

Public Statement:	The Facts:
<p>Despite significant growth in state and federal funding, tuition has increased by 30% for new students since 2013.</p>	<p>Comparing FY13 to FY17 operating budget:</p> <ul style="list-style-type: none"> • Yes, state funding has increased \$12.6 million or 2.2% annually between FY13 to FY17. However, state funding is \$152.8M in FY17 vs. \$162M in FY07 vs. \$170M in FY00. (unadjusted for inflation or enrollment growth of ~1,700 Virginians) • Federal funding has been essentially flat over the period: \$306.5M in FY17 vs. \$302.8M in FY13. However, federal funding is for specific research activity and is not available for educational funding. • The gross tuition and fee charge for a student entering in Fall 2017 is \$3,708 or 30% higher than for a student who entered in Fall 2012. UVA took the largest budget cut of any university in 2015. \$2,000 of the \$3,708 increase was re-directed to reducing loans for in-state students. We did not increase tuition for continuing students; all tuition increases were set for entering students prior to enrollment.
<p>Administrators regularly seek — and get — annual raises for faculty well above the rate of inflation.</p>	<ul style="list-style-type: none"> • Yes, the average merit-based increase for faculty has been in excess of inflation for the last three years (4.75% in FY17, 4.5% in FY16, 4.75% in FY15, and 4.75% in FY14). This was a plan put forward by the Board of Visitors in order to retain and attract faculty after 4 years of 0% base salary increases (in FY13, FY11, FY10, and FY09). These annual increases were the result of a February 21, 2013 BOV action: <p>[See Board of Visitors Resolution Regarding Faculty Salaries]</p>
<p>Some secretarial and administrative staff earn more than the governor</p>	<ul style="list-style-type: none"> • All salaries are benchmarked against the institutions in higher education which compete with us in recruiting personnel.
<p>UVA student forced to beg online for help to pay her tuition and to eat.</p>	<ul style="list-style-type: none"> • A student created a GoFundMe page to raise funds for her personal expenses outside the University and connected to an unusual home situation. She was not raising funds for tuition and did not claim to be raising funds for tuition. Our Student Financial Services team worked closely with her to provide a long-term solution to ensure academic success.
<p>Since 2009, the university has</p> <ul style="list-style-type: none"> • raised in-state tuition by 74 percent 	<ul style="list-style-type: none"> • There was a 67.7% increase in gross tuition price for an entering student from FY09 to FY17. \$2,000 of the \$6,434 increase went to reducing loans for Virginians. Other significant drivers associated with

<ul style="list-style-type: none"> • cut grant aid to the poorest Virginians • formed an administrative committee to explore secession from the state • hired a private university governance consultant for \$200,000 • spent more than \$100 million on financial aid to out-of-state students • proposed gagging board members from talking to legislators, the press and the public 	<p>recent tuition increases include the faculty salary initiative, longer-term declines in state budget support and state-mandated increases in payments to the Virginia Retirement System.</p> <ul style="list-style-type: none"> • Previously low income Virginians had 100% of need met, with \$0 in loans. After rapid expansion of need with the 2009 recession, AccessUVA financial aid program was unsustainable and its revision was called for by former Rector Dragas. The BOV acted in August 2013 to add loans for low-income students, effective Fall 2014. This action was reversed with Affordable Excellence in March 2015. Today, low income Virginians continue to have 100% of need met, with no more than \$1,000/year in loans. Under the new plan, UVA is cheaper for 70% of Virginia families than under the previous plan. • No such committee ever existed. • A former Rector of the Board authored and signed a procurement authorization for Richard Chait to consult with the Board; the eventual payment to Mr. Chait was \$121,241.10. • This includes financial aid to graduate students (\$65M in FY16) and financial aid from restricted philanthropic funds (\$16M in FY16). \$32M was awarded to out-of-state undergraduates for need-based aid, funded from out-of-state tuition. • The Rector of the Board of Visitors is the official spokesperson for the Board of Visitors unless he/she designates others to speak on behalf of the Board. • A former Rector of the Board appointed a Board committee (Special Committee on Board Governance and Engagement), and this committee proposed a provision for the Board similar to this one from the Virginia Tech BOV Code of Ethics: “Individual BOV members shall speak openly during the board meetings, but after a vote is taken, will support a decision of the board.” Many governing boards have similar provisions.
<p>The University of Virginia is slowly being privatized.</p>	<ul style="list-style-type: none"> • The University of Virginia is public by mission, by law, and by governance. The fact that it receives private funds does not make it private, just as the fact that all Virginia private colleges receive public funds and tax exemptions does not therefore make them public.

	<ul style="list-style-type: none"> • Funding from endowment distribution and gifts has exceeded state tax support since FY2006 when state support was 13.9% and private support was 14.0%. • Academic Division Only: 2016-17 Total Operating Budget - \$1,693.4M; 9.3% from State Tax Revenues • UVA, including Med Center and Wise: 2016-17 Total Operating Budget - \$2,940.9M; 5.8% from State Tax Revenues
<p>Administrators revealed their coffers include a \$2.3 billion pot of reserves, surpluses and earnings that for years has been hidden in plain sight, loosely labeled as necessary to support operations.</p>	<ul style="list-style-type: none"> • On our audited financial statements, audited by the Commonwealth’s Auditor of Public Accounts. • The 2002 Code of Virginia amendment and the 2005 Restructuring Act (and the subsequent Management Agreement with the Commonwealth in 2006) did allow us to invest our balances held for our self-funded health plan, for the Medical Center building reserves, and to retain investment earnings previously earned and retained by the Commonwealth. The growth in the reserves was a testament to conservative management, a strong AAA debt rating, very effective investment management, etc. • The 2009 recession eliminated investment returns to date on the operating balances and further encouraged a conservative management of cash and investments. • We were holding these funds in cash and short-term investments until the Board of Visitors endorsed taking advantage of our balance sheet in order to implement the Cornerstone Plan in a way to avoid tuition increases.
<p>Through financial maneuvering, this treasury has been liberated expressly to support strategic initiatives that will enhance the university’s reputation.</p>	<p>Strategic initiatives are intended to enhance academic and medical excellence. Excellence may influence ratings, but that is not the goal of enhancing excellence. The “maneuvering” was actually careful consideration with and action by Board members of how to leverage the University’s strong balance sheet, subsequently ratified by reaffirmation of the University’s AAA bond rating.</p>
<p>As administrators requested a series of board actions to facilitate that change, members were not apprised of the large sum at stake. Only later did we learn that these moves had created a \$2.3 billion slush fund.</p>	<p>The Rector and Finance Committee endorsed these actions to fund the Cornerstone Plan without increasing tuition to support strategic needs. The initiatives in the Cornerstone Plan and the cost of the Generational Turnover of Faculty were discussed at length with the Board in 2014; the Board was aware and involved in determining how to fund these initiatives. Each year’s audited financial statements include a statement of cash and investments.</p>

<p>SIF:</p> <ul style="list-style-type: none"> • Could run Academic Division for a year and a half • Would pay four-year tuition bills for 44,000 Virginia students • Is 20% more than market value of 200-year buildup of E&G program buildings and facilities • Conservative estimate of annual earnings potential is \$100M which could be used to cut the tuition of all in-state undergraduates by 70% 	<ul style="list-style-type: none"> • The first three statements are accurate calculations, but only if one assumes the full principal balance is available to spend, which is not true. Much of the principal is held for the Medical Center, for self-funded health plan reserves, permanent endowment, to maintain facilities, for future bond payments, to meet faculty hiring commitments and start-up packages. • An accurate calculation, but we would also be unable to implement the approved strategic plan, to invest in hiring and retaining great faculty, to maintain the excellence that people have come to expect from UVA.
<p>But to consider hoarding a multi-billion-dollar slush fund for pet projects doesn't reflect reality. By way of example, one recent proposal suggested a \$50 million program for self-care training to include journaling, meditation and yoga for nursing students.</p>	<ul style="list-style-type: none"> • No SIF funds have been allocated for projects to date. Multi-level review is underway. The full Board of Visitors must approve any SIF funding. • The idea of training nursing students for greater resilience was invited by the BOV Advancement committee as something of possible interest to donors. Because of the high rate of attrition among early-career nurses, improved resilience of young nurses would lead to better patient care, a better ROI on the nurse's tuition, and a better return to the Commonwealth for its investment in nursing education. This resilience training was not a proposal to SIF.
<p>Proper public use of this public gold mine (and funds received by the university from any source become public dollars) could put an excellent education within reach of more middle- and lower-income students.</p>	<p>Private gifts and endowments are not public funds. The Code of Virginia provides that private gifts made to the University do not become public funds.</p> <p>http://law.lis.virginia.gov/vacode/title23/chapter1/section23-9.2/ (effective until October 1, 2016)</p> <p>http://law.lis.virginia.gov/vacode/title23.1/chapter1/section23.1-101/ (effective October 1, 2016)</p>
<p>Many of Virginia's families are already drowning in tuition debt that robs graduates of the opportunity to gain basic independence, let alone start small businesses that Virginia so desperately needs for economic growth.</p>	<ul style="list-style-type: none"> • Low income Virginians are offered \$1,000 in need-based loans per year; other Virginians with need are offered \$4,500 in need-based loans per year. • 35% (or 1,130) of the May 2015 undergraduate degree recipients had "total" loan debt which averaged \$24,905. Total loan debt includes all federal, institutional, state and private loans, both need-based and non-need based. The need-based average loan debt for this same class was \$13,654. • For 15-16, undergraduates at the University brought in \$8.6 million in

	<p>Non-University Scholarships. If a student has financial need, these scholarships can reduce need-based loans and work study.</p> <ul style="list-style-type: none"> • UVA graduates have one of the lowest default rates in the country, 1.7%.
It's wrong when reputational rankings in magazines matter more than serving Virginians.	<ul style="list-style-type: none"> • The University of Virginia remains steadfast in its mission to serving the educational needs of the Commonwealth and the nation. • It is right when Virginians have access to educations of the highest quality. Rankings are a by-product of quality.
But when public universities are run like private academic playgrounds, and boards act as unelected taxing authorities, perhaps it's time for a higher power to weigh in.	<ul style="list-style-type: none"> • The Governor appoints members to the Board of Visitors and their appointments are ratified by the General Assembly. • There is no evidence that UVA is run like a "Private academic playground." It is public, not private, and its academic rigor and quality are widely recognized. The BOV has set tuition carefully and with full attention to the net price of a UVA education.
<p>Governor McAuliffe and the General Assembly should make strengthening transparency and accountability a priority for the 2017 session through a few simple measures.</p> <p>ensure that the women and men appointed to serve our public colleges understand and pledge to uphold their primary duty to Virginia citizens. Requiring significantly more rigorous orientation and training delivered by independent, objective sources would help board members see through a wider lens than that of administrators.</p> <p>Having witnessed abuse of Virginia's sunshine laws by out-of-state appointees in order to increase in-state tuition by double digits, I believe legislators should stipulate that only Virginians be allowed to serve as board officers and chairs of certain critical committees.</p>	<ul style="list-style-type: none"> • The fiduciary responsibility of board members is to the institution (Board may "manage funds of the institution and approve an annual budget") http://law.lis.virginia.gov/vacode/title23.1/chapter13/section23.1-1301/ (effective October 1, 2016) • The Code of Virginia already authorizes such training, which is delivered by SCHEV. • Board members who reside out-of-state are ardent supporters of the University and contribute their time, talent and financial resources to support the mission of the institution. Every Rector has appointed non-resident Visitors to chair significant committees.
The so-called "legislative liaisons" employed directly by colleges and universities should be subject to the same registration and reporting laws as all lobbyists, and the records of all officers — including college presidents — should be subject to Virginia's Freedom of Information Act. Finally, requiring public comment periods at board meetings and creating accountability back to the taxpayers they serve would bring higher education into the modern world of governance.	<ul style="list-style-type: none"> • University representatives at the state capitol do file paperwork similar to that of lobbyists and as state employees are subject to the state's conflict of interest and other reporting policies. • The BOV is highly accountable; there is a website with all minutes and materials. UVA goes beyond the requirements of the law with live-streaming the meetings over the internet.
These steps alone could help ensure that U-Va. remains true to its 200-year-old mandate. In the meantime, its leaders should voluntarily reclaim its historic, public heritage by denouncing the rankings and	The University's leaders have repeatedly claimed the university's public role and its commitment to accessibility and affordability. Every national survey of higher education lauds UVA as affordable. Denouncing the

<p>embracing an identity that is more diverse, more affordable, more accessible and more nimble in adjusting to the dynamics of today's learners.</p>	<p>rankings is of little value, because the rating organizations can rank all public institutions using public data. Kiplinger: #3 Best College Value Money: #3 Best Value Public University The Princeton Review: #7 Top 200 Colleges that Pay You Back</p>
<p>Despite claimed nuances, it's clear that the university didn't come clean with the full board to discuss total dollars at stake until the final hour of our June 10 meeting — and then, only behind closed doors.</p> <p>Materials circulated days in advance clearly indicated that plans for how to spend the fund were to be discussed out of public earshot. Having learned valuable lessons in 2012 and made sincere promises of transparency, I raised concerns about the legitimacy of excluding the public. Still, the matter was taken up in private.</p> <p>Once there, leadership detailed a multi-step process for vetting faculty spending requests, generally described the 51 requests already received, and conveyed timetables for first awards. Visitors were reminded that these former operating funds were not to be approved for operational needs. And the brilliance of two former employees most responsible for producing these enormous surpluses was repeatedly celebrated.</p> <p>It quickly became apparent that the board was about to be asked to rubber-stamp yet another proposal that, if publicly discussed, might upset the academic applecart.</p>	<p>Rector Goodwin statement: “Over the past several years, current and former members of the Board of Visitors and the University of Virginia administration have dedicated countless hours and numerous meetings to develop and implement a strategic plan and long-term financial plan that will position the University to remain one of the greatest public universities in the Commonwealth and the nation.</p> <p>“Our long-term work in this regard aligns the University’s strategic goals with funding that will enable important investments in our students’ experience, faculty, academic programs, Medical Center, physical space and research infrastructure.</p> <p>“All of the board’s actions regarding the strategic plan and the long-term financial plan have been discussed and voted on in public session. The monies have always been included in the University’s audited financial statements, which include the operations of the UVA Medical Center, representing more than half of the University’s operating revenues.</p> <p>“I should also note that such long-term planning and financial management is prudent for any large and complex organization and is a practice the Commonwealth encourages public institutions to follow. ...”</p> <p>[See Aug. 1 Narrative Response to legislative inquiry and SIF Executive Summary for more background information]</p>
<p>As the first order of business at its August meeting, the board should roll back tuition by that same 74 percent, saving Virginia students \$5,500 per year or \$22,000 per degree. Without touching a single dollar of its billions, UVa still would have an extra \$40 to \$100 million in annual earnings to spend on its reputation. Its next step should be to freeze tuition for five years by cutting non-classroom spending.</p>	<ul style="list-style-type: none"> • The University’s long range financial plan and Affordable Excellence approach already incorporates expected savings from the organizational excellence efforts to reduce non-classroom spending: \$16-23 million/year; targeted goal of \$150 million over FY16-22.

<p>Aid to out-of-state students: In a bid to raise rankings, each year more than \$67 million is spent on financial awards to out-of-state students. With more than 21,000 applications for 1,200 out-of-state, first-year spots, subsidies are unnecessary, and much of that money could be better spent on support to low-income Virginians.</p>	<ul style="list-style-type: none"> • \$37M of the cited \$67M is for graduate support, critical to the education of undergraduates (GTAs), research, and developing future scientists, scholars, and faculty. • All aid to out-of-state students is need-based, adding to the selectivity, prestige, academic strength, and diversity of the student body, as well as the strength of athletic teams. • All aid to out-of-state students is funded from out-of-state students' tuition.
<p>Administrative salaries: One of many assistants to the UVa president earned \$240,000 at the time of his recent retirement, a sum that would pay the 2016 tuition of 18 Virginia students. One vice president responsible for diversity earns roughly \$340,000 per year, while African-American enrollment stays mired at only 6 percent of the student body (tuition for another 26 students). One assistant to a secretary earns roughly \$115,000 (nine more students); his boss, \$200,000 (15 students).</p>	<p>All salaries are benchmarked against the institutions in higher education which compete with us in recruiting personnel.</p> <ul style="list-style-type: none"> • The assistant to the president retired in 2014 after many years of service at UVA. During his tenure he helped secure numerous philanthropic gifts to the University and maintained contacts with hundreds of donors and alumni. • The Vice President and Chief Diversity Officer is also a practicing medical doctor and helped to establish UVA's Emergency Department in its hospital. • Diversity and African American enrollment at the University of Virginia has increased over the last four years. It is important to note that, beginning in 2009, Integrated Postsecondary Education Data System (IPEDS) implemented required changes in its definition of race and ethnicity, and many students who may have listed themselves as African-American in the earlier federal reporting methodology are now being counted in the Hispanic or multi-racial categories. • Over the past three years the percentage of first-year students who identified as African-American inclusive of those in the multiracial and Hispanic categories has increased from 7.1% in fall 2012, to 7.5% in 2013, 8.2% in 2014 and 8.3% in 2015.
<p>Construction costs: Excessive costs of almost \$1,000 per square foot for a Medical Center waiting room and \$425 per square foot for a maintenance building help explain why cash flow from depreciation has fed the surpluses over time.</p>	<p>The University Hospital Expansion is a \$391.6 million addition and renovation to University Hospital that will provide for the expansion of the Emergency Department, the consolidation and expansion of the operating and procedure rooms, and the development of a six story inpatient bed tower. The project cost includes \$15.1 million for a major enabling renovation project to move the MRI imaging equipment that was located in a pavilion on the construction site. The main project consists of 440,000 gross square feet of new construction and 90,000 gross square feet of</p>

	<p>renovation at a project cost of \$376.5 million or \$710 per gross square foot.</p> <p>Facilities Management Shop Support/Office Building (project cost=\$415/GSF) is not a maintenance building -- it houses various FM functions and was built to address inadequate and outdated facilities (including several temporary and/or deteriorated structures) and consolidate FM services from multiple locations.</p>
<p>Duplicative fundraising expenses: The university has more than 20 related foundations whose combined activities reportedly cost it more than three times the national non-profit average per dollar raised.</p>	<p>The University does not own or operate the various foundations. The oldest is the Alumni Association, founded in 1838. Each foundations is a separate 501(c)3 organization and operates independently of the University. That said, the majority of the foundations do utilize the investment services of UVIMCO and the vast majority of the fundraising efforts are coordinated with the University's central Advancement Office. Such coordination has yielded important organizational efficiencies and cost savings that benefit both the individual foundations and the University. The foundations serve a powerful function in mobilizing volunteers for the University.</p>
<p>Keep in mind this key fact: This fund is completely separate from the school's endowment — which sits at \$7.5 billion. Those are private funds; these are public monies.</p>	<p>This is incorrect. The \$2.2 billion is included in the endowment funds managed by UVIMCO and is a portion of the overall total funds that are managed. Total R&V (University) endowment is \$4.05 billion. SIF is \$2.2 billion. Various 501c3 foundations have endowments totaling \$1.66 billion.</p>
<p>Do other state colleges have similar funds? Will the focus on the University of Virginia lead to forensic accounting at other state schools? Perhaps it should, so we can have a true picture of everybody's funding. (Virginia Tech, by the way, says it doesn't have such a fund.)</p>	<p>Most major public universities – including UVA, the College of William & Mary and Virginia Tech – have operating cash reserves, especially those with academic health centers. Adequate liquidity and financial management ratios are required to maintain a AAA bond rating. Over the past ten years, the University has saved \$21.7 million due to having a AAA rating vs. a AA1 rating.</p>

University of Virginia Gross Tuition + E&G Fees & Unrestricted General Funds per In-State Student (in 2016 dollars)

