

**Minutes of the Joint Meeting of the Main Campus Executive Faculty  
and the University Faculty Senate Main Campus Caucus  
January 23, 2004  
(approved 5/6/04 by Main Campus Caucus, Faculty Senate)**

**Present:** Anthony Clark Arend (Faculty Senate), Timothy Beach (STIA), Dorothy Betz (Faculty Senate), Michael Brown (Security Studies), Heidi Byrnes (alternate for Friederike Eigler, German), Peter Charles (Art, Music & Theater), Jeffrey Connor-Linton (alternate for Andrea Tyler, Linguistics; Faculty Senate), David Crystal (alternate for Sandra Calvert, Psychology), Wayne Davis (Philosophy), Carol Dover (Faculty Senate), Hans Engler (Mathematics), Judith Feder (GPPI), Pamela Fox (Women's Studies), Chester Gillis (Theology), David Goldfrank (History; Faculty Senate), Harvey Iglarsh (MSB; Faculty Senate), Catherine Keesling (Classics; Faculty Senate), Miklos Kertesz (Chemistry), Mark Lance (JUPS), Janet Mann (Faculty Senate), Monica Maxwell-Paegle (EFL), Joshua Mitchell (Government), Marcia Morris (Slavic Languages), Barbara Mujica (Spanish & Portuguese), Stanley Nollen (MSB), Patrick O'Malley (English), Makarand Paranjape (Physics), Nicoletta Pireddu (Italian), Terrence Reynolds (Liberal Studies; Chair), Veronica Salles-Reese (Latin American Studies; Faculty Senate), George Shambaugh (SFS), Katrin Sieg (CGES), Joseph Sitterson (English; Faculty Senate), Richard Squier (Computer Science), Susan Vroman (Economics; Faculty Senate), Stephanie Wright (SNHS).

**Faculty Senate:** David R. Andrews, Richard Bates, Paul Betz, Stefan Fink, John Hirsh, William McFadden, Gwen Owens, Victoria Pedrick, Peter Pfeiffer, Cristina Sanz, James Shedel, James Walsh, LeRoy Walters, Charles Weiss.

**Visitors Present:** Christopher Augustini, Alexander Sens (Classics), Alfonso Morales-Front (Spanish & Portuguese).

**I. Call to Order**

The meeting was called to order at 1:22 p.m.

**II. Announcements**

The Chair of the Main Campus Executive Faculty welcomed the members of the University Senate Main Campus Caucus to the meeting. He then provided the Executive Faculty with a brief update on the work of the Task Force examining the reconfiguration of the School for Summer and Continuing Education and Center for Professional Development.

**Approval of Minutes of December 12, 2003**

It was moved that the minutes of the meeting of December 12, 2003 be approved as submitted.

Jo Ann Moran Cruz proposed a minor amendment to page 3 of the minutes which were submitted; the change was accepted as a friendly amendment.

*Motion 1: That the minutes of the meeting of December 12, 2003 be approved as amended.*

Motion 1 carried with voting 29 in favor, and 3 abstaining.

### **III. Presentation about the University Budget**

The Chair pointed out that budget issues have become a very important issue on the Main Campus. For that reason, Wayne Davis and Robert Cumby were invited by the Steering Committee to brief the Executive Faculty on University budget issues with the hope that the faculty will have a better understanding of their possible impact on the budget for the Main Campus.

Wayne Davis explained that his part of the presentation on budget issues would focus on overall University budgeting and that Robert Cumby would focus his remarks on the Main Campus budget. He noted that there are two operative committees at Georgetown which deal with the budget: the University Budget Committee – which considers the finances of all three campuses – and the Main Campus Planning Committee.

Wayne Davis noted that over the last few years the University's finances have steadily improved; massive fiscal losses ended in 1999 and there were swift improvements in operating results through 2002. While the operating result in 2003 was again negative, the result was actually better than planned. Construction costs and a serious increase in fringe benefit costs accounted for those losses. During the last few years, and particularly in 2002 and 2003, the University invested heavily in facilities. In addition, the endowment has declined since 1999, reflecting the decline in the stock market. This fact, however, is counterbalanced by the success of the Third Century Campaign. While much of the billion dollars raised for the campaign remains in the form of pledges, recent improvements in the stock market suggest that these pledges will be paid out to the University.

Wayne Davis emphasized the fact that while the "debt line" of the University's budget has improved slightly in the last few years, it remains nearly maxed out. The University Board of Directors has mandated that it cannot exceed \$700 million. As a result, the University cannot borrow funds to solve budgetary problems.

The Medical Center is primarily responsible for the University's operating results. The Main Campus and Law Center have been consistently performing better than budgeted and are solidly "in the black." University Services have also performed better than budgeted, although they have only "broken even." However, the "UniversityWide" category of the budget has also contributed to the University's poor operating results. This category has traditionally served as a catch-all for what no individual campus of the University wanted within its budget. Fringe benefits for employees have been included in this category, and recently the provision of such benefits has resulted in serious losses. In addition, servicing a portion of the University's debt was included in this category; the University borrowed \$100 million to shore up its accounts, but paying off interest on that debt was not claimed by any of the campuses.

One of the problems that has needed to be addressed was this “University-wide” budget category. From a planning point-of-view, this category is ill-advised because it does not reflect fiscal realities. Therefore, this category is being eliminated and the line-items are being distributed among the campuses.

Charles Weiss noted that the “University-wide” budget category did not increase greatly, however the overall budget shifted from breaking even to a loss of approximately 20 million, and asked what contributed to the change in the net position. Wayne Davis explained that in the previous year the “University Services” category generated a surplus, due to a one-time credit, and now it is merely breaking even and this has contributed to the differences observed.

With regard to the University’s cash position, Wayne Davis noted that it is these funds that can be used to pay bills. The University’s cash position was stabilized in 1999 due to the \$100 million borrowed. However, in the last few years the funds available in these accounts have steadily declined. In addition, these funds are unusual in the sense that money comes in “big blocks” in the fall and spring – when tuition is due – and is gradually paid out throughout the year. It is necessary for the University to keep enough money in these accounts to pay one month’s worth of bills, which is approximately \$60 million. Unfortunately, it is projected that this account will fall to \$50 million by the end of next year.

The University’s endowment funds are kept for reserve purposes and cannot be “cashed out” to help with the operating budget. However, annually approximately 5% of endowment funds traditionally go into the operating budget. Former Provost Dorothy Brown tried to pursue a liquidation of endowment in 1999, without much success because many of these endowments are legally dedicated to specific purposes.

Hans Engler remarked that at the end of 2002 there is a steep increase in income and then a sharp decrease. Chris Augustini noted that such anomalies in income are the result of several major actions including: 1) the sale and merger of the hospital, (however the University is still receiving some funds from the hospital); 2) the building of the Southwest Quadrangle; 3) the high increases in fringe benefit costs; 4) and interest-bound indebtedness. In addition, when the hospital was severed from the University, the University lost \$350 million in revenue.

Wayne Davis noted that, with regards to the operating results for this year, the major item of bad news is the Medical Center. By the end of November, the Medical Center had already lost more than was projected for the entire year. This result wasn’t terribly surprising because it had been expected that the Medical Center would receive \$20 million in donations, and by October it had only raised \$1 million. The maximum amount the Medical Center has ever raised in one year was \$7.6 million. Initially, the expectation was that fund raising would do better with more leadership, however recently there has been a great deal of turn-over in the Medical Center fund raising office. The situation at the Medical Center has created a real dilemma because expenses there cannot be shut off.

Joshua Mitchell inquired about the University’s level of commitment to the Medical

Center. Wayne Davis explained that while closure of the Medical Center is not an impossibility, he is not sure at what point the University would pursue such a course of action. He noted it would be extremely difficult to divest from the Medical Center.

Janet Mann asked what role research grants play in variation between campuses. Wayne Davis responded that research grants on campus have been moving steadily up and the Medical Center trend has been up as well, just not as far as was included in the restaging plan. There have also been delays in using grants, and costs involved with bringing new leadership to the Medical Center.

George Shambaugh asked for a future projection of the University's fiscal situation; he pointed out that the negative slope of the University's funds seems to be getting worse rather than better. Wayne Davis noted that the Board of Directors are committed to having the Medical Center break even by 2007, which means that the University's fiscal situation should improve.

Joshua Mitchell asked what portion of the expenditure figures is attributable to student financial aid. He suggested that a reduction of financial aid might need to be examined. On that note, Wayne Davis noted that an argument has been advanced at the Main Campus Planning Committee to stop need-blind admissions for a period of years. However, this idea has been rejected because it is difficult for schools to recover their reputation if they stop being need-blind – even for a period of time.

Wayne Davis also pointed out that the University is on a “credit watch.” While the University has sustained its credit rating, the decline of the stock market (which impacted pension funds) and the University's non-cash accounting entries are the rationale for this action.

In conclusion, Wayne Davis reiterated three major University-wide budgetary goals: 1) to move the “University-Wide” budget category into campus budgets over a 7-year period; 2) to generate cash to shore up the University's position; and 3) to reduce Medical Center deficits.

Robert Cumby introduced himself and pointed out that he would discuss what the general University fiscal situation means for the Main Campus. He reiterated that the University's cash position is lower than its minimum, and close to the maximum debt level. He then briefly described the main sources of Main Campus revenues and expenses.

He explained that in order to hit the budget targets for the Main Campus, the Main Campus needs to run a budget surplus of 11 million while simultaneously absorbing costs from the “University-wide” budget category. In 2005, the Main Campus needs to take on 3% of those costs. In the following year, the Main Campus will need to take on its share of interest and depreciation.

With regards to the Main Campus' 2005 budget, two major hits to the budget have to do with financial aid. Some time ago, then-President Leo O'Donovan entered into an

agreement with Georgetown's peer universities with regards to how financial aid is calculated. In addition, this graduating class happens to have less financial need than other classes. These changes are expected to result in an increase in undergraduate financial costs by about \$7 million.

Hans Engler asked whether the surplus of \$11 million is meant to offset losses on other campuses. Robert Cumby responded that it would be misleading to say that the Medical Center is exclusively responsible for the need for the \$11 million.

Robert Cumby explained that, in order to attain this \$11 million, the Main Campus Planning Committee first looked at what can be done with tuition. Traditionally, tuition has increased by 5%, but the Board of Directors has urged the Main Campus Planning Committee to price more aggressively. Therefore, this next year the tuition will increase by 7%. This will bring in approximately \$2.5 million in additional funds.

Roger Chickering pointed out that if the tuition increases were to take place, and the salaries of faculty and staff were "frozen" then the \$11 million mark could be reached. Robert Cumby concurred.

Following up on Joshua Mitchell's earlier comment about financial aid, Jeffrey Connor-Linton suggested that instead of changing the University's need-blind status, it delays the transition to the "consensus" financial aid calculation for a year or two. Robert Cumby noted that it is the view that doing so would adversely impact Georgetown in terms of its ability to "bid" for students.

Mark Lance remarked that he may not understand the calculations involved, but he does understand the availability of funds. Looking at what would have the most impact, it is clear that raising tuition will impact on Georgetown's ability to attract students less than cutting financial aid would.

Robert Cumby also noted that salary increase for faculty will be fully-funded, but not out of the Provost's office. The salary increases will be half-funded by the Provost; the other half Dean's are expected to cover, and that cost will likely be passed-off to the Department chairs.

Joshua Mitchell voiced concern about this method for funding pay increases and noted that in some departments it might threaten the range of classes offered.

Wayne Davis noted that this concerns him, particularly if students are being charged premium tuition and then courses are unavailable.

Mark Lance commented that the discussion really must be focused on what changes can be reasonably made in order to increase revenue.

Robert Cumby noted that when the 7% tuition increase was examined, the Main Campus Planning Committee researched how Georgetown would compare to its competitors.

Were Georgetown to go to 7% and its rivals to only increase by 5% Georgetown would remain somewhere in the middle of its peers in terms of tuition. However, Georgetown does have higher room and board because of its urban setting. He remarked that a recent piece in the *New York Times* Educational Supplement discussed Sarah Lawrence College, which has a high tuition, but where virtually “each student gets its own teacher.” Georgetown cannot offer that, so it is trying to price as aggressively as it can.

Miklos Kertsez pointed out that he was glad that the cost of room and board entered the discuss. In his view, the room and board revenues make the Main Campus appear more profitable. Departments are already starved and further resources should not be drained from them.

Robert Cumby responded that this is not a final solution for the Main Campus budget. The Main Campus Planning Committee has yet to take a hard look at other expenses not so centrally related to teaching and academic commitments.

Wayne Davis remarked that most departments have dreams of bringing in new recruits, but those positions are not being approved.

Susan Vroman expressed frustration over the perceived failure on the part of the Medical Center to take on the burden of its losses.

Several members of the Executive Faculty and Main Campus Caucus of the Faculty Senate expressed concern that closing the Medical Center has not been examined seriously.

Heidi Byrnes questioned how the division of the cost of salary increases came about, and queried whether the handling of the matter could be revisited. She pointed out that departmental budgets are vastly different in terms of their ability to take on additional costs.

The Chair assured members of the Executive Faculty and Main Campus Caucus of the Faculty Senate of just how profound and inclusive the Medical Center discussions have been. The situation at the Medical Center has not been “glossed over” and while the results there have been disappointing, it has been struggled with over the years. He noted that the previous week he had spoken with President DeGioia, and during the conversation the Chair expressed concern about the adverse impact of the fiscal situation on faculty. However, it should also be emphasized that the Main Campus Planning Committee has primarily looked at tuition and fee increases – and will look for other ways to fund these funds. The concerns of the Committee are the same as those of the faculty, however the numbers are challenging. The University Administration and the Main Campus Planning Committee are working hard to try and find the most cost and quality-effective way to meet this budgetary crisis.

Judy Feder remarked that the focus has been on the right issues to look selectively at budgets. However, it seems peculiar to put forward a faculty raise of 4.5% and take out of other areas.

Robert Cumby noted that the Main Campus Planning Committee has not yet engaged

on the expense side and concurred that was perhaps not the ideal way to proceed.

Janet Mann asked whether other University Medical Centers have proceeded in this way. Robert Cumby responded that, in general, Medical Centers tend to not break even on operating expenses. Joshua Mitchell added that many are affiliated with state-run universities, and thus receive government funds.

Alfonso Morales-Front asked about the role of different parties in discussing the budget. Specifically, he asked what role departments will have. The Chair responded that at the most recent Board of Director's meeting a hiring "frost" was discussed. He thinks that it is understood that if raises are not offered to faculty, there will be a morale problem. Of course, the timing of these budget discussions is complicated by the fact that departments are expected to make their budgets before such issues are resolved. As a result, the administration and the Main Campus Planning Committee is trying to move things along as quickly as possible.

Peter Charles thanked Robert Cumby and Wayne Davis for their presentation. He appreciated the fact that the presentation allows faculty to have a more comprehensive understanding of challenges facing the University. The discussion goes to the heart of the whole issue, and how people are willing to contribute to the issues. However, the presentation has also illustrated difficulties in communication at the University. He noted it is the responsibility of the administration to talk to faculty and rally individuals around the maintaining the health of the institution. In his view, there is not nearly enough of this kind of interaction. It is not good enough for the Provost to speak to the Deans, and for the Deans to speak to the Chairs, *et cetera*. There needs to be a way to communicate between the faculty and the Provost. The lack of this communication channel is devastating to moral on campus.

The Chair remarked that he had recently suggested to President DeGioia that he find more ways to consult with faculty.

Joshua Mitchell expressed concern that some things appear to be sacrosanct and urged for everything to be "on the table" when discussing this budgetary crisis.

Wayne Davis pointed out that this "fight" has not yet begun. Compensation has not seriously been considered. He felt that for the Provost to take the initiative and contact Deans, who felt the need to contact department chairs, was unreasonable.

Charles Weiss noted that this meeting was very helpful and requested that the Main Campus Caucus of the Faculty Senate be invited if the Executive Faculty has an upcoming meeting with the Office of Alumni and University Relations.

The Chair also mentioned that prior to this Executive Faculty meeting the President had called a Budget Retreat. About 20 people attended, and the University's budgetary challenges were discussed at length. The Chair assured everyone that he and others on the Main Campus Planning Committee would fight so that the University's "core" enterprise will

not be endangered. He noted that the Main Campus Planning Committee has also worked to have more effective meetings. If there is not enough weight behind the Committee's conclusions, then the Executive Faculty will need to address that situation.

#### **IV. Adjournment**

The meeting was adjourned at 3:11 p.m.

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(4-29-04: corr. attendance)