

In 1816, our founder Thomas Jefferson said, "as new discoveries are made, new truth discovered and manners and opinions change with the change of circumstances institutions must advance also to keep pace with the times."

We are all aware that the UVA needs to change and for the past 2 years I have been working to do just that. Apparently, the area of disagreement appears to be just how that change should occur and at what pace.

I certainly want to take some time and talk about the many changes that I have made because they are significant. But first, I need to make one thing clear. The current reaction by the faculty, staff, and students on and off Grounds, and among the donors and alumni to my impending departure, is not something I have stirred up. I have made no public statement. I have done my best to keep the lowest possible profile. I have fulfilled previous commitments at the White House and elsewhere in Washington, and I have visited with friends in another state. I have not even responded to the innumerable people who have reached out to me personally and demonstrated their love for this great institution. I did not cause this reaction in the last ten

days, but perhaps the reaction speaks to the depth of the connections I have made in the last 22 months. Through all of the last ten days, my overriding concern has been the welfare of the University of Virginia.

I have been described as an incrementalist. It is true. Sweeping action may be gratifying and may create the aura of strong leadership, but its unintended consequences may lead to costs that are too high to bear. There has been substantial change on Grounds in the past two years, and this change is laying the groundwork for greater change. But it has all been carefully planned and executed in collaboration with Vice Presidents and Deans and representatives of the faculty. This is the best, most constructive, most long lasting, and beneficial way to change a university. Until the last ten days, the change at UVA has not been disruptive change, and it has not been high-risk change.

Corporate-style, top-down leadership does not work in a great university. Sustained change with buy-in does work. UVA is one of the world's greatest universities.

Being an incrementalist does not mean that I lack vision. My vision was clearly outlined in my strategic vision statement. It encompasses the thoughts developed by me and my team as to what UVA can become in the 21st century and parts of it were incorporated into the budget narrative that you adopted last month .

FACULTY: One of the great strengths of UVA is our outstanding faculty. As a tenured member of faculty, I have tried to view the campus not only from the president's chair, but from the faculty's lectern and it has been an amazing and rewarding experience. Nearly every faculty member here has opportunity costs for staying and has attractive options elsewhere. The faculty we most need to keep have many options elsewhere. Most of the faculty could earn more in some other organization, academic or non-academic. They stay to participate with other faculty “of the highest grade” and to interact with students who will be the leaders of the next generation. Their financial sacrifices have their limits; of course the faculty must be appropriately compensated.

But at the end of the day, money alone is not enough. The faculty must also believe that they can do their best work here. They must believe in the future here. At any great university, the equilibrium – the pull between the desire to stay and the inducements to leave – is delicate. Rapid change rapidly upsets this delicate equilibrium.

Already in the last ten days we have lost faculty to other universities. Fortunately, we are well past the usual hiring season in most disciplines. But deans and provosts at every peer institution are setting aside funds now to raid the University of Virginia next year given the current turmoil on our campus.

Clearly we have financial challenges. Our net financing from the state has been steadily cut for two decades, despite the efforts of the Governor and General Assembly to modestly reverse that trend. Both political and market forces limit the tuition we can charge. We are addressing these challenges in multiple ways.

The academic mission is central and must be protected. Strategic cutting and large-scale cost savings have therefore

been concentrated in non-academic areas, and these areas have become notably leaner and more efficient.

The historic practice at UVA was that any necessary budget cuts in the academic areas were directed by the central administration, often by a non-academic officer. And because that officer often, almost inevitably, lacks sufficient information to make detailed choices, these cuts were usually applied across-the-board, the most non-strategic approach to cutting. I undertook to change this approach.

In the last two years, we have been working to implement a new internal financial model. This is no technical accounting matter. The new model would empower deans, improve their financial incentives, and hold them accountable for the results. Each dean knows his or her own school far better than the central administration can ever know it. But the deans have had limited financial planning tools, and if they did find a way to cut costs, or a creative way to raise revenue without raising tuition, there was no assurance that they would keep the savings or the revenue. We expect better financial decisions, new cost savings,

and where necessary, more strategic program cuts from the new internal financial model.

The budgeting changes we have already set in place this year have created transparency and accountability and dispelled the perception that politics drives the internal allocation of resources. The budget meetings that we initiated this year provide the opportunity for the provost to work with deans on priorities for strategic investment. And often he discovers that multiple deans have a similar idea, and that a co-investment strategy will produce greater gains at lower total cost. We are making a portfolio of these “small bets,” which cumulatively will build strength in important areas of teaching and research. This approach acknowledges that we are neither prescient nor omniscient. No single initiative will do serious damage if it doesn’t work out.

One example, already under way and being expanded, is the Quantitative Collaborative, which addresses simulation and predictive statistical models and the challenges of massive data sets that exceed the limits of our analytic tools.

Others that are well along in the planning and funding stages include:

The Contemplative Sciences Center, which has broadened considerably from the original donor proposal to an exciting synergy among faculty from the Medical School, the College of Nursing, Asian Studies, Religious Studies, and other departments.

Our international focus: We are broadening and deepening the connections among our international faculty, especially among those who study China and Africa. These are not areas that should be siloed within academic units, but there should be ways for scholars across Grounds to interact on them. My recent trip to China was used as a way to integrate these scholars' expertise and help us chart a course for the future.

Environmental sustainability is a topic that excites faculty and students from nearly every school, including the College, Architecture, Engineering, and other. . A new partnership with the National Fish and Wildlife Foundation, together with our widely heralded Bay Game, offer opportunities for study in species conservation and clean water, which will be one of the

most important issues of this century. Many more ideas are bubbling up both from faculty and from students. These projects require new funding, typically from interested private donors, but they are also force multipliers. They enable our existing faculty to expand the reach of their teaching and research through structured collaboration with colleagues in other departments and other schools. They do not tear down departments, but instead they provide ways for faculty from different departments to interact, enriching the departments but also allowing new activities.

We have taken similar initiative with respect to faculty compensation. We found funds for a 2% faculty pay raise last year — not enough, but the first raise of any kind in four years. Equally important, we instructed deans not to give a 2% raise across the board, but to allocate all raise money on the basis of merit. This rewards our most valuable faculty and improves the incentive structure for all faculty.

A dramatic top-down reallocation in our general fund, simply to show that we are “changing,” or that we are not “incremental,” seems to me fiscally imprudent, highly alarming

to faculty, and unfair to students who expect to get a broadly inclusive education here. I have chosen a lower-risk and more conservative strategy, because I am accountable to the taxpayers and the tuition payers.

If we were to embark on a course of deep top-down cuts, there would also be difficult questions regarding what to cut. A university that does not teach the full range of arts and sciences will no longer be a university. Certainly it will no longer be respected as such by its former peers.

Faculty collaborate both within disciplines and across disciplines. In the nature of things, many of these collaborations are not even known to the central administration. If we cut from the top down, without consulting the affected faculty, a cut in one department may have wholly unintended consequences in another department that we are trying to build up.

Nor can we always predict which kind of knowledge will be of greatest import in the future. Before September 11, few of us understood just how important Arabic and other Middle Eastern and Central Asian languages would become — to our students, to the nation, and to national security. Suppose we had

eliminated some of those languages because of low enrollment or other fiscal considerations before 2001. We would be scrambling to recreate them now.

Beyond finances, there are many other innovations I have undertaken and about which you are regularly briefed.

We conducted national searches to fill our two executive vice presidencies with talented administrators. No president can act alone; filling these positions was essential to further progress.

We have increased the emphasis on the unglamorous but critical task of patient safety in our hospitals.

We are undertaking or evaluating strategic alliances with other health care providers, to strengthen our position in the face of a changing and more complex and difficult market for health care.

We have taken initiatives to improve student safety. This is obviously a matter of great concern to parents. These initiatives include the Day of Dialogue during my first month on Grounds,

and the follow up from that day, and a new policy on sexual misconduct that is considered a national model.

We greatly expanded our MLK Day celebration, both as an additional educational activity for our students but also as a way to link with the community of Charlottesville. We have worked with the Governor, with the Higher Education Advisory Commission created by the Governor, and with the legislature to implement the Higher Education Opportunity Act.

We are gradually increasing enrollment, preserving the quality of instruction with the initiative pre-funded by the General Assembly, and we have implemented Early Action in admissions, increasing our ability to compete for the best students.

We have created the 4VA telepresence consortium with the state, Cisco, Virginia Tech, George Mason, and James Madison that uses sophisticated technology to share courses and other resources; examples are advanced Mandarin and national security policy. I would have become the consortium's chair on July 1. There is room for carefully implemented online learning in selected fields, but online instruction is no panacea. It is

surprisingly expensive, has limited revenue potential, and unless carefully managed, can undermine the quality of instruction.

We have initiated the Hoos Well program, which in the long run will save money on our employee health care plan.

In this very Rotunda in which you are sitting, I initiated and secured funding for the critical roof repair. Much more must be done to complete this, and we had a plan in preparation to raise the funds.

Fundraising takes time. A new President first has to meet donors and establish trust and rapport. Instability is as alarming to donors as it is to faculty and in the last few days you are already seeing the impact.

Fundraising during my tenure has been rebounding from the effects of the recession and the presidential transition. Since I came on board in 2010, philanthropic cash flow has increased by 15.6%. New campaign commitments to date averaged \$17.1 million per month in FY 2010 and averaged \$24.6 million through April 30th of FY 2012. A number you may not know

yet is that we raised \$44 million from our Reunions classes at Reunions Weekend.

Beyond fiduciary matters related to the budget model and fundraising, the University's new administrative team has had a considerable human impact. If you want to know about the impact on the faculty, on its morale and energy and commitment to UVA, go outside and talk to them.

I want to turn to the issue of trust. The community of trust is not merely a term to describe a Code that applies to our students. We equally need a community of trust between faculty and administration and among our leadership teams. Trust does not mean an absence of disagreement. But it requires that disagreements be frankly discussed. No matter how accomplished he or she may be, a president cannot read minds. When you choose a new president, tell him or her what you are thinking.

Finally, I would like to thank you for the great honor of leading the University of Virginia. In only 22 months, Doug and I have felt warmly embraced by the University and by Charlottesville and Albemarle County. Whatever the problems

this University may be facing, make no mistake: This is one of the world's great universities. Every day on Grounds, great ideas are pursued; outstanding books are written; patients' lives are saved, often after despair had set in. The products and industries of tomorrow are being crafted in our laboratories, and the leaders of the twenty-first century fill our classrooms and seminar rooms.

One of the greater duties of the president is to listen carefully to the needs and aspirations of the community. Only with that input have I been able to identify and analyze the issues that required action. I am proud of my service here, and I thank you for the opportunity.