

University of Virginia General Faculty Council

Minutes: Tuesday, April 8, 2003, Room 389, Newcomb Hall

Members Present: Mary Abouzeid, Elaine Attridge, Donal Day, James Freeman, Phil Gates, Robbie Greenlee, George Hashisaki, Carol Hunter, Bill Keene, Lotta Lofgren, Barbara Millar, Greg Strickland, Lynda White, Ellie Wilson.

Members Absent: Jann Balmer, Jennifer Bauerle, Chris Milner

Also Present: Alan Cohn, Jean Collier, Nancy Gansneder, Kathleen Jump, Robin Kuzan, Leonard Sandridge, Prue Thorner.

Meeting was chaired by Lynda White.

1. **Election Results** were announced by Ellie Wilson:

Prue Thorner and Robin Kuzen (Administration)
Derry Voysey (Professional Schools)
Bill Keene (Arts & Sciences)
Jean Collier and Nancy Gansneder (At-Large)

2. Following introductions of in-coming and current Council members, the Council proceeded to a **conversation with Leonard Sandridge**, Executive Vice-President and COO of the University of Virginia.

QUESTION: How might the budget cuts/tuition caps affect General Faculty? Could you address job security at the University in light of the continuing financial crisis? Mr. Sandridge reported on the last session of the House of Delegates. In 2001-2002, the University realized about \$168 million in revenue from the state; in 2003-2004, our tax revenue is expected to be reduced to \$114 million, so these are unusual times. The University has made up for half of the tax income cut with tuition increases but has also benefited from attrition. Of the \$42.5 million total 02-03 cut, \$18 million was from tuition and \$23.8 was operating expenditure reductions; of the \$52.9 million total 03-04 cut, \$28 million was from tuition and \$24.9 million was operating expenditure reductions. The only way to manage this revenue decrease is to manage employment levels (since the University's budget is heavily comprised of personnel expenditures). We want to maintain a stable employment environment. We were the first in the state to institute a hiring freeze to try to control our greatest spending. We are about where we should be with respect to academic programs but are using adjuncts instead of tenured faculty. **REGARDING TUITION:** The University is committed to providing financial aid for undergraduates. The State announced a 5% cap on tuition for in-state Virginia undergraduate students. The surcharge we added last year plus the previous tuition became the new tuition base. We were told we could add 5% to that and, in addition, that we are allowed to add \$287 to the tuition of each fulltime student to fund salary and health insurance benefit cost increases. The Board of Visitors approved the maximum tuition rate increase in last weekend's meeting. In-state undergraduates will pay a tuition charge that is nearly 30% higher than the level originally approved for 2002-2003 before the mid-year increase. With respect to graduate students, we are trying to reduce the differential between in- and out-of-state tuition charges. The result of this management is that we are not as tied to state revenues. Here's what we have to do as an institution for the future:

1. Become tuition based (rely on tuition more than tax dollars)
2. Be second to none in raising private money.
3. Forge a new relationship with Commonwealth.

We proposed 14 new steps towards decentralization. Two of these proposals were solved before the General Assembly met; they then approved 11 of the 12 proposals that came to a vote.

Three years ago, our bond rating by Moody's and by Fitch was increased to AAA. This year S&P also rated us AAA. Only one other university has that rating from all three services: the University of Texas. We got this because we are not as subject to the State of Virginia's appropriation problems; only a minor portion of our income is from the state. We also had a successful capital campaign (5th largest among public universities); the Medical Center was restructured; and the number of undergraduate applications per space remains high.

QUESTION: How does the University arrive at decisions about hiring adjuncts? We determine what reductions we need by areas, through the vice-presidents, not centrally. We reduce administration first. Then we work with the Deans to decide who can take the biggest cuts. In the academic areas, deans were given freedom to decide what they could do in their schools.

QUESTION: What are the prospects for the recovery of Virginia's economy? In the past, we invested in equities if we had confidence in the future (75% of the University's investments were in equities). Today we have less than 10% invested in equities. Today there are more things to become invested in--hedge funds, etc. Sales taxes and income taxes are not increasing in this state. That is what it will take to break this poor economic trend. The economy will recover slowly, as it did in the 70s, maybe a three year process. The state will not bail us out. Our budget next year will be larger because of sponsored programs and the Health System.

At some time, there was a question of using early retirement of faculty to ease the budget shortfall. The deadline for phased retirement and immediate retirement was a few days ago. We had about 12 people in two units who took that option. The University had estimated between 10 and 20 people would take this option and about 12 did.

QUESTION: Are there specific ways in which the General Faculty could help the University through these difficult times? The time the Council spends in trying to understand the facts and communicating them in an objective fashion is the most important thing you can do as a group. (1) Know the facts and communicate them in an unemotional way; be honest; (2) Listen to rumors and find out whether they are true or not (call central administrators); and (3) Know that our objective together is to provide the highest quality programs possible. Share the Council's perspectives with administrators of the University and be part of the solution. Let managers know what you need.

QUESTION: What was the one thing (of the 12 decentralization initiatives mentioned previously) that was not passed by the General Assembly? Thirty days are added to capital projects because we are not allowed to use our own fire inspectors. The argument is that we should have an independent auditor. It is a costly point for the University, but the argument makes sense. Instead, we will offer to pay for a person on the fire department inspection staff to deal just with the University's building because we will have so much building going on in the near future.

QUESTION: Where does the policy on the General Faculty stand now? Gene Block will bring this to the General Faculty Forum when he speaks on April 18.

QUESTION: What is the University's position with regard to equitable salary increases for all segments of the faculty (both tenure-eligible and non-tenure-eligible) when funds are available again? How can we best convey to the Legislature that any future increases need to be equal? Will General Faculty receive the entire 2.25 % increase? Until about 20 years ago, only a handful of persons were assigned the title "general faculty". First librarians, then professional coaches, then some health care people were added. General Faculty became an intermediate group that acted and looked like faculty but were not tenure-track faculty. In 1987, administrative faculty and professional faculty were differentiated. Before that there were only faculty and classified. Most of the time, the administrative faculty has received the same raises as the teaching faculty. This year, the 2.25 salary increase is there. The governor took the economy out of the calculation; we will all get the same salary increase. Many in the state legislature do not fully understand research and the role it plays in education. Peer group analysis for teaching faculty required a salary increase that was above normal. Teaching faculty were compared to teaching faculty at 24 other major institutions. This comparison was not done for classified staff and general faculty. The long-term solution is for us to come up with a way of measuring our general faculty compared to other major institutions. If you look at administrative salaries, they compare well to other universities. Whatever we come up with to strengthen our position needs to be thoughtful and analytical. We don't want to trade what we have for some structure that might not work as well. With the general faculty, the University does have the ability to set salaries where we want them (if the money is available). We will try in the future to bring general faculty in line with tenured faculty. We need to be very careful with the proposed structure for aligning general faculty group.

QUESTION: Regarding health insurance for part-time faculty: In investigating peer institutions' policies, Virginia does not measure up. A few years ago, the state approved health care benefits for part time faculty but the University could not find a health care benefit provider to bid on the proposal. When the University looks for a new provider, can it be reconsidered that part-time

faculty be included? Our part-time constituency is requesting inclusion in the health care benefits plan. My recollection is that in 1999 the General Assembly required the state to issue an RFP to try to establish a group healthcare plan available to part-time employees. The state was not funding it; consequently, no insurer was willing to offer such a plan because of the risk of "adverse selection." Adverse selection refers to the fact that only those who needed the insurance would pay for it. What you would like is employer participation in the health-care costs. **RESPONSE:** *Part-time faculty would like to be considered in a health-care benefits package.* We would need to redefine full-time employment. So far the state has not wanted to do this. It makes a big difference. It should be that 50% and above equals "part-time" for insurance benefits. We have agreed we would follow the state's policies (80% and above effort would get coverage). It is not a legislative issue, it is a State Human Resources issue. If we are talking about cost-sharing, we should work together to figure out the proportion of costs that should be carried by the employee and by the University. To be a better University, we have to forge a new relationship with the Commonwealth, and this is an important area to work on. I believe that we are going to begin having the same kinds of discussion about long-term health care benefits in the future. Health benefits will be the most time-consuming, attention-getting issue we will address in the future. Our employees share of the cost is at an historical low. This is going to become a distinguishing factor for future employees, just as retirement was 30 years ago. We will investigate and see if there is an intermediate step that can be available with the University's health benefits provider.

QUESTION: There are a fairly large number of people who are supported by outside sponsors at this University. The current policy on leave is that the sponsor has to pay the individual for needed leave. The problem is that the contract is drawn down for a person who can't work, and when he/she comes back, there is no money left to pay him/her for the work. How can this be addressed? This is a non-policy. Essentially what happens is that the University carries a disabled employee for six months before it turns to the carrier for disability coverage. For the most part, this works OK. What we could do is (1) indemnify that by getting a specific disability insurance policy that would cover sponsored employees; this may be problematic because of federal and state regulations; or (2) we could use indirect cost recoveries allocated to deans and departments to switch the disabled person's salary to another pot of money to get it off the grant. This could be done at the VP for Research level.

QUESTION: Going back to health insurance for part-timers, it can be a cost-saving device as well, if you think in terms of FTEs. It is also attractive for those moving toward retirement. Both points make part-time health insurance an attractive thing for the University at this time. Yes, there were several people who would have gone to part-time but couldn't afford health care insurance.

QUESTION: In the Physics Department, two faculty members were told they would not have jobs the next year after years of employment. None of the three reasons for severance for General Faculty was invoked. For cause, financial stringency, and discontinuation of program were not invoked. What is the policy when the General Assembly imposes cost cuts? [This question was not among those sent to Mr. Sandridge in advance; he was not fully informed about this individual case.] Mr. Sandridge said that knowing that research programs DO get cut in poor financial times, we might think of research center contracts the same as sponsored programs in terms of appointments; that is, there are no expectations beyond the available funding. NOTE: Following the meeting, counsel from the office of the General Counsel confirmed that financial stringency was not invoked. The University's financial stringency policy has not changed.

QUESTION: We are hearing increasing numbers of complaints concerning the University's current health coverage plan with Southern Health. These include long delays in processing claims and denial of claims that would seem to be reasonable. Is the University taking any step to address these problems? Yes, we are aware of this. We have very rigorous performance standards, and if Southern Health does not meet these standards, it incurs a financial penalty in the administrative fee that UVA pays to Southern Health. Right now, there is an appearance that Southern Health is not doing well, but there is no statistical evidence of that. We will investigate why this might be. Related to prescriptions, it is to our advantage to encourage our people to use health care wisely. Right now the issue is Claritin. Because it went 'over the counter,' all others in the same class are no longer covered. We raised the health care co-pay by 5% but if we had passed on all the costs, it would have been 17%. But it is obvious that this issue is important to you. UVA has certain flexibility because we are self-insuring, but we also listen to our health care advisors and providers for advice. We will rethink the allergy medication issue; we can renegotiate with the insurance provider on this.

If there are problems, contact the health ombudsman, Anne Dawson.

The meeting ended at 1:30 with Mr. Sandridge's answer to the final question.

Submitted by: M. Abouzeid

Next Meeting: Tuesday May 13, 2003, 389 Newcomb Hall