Remarks of Helen E. Dragas to Higher Education Sub-committees of the House Appropriations and Senate Finance Committees

Delivered on her behalf by Ms. Breyana Baggett

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Good morning, Chairmen Jones, Norment, and Hanger, and distinguished members of the House and Senate subcommittees. A longstanding family commitment has taken me out of Virginia today, so I very much appreciate the courtesy you've extended by allowing Breyana to deliver these remarks on my behalf.

While I will lead off with some facts regarding UVA's $2.3 billion fund, we must keep sight of the fact that this discussion is really about young Virginians and their access to opportunity at a price that they and their families can genuinely afford.

At the outset, I want to make it abundantly clear that never have I presumed there was any nefarious or illegal activity that resulted in the accumulation of $2.3 billion, and I am certain that the Auditor of Public Accounts will confirm this.

What I have previously shared are these indisputable facts:

1. There is a $2.3 billion unrestricted fund at UVA that was disguised on investment statements as "Operating Funds" while UVA was raising tuition by some 70 percent over the last seven years.

2. Once a few members of the Board of Visitors discovered this money wasn't needed for operations, it was discussed with the full board only in secret, and we were expressly asked not to share news of its existence with the press or with you, the General Assembly.

It was in view of these facts . . . that a small group of people went behind closed doors to discuss how to spend large sums of public money for other-than-originally-intended purposes . . . that the term slush seemed to fit.

We've heard a lot of spin since then—well put-together statements from professionals—and you undoubtedly will hear more today. The newest claim may be that more will be done with the money in service of "affordability", but "affordability" is NOT the same as a tuition rollback. In fact, the University's official Six-year Plan on file with the state indicates another seven percent tuition increase next year.

I applaud Rector William Goodwin for pressing the University to be more forthcoming about its resources. But the "Operating Funds" label is what the Board saw at the time of its February vote to raise tuition by 10 percent for new students. That is the same label we saw on the billions of dollars when we voted to establish the "Strategic Investment Fund" in February as well. The only mention of a dollar figure in that discussion was of

a $1 million research grant.

And as the board took actions to restructure debt, authorize lines of credit, and modify liquidity policies—all of which are typical governance activities in large, financially complex institutions—never were we told that these actions were related to directing $2.3 billion to rankings pursuit or given the alternative of considering them in the service of tuition reduction.

Despite legislator requests, the University has yet to produce documentation or recordings showing otherwise. Many other board members have since confirmed to one of your colleagues that these are the facts, and on the rare occasion that I had to miss a meeting, I've gone back and watched the video recordings and read the board minutes to ensure the accuracy of my assertions.

Only in materials distributed for its June meeting was the Board provided with statements showing that $2.3 billion of "Operating Funds" were now called "Strategic Investment Funds." Still, there was no public discussion of how to use the money.

During my tenure on the Board of Visitors, as chair of the Finance Committee, and later as Rector, I can say without hesitation that at no time was it disclosed to the Board that "Operating Funds" were available for anything other than operations. I took the administration at its word and can only assume that previous rectors did the same, as nothing to the contrary was conveyed to me by my predecessor, Dubby Wynne. Surely, had I known, I would have been even more vocal in my objection to recent tuition increases.

In fact, public records plainly document that the Board wasn't informed. Instead, the following occurred:

1. In the summer of 2013, and repeatedly thereafter, the administration told us that it would take an additional $1 billion of investable funds to sustain its ballooning financial aid program, AccessUVA, without substantial tuition increases. Records now show that they actually had $1 billion on hand at the time, and that these funds then grew to more than twice that amount.

2. In the fall of 2013, I publicly requested a full accounting of balances that could be used to fund projects. This accounting was never forthcoming.

3. Also in the fall of 2013, the board was told that only $6 million per year was available from existing resources to fund strategic projects.

4. In the fall of 2014, a special subcommittee working on the long-range plan discussed issuing century bonds or obtaining bank lines of credit to fund strategic projects and financial aid. One out-of-state member even briefly suggested off-balance sheet maneuvers.

5. Some are now saying that the fund's creation was part of the University's approved long-range plan. That is simply FALSE. As minutes plainly outline, the Board only approved five generic "pillars," or general intentions of the plan. To give you a sense of their nature, the first "pillar" is to "Extend and Strengthen the University's Distinctive Residential Culture." Nor has the Board ever formally approved an accompanying long-range financial plan—only such components as tuition increases and endowment payout rates.

And while it may seem a small point, had $2.3 billion been part of an approved plan, there would be no need for a spending approval process that is outside of the annual budget review.

What we now know is that the University of Virginia amassed $2.3 billion that is separate and apart from its on-the-record $5.7 billion of endowment and foundation funds.

What we now know is that a small group of people decided to direct a whole lot of money to professors' projects, with the articulated goal of achieving the Number One college ranking.

What we now know is that, through June, the only collective Board discussion about the dollars in the fund took place behind closed doors in an executive session which was improper.

What we now know are the general sources of the funds, information that had been withheld until mid-summer.

What we also know is that the roughly 70 percent tuition increases proposed by the University's leadership since 2009 could have been avoided had the Board been aware of billions of dollars in un-needed operating funds.

It is also entirely possible that the elimination of all-grant aid for poverty-level students in the summer of 2013, which I opposed, could have been avoided.

The University's six-year plan shows that 17% of all undergraduate tuition dollars go to support financial aid. The time is ripe for the General Assembly to decide whether a public university board should be authorized to tax some families to pay for the expenses of others, or whether that responsibility should rest only with you, our elected officials.

And you will likely hear a lot today about how affordable the university is compared to its public and private peers because of its financial aid program.

But switching the conversation to financial aid only serves to distract.

With 83% of all collected tuition going to pay for expenses other than financial aid, and given that the $2.3 billion extra dollars on hand, the lion's share of the onerous tuition increases of the last seven years could have been avoided without impacting grants at all.

In other words, the financial aid argument cloaks the fact that tuition increases produce overwhelmingly net-positive revenue for the University, revenue that can now be replaced with earnings off of the $2.3 billion fund.

Tuition is, by far, the single-largest component of the cost of going to college, so if the goal is to bring down the cost of a degree we cannot ignore the need to roll back this number.

In other words, promises to use the new "Strategic Investment Fund" for more financial aid doesn't get at the meat of the matter. Instead, every time tuition goes up, more families are priced out and the need for financial aid increases exponentially.

And just today, the state's newly reported $1.5 billion budget shortfall confirms in stark terms that Virginians as a whole are not earning as much as hoped and have less to spend than expected.

Again, what scholars may call "affordability" is NOT the same as a tuition-rollback.

To be sure, more financial aid can help a few, but lowering the price of admission will clearly help many, many more.

Studies also prove that the sticker price of college alone discourages lower-income students from applying to college. Hundreds of millions of dollars spent on financial aid as well as an expanded Office of Diversity in recent years have not helped UVA escape its status as one of the least socioeconomically and racially diverse universities in the country. What has been shown to work at other institutions is a low cost, accessible model and a culture of inclusiveness.

Given these realities, the University should immediately roll back recent tuition increases and freeze tuition while a thorough, objective review of non-classroom spending is undertaken.

I have publicly offered many examples of cost-cutting that could be done to balance the scales. There are many more to be had.

I also want to clear the air on another issue. I do not dispute the values of basic research and support for the best faculty. The pursuit of knowledge is essential to our collective progress. But with enough money on hand to educate UVA's entire in-state population for 16 years, we can easily have both.

Equally important, the opportunity to open more seats so that a much more diverse group of Virginia's children can gain a first-class higher education has at least as much merit and at least as much value as pursuing a Number One magazine ranking.

Reclaiming out-of-state enrollment spots for 100 Virginia kids would cost the University

between $3 and $4 million, an investment it should be willing to make as Virginia's flagship. UVA annually spends over $30 million from what it deems a bucket of out-of-state tuition money on financial aid to out-of-state students. If redirected, that money could create slots for 1,000 more of our brightest Virginians. And all without even touching the earnings off of $2.3 billion.

Especially in tough economic times, having a college degree makes it far easier to grow and prosper. That's why you approved the Top Jobs legislation in 2011, and its objectives are just as valid today as they were then.

By the way, this is not merely an academic conversation. Beyond the doors of this committee room, the contest to bring new companies to Virginia is fought on a global scale. Competition among graduates for new jobs has become a serious contact sport. I know you share my desire for all of Virginia's children to go into the game unburdened by more student debt than is absolutely necessary.

Neither is this much ado about nothing. This is a question of whether Virginians can gain a spot and afford to attend an institution they have paid for over the course of almost 200 years. It's quite simply about whether the University, with this money and its other vast resources, is doing as much as it can for as many in-state students as possible.

Except to say that in 2012 I learned a great deal, I will only touch briefly on the closed-door meeting that has brought us to this public one.

When it comes to how we spend the public's money—and this $2.3 billion is public money—those conversations must take place in public view. It's what the law demands. But even if the law didn't require it, there is every reason to have an open, productive dialogue about how to put this money to its highest and best use for your constituents.

While the University deserves to pat itself on the back for its exceptional investment acumen, opportunities to quickly create a more level and diverse playing field are equally rare. With billions of previously "unfound" dollars on hand, this is one. And let us not lose sight of the fact that the University can and will continue to generate millions, even billions, of surpluses and earnings for years to come. The Commonwealth owns a priceless brand.

This reality makes it even more important that the conversation be had ***right now*** about making UVA an even greater force for the advancement of the state. Should it pursue perfection for a few, or near perfection for even more?

This is a uniquely challenging time in higher education. The most successful public universities of the future will be those that adapt to realities, control costs, and lead from the front—the most impressive will also be those that do so with unimpeded transparency and a genuine commitment to accountability. I am hopeful these values will become the North Star that our great university embraces.

And with $2.3 billion of newly-revealed public money on hand, it can start today by immediately rolling back tuition by 70 percent, claiming hundreds more spots for Virginia students, and recommitting to its Virginia public mission, rather than status and rankings.

Thank you.