This report should be read along with the University’s annual report (http://www.virginia.edu/president/report04/presReport04.pdf), which treats many of these topics but speaks to a more general audience.

FY05 was a good year for the University, one that saw positive movement in our finances, in development of the physical plant, in the administrative team and structure, and in social environment. This report deals with current financial realities; with quality assurance; with programs to assure equity within a diverse University; with the evolution of programs and plant to serve our mission; and throughout, with our core businesses of teaching, research, and sustaining student life.

The major accomplishment of the year, passage of the Higher Education Restructuring Act or charter legislation, was in every good way a shared one. Board members deserve as much credit as anyone for the uncharacteristic and healthy degree of unanimity that existed as the General Assembly and Governor came to terms with one of Virginia’s oldest and most damaging problems. A discussion that was supposed to have been divisive and rancorous was not. Opposition that was supposed to immobilize the General Assembly and damage higher education did not. Instead, virtually all prominent legislators from both parties as well as the vast majority of all Members in both houses signed on early, stayed the course, and contributed to the shaping of deregulations and new lines of accountability that are appropriate, well grounded in successful experience elsewhere, and workable.

Nor did the predicted blood-letting within higher education happen. If anything, the colleges and universities ended with healthier relationships among themselves than they have had since the early 1990s. In the process, the Governor gained passage of landmark legislation on the screening of future candidates for board appointments and commitments to action on several matters, not least economic development and research—essential activities that have lain dormant in state policy making for a decade and a half.
This work coincided with the early phase of our next major capital funds campaign. Publicity about the legislative discussion fed interest in the campaign as prospective donors began to see that passage of the legislation would increase the Board’s power to control its own assets. In that the enacted statute reaffirms the historic powers vested in the Board under Jefferson’s Statute of 1819, restructuring and the beginning of the campaign could not have coincided more fortuitously. State support for the University seems now to have leveled off at about 8% of the total budget. The reductions of 2003 seem now to be accepted as permanent by both legislators and the Governor. So the ca. $675 million committed so far to the campaign is an important commitment to our evolving, if not necessarily desired, financial self-sufficiency. We have much work to do to structure and staff this campaign, but between the professional staff and a superb Campaign Executive Committee, the progress has been very rapid indeed. At this point, no capital campaign built on individual solicitations has ever moved more quickly in its beginning phase.

AccessUVa has proved successful as a means to protect students and their families against the increased charges that are one inevitable consequence of the progressive removal of state tax support. The most recent news story on this program appeared in the Boston Globe last week. I am attaching a copy to this report because the story demonstrates this program’s value in defining the University’s national stature and in building a viable brand, especially one that can help us deal with the reality that prices are increasing even as we seek private support to repair the damage done by state cuts over 15 years and also to build future excellence.

At the same time, public attention to the work done by the University-wide commission on diversity and equity and the Board’s special committee has provided assurance to minority parents and students that we remain committed to our core values. These results are significant increases in the numbers of economically disadvantaged students and students from minority racial backgrounds applying for admission, earning offers of admission, and actually enrolling.

The Grounds have changed physically this year. New buildings, new surface infrastructure (walkways, the Goodwin bridge, ponds and waterways, and the first major road in a generation), and other changes have the design of supporting and advancing research and teaching. This report covers capital projects that expand space for medical and basic science research, projects that enlarge teaching and library space, and buildings that will make student living more comfortable and more productive of extra-curricular learning.
In addition, we have overhauled our systems of charging leaders and holding them to account for results in the course of this year. The vice presidents now have approved plans for assessing the quality of critical functions for which they are responsible. They have identified and vetted best-in-class comparators for each of these, and they have developed plans to improve each of their functions to make each function best-in-class. Managers reporting directly to the vice presidents have prepared similar documents for reporting and planning. The methodology is derived from ISO 9000:2000(3) quality assurance methodology developed in Europe in the mid-1990s.

We are not attempting at this time to use these methods to assess academic processes, such as teaching and research, but we are monitoring results for information that might be used, as ISO techniques become applicable to academic processes. This effort is central to our plan to elevate the University to a ranking of 10-15 among peer universities. It has been the subject of considerable discussion and scrutiny within higher education, because it shows promise of improving work in a broad range of areas. ISO 9000 is not entirely new to universities. Limmerick adopted it as a European Union experiment about five years ago. Our adoption is the first in the US. For now, we believe that this experiment shows promising early results. SWAM, the regional development functions, and other problem areas now fall into the critical function methodology.

University Finances

Tuition. Next year, in-state undergraduate students will pay 7.9 percent higher tuition, fees, room, and board than they did in 2004-05. Out-of-state undergraduate students face an increase of 6.3 percent. Tuition and fees will increase 6.5 percent for in-state graduate students, and 1.0 percent for out-of-state graduate students.

Endowment. The endowment continues its strong performance. As of May 31, 2005, UVIMCO oversaw $2.6 billion of the University’s $3.1 billion in endowment and foundation assets. (These totals include the actively managed endowments, but not other investments including the Boar’s Head, the unsold Kluge lands, etc.) The year saw strong gains in public equity markets and alternative investments. UVIMCO seems likely to show a year’s end total return on equity of ca. 12.0 percent.

On July 1, 2004, UVIMCO became a University-related foundation. The search for a CEO to succeed Ms. Handy was completed in the fall of 2004 with the appointment of Christopher Brightman. The UVIMCO Board, comprised
primarily of investment professionals, remains heavily engaged in policy issues.

*Medical Center Finances:* The Medical Center’s budget amounts to 43 percent of our total budget. The hospital’s operating margin is 5.5 percent, which matches last year and exceeds this year’s target. We continue to project average operating margins of 4-5 percent over the next five years. National evaluations of the Medical Center’s effectiveness continue to place it among the top 100.

*AAA Ratings.* Since 2003, we have had AAA bond ratings from Standard & Poor’s Ratings Services, Moody’s Investors Service, and Fitch Ratings. Only three public universities now hold this grade from all three ratings agencies. The others are the University of Texas System and more recently, the University of Michigan.

In June 2005, the University earned the top rating on a new issue of bonds from each of the three national rating agencies. Both Standard & Poor’s and Fitch have assigned a “AAA” rating, the best possible, to the University’s general revenue pledge bonds, series 2005. Moody’s likewise has given the bonds its top rating, “Aaa.”

The principal factors identified by the ratings agencies are our national reputation, robust student demand, the size and performance of the endowment, fund-raising success, and strong financial management.

*Facilities and Administrative (F&A) Rate Negotiation.* Our facilities and administrative (F&A) rate (i.e., overhead rate) is negotiated with the Department of Health and Human Services, which is our cognizant federal agency for government-sponsored research awards. In 2003, we negotiated a three-year agreement that increased our F&A rate from 48 percent to 52 percent, 52 percent, and 52.5 percent respectively for three successive years. We saw a recent window of opportunity to extend successfully the current three-year agreement to FY07 and FY08 at 51.5 percent for each year, and did so. F&A rates average 48 percent in state universities and 57 percent in private universities nationally. (Each 1 percent increase in the F&A rate yields ca. $1 million net for the University. We expect the extended agreement to yield an additional $26-36 million in FY07-08.)

*Fund Raising.* Philanthropic cash flow totaled just above $183,000,000 in FY05, 4.8 percent more than the previous year. This figure includes cash gifts, irrevocable planned gifts, and in-kind gifts to the University and its related foundations. This increase along with the history of the last campaign is confidence building.
At the beginning of the last campaign (FY92), the baseline of private support was $50 million per year. It grew to more than $200 million per year at the end of the campaign.

*President’s Fund for Excellence.* Authorized by the Board in 2002 as a budget defense device, this fund has been our most valuable tool in fending off the loss of momentum and key personnel that normally accompanies state budget cuts.

The fund has financed retention of faculty members offered positions elsewhere, reparations to essential programs damaged by state budget cuts, particularly in the College of Arts & Sciences, improvements in research technology, acquisition of matching foundation funds to initiate the electronic imprint series of the University Press, numerous restorations of library services that were cut following the 2003 state cuts, a major republication project (Dumas Malone’s six-volume *Jefferson* with a new introduction by Merrill Peterson, bound in red and boxed—an edition intended to be presented to major donors as well as sold to the public), additional faculty in critical fields, most notably Asian languages, and several new development positions, funded for a limited time, to raise money for schools and programs that do not currently succeed in this part of their mission. To my eye, it is remarkable how much can be done with such a small fund to patch holes in such a large budget as we have.

Commitments for the coming year include continued subsidies for the College, which will require several years to remedy a deficit created last year during about two months of unmanaged spending, additional support for research technology, development support for Student Affairs, faculty retention (a continuing problem for several reasons, most related to salaries), as well as continued investments in strategic publications and the libraries.

*Budget Bill.* The 2005 General Assembly authorized a salary increase of 3 percent for classified employees plus an additional $50 per year of service for all with 5 or more years of continuous service. The budget also authorized a 4 percent increase for administrative and professional faculty, part-time teaching and research faculty, and graduate teaching assistants (GTAs). For full-time teaching and research faculty, the state has authorized a 5 percent average merit-based salary increase. In FY06, we will receive an additional $3.9 million in General Funds for base operating support. (The 2003 cut totaled ca. $52 million.)

*Faculty and Staff Salaries.* In 2003-04, the Board adopted its plan to increase faculty compensation to market levels by 2006-07. In FY05, the Board further defined “market level compensation” as moving the University’s teaching and research average faculty salary to a position between the 15th and 19th rank among AAU universities. At the same time, the Board approved a supplemental
2 percent increase for faculty in addition to the state-authorized 3 percent increase. The resulting increases reduced the gap between the University’s average teaching and research faculty salary in 2004-05 and the 19th position of the AAU rankings from $5,300 to $2,900. The gap remains, but we are making progress because of the supplemental payment.

For FY06, the University’s budget includes funds for a recommended supplemental increase of 0.5 percent. We project that this total increase of 5.5 percent should reduce the gap between the University’s average faculty salary and the 19th position to $1,200 in 2005-06. We further project that, with a potential 5 percent increase in 2006-07 from the state, our faculty salaries should move to the 19th position in the AAU rankings in 2006-07. Additionally, we have reserved a third round of $250,000 to be strategically allocated to classified staffing areas with critical needs.

A Second Major Capital Campaign

Private giving has sustained and built the University since state support collapsed in the early 1990s. We conducted a successful campaign in 1995-2000, and raised altogether $1.43 billion. We have maintained and improved the personnel and systems to support a similar campaign in the near future, and we are now in the first phase of this second campaign. The general campaign plan exists now in draft form. The Campaign Executive Committee, which Mr. Rainey chairs, is hard at work on the planning and strategies for this campaign. Separate school and program plans detailing objectives, costs associated with them, donor capacity and interest, and solicitation strategies, are less advanced, but on time and on track for completion in about one year.

As these plans are completed and approved administratively, I will take them to the Campaign Executive Committee for advice and eventual approval. Then Mr. Sweeney will draft overall campaign priorities and the University-wide case statement. It is a long way from here to $3 billion, and the plan will change shape several times as the economy changes, as we learn new donor populations, and as our personnel turn over. But under the current tentative plan, this campaign will run until December 2011, with a public kick-off on September 30, 2006, in Charlottesville.

In addition to the Campaign Executive Committee, we now have in place a National Committee on University Resources, which is a broader-based volunteer leaders group. The Campaign Executive Committee met in June to review the rationale for the new campaign, the known financial needs of schools and programs that will be supported by the campaign, the campaign timeline,
and the strategy for meeting campaign milestones. I began the circuit of alumni
and donor meetings that precede the kick-off this year. I will continue this work
until the kick-off. Details appear below.

We face two deficits as we begin this campaign: the lack of a deeply
embedded planning and accountability culture in some parts of the University,
including some significant parts; and the lack of a fully functional alumni
relations program serving the entire University. The second issue, explored
already by Mr. Lockhart and his colleagues, involves both individual and
chapter-based relations and affinity programs to build loyalty. Chapter activities
work well when we provide adequate staff and guest-speaker support. Alumni
teach programs are harder, but they work. Our travel programs had slipped
badly in recent years. Rebuilding will take time and modest investments. It is
notable that the little Virginia Voyages program has generated ca. $500,000 in
gifts in 14 months, and its next segment (Tuscany in the fall) has reservations
from two well-established donors with whom we are now talking about major
campaign gifts. Both deficiencies are remediable, and we are working on them.
It would be self-destructive to move into the public phases of this campaign
without having remedied both.

University Brand. Creating and sustaining in the public mind a clear sense of the
University’s purpose and individuality or unique character have special values
in a campaign. Keeping a university on target can be hard work, and we have
had our share of branding and identity problems over the years. Bill Sublette is
working with consultants on public recognition of the nature, stature, and
mission of the University of Virginia. Five agencies sent personnel here this
month to present proposals. Finalists returned later for further consideration. At
this writing, we are about to choose a firm to help us create a “brand” for the
University. This brand is not necessarily new. In fact, it will almost certainly
build on historic strengths or assets. News coverage such as the *Boston Globe*
article mentioned earlier has a good bit to do with how the brand takes shape.

Capital Projects

Funded in some cases with a combination of state and private funds, and
in other cases funded completely with private funds, new buildings are being
erected, and existing buildings renovated throughout the University.

*Building projects completed or substantially completed during FY05:* Special
Collections Library (Small Library/Harrison Institute); the Observatory Hill
Dining Facility; renovation of Bice House; the Goodwin Bridge on Emmet Street;
the South Parking Garage Addition; an addition to and renovation of the
National Radio Astronomy Observatory facility on the north slope of Observatory Mountain; the new Medical Center Core Clinical Laboratory Facility; completion and move into 14 new Operating Rooms and Central Sterile Supply; expansion and renovation of the Pediatric Intensive Care Unit; relocation of the University Medical Associates Clinic to 1222 Jefferson Park Avenue; and re-opening of the renovated West dining facility known as “Wahoo West Café.”

**Buildings Under Construction:**

**Fayerweather Hall.** The state has provided $7.7 million for this project. The project is projected for completion in early 2006.

**Cocke Hall.** With $6 million of the $9 million total cost contributed by the state, construction began in April 2005 with completion expected in June 2006. Because the Cocke Hall work site will be visible during Finals 2006, as it was during Finals 2005, plans have been made to minimize the impact to visitors during Finals.

**Materials Science Engineering and Nanotechnology Building (Wilsdorf Hall).** The state has provided $7 million of the total $41.6 million cost of this building. Construction commenced on the project in February 2003.

**Rouss Hall and Commerce School Addition.** Hospital Drive was reconfigured and Varsity Hall relocated in early April 2005. Funds for the $57 million project come from institutional resources ($6.9 million) and Commerce philanthropy ($50.1 million). Groundbreaking occurred in mid-April.

**Other.** Other projects in progress include the John Paul Jones Arena and North Grounds Connector Road ($129.8 million), the Hospital Expansion Project ($89.6 million), the chiller plants for Engineering ($4.8 million of the $8.8 million total budget comes from the state) and for Campbell Hall ($2.5 million of the $3.2 million total budget comes from the state), and the Cavalier Substation ($4.7 million total budget comes from the state).

**Buildings Nearing Construction:**

**Medical Research Building No. 6.** The state has provided $25 million and the Board of Visitors has committed an additional $30 million of the total $70.7 million project budget. Currently in re-design with construction scheduled to begin in late 2005.
Studio Art (Ruffin Hall). The state has provided $11.9 million of the $16.7 million cost for this project. The project is in detailed design, with construction expected to begin in late fall 2005.

Campbell Hall Addition. There are two phases—a south addition and an east addition. The estimated cost for both phases is $10 million. With the completion of private fund raising projected for the fall, construction is scheduled to begin in FY06.

Other. Other projects nearing construction include the Varsity Hall Renovation ($2.7 million) and the Main Heating Plant Environmental Compliance Upgrade ($64.2 million).

Buildings in Planning:

Arts Center. Carl and Hunter Smith pledged $22.5 million toward a performing arts center. The original concept has been expanded to include replacement of the University Art Museum and also provide space for the concert band. This new project totals $98 million, to be fully funded from philanthropy. A design competition is now in progress.

South Lawn. This project is nearing completion of schematic design. Some design simplifications need to be made.

Other. Other buildings with planning in progress include the Clinical Cancer Center, the children’s hospital, the new Nursing building, the new Education Building (also known as Bavaro Hall), the Medical Education Building, the Arts Grounds Parking Garage, and renovations to both Crockett Hall and the Drama Building at the University’s College at Wise.

Research Parks. Planning for the Advanced Research and Technology (ART) Building to be constructed in Fontaine Research Park is underway. This $38 million facility will support the Board’s plan for excellence in scientific research. Construction is slated to be completed in 3rd Quarter 2007.

The Emerging Technology Center at the UVA Research Park continues to see increased activity. Companies related to research efforts of faculty members in Chemistry, Medicine, Psychiatric Medicine, and Cell Biology are now in place or moving in. All companies in the research parks participate in the Foundation’s Partnership Program, through which enhanced relationships with University research faculty and students are encouraged.

An unresolved facilities problem. Carr’s Hill is our principal venue for fund raising,
for recognition events, and for numerous kinds of receptions and public events. Just after Finals, construction projects that will reduce Carr’s Hill’s functionality in these roles for 3 – 4 years began. These include utility work for projects on the north slope of the hill, the ongoing Fayerweather renovation project, two construction projects at the School of Architecture, and Studio Art. A construction road has been built across the property from Carr’s Hill Road to the Fayerweather staging site, and other changes have been made. A second road will be built behind the house to allow access to the Architecture and Studio Art building sites. Events on Carr’s Hill are declining in number as this activity increases. The Heritage Theater will move its operation out of Culbreth for one season as it loses parking spaces in a section of the northside Carr’s Hill parking lot that will become a construction zone during the coming winter.

Because preliminary cost and time estimates for structural work on the house itself seemed high, an engineering analysis of structural issues involving the house itself is in progress. We have used Harrison and McNeely gifts this summer to install a new access and preparations arrangement for food service at major events, especially those held in the tent. Routine seasonal maintenance, some structural, is in progress this summer. Otherwise, we have not made major decisions about the house or the hill itself pending the engineering report. As I reported last year, we are continuing refurbishment of parts of the house that have deteriorated in recent years, with special attention to the public rooms and the exterior. The Alumni Board of Trustees has provided funding for this, and will support a major celebration in 2007-09 of the century since McKim Mead and White completed its historic work on University buildings. We have not solved the problems reported to you last year, but we are making slow progress on some of the issues. Leonard and I will appreciate an opportunity to explain some of the intricacies of this problem to you and to seek your advice during the retreat.

Academic Matters

Faculty Recruitment Status Report by Gender. During 2004-05, 98 individual offers were made for tenured or tenure-track faculty positions. Of those offers, 61 faculty position offers (62 percent of total) were extended to men and 37 (38 percent of total) offers were extended to women. Sixty-two percent of the offers made to men were accepted and 73 percent of the offers made to women were accepted. Fifteen percent of the offers made to men were refused, and 14 percent of the offers made to women were refused. These are solid results.

Faculty Recruitment Status Report by Race/Ethnicity. Of the tenured and tenure-track faculty position offers made during the 2004-2005 academic year, the
majority were made to individuals who are white (63 percent). The race categories with the highest acceptance rate (as of 5/25/05) were White (73 percent) and African American (73 percent). The race category with the highest refusal rate was Hispanic/Latino (50 percent). Fifteen offers (15%) were made to African Americans; 12 (12%) were made to Asian Americans; and 6 offers were made to Hispanics. Forty five (73%) of offers made to Caucasians; 11 (73%) of offers to African Americans; 5 (43%) of offers to Asian Americans; and 2 (33%) of offers to Hispanics were accepted. The number of rejected offers were 9 (14%) white; 1 (7%) African American; 1 (7%) Asian American; 3 (50%) Hispanic. These totals mark a distinct improvement over prior years, and reflect the high quality of Ms. Fraser’s work.

Attrition During the 2004 – 2005 Academic Year

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**Academic Quality Assurance: Reaffirmation of Accreditation**

We are due for a full decennial institutional review (all schools, all functions) in 2007. We now are screening prospective chairs for the committees that will carry out the self-study, which is the first step in the process. During the coming year, we will appoint the committees, and identify issues to be addressed in the review. We appear to be in good shape for this review, which
emphasizes planning, accountability, and institutional integrity. Few or no universities of our kind have made the progress we have made in these areas.

**Professional School Accreditations in 2004-05.** The McIntire School of Commerce, the Nursing School, and the Darden School were reviewed with regard to their specialized accreditations. These processes are now complete with the exception of one step in the Nursing review. No significant negative issues have appeared in these reviews. Several professional schools received specialized re-accreditation this year.

**NRC Rankings.** Richard J. Sundberg, Professor of Chemistry, is overseeing our preparation for the next cycle of National Research Council graduate program rankings. Conducted approximately every 10 years, these rankings matter to entities that award grants, to faculty members considering moving to new jobs, and to prospective graduate students. The annual NSF rankings of research programs by total expenditures have not yet been published. Preliminary data released on July 19 suggest that our ranking as to scale among all research universities has risen from 69th to 67th, and that countable external R & D expenditures have risen from $206 million to $228 million. These are reasonable results that essentially reflect the impact of new research space brought on line last year.

**Faculty Recruitment and Retention.** In addition to matters already reported to the Board, Ms. Fraser is studying first- and second-year tenure-track faculty to assess their needs, experiences of, and expectations for mentoring, an important issue throughout most careers, and a critical one in the years preceding tenure in AAU universities. Poor or hostile departmental cultures, particularly cultures in which senior members fail to foster the progress of junior members, turn up in virtually all published analyses of conditions that inhibit diversification in the workplace. Ms. Fraser is assessing the needs of women and minority faculty and their levels of satisfaction with available mentoring as a step toward developing more effective mentoring initiatives and expanding the most successful programs already in place. She is developing a protocol to ensure that the office of spousal and partner employment in University Human Resources is involved as early as possible in helping to place non-academic partners.

**International Activities.** Dr. Grossman is developing new study-abroad programs in Australia, the Bahamas, Costa Rica, India, Russia, and Italy. Our existing study-abroad program sites include Shanghai, Lyon, South Africa, Guyana, St. Petersburg, Vicenza, Venice, Rome, Copenhagen, Morocco, Valencia, London, and Oxford. Students in programs not overseen directly by Dr. Grossman’s office have worked this year in Peru, Australia, Korea, Columbia, and elsewhere. Some 16 percent of undergraduate students now study abroad. Some of our
faculties still maintain unjustified barriers to discourage students from receiving credit here for qualified work done abroad, sometimes even in our own programs. Scholarship assistance for study abroad remains in short supply owing to restrictions on non-US use of federal aid. These are issues of long standing. We have made some progress with regard to each.

We are continuing to explore sites for a UK Center. Oxford, Cambridge, St. Andrews, and Edinburgh have expressed interest. We are in discussions with all four, but (other than a building in Oxford that was sold on the morning of my appointment to visit it) I have not seen an opportunity that matches our uses.

U21 has accepted three new members (Fudan, Peking, and Korea) this year. All joined as equity partners with shares equal to our own. The second capital call that was anticipated last winter did not come because the corporation did not yet need this second infusion of capital, but we understand now that discussions about it and possibly the call itself will occur in connection with U21’s annual meeting in Hong Kong this fall. I anticipate recommending that we meet this call in order to maintain our current ownership share. This venture has turned out to be enormously valuable for the University, not least because it has given us a presence in Asia that we would otherwise lack, and because we remain the only US university accepted for membership. Three US universities are now in the process of applying.

Essentially all of our schools are now involved in U21 faculty exchanges and exchanges of information among deans. U21’s global conference on undergraduate student research was held here this year, and we are seeking to have this conference return here as soon as possible. See http://www.universitas21.bham.ac.uk/news/UGResearchApril05.htm. One of our faculty members (Darden School) is the author of the U21 Internet course on Organizational Behavior in the core set of courses for the U21 MBA, which is now licensed and operative in India, China, Singapore, Malaysia, and Korea. In addition, students in the US have enrolled, as have students in Africa and the Middle East. U21 now maintains offices in Birmingham, Singapore, Bahrain, and Charlottesville. The Charlottesville entity is the subsidiary quality assurance company of which I am chair. Its office is in the Boar’s Head office park.

What we are not doing, and must do in order to remain competitive and productive: Other than our U21 activities, genuinely extraordinary and important work carried out over the course of a generation by classicists and archaeologists working in Italy, Greece, Sicily, and Turkey, and several geographic medicine initiatives, our faculty work is more place-bound than it needs to be. For example, we conduct relatively less research than UNC or Duke does on emerging Asian capital markets, on Asian ecology and politics, on urban
planning in Africa, and on other topics that matter to our national interest. Individual faculty members have done remarkable things over the years, and still do. Yet UCLA, MIT, Harvard, Chicago, Stanford, and Berkeley all operate graduate business schools with serious research programs in Asia, and we do not, and Duke has just completed construction of the first graduate medical school in south Asia, a school that will open this fall in Singapore. We are behind the curve in establishing academic presence and prominence in regions that are important to us, and we will begin work toward remedying this problem in the coming year.

Commission on Diversity and Equity. This commission submitted its report in September 2004. It was effective because it identified remedies to documented problems that involve faculty/staff recruitment and retention, student life and climate, curriculum, and community relations. The highest priority is to hire a Chief Officer for Diversity and Equity (CODE). That search is on-going, following the withdrawal of the top candidate, whom members of the Board met late in the spring. There are at least two promising candidates with whom we are discussing the position.

In addition to the office of the Chief Officer for Diversity and Equity funded in FY05, the FY06 budget allocates resources for additional Commission recommendations, including $269,000 for an Office of Graduate Student Diversity, $128,000 for a Director of Diversity Procurement Programs, $125,000 to continue the Excellence in Diversity Fellows Program, $77,000 for a Coordinator for First-Year Residential Initiatives and related educational programs, $40,000 for community project/research grants for undergraduates, and $35,000 for new activities in the Office of African-American Affairs.

Student Matters

Profile of First-Year Class. The profile of the entering class of 2005-06 gives one a sense of the University beyond the specific data represented below. As in each of the past 15 years, we enrolled more women than men. The trend and percentages match national data for similar universities. The ratio of men to women is 46 to 54. Demographics suggest that this ratio will remain about the same unless something unforeseen occurs to change college-going trends. The in-state-out-of-state ratio continues to be about 67 to 33, a percentage consistent with stipulations in the State Budget and acceptable to legislators who examined this issue during drafting of the Restructuring Act. The number of African-American students is down from 1990, when court-ordered recruitment programs helped bring some 343 African American students to us, and up from last year. In 2004, 288 new African American students enrolled. In 2005, we
expect 315 new African American students, or slightly more. This is 9.3% of the class. AccessUVa has proved useful to substantial numbers of in-state minority students and their families this year. Other minority students include 335 Asian American students (10.8 percent of the class), 139 Hispanic American students (4.5 percent), 5 Native American students, 161 non-resident international students. Two hundred twenty-four or 7.2 percent are unclassified.

A modest summer prep program, offered as an option to students from unusual backgrounds, appears to have worked well.

The yield figures for AccessUVa are tentative still, but Admissions reports that last year in the lowest income group, 689 applied, 266 or 38.6 percent qualified for offers, and of these 133 or 50 percent accepted. This year, 764 applied, 310 or 40.6 percent qualified for offers, and 199 or 64.2 percent accepted. By any logic, this program is working.

AccessUVa. This is a Board initiative, perhaps the most important single initiative since the capital campaign of 1995-2000. In its current configuration, AccessUVa provides for full scholarship support on demonstration of need for students with family incomes within 200 percent of the poverty level, and a similar plan using a combination of loans with a guaranteed cap for four years of study and scholarships for others with demonstrated need. Our annual contribution, primarily from tuition, will reach $20 million at full implementation, although it is worth noting that State and federal leaders have begun advocating a more generous program of public support for needy students. If enacted, a program of this sort would reduce our local cost.

Public response to this program has been universally positive, not least because the Board led in breaking an impasse in the national debate about how to replace the current federal financial aid system, which few outside the U.S. Department of Education like. The program has been cited in Congressional debates as a model for other colleges and universities, and indeed several have announced their own versions of it. It is regularly mentioned in news stories as a model for both institutional and governmental action to make college more affordable.

Housing for students. As a matter of policy and local tradition, we provide a variety of safe and comfortable housing options. We value genuine community life among students and faculty members because we believe that it enhances education. We try, as closely as possible, to integrate academic and residential life and to enrich undergraduate life generally.

This year we have revised several housing policies with the approval of
the Board. Beginning in fall 2004, first-year students were guaranteed University housing for the second year, so long as the decision is made by November 1. Current upper-class students who live in University housing and who want the same room for the next year are guaranteed that room assignment if they apply by November 1. Other upper-class students will be offered University housing as available. Transfer students who apply will receive an offer of University housing.

The ongoing effort to improve relations between students and non-University landlords seems to be working. On all sides of a sometimes rancorous debate about tenant safety, responsibility for vandalism, occasional violence, health and fire violations, and even contracts for towing services, we have found that we can play a positive role. Recent steps include creation of a tenant advocacy organization, clear statements of landlord/tenant responsibilities and rights, and participation on the part of major property managers in meetings with students and their parents. One prominent rental manager participated in the VA2020 Parents Program in Williamsburg last fall and also in a related VA2020 Students Program in early spring.

**Student Behavior/Safety.** With advice of counsel, Ms. Lampkin has revised the University’s sexual assault procedures, which are available to victims as either a substitute for criminal or civil proceedings or an addition to them. The new procedures are intended to provide a just, thoughtful, and efficient process for addressing these terrible situations. Members of the Sexual Assault Board have undergone procedural training with a national expert in college and University adjudication of allegations of sexual assault. These changes will not necessarily make the problem go away, but they go as far as current law seems to allow toward providing genuine remedies outside the courts for victims.

Work continues on instances of harassment linked to race, ethnicity, gender, sexual orientation, and other identifying characteristics. In the revised response system now proposed, students will use electronic means to report incidents of aggression against minority persons or groups. Our hope is that students who might otherwise hesitate will come forward with information. It is perhaps worth noting that at least one credible report of verbal abuse directed toward one of our AccessUVa students by a passing motorist has been reported this summer. The circumstances of the report suggest that the aggressor in this instance may not be a student. Prior reports of incidents of this kind in which the aggressor appeared to be a non-student have occurred once or twice each year, commonly at the beginning of the fall semester.

Efforts to track student criminal conduct (including incidents that occur away from the University) continue. Admissions has added a request for
disclosure of criminal convictions to the application. Discussions with our schools on the subject of adding similar disclosures for students returning to the University following withdrawals, suspension, other interruptions of enrollment are under way. This is a challenging, but critically important, process to develop, as our goal is to reduce the number of violent or otherwise disturbing actions among our students. The challenge is not new. It has always been an issue. But current laws make information-gathering a more complex task than it was when Dean Runk was able to compel disclosure.

**Service.** In addition to Madison House and other established programs, Jumpstart, a new program affiliated with a national organization, emerged this year. Started by a recent graduate, this not-for-profit program focuses on early education for children in low-income areas. The local site has had a successful first year. Working with several local schools, this program provides community service opportunities for students and faculty.

**Alcohol.** Despite a certain number of incidents, this was a successful year for our alcohol and other substance education and prevention programs. The Center for Alcohol and Substance Education (CASE) received a $675,000 grant from the National Institutes of Health National Institute on Alcohol Abuse and Alcoholism. These funds will be used primarily for educational efforts targeted to fraternity and sorority members.

**Athletics.** In 2004-05, the athletics program finished 13th in the final Division I United States Sports Academy Directors’ Cup standings. The 13th place finish ties for the second highest finish by Virginia in the 12-year history of the Directors’ Cup program. Teams or individuals representing 19 sports participated in post-season competition, five teams won Atlantic Coast Conference championships and two teams finished second in national championship competition. The women's rowing team finished second as a team at the NCAA Championships and two Virginia boats, the second varsity eight and the varsity four, won NCAA Championships. The women's lacrosse team finished second in the NCAA Tournament and the men's lacrosse team reached the semifinals of the NCAA Tournament. Inge Jorgensen, a graduate student, finished third in the javelin at the NCAA Women's Outdoor Track and Field Championships. Women's rowing, men's soccer, women's soccer, men's swimming and diving, and men's tennis won ACC Championships bringing to 11 the number of conference championships won by Virginia teams in the last two years.

The football team participated in its third consecutive bowl game, finished with an 8-4 record and ended the season ranked 23rd in the nation. The Cavaliers have won at least eight football games each of the last three seasons. A
school-record seven players were selected in the 2005 NFL draft, highlighted by the Pittsburgh Steelers’ selection of tight end Heath Miller in the first round. Only two schools had more players selected in the draft than Virginia. Four members of the baseball team were chosen in the 2005 Major League Baseball draft, including third-baseman Ryan Zimmerman, who was the fourth pick overall (chosen by the Washington Nationals), Virginia’s highest baseball draft pick ever. Men’s soccer participated in its 24th consecutive NCAA Tournament, advancing to the quarterfinals, and women’s soccer in its 11th consecutive NCAA Tournament.

Activities Report, 2004-05

External and representation duties have required more of my time and effort as we have begun the build-up to the capital campaign.

Public Service. I recently became a member of the AAU Institutional Data Committee. I remain a general director of U21 and managing director (chair) of U21 Pedagogica, the quality assurance company owned by U21. I continue to sit as the non-European member of the Irish Universities Quality Board, which is Ireland’s quality assurance agency. I remain on the boards of the Foundation for Virginia, the Eiriksson Foundation, the Mariners’ Museum, Central Virginia Telecommunications Corporation, and the Council on Competitiveness. I serve on the boards of the Association for the Accreditation of Human Research Protection Programs, Inc., and of the Chesapeake Bay Foundation. I chair the Western Association of Schools and Colleges’ (WASC) Review Panel for San Diego State University, which interests us because of its success in developing joint Ph.D. programs. I chaired the SACS Reaffirmation Committee for the University of Tennessee this year, and I now chair the Northwest Commission on Colleges and Universities’ Evaluation Committee for Brigham Young University, also of special interest because it maintains the largest foreign language instructional program in the US as well as the largest foreign study program. As a step toward establishing ourselves in Asia, I am discussing some form of public service to make the University more visible in that region. The likeliest options appear to be in Singapore or Malaysia, both of which are seeking affiliations with us.

Corporate Service. The Sallie Mae subsidiary board on which I formerly sat no longer exists, and I have completed my work with that corporation. I continue as a director of the Wachovia Corporation. I have undertaken no other consulting or corporate assignments this year.
Development-related travel and representation. In January-June ’05, I traveled to 28 cities in the US to address gatherings of alumni and friends, to call on donors and prospects, and to enlist members for the Campaign Executive Committee. The Board has received summary reports on several of these trips. The Western Tour in January included 7 cities, and the Florida Tour in March included 8 cities. While attending an international meeting in Singapore in February, I convened alumni from India, Singapore, Indonesia, and Malaysia and met with established donors. Other individual calls occurred in Europe and in Asia.

National/International. I have had various duties during the year in the Association of American Universities (chair, then past chair), Sallie Mae (director, corporation now closed), Association for the Accreditation of Human Research Protection Programs, Atlantic Coast Conference, Wachovia Corporation, Chesapeake Bay Foundation, Universitas 21, the Leifur Eiriksson Foundation, the Irish Universities Quality Board, and other entities whose work relates to our mission. As past chair of AAU, I convened and participated in the AAU-Association of Pacific Rim Universities Presidents Roundtable held in Singapore in June. A morning-long program that I chaired was covered extensively in Asian news media. At the end of May, I lectured at Edinburgh in connection with a Curry School/Edinburgh University International Symposium on Globalization and Higher Education.

State/University. In Fall ’04, I met with 10 alumni chapters throughout Virginia to talk about the restructuring initiative to be presented to the General Assembly during the ’05 Session. Total attendance at these sessions was 429.

Carr’s Hill. This year there were fewer large events and more small events held at Carr’s Hill. The number of dinners increased from 23 in 2003-2004 to 32 in 2004-2005, but the number of medium-sized receptions (51-249 guests) decreased from 14 to 11. This year we had 110 events with 12,769 guests, down from 15,913 in the prior year. The decline is almost entirely in the reception to welcome new students. Owing to inclement weather, this event was rescheduled. We usually see 2,500 or so students at this event. This year we had 250. The number of overnight stays decreased because Buckingham Palace has been out of service pending repairs to remedy moisture damage: down from 33 to 28. We had an increase in fall events, from 55 to 62, but a decrease in spring events, from 58 to 48, because Betsy and I were on the road more than in prior springs.

Significant speeches/publications. I delivered a speech (subsequently published by the University of Texas) at the Texas Accountability, Deregulation, and Institutional Improvement Symposium held in Austin on October 8, 2004. In addition to my regular column in the Alumni News, I wrote an article entitled “The New Deal, Why the University Needs Charter Status,” Alumni News, Winter
2004, pp. 24-27. Most of my speaking has been addressed to alumni groups. Over the past fiscal year, I delivered 41 speeches to alumni and friends. Six of these were on Grounds.

Looking toward the coming year. The joy of being a member of the University is to participate in an enterprise that hums with the vitality of young persons learning who they are and what they want to do, with ideas being born and worked out, and with thousands of souls striving toward a common goal—the realization of Mr. Jefferson’s University as a powerful instrument of freedom.

During the past fifteen years, it has been my privilege to serve and help make real an idea that energized a nation to solve human problems and to advance human happiness. That idea is that education enables human freedom—a concept that excites me as much today as it did when I first read it 40+ years ago in Mr. Jefferson’s letters about what he wanted to accomplish here. We are making important progress now. The issues are big, the challenges are tough, and the work is hard, as important work ought perhaps to be. The results matter as profoundly as any I can imagine. Along with all who work with me, I am grateful for the Board’s guidance, support, and occasional correction, and I look forward to what we will share as we complete work now under way, capitalize on the work done this year with regard to equity and diversity, and move forward with what is at this point the single most ambitious capital fund raising program ever undertaken in a university. Mr. Jefferson himself might find that idea exciting.

Report on 2004-05 Priorities

Planning. (1) The planning and quality assurance systems intended to be implemented this year are in place and functional. One vice president objects to have to disclose which of his functions are critical and which are routine or controlled, but all have complied cheerfully, and most have implemented mirror programs within their units. (2) We have implemented the requirement that programmatic planning must be complete and approved before construction plans are announced. Compliance is reasonably good except with regard to the South Lawn project, which continues to migrate from one concept to another without making the necessary progress. Leonard and I have agreed that we will take on this project in the coming year with the intention of bringing it under control, reengineering the concepts behind it, and delivering the project.

State relations, support, service. (1) With much support from the Board, from individual legislators and the Governor, and from higher education generally, the conception of the “chartered public university” is now public law in the form
of the Higher Education Restructuring Act passed in April. The Board has passed the required pair of enabling resolutions, and we are now working with the Governor’s staff and others on implementation. (2) Although both state budget officials and legislators now characterize the reductions of 2003 as structural or permanent (and although several of our deans fell short of the mark in complying with their own budget reduction plans), a second modest sum for salaries came in 2005. Exclusive of classified employee salary increases, which are held in a central account, the 2005 General Assembly Session added $4.46 million or 3.3% in General Funds for UVa. (3) We were able through the alumni chapters to gain strong support in every legislative district. We have not found a way to achieve this result other than by holding mass meetings just prior to the legislative Session, but in any event this tactic has now served us well in two critical years.

**Fund raising.** (1) As related elsewhere in this report, work on the upcoming campaign is moving forward as planned, and early results are promising. We have a great deal of work to do on planning, branding, message definition, and similar matters, and the follow-up system (for contacts made on my trips) is not yet mature. On the other hand, the unprecedented numbers of alumni and donors coming to our cultivation sessions, the increased pace of travel that has become possible because of the availability of the new plane, and the growing quality of staff support in both Development and the special support unit established in my office last year all predict success in the work we must do. (2) The alumni engagement initiative is progressing as planned, with good cooperation by virtually all who are involved. The travel component will get attention this year, and will take several years to salvage. Uncertain conditions for international travel and the dollar’s weakness complicate this work. (3) The total cash flow for the year is roughly equal to total cash flow two years ago. This appears now to be the base level for the upcoming campaign--good news because actual cash flow pre-campaign is almost 400 percent of the base years for the last campaign.

**Capital projects.** With the exceptions of the South Lawn project, ART, and arguably the arts center, current projects are on-track and generally within budget. The local rate of inflation in construction costs is now 1 percent per month. So we should expect adversity in the coming year.

**Diversity.** I have reported on this elsewhere in this document. The chief item of unfinished business is the actual appointment of the CODE. Following the withdrawal of the former top prospect, the committee has pursued additional candidates. One applicant is fully acceptable to me. A second person, who is a prospect rather than a candidate, is also fully acceptable. In the current week, the committee is trying to decide which name to put forward.
Organization and leadership. We have now completed all but two of the major searches (CODE and Darden dean) in process this year. The new chief of staff begins on August 15. She will reorganize my office and perhaps also the cabinet structure. The new EEO head begins on August 15. The new Dean of Engineering is now in place. This was a two-year search that generated more heat than activity. The new Chancellor of the College at Wise takes office on September 1. Mr. Ern has completed his service there, and Mr. Knight, the former chancellor and current chief fund raiser, is interim until that time. This search committee conducted its business on time and by the book, and we were able to hire its top choice on mutually acceptable terms. I hope to discuss with the Board in executive session a series of problems that have developed in certain of our search processes, to explain how I plan to remedy these problems, and to receive your advice.

National visibility. Our stature as a university is such now that this is increasingly a matter of international or global visibility. The humanities project on which I reported last year is now complete. The resulting book, which identifies the University as a leader in this regard, is now treated as a standard reference work. My project on remedies to the incompatibility of national systems of support for research overhead costs continues. I have made presentations and published brief documents on this issue in various places, most recently in Singapore last month. The largest effort to implement remedies does not include us because our research enterprise is smaller than the enterprises in the universities (led by the Australian National University in Canberra) that have taken on this project. I will continue working on this project.

Leadership development. We continue to see reasonable success in the effort to position deans as leaders in their disciplines. Dean Lancaster is about to begin a term as head of the national organization of Nursing deans.

2005-06 Priorities

Planning. (1) Complete planning for the overall capital campaign. (2) Continue developing the critical functions approach to executive level management. (3) Resolve the South Lawn impasse, and complete the design competition for the arts center.

State relations, support, service. (1) Implement the authorities and responsibilities in the Higher Education Restructuring Act. (2) Advocate increased public appropriations for the University and for public education generally. (3) Expand relations between Virginia businesses and our research enterprise.
Fund raising. (1) Direct the capital campaign. (2) Continue implementing the alumni engagement program. (3) Devise and implement solutions to the construction-related impediments to Carr’s Hill’s usefulness as a venue for donor cultivation and other University public purposes.

Capital projects. Carry out the projects detailed in this report on time and on budget. Implement the consolidated planning methodology described above.

Diversity. (1) Implement on the earliest possible timetable the recommendations that come from the Commission and the Board’s special committee. As necessary, restructure the University’s senior administration to enable the proposed chief officer for equity and diversity to succeed, and hire this officer. (2) Task Mr. Block with enforcing existing policies regarding the leadership required of deans when new faculty members are hired and when the need for appropriate career mentoring for continuing faculty members is identified. (3) Continue building diverse human strengths in the entering class.

Organization and leadership. (1) Conduct or oversee necessary executive-level searches as required. (2) Implement programs to improve deans’ capacity to participate in integrated planning for programs, faculty development, including diversification of the labor force and quality assurance, quality assurance generally, and data-rich planning and accountability. (3) Use external training programs on metrics in evaluation and planning and similar topics to improve the planning skills of senior leaders, including Messrs. Howell and Sandridge and me. (4) Continue using the link to the Faculty Senate to build strong leaders for the future.

National and international visibility. (1) Complete my tenure on AAU Executive Committee, and in that context maintain involvement in the effort to solve problems related to overhead costs in international research collaborations. (2) Use AccessUVa as a means to maintain leadership with regard to pricing collegiate education and reforming the financial aid system, with particular attention to mechanisms to meet the needs of both the neediest students and students from middle-income families. (3) Work with national foundations to encourage state boards of education to add improvement of teaching and course content or substance to their current efforts to improve testing. (4) As opportunities to influence reauthorization of the federal Higher Education Act appear, seize them. (5) Otherwise, I will concentrate on internal issues, notably planning and fund raising.

Leadership development. The approach of the capital campaign and normal turnover as terms end and new leaders must be recruited affords ample
opportunity this year both with regard to the quality of our leadership group and to diversity of perspective and background within it. We will develop an effective way to conduct deans’ searches this year. The existing system has not met our needs in recent years.

*Student life and conduct.* We will continue working to provide effective protections and remedies for students who may be at risk of being assaulted. This applies to both sexual assault and assault of other kinds. Cooperation this year has been reasonably good as we have revised and replaced major policies, but the system itself is imperfect. Most of the actions that damage students are crimes. Few students want to report these crimes, and prosecution is often difficult to conduct. This is not uniquely our issue, but these are our students. As we have with alcohol abuse, we have to do better with these issues than the nation does generally.
Appendix: Recent Major Gifts

1. With a lead gift of $22 million from Daniel Meyers in honor of the late Anthony D. “Wally” Bavaro, the Curry School of Education will construct a new building adjoining Ruffner Hall. The gift is the second largest ever made to an American education school.

2. Ann Lee Saunders Brown gave $5 million to endow the Charles L. Brown Science and Engineering Library, $5 million to endow the Charles L. Brown Department of Electrical and Computer Engineering, and $500,000 to endow the Charles L. Brown Memorial Jefferson Scholarship. The gifts honor her late husband, Charles L. Brown (Engineering ’43), the former chairman and CEO of AT&T.

3. A $1.5 million commitment from James C. Slaughter (College ’49, Law ’51) and the Horace W. Goldsmith Foundation will support the School of Law’s endowment.

4. Jeffrey T. Neal (McIntire ’85) has committed $1 million to support the McIntire School of Commerce’s Back to the Lawn project, which includes the renovation of Rouss Hall (McIntire’s former home) and construction of a 132,000-square-foot adjoining building.

5. The David C. Walentas Jefferson Scholarship will be created with a $1 million commitment from David C. Walentas (Engineering ’61, Darden ’64).

6. The Leukemia and Lymphoma Society awarded a five-year, $5 million grant to a research team led by John Bushweller, associate professor of molecular physiology and biological physics, and Dr. Milton Brown, associate professor of chemistry. The team is developing new targeted drug treatments for leukemia.

7. A $2.4 million commitment from the Harrison Family Foundation will help fund the construction of MR6, a new medical research facility that will house research programs in cancer, immunology, vaccine therapy, and infectious diseases. An additional $300,000 commitment from the foundation to the Harrison Undergraduate Research Awards will support student investigators pursuing independent research.

8. Through its Partners in Learning initiative, the Microsoft Corporation gave $3 million to support the new Darden-Curry Partnership for Leaders in Education.
Larry Sabato (College ’74), the Robert Kent Gooch Professor of Government and Foreign Affairs and founding director of the University’s Center for Politics, gave $1 million to support the center’s work.