessment still rising at 5 percent when other rates are shrinking. Is A&S getting its money's worth?

EVP Madigan said it was hard to know. He said the costs of administration, debt, debt service, and facilities are formidable. But aside from the weird dip in revenues next year, there are no surprises in the common cost increase.

Prof. Applegate said the faculty have very little in the way of a window into this process. They have been called on to do a lot of belt tightening. Is that really justified?

EVP Madigan said the view was very opaque from his vantage point.

The provost said he would be happy to return to meet the group with more numbers. He said the common costs tax assessment for the coming year would be 4.5 percent instead of the previous 5 percent, and the fringe rate would be 0.5 percent lower than this year.

A professor asked about the revenue side of the budget. What proportion comes from where? How much of the endowment does A&S have access to?

EVP Madigan said A&S has a roughly $600 million budget, for which about 80 percent comes from tuition, about 10 percent from the endowment, and perhaps 3-4 percent from indirect cost recoveries. A&S receives income from about $1.6 billion in endowment; the university's total endowment is now about $8 billion.

Paul Anderer asked EVP Madigan how he will manage FY15 and FY16—a state of affairs that Prof. Anderer said might be unmanageable, for example in the area of faculty retentions. He asked EVP Madigan what particularly troubles him right now. What are his solutions? What about the possibility of declining to pay the 5 percent increase in common costs?

EVP Madigan said A&S will have to live within these parameters, and confine itself to routine hiring. He said fundraising might improve, with new activities now under way. He said it will be critical to hit the SCE tuition revenue targets.

EVP Madigan asked what A&S could do if a peer institution aggressively recruits Columbia faculty in a particular branch of the sciences. It would have to get help from the central administration. It might also get help by partnering with the Engineering School. He said A&S will have to live within its budget.

Prof. Anderer asked how EVP Madigan would address the recurrent issue of the A&S structural deficit.

EVP Madigan said one current assumption was steady-state enrollments in "M.A. only" programs, but there is some upside here. The MAOs could do better, perhaps in the online arena. He added that everyone was conscious of the strains of the MAOs. One can only go so far in growing the programs. He was keenly aware of these issues as chair of a department (Statistics) that was heavily involved in MAOs for five years.

Presentation from Columbia College Dean James Valentini on undergraduate tuition and financial aid. Dean Valentini reviewed a set of slides that he had presented to the Trustees in October, and to the A&S Planning and Policy Committee in November. He had also reviewed pricing and other implications of these data with an alumni admissions group.

Dean Valentini said the key number this year is $64,144—the total cost of a year at Columbia College, including tuition, room and board, books and personal expenses (General Studies is different). This number is the highest not only in the Ivy Plus group, but also in the United States. The margin is wider without room and board.

Dean Valentini said Columbia is one of 51 schools with need-blind, full-need financial aid (for students in Columbia College and SEAS), and one of 18 schools not to require loans. Columbia's annual cost net of financial aid is 6th highest among the 11 Ivy Plus schools.

Slides showed costs for Columbia families at various income levels and total net cost as a percentage of family income.

Total Net Cost for Students on Financial Aid

Quintile	Median Income	% Family Income
1st	$27,378	29%
2nd	$61,823	17%
3rd	$97,310	20%
4th	$136,688	20%
5th	$201,333	18%

The dean said the net cost seems regressive because all students are expected to contribute about $6,000 to the cost of education even when their parents have no contribution, which is the case for families with parent incomes of less than $60,000 per year.

The dean said the second quintile includes the current median U.S. income. He said some financial aid is available for families in the highest income quintile, when there are multiple children in college or special family circumstances.

Dean Valentini said 50 percent of the aid available goes to the lowest two quintiles.

The dean said the school determines how much individual families actually pay. The families of 52% of students pay the full price. Some 70 percent of the applicant pool for Columbia College and SEAS apply for financial aid along with admission.

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In response to a question from Prof. Applegate, Dean said the portion of the annual $64K term bill that is allocated for room and board does not go to Arts and Sciences. Sen. Applegate said students get aid to pay that part of the bill. Is it reflected in the overall discount figure?

Turning to projections for tuition revenues, the dean said the College had modeled four different rates of increase (2.5%, 3.5%. 4.0%, 4.5%). Rates have been falling over the last 7 years, and it is not clear what rate will be sustainable. Rates projected in Arts and Sciences budgets, as in EVP Madigan's slides, will be 4 percent through FY16, and 3 percent thereafter.

Dean Valentini turned to the issue of how to address concerns about the cost of attending Columbia. Why does Columbia cost significantly more even than peer institutions? It is not very reassuring to those paying the bill to hear that New York City is expensive. The dean thought the best approach to take is to emphasize the value of a Columbia education.

He said one strength of a Columbia education is the range of “only at Columbia” opportunities offered, as captured by the phrase “the greatest college in the greatest university in the greatest city in the world.”

The dean said the goal is to shift the focus from the cost to the unique features of a Columbia education: the Core Curriculum, the personal attention in small classes with access to top faculty, the breadth of available majors and concentrations (currently 125). The benefits of the broader university include access to professional and graduate schools, and to global internships and other opportunities. And the New York City location provides a wealth of learning and professional resources. The more than 20,000 alumni living in the New York metropolitan are another vital resource for Columbia undergraduates.

One professor expressed surprise that families with incomes of $200K and above are getting financial aid.

The dean said that only about 10 percent of the $40 million financial aid budget goes to this group. He said Columbia, unlike some peers, includes home equity in calculating a family’s ability to pay. He said the question is, What do you want the financial aid program to achieve? Columbia could give all of its aid money to families with annual incomes of $60K or less. But that would be a different institution.

Someone asked what the effect of ending the no-loan policy for families in the top income quintile would be. The dean said that decision would save less than $1 million.

Prof. Austin Quigley, a former Columbia College dean, said that even though the College no longer requires students to take out loans as part of their financial aid packages, most students choose to take out loans because their packages don’t cover enough of the costs.

Dean Valentini said again that the College requires each student to pay at least $6K a year. Some students seek loans. The school doesn’t know what loans parents are taking on.

Dean Valentini said Columbia tries to learn through surveys why some students decide not to apply, or not to come after being admitted.

Prof. Anderer asked a detailed question about one of the graphs. More generally, he expressed skepticism about the dean’s rationale for Columbia’s high price. Can the dean really add value fast enough to reduce the effect of Columbia’s exposure as the nation’s most expensive institution? Peer institutions that are charging less than Columbia also provide outstanding value. Columbia will be an outlier in this group.

The dean said significant value can be added at a marginal cost. For example, providing a funded summer for research for every student would cost $8-10K per student. Guaranteeing an alumni mentor for every student costs nothing.

A professor asked if the primary concern was the appearance of the highest tuition in the nation or the reality of it.

The dean said one difficult question is whether applicants understand the true cost of a Columbia College education. He said the institution is required to supply a net price calculator on its admissions website. Only 3 percent of visitors to the site use the calculator. About 69 percent of those who do access the calculator don't apply.

The dean said most of the students Columbia loses go to Harvard, Yale, Princeton, or Stanford. These schools are more highly regarded than Columbia, and cheaper. He said students who choose not to go to Columbia list cost plus reputation as key factors.

Prof. Applegate said families will pay for value. He recalled that when he was on the College Committee on Admissions and Financial Aid two decades ago, reputation was a key factor in applicants' decisions, and that was probably still true.

Dean Valentini said that when President Obama spoke about the importance of a college education recently, he stressed value, not cost.

Can the Arts and Sciences benefit from current university-wide fundraising initiatives?
EVP Madigan listed two major current development priorities: the Mind Brain Behavior project in Manhattanville and the new initiative in personalized medicine.

Prof. Amber Miller, A&S Dean for the Natural Sciences, said the personalized medicine development campaign fits closely with the strategic plan for the sciences that she and EVP for Research G. Michael Purdy have been developing. How can the current university-wide initiative be used to pursue goals that she has already identified? She said current funding efforts provide opportunities to think about many subjects. She welcomed a chance to do this thinking with A&S colleagues, including non-scientists. She said the Mind Brain Behavior initiative provides similar opportunities, not only inside the new building, but elsewhere as well.

Provost Coatsworth said Dean Miller and EVPs Purdy and Madigan have made it possible to hook up current planning for the sciences with these university-wide projects. The provost said President Bollinger says the new initiative in the sciences is not just in personalized medicine, but more broadly in health, the sciences, and medicine. This is a big opportunity for A&S.

The provost said that from 2001 to 2011, there was a 43 percent increase in the Arts and Sciences full-time faculty. He said scientists, who are more expensive than other kinds of professors, have increased by 20-21 percent during that span. The two current university-wide initiatives are critical here.

The provost said the increase in the size of the A&S faculty over the past 15 years is the chief reason for the current budget constraints, which he expected to be temporary.

The provost said the central administration wants the Arts and Sciences to succeed. He said A&S now pays $110 million in common costs, but the graphs that EVP Madigan had presented earlier in the meeting show a subsidy from the central administration of $21-23 million. A&S now pays the lowest common cost rate in relation to revenue of any Columbia unit.

The provost said he thought Dean Valentini's argument based on the value of a Columbia College educational experience made sense. He said there are now severe downward pressures—both economic and political—on the cost of a College education. He mentioned a recent op-ed piece by Stanford's provost calling attention to huge increases in tuition at state institutions, as well as to the poor reputation that Phoenix and other for-profit institutions have acquired in recent years.

The provost said those on financial aid in need-blind institutions pay no larger a share of their college tuition than they did a decade ago. Financial aid is getting better. He said the trade-off in resisting the downward pressure has been that Columbia has become more diverse and competitive—great increases in value. He said Columbia does not have a problem for which lowering tuition is the solution.

Prof. Quigley said discussion of costs should not be restricted to those receiving financial aid. As the term bill has risen well beyond the rate of annual inflation in most recent years, and as around 50% of the students do not receive any financial aid, close to half of the class are necessarily finding it much more expensive than before, even excluding the 0.1% of the national population whose salaries have risen significantly in these years.

The provost said the current discount rate (total financial aid scholarship dollars divided by total tuition dollars) has risen to 44 percent, from 27 percent a decade ago. That is a competitive rate.

Prof. di Prete said that the income of the top 2 percent of families in the U.S. is rising relative to the rest of the population. He said the family income of Columbia students from upper-income families is rising as fast as or faster than Columbia tuition. This is not true for the families of most Columbia students. The provost said foreign applicants are offered very little financial aid.

Remarks from Douglas Chalmers, professor emeritus of political science and special assistant to the provost for faculty retirement. Prof. Chalmers identified himself not as a decision maker in the provost's office but as a point of contact. He mentioned the incentive plan for retirement that the provost had sent out to faculty the week before.

Prof. Chalmers said he sees it as his role to encourage colleagues to retire, and make room for new faculty. He also will try to persuade colleagues that retirement may be less a matter of pulling back than an opportunity to pursue new challenges in research and related activities.

He said a working group on retirement had found that colleagues need systematic and consistent information about retirement. Many have not acted on policies governing retirement simply because they didn't know about them.

Prof. Chalmers gave the web address for his office: faculty-retirement.columbia.edu.
He also invited colleagues to email him at faculty.retirement@columbia.edu.
Prof. Snyder adjourned the meeting at about 4 pm.

Respectfully submitted,

Tom Mathewson