

DRAFT SUBJECT TO APPROVAL AT THE FACULTY SENATE MEETING ON
SEPTEMBER 9, 2005

THE GEORGE WASHINGTON UNIVERSITY
Washington, D.C.

MINUTES OF THE SPECIAL MEETING
OF THE FACULTY SENATE HELD ON
MAY 9, 2005 IN THE MARVIN CENTER, ROOM 405

- Present:** President Trachtenberg, Vice President Lehman, Registrar Amundson, and Parliamentarian Johnson; Deans Frawley, Futrell, Phillips, and Tong; Professors Artz, Biles, Briscoe, Castleberry, Cordes, Englander, Friedenthal, Garris, Griffith, Gupta, Helgert, Kim-Renaud, Marotta, Miller, Mueller, Pagel, Robin, Robinson, Rycroft, Shen, Simon, Vergara, Wilmarth, Wirtz, and Zea; [2004-05 Senate members present: Granger, Shambaugh, and Watson]
- Absent:** Deans Harding, Katz, Scott, Trangsrud and Whitaker; Professors Delaney and Gallo

The meeting was called to order by President Trachtenberg at 2:15 p.m. Because members of the 2004-05 and 2005-06 Senate were present at the meeting, President Trachtenberg asked new members to stand and introduce themselves. Due to the large number of attendees at the meeting, President Trachtenberg requested that if non-Senate members wished to speak, they be recognized by the Chair or have a Senate member request for them the privilege of the floor.

DISCUSSION OF POSSIBLE SALARY DEFERRALS

President Trachtenberg began by describing how he thought the Special Meeting had come about. At a meeting of senior University administrators in which faculty, staff, and administrative raises were being discussed, the group concluded that probably the prudent thing to do for 2005-06 would be to raise salaries by 3%, which is fairly normative with other institutions elsewhere in the country and particularly in the D.C. metropolitan area. The President said he was concerned that this sum was arguably inadequate, and surely inadequate if deans and department chairs were actually asked to exercise discretion in the award of merit increases for outstanding performance. Staff then discussed the possibility of giving a higher raise which could be done if raises were delayed from July 1 to January 1, 2006. This seemed a desirable alternative inasmuch as it could give the administration, the deans, and department chairs a larger salary pool to work with. It would also raise the base of faculty salaries which would have several salutatory effects: going forward the base compensation (and related benefits) for faculty would be higher and this would also make it easier to recruit new faculty.

The President emphasized that no decision was made at the time. Executive Vice President and Treasurer Louis Katz was asked to come back at a future meeting to give a numerical picture of alternatives. Following this meeting, Vice President Katz met, as he does periodically, with a Hatchet reporter. At this meeting, he inadvertently, from the administration's point of view, mentioned the possibility of this imaginative, progressive course of action, and the student reporter wrote a story which made it appear that a decision had been made. Quite a number of people read the article, and began to inquire as to why they had to learn about this decision by reading the student newspaper.

In truth, the President said, the administration was as blindsided as anyone else reading the Hatchet and the information had not been shared before because no decision had been made. Following discussion at the April Senate meeting on the subject, the possibility of referring the matter to a committee was raised, and the President offered to consider the matter with the Senate as a committee of the whole. Thus, the Special Meeting was called.

The President then asked Vice President Katz to speak to the issue of possible salary deferrals. The Vice President began by distributing a two page report on Merit Increase Planning. (The Report is attached.) The basis of the senior staff discussion was consideration of an overall strategy for compensation increases for faculty and staff, given the 3% pool of money available in FY 2005-06. As always the goal of compensation policy is to increase base salaries to meet market forces. Three pieces of information were important in the context of this discussion, firstly, the University's goal of raising faculty salaries to the AAUP 80th percentile. According to information presented, only associate professors at GW, on average at the 83.2 percentile, have met or exceed this salary benchmark. Full professors stand at 76.2% of the goal, and assistant professors at 69.1%. Secondly, the University recently participated for the first time in a study by Towers Perrin. Thirty universities have participated thus far in these studies of staff compensation, and GW is the thirty-first. This study examines compensation for nearly 100 managerial positions at the institution, academic and administrative. The results showed that, compared to the thirty other peer group institutions already studied, salaries of managers at GW are generally below the 50th percentile of comparable institutions. Lastly, the University is seeing fiercer competition on the salary side for staff, and that means it is harder to attract and retain qualified individuals at all staffing levels.

Vice President Katz then reviewed page two of his report in which a comparison of base average faculty salary and fiscal year compensation under alternative merit increase cycles is set forth. This information on faculty salaries excludes, as noted, instructors and clinical faculty. According to Vice President Katz, overall, under the "6% scenario" with salary increases deferred until January 1, 2006, base compensation for faculty would be higher by nearly \$3000 over a three year period than it would if 3% increases were distributed effective July 1, 2005.

Professor Griffith said that the University's Budget officer had told the Fiscal Planning and Budgeting Committee there would be only a 3% salary pool for FY 2005-06, but the planning in Vice President Katz's report indicates that 4% salary pools are projected for the future, and he asked if it was clear that the University has solid plans to ensure that these 4% pools would be available. Vice President Katz said that for a number of years, in

long term planning, the University has tried to target a 4% merit pool each year. Most years this target has been met, but this year it was not, as it was not possible to meet a 4% target and also devote new monies to strategic plan objectives. It was also necessary for the University to expend unexpected funds on research compliance issues. Still, the long term planning objective of 4% remains unchanged. For next year, Vice President Katz said he had discussed with Executive Vice President for Academic Affairs Donald R. Lehman the possibility of a university-wide budget pull-back of 1%, so that a reallocation could be made to fund compensation packages, strategic plan objectives, or a mixture of the two.

Professor Cordes said he thought if the “6% option” were selected that would have a positive effect on base compensation. However, the difference between the 3% and the 6% option is not the difference between the two as it does not take into account a present value calculation which is standard in evaluating these sorts of revenue streams. In terms of present value, the delayed 6% option is virtually equivalent to an immediate increase of 3.5% now and then 4% later.

Professor Wirtz said he would like to know the extent to which the projected 4% increases are as guaranteed in future years as they were this year. He also asked about how much discretionary funding the deans would get under the scenarios under consideration. Finally, he said that it would appear the University is in a bit of a mess, and regardless of how it got there, he said he would like to know what initiatives are under consideration going forward in which faculty would be active participants in the planning/budgeting process, rather than merely passive bystanders.

Vice President Katz reiterated that over time 4% has been the salary pool goal and most of the time that goal has been met, even though it has not been guaranteed before. However, the University is still a tuition driven institution without the level of resources that peer group institutions have. GW has managed this situation by carefully targeting financial resources toward selected initiatives, but obviously everything is subject to the overall financial health of the institution. Vice President Katz said that he would be willing to work with a group from the Faculty Senate to examine the budgeting process in the future.

Vice President Lehman said that one way in which the faculty could help relative to what was termed “this mess” relates to a point raised by Vice President Katz, and that is the enrollment-driven nature of the University. One way that faculty plays a major role is by recruiting graduate students, and they contribute very significantly to the overall revenue of the University, after the discount netting somewhere on the order of \$80 million. The administration and the faculty need to work together as a team to achieve the enrollment projections the institution has set for itself relative to the various programs, and to think creatively about new revenue streams and programmatic initiatives at the graduate level.

Vice President Lehman said that if in the end a decision is made to award pay increases July 1, the salary pool to be distributed would amount to 3%, and if increases are awarded January 1, 2006, the pool would amount to 6%. He said he wanted to make it very clear that at no time has he ever held back a fraction of the salary pool from the deans, and they always get the full amount to work with. Monies used to reward faculty for extraordinary performance are made upon the recommendation of department chairs from this pool awarded to the deans, as are funds to cover pay increases associated with tenure

and promotion decisions. Vice President Lehman said that, for example, if the 6% option were chosen, he would ask the deans this coming year to hold back 1.25 percent for these purposes. If the 3% option were chosen, it is likely that all of this pool would be made available to department chairs for merit pay increases, based, of course, on annual report evaluations.

Professor Gupta asked the President if what was sought from the Faculty Senate was an up or down vote on the two alternatives presented. The President responded that he thought that meetings and discussions with the faculty were very healthy and that the administration is happy to talk about their deliberations. Obviously, the administration feels that the 6% raise beginning January 1, 2006, is better for the University and better for the faculty than the 3% salary increase beginning July 1. While he said he fully understood the present value argument made by Professor Cordes, he added that he thought, for individuals who would be at the University many years, a higher salary base would be important in terms of increased TIAA-CREF and other benefits, and the University's ability to recruit junior faculty would also be enhanced. The fact of the matter is that it could almost be argued that from a budgetary point view, the two alternatives are not substantially different.

Professor Robinson asked if these salary increase projections included staff as well as faculty, and the President assured her that they did. She asked if, in terms of procedure, it would be helpful to the administration for the Senate to meet and discuss the options, seek opinions from faculty colleagues, and make a recommendation to the administration, either through the Fiscal Planning and Budgeting Committee, or through the Senate. The President responded that he would like to have the discussion continue while he pondered this.

Professor Griffith reiterated that FP&B has received very little budget information recently, and thus has been handicapped in serving as a conduit to the faculty for information on the University's planning and budgeting. It was never announced in advance, he said, that the University would move toward an enrollment of 10,000 undergraduate students. This happened gradually over the years, and the result is that GW has clearly outrun its classroom capacity. It seems that information is not volunteered unless specific questions are asked, and it is difficult to formulate these questions in a vacuum. Professor Griffith then reiterated his willingness to accept Vice President Katz's offer to try to improve faculty participation in the planning and budgeting process.

Professor Cordes followed up on these remarks by saying that it seemed to him, as reflected in the minutes of the March Senate meeting, that in many ways, with enrollments no longer increasing, an increased need for financial aid, and an endowment that has not increased, the University has pushed its fiscal capacity to the limit where it is rather liquidity restrained. He added that he had heard nothing thus far to indicate that this situation would change in the next couple of years. He said it seemed to him that the University would be facing tough choices among competing priorities in the next several years, and what the faculty is saying is that they would like to be more directly involved in these decisions at the front end, and not at the back end. Whether The Hatchet article about salary deferrals was correct or not, it conveyed a very strong impression that regular and competitive raises for staff and faculty are not a priority with the administration, and are

funded after everything else. Even if 4% is a planning priority as Vice President Katz indicated, this plan has not always materialized. Professor Cordes seconded Professor Griffith's statements about faculty involvement in any process going forward.

Professor Mueller said he had a comment and two questions. Firstly, he said if he understood Vice President Lehman's comments correctly, the 6% increase under discussion would really amount to only 4.75%, because 1.25% would be sequestered by each dean. He pointed to the AAUP goals cited in the document distributed by Vice President Katz and asked how either 3% or 6% planning alternatives would advance the University toward these goals, particularly if planning assumptions were based in future on salary increases of 4%. Secondly, Professor Mueller asked how these projected 4% increases compared to the planned increases of University administrators. Vice President Lehman responded that he wanted to make very, very clear what has occurred in the past, and what would occur in the future, that every dollar of the salary pool is always distributed to the deans, and it is they who hold back a percentage of this pool so that merit increases for faculty can be awarded based on recommendations of department chairs.

Vice President Katz responded to the question about achievement of the AAUP goals by saying that in part the answer depends somewhat upon the increases awarded by other educational institutions, so it is a moving target. If the goal is to move the salaries of assistant professors up to meet the goal, then more of the salary pool would have to be allocated for this. Vice President Katz said that increases for administrators would be made on the assumption of a 4% pool. He added that a number of years ago, the University had set aside a pool of 4% for faculty, and 3% for staff, but five to seven years ago, this was discontinued and the pools are now equal. It is not possible to firmly estimate a time frame for achievement of the 80% goal because the University does not have unlimited funds, and must make choices about funding priorities by targeting specific initiatives.

Professor Griffith observed that in AAUP sample data, faculty salaries reported from January to June are considered salaries for the year, and he asked if this would be a consideration in a decision on the timing of salary increases. The President said he thought that present and future faculty would be better served by the 6% raise option.

Professor Wilmarth said he thought it important to reflect on Professor Wirtz's and Professor Griffith's observations on the University's present financial circumstances. The Report of the Ad Hoc Committee of Concerned Faculty indicates that total University enrollment has increased by 29%, the full-time equivalent faculty has increased by only 17%, and the average tuition rate has increased about 30% in the last six years. Faculty salaries have risen at only about two-thirds of the rate of tuition increases, while the salaries of senior administrators have grown at about double the rate of tuition increases. Faculty have been asked to shoulder the burden of teaching significantly increased enrollments on a campus with a serious shortage of classroom space. On the research front, faculty have also secured tremendous increases in sponsored research funding.

Professor Wilmarth went on to say that the University deferred employee salary increases by six months in 1992, and did so again in 2003. Employees are now being asked to accept another six month deferral only two years later, indicating the possibility of serious cash flow problems at the University. As shown by the Ad Hoc Committee's report, the

University's total debt has grown from \$310 million to \$796 million over the last six years, and, within that time period, the University's debt-to-endowment ratio has increased from 2:1, to approximately 1:1. At least twice in the past two years, the administration has been asked by the Chair of the Fiscal Planning and Budgeting Committee to explain how the University expects to cope with its rapidly increasing debt, and the administration has assured the faculty that the University's debt is manageable. Now, however, the University finds itself in a rising interest rate environment with 58% of its debt at variable rates. The University's exposure to interest rate risk, combined with other factors, strikes many faculty members as a serious problem and probably accounts for the unfavorable compensation policies that have been implemented. Moreover, neither fundraising efforts nor endowment management seem to be proceeding satisfactorily.

Professor Wilmarth said he agreed with Professor Griffith about the difficulties encountered in obtaining information about planning and budgeting issues, and he added that last year he had asked the Board of Trustees if a Senate representative could serve on the Trustees Finance and Audit Committee. No response to this proposal was received. If faculty are expected to accept sacrifices, then it is imperative that they have a place at the table where these budget decisions are made. Expecting the faculty to trust in the wisdom of the administration's fiscal policies is unreasonable, given the administration's decision to impose six-month deferrals in two consecutive salary cycles. Professor Wilmarth predicted that many faculty would have serious doubts about the 4% salary increases projected for 2006-07 and 2007-08 in Vice President Katz's salary calculations, since this year's expected 4% increase has not come to pass.

President Trachtenberg reminded the faculty that the Senate recently passed a resolution asking the administration to construct a new science building, and he further noted that the Law School has received recent renovations, and is ambitious for additional facilities. It is not probable, he said, that a finite amount of money can fund everything and that is unlikely to change no matter how many Senate resolutions are adopted. Professor Wilmarth said he agreed that the University seems to be in a period of austerity, but this austerity makes shared planning even more important.

Vice President Katz commented on Professor Wilmarth's observations about the University's debt. In terms of GW's financial integrity and the University's ability to repay debt, capital markets look at demand characteristics, i.e. a highly qualified pool of student applicants who wish to attend the University in increasing numbers. Year after year, the University has shown improvement in its demand characteristics.

Vice President Katz then discussed the debt, saying that approximately 75% of GW's debt is funded by facilities that are paying down that debt, for example, residence halls. While it is true that the University has a lot of variable rate debt, it matters how much of that is taxable and how much is tax exempt. 41 to 44% of the University's variable rate debt is tax exempt, and there has not been an inverted yield curve on the tax exempt markets. A significant increase in overall rates would have minimal impact. More important than variable rate debt is the institution's overall debt management strategy. The University has achieved an interest rate savings of approximately \$135 million over the past three years by using variable rate debt rather than fixed rate debt for some purposes. In addition, it was determined that the real estate portion of GW's endowment was under-leveraged, and the

Board authorized taking on higher debt on these properties at a fixed, rather than variable, rate. The decision to secure non-recourse financing for these purposes was made because spreads and the marketplace were very thin and this option fits in with GW's overall debt management strategy. These strategies are good for the institution and favorably viewed by rating agencies. Without question, it would be good to carry less debt, but what matters is the overall strategy, and Moody's latest report indicates that if the University stays the course, an upgraded rating is likely.

Vice President Katz then commented on the University's investment returns, which he characterized as quite stellar. Over the past five years in every reporting period, GW has achieved a top quartile rating for endowment fund returns, and over the last year, it was in the top 5%. While little new money is going into the endowment, and that is an issue, investment returns on the University's portfolio are sound. Speaking further on the endowment, Vice President Katz said that several years ago when investment markets slumped, the University Board cut the endowment payout by about \$10 million, which amounted to reducing the payout from approximately 7% to approximately 4.8%. This resulted in a reduction of funds available for new initiatives, funds which had been used to improve technology and classrooms, and fund other academic initiatives.

President Trachtenberg then called upon Vice President for Advancement Laurel Price Jones who spoke about fundraising and development. Vice President Price Jones said that she had just reviewed the report of the Ad Hoc Concerned Faculty, and that she would be happy to speak to Professor Parsons or anyone else on the Committee who formulated the report. One thing she said she hoped would be corrected, or revised, in the report were the figures outlining fundraising totals taken from IRS 990 forms. Amounts reported on these forms are not reported according to a standard formula as are fundraising totals reported in the Chronicle of Philanthropy. She added that she would be happy to review these numbers with the Committee, as they show that in comparison to market basket institutions, GW has increased its fundraising totals by 55% over the past several years, putting it well into the top third of this group.

Vice President Price Jones then said that she was especially pleased to hear that there are faculty at GW who want to be more involved in securing more resources for the University, and she offered to discuss at a future time the notion that it is the administration's duty to raise money for the institution. Institutions that are proving very successful in raising money are not depending solely on the President, or on the Vice President for Advancement, but upon a wide group of individuals: faculty, staff, and administrators. She added that she hoped that those with an interest in and talent for fundraising would join in becoming part of the solution to the resource problem.

Professor Robin commented that it looked as if faculty would be expected to participate in additional fundraising activities in the future, and he asked if these efforts would be taken into account when it came time to make decisions concerning tenure and promotion which are now based on other criteria.

Professor Wirtz asked how he should respond to constituents who note the discrepancy between high salaries paid to senior University administrators, faculty salaries, and salaries of staff members who, at most, may earn 1/10 as much as senior administrators.

The President responded that he was tempted to point out that salaries of faculty and University presidents were determined by a marketplace. He then said that the Towers Perrin study referenced earlier by Vice President Katz indicated that GW's President was not paid astronomically relative to comparable positions in other universities of like kind [particularly if longevity were taken into account]. President Trachtenberg added that he didn't defend this in any philosophical way, and didn't want to delve into distributive equity issues, but it was not possible to compare apples and oranges.

Picking up on the President's reference to apples and oranges, Professor Friedenthal observed that the oranges at GW (faculty) want the University to be competitive and advance in excellence. However, it seems that the apples (administrators) are keeping up with the apples, but the oranges are not keeping up with the oranges. While a 3% or 6% salary increase and achieving the 80th AAUP percentile are under discussion that is not the real issue. Everyone should get a 6% increase, and faculty salaries need to reach 100% of the AAUP benchmark. GW needs to reach the top, and while choices about resource allocation have to be made, the oranges ought to have some say in these matters, and the Board of Trustees, as well as the administration has to understand that.

The President then called upon an unidentified faculty member who asked what the administration salary increase might be for 2005-06, and if these increases would also be delayed until January 1, 2006. The President responded that administrative salary increases have always been deferred whenever there was any kind of economic pressure on the institution, and that the administration takes pains to make sure it is beyond criticism in that regard. More importantly, administrative salaries are determined by the Trustees, who generally consider several things including their judgment concerning the state of the University, the economics of the institution (including looking at what the administration has done for faculty and staff as a criteria), and national studies detailing salaries for comparable positions at similar institutions. The questioner then said she understood what had just been said but she thought there is a perception that even though apples were being compared to oranges, GW has a greater disparity between the two than other institutions. The President then said he could not address this perception, but could only comment, as he had, on the criteria Trustees utilize in evaluating administrative salaries at the University.

Professor Watson then yielded the floor to Professor Yezer of the Economics Department. Professor Yezer said he had been a member of the FP&B Committee for many years, and that virtually everything in the report of the Ad Hoc Concerned Faculty was taken from prior FP&B reports. Professor Yezer said this group had no problem with the level of the endowment payout, and he congratulated Vice President Katz on the \$135 million savings over the past five years before noting that a 4% increase would amount to some \$9 million out of that savings. Professor Yezer then noted that GW is in the 76th percentile for full professor salaries, while the DC metropolitan area it is at the 98th percentile in the cost of living. Tuition is also at the 98th percentile compared to other institutions. Over the past five years GW has been overtaken in important respects, such as faculty salaries, by American University. Professor Yezer then described the difficulties encountered in trying to recruit new faculty to GW when opportunities and prospects elsewhere appear brighter.

Professor Gupta asked if the administration was still committed to achieving the previously endorsed goals of raising faculty salaries to the 80th AAUP percentile and

ensuring that these salaries do not in any instance fall below the 60th AAUP percentile. President Trachtenberg reaffirmed his support for these goals. Professor Gupta pointed out that some faculty in Columbian College had yet to reach the 60th percentile, and that, while he doubted the University would ever reach the 100th percentile, faculty would be very happy if 80% was achieved.

President Trachtenberg agreed with Professor Gupta, saying he would be delighted as well. He then reiterated some of the competing funding priorities facing the University, including salaries, facilities, and financial aid. The desire for certainty in a contingent world, he said, lacks a certain grounding in reality, as the administration plans, but it does not dispose. Certainly it could pledge that 4% raises will be here next year and the year after that, and so on, but to the extent it did that, it would probably be doing the University a disservice because the administration would have to surrender a certain flexibility that it might need in the event of a decline in enrollment due to scholarship problems, if the economy were to stall further. The President then said that upon reflection during the discussion, he did not see the need for a plebiscite on the salary issue, as it should fall to him to make the decision and take the responsibility for it. He indicated he would make the decision, keeping in mind the best interests and welfare of the University, and accept the praise (or criticism) that resulted.

Professor Englander asked for the privilege of the floor for Professor Edward Cherian, Chair of the Management Sciences Department. Professor Cherian said he thought that most faculty would prefer a 3% increase on July 1, and annual raises thereafter. His suggestion was met with applause. He also said he thought the difference between a 3% or 4% salary pool is about \$2 million, and he asked Vice President Katz if that were true. Vice President Katz confirmed a figure of \$2.2 million. Professor Cherian then said that, given the overall size of the University budget, he would like to ask if there were items in that \$2 million range that could be set aside to preserve the 4% salary pool originally planned, for the 2005-06 fiscal year.

Professor Mueller said that he had heard repeated reference to planning with respect to the AAUP 80th percentile, and he noted that two schools have not met the 60th percentile criterion. He then asked what plan the University has to meet these goals, whether three, five, or ten years, or if such a plan exists. Vice President Katz said that the plan does not exist to accomplish these goals on a certain timetable. Professor Mueller said he thought it would be sensible for the University to formulate such a plan, and then let the plan drive financial decision-making, rather than the reverse. President Trachtenberg said that such a choice would have to be made within the context of all of the other decision-making, which has to anticipate external economic conditions which the administration can only speculate upon. Professor Mueller then said that it was relatively easy to claim that these salary levels for faculty are a goal, but if they are repeatedly given a low priority, they will remain a goal unmet.

Professor Wilmarth commented that he had heard a lot of reassuring words from senior administrators claiming that the University is in good financial condition. If that is so, he wondered why the administration is now seeking a six-month deferral of faculty and staff salaries for the second consecutive salary cycle. If, as reported by the Ad Hoc Committee, \$50 million has been taken out of operating revenues to pay debt service costs,

that does not portray a rosy financial picture. When senior administrative raises have increased at twice the rate of tuition increases over the last five years, and faculty salaries have increased at only two-thirds of that rate, the resulting disparity does not suggest either financial strength or equity. Certainly there are market pressures that affect senior administrative salaries, but there are market pressures that affect faculty salaries as well, and these have a direct bearing on the University's ability to attract and retain outstanding faculty. Professor Wilmarth said he further understood that research incentive awards have not been paid to faculty investigators in the last three years. It would have been helpful if the administration had shared information concerning the University's financial picture with the Senate through regular channels, such as the FP&B Committee, in advance of the Special meeting, and Professor Wilmarth reiterated his hope that, going forward, the faculty would receive more timely information.

Professor Vergara then yielded the floor to an unidentified colleague, who said that she had not previously attended a Senate meeting, but she had listened with great interest to the Senators representing the faculty. She thanked the drafters of the Ad Hoc Committee's Report, which she said she had read carefully, and thought it was very well prepared and insightful. In listening to the discussion at the meeting, she said it struck her that the administration had not given satisfactory answers to questions posed several times, and particularly to those posed by two members asking for greater participation in the planning and budgeting process. After hearing non-responsive answers, she said she would like to hear a pledge that such participation will become a reality, when the Trustees meet and/or at other levels, so that faculty are not kept in the dark about these matters.

President Trachtenberg thanked the faculty member for her remarks. Vice President Katz reiterated his willingness to work with Professor Griffith and the FP&B Committee, or another group designated by the Faculty Senate, to improve the information sharing process, and he added that this constituted a pledge.

Discussion followed by Professors Simon, Garris, Griffith, Cordes, Zea, Vice Presidents Lehman and Katz, and President Trachtenberg on various budgetary matters. Professor Simon inquired about the University's real estate investments and noted that the Washington D.C. real estate environment had done very well. Since investments such as a hotel do not directly advance the academic mission of the institution, he asked why the University would not consider selling this asset and using the money to construct a science building, which is so sorely needed by GW. Vice President Katz responded by confirming that real estate has done very well and the investment return for GW is significant. In response to a second question, Vice President Katz said the University could defer a parking increase for faculty and staff if merit increases were delayed beyond July 1. Professor Garris spoke in favor of bringing faculty salaries into line with those offered at market basket institutions with which the University competes for new faculty. Professor Garris also asked about AAUP salary goals, and Vice President Lehman said that the University would need to generate \$626,000 to bring full Professors up to the 80th percentile, and approximately \$830,000 to achieve that goal at the assistant professor level. He cautioned that the 80th percentile is calculated on a blended average of salaries paid across the University, and this blended average is somewhat skewed by inclusion of higher end salaries in the calculation.

Professor Griffith said that the University badly needed to seek ways in which to contain costs so as to free up existing resources, for example, reducing expenditures on residence halls and athletics. Vice President Katz said that the University does try to contain costs when constructing new residence halls. Another cost-cutting measure is the movement of a number of administrative positions to the Loudoun campus. Occupancy costs in the District are increasing rapidly and slowing the growth rate of these costs will benefit the University in coming years. One area in which costs cannot be cut is in the area of research; and this area is growing and will continue to draw resources from other areas. In fact, he said, increased research costs the institution money, as indirect cost recoveries do not approach the 52% figure that is often published. This does not mean the University should not do research, it is just a reality that it costs educational institutions money to do it.

Professor Englander asked if the Trustees have given any thought to perhaps increasing the drawdown on the endowment. Vice President Katz said that they review this quarterly, and even though they reduced the drawdown from 7% to approximately 5%, in comparison to peer group institutions, this drawdown is still somewhat high. He said he thought that what Trustees would instead look for is a lot of new money going into the endowment. The calculation is very complicated, he added, and the Trustees take into consideration the CPI and any new money going into the endowment before they make a decision on the appropriate drawdown. President Trachtenberg noted that the reason the Trustees allowed the drawdown to approach 7% at one time was because the drawdown of 5% did not include capital projects, which they funded on top of this amount. As the economy slowed, this source of funding was no longer made available.

Professor Zea spoke in favor of attracting more research, noting that for the past seven or eight years, this has been the source of one third of her own salary, and has paid the salaries of those working on the grants as well. Moreover, federally funded grants bring the University 49% on indirect costs for each dollar spent on research. Vice President Lehman acknowledged that this sort of valuable contribution often allows departments and schools to do things they would not otherwise be able to, and this sort of contribution should be very carefully recognized as an important one.

Following an exchange between Professors Griffith, Englander, and President Trachtenberg on the value of exchanging ideas between the administration and the faculty about planning and budgeting issues, especially at a preliminary stage before decisions are reached, a motion to adjourn was made and seconded, and the Special Meeting was adjourned at 4:11 p.m.

Elizabeth A. Amundson
Elizabeth A. Amundson
Secretary

Merit Increase Planning

Goal is to increase base salaries to meet market forces

Faculty

- ❖ Goal is to be at the 80th percentile of AAUP Salary Standings. Current status:

| | |
|----------------------|-------|
| Full Professors | 76.2% |
| Associate Professors | 83.2% |
| Assistant Professors | 69.1% |

Staff

- ❖ The results of a Towers Perrin survey involving the University and 30 peer institutions indicate that the salaries of academic and administrative managers are generally below the 50th percentile of comparable institutions.
- ❖ The University is experiencing increasing competition in this region in attracting and retaining qualified individuals across all levels of administrative staff.

**COMPARISON OF BASE AVERAGE FACULTY SALARY AND FISCAL YEAR COMPENSATION
UNDER ALTERNATIVE MERIT INCREASE CYCLES**

| | Base Salary | | | |
|--|--------------------------|--------------|--------------|--------------|
| | FY 05¹ | FY 06 | FY 07 | FY 08 |
| 3% Increases Effective July 1, 2005; 4% Increases Effective July 1, 2006 & July 1, 2007 | 88,106 | 90,749 | 94,379 | 98,154 |
| 6% Increases Effective January 1, 2006; 4% Increases Effective January 1, 2007 & 2008 ² | 88,106 | 93,392 | 97,128 | 101,013 |

| | Fiscal Year Compensation | | | | Compensation |
|--|---------------------------------|--------------|--------------|--------------|----------------------|
| | FY 05¹ | FY 06 | FY 07 | FY 08 | FY 06 - FY 08 |
| 3% Increases Effective July 1, 2005; 4% Increases Effective July 1, 2006 & July 1, 2007 | 88,106 | 90,749 | 94,379 | 98,154 | 283,283 |
| 6% Increases Effective January 1, 2006; 4% Increases Effective January 1, 2007 & 2008 ² | 88,106 | 91,043 | 95,468 | 99,286 | 285,797 |

¹ Average faculty salary (Full, Associate and Assistant Professors) for Academic Year 2004-2005. Excludes Instructors and clinical faculty.

² 9-month faculty.