Thank you, Mr. Chairman. I open my report on a sad note. Rufus H. Powell, the third, secretary emeritus of Duke University, died April 7th at Duke Medical Center. Mr. Powell received his bachelor's degree from Duke in 1936 and a law degree three years later. He practiced law in Durham for two years until he joined the FBI in 1941. He retired from government service in 1965 to become assistant dean of the law school. From 1966-81, he served as university secretary. As Terry Sanford so eloquently put it, Rufus Powell embodied the spirit of the university, loved Duke and worked for its perfection. Those of you who knew and worked with Mr. Powell know how devoted he was to the university and to the work of the Trustees.

You will know, too, that Richard Nixon, the 37th President of the United States and a 1937 graduate of the School of Law, passed away on April 22nd. At the law school, Richard Nixon won both academic honors and election as president of the bar association. He subsequently became the first graduate of the law school to be accepted for membership in the bar of the State of California and, of course, the first of our graduates to be elected to the presidency.

During his long and remarkable -- and often controversial -- career in public life, President Nixon established an impressive record of leadership, particularly in the field of international relations. His courage in reaching out to China and in initiating the first significant steps toward contemporary international arms control have significantly shaped the modern world order and represent an extraordinary legacy that few world leaders of any era can claim. The era of détente he initiated more than two decades ago paved the way for the ultimate breakup of the Soviet Union and the breakthrough of democratic principles that dissolved the Communist empire across the world.

It is appropriate that his law school classmates established a scholarship endowment fund in his name, which has provided educational opportunity throughout the years for numerous students, including a number from China, who have shown a special interest in the internationalism that was so great a part of his life.

Both Dean Gann and I have written President Nixon's daughters to express our sympathy. May we now observe a moment of silence in memory of Rufus H. Powell and Richard M. Nixon.

COMMENCEMENT

Thank you. On a happier note, I am pleased to see so many Trustees here for this weekend of meetings and for Commencement. This will be my first commencement at Duke, and University Marshal Pelham Wilder once again promises to invoke his special relationship with the heavens to permit us to celebrate in glorious sunshine the successful conclusion of the academic careers of 1,700 undergraduate students and 1,667 graduate and professional students. Since we have only one university commencement exercise each year, a number of students who will complete their academic requirements this summer or in the fall will participate in the ceremonies with us, and we welcome them and their families as well as this year's graduates.

We are delighted that Trustee Judy Woodruff, one of our nation's most honored journalists, will address the Class of 1994 and their families as our commencement speaker. It is particularly gratifying that for the first time in more than a decade, our speaker is a Duke graduate. More importantly, Judy's senior position at CNN, and before that at PBS and NBC, give her a unique
perspective on the issues shaping our daily lives. She surely can speak with authority about the world in which our graduates will provide leadership.

We also will award honorary degrees to four distinguished Americans, three of whom graduated from Duke, and the fourth, U.S. Olympic Committee President LeRoy Walker, who has been closely associated with the University during his years as Chancellor of North Carolina Central University, and as a current member of the Board of Visitors of the Fuqua School.

Our other honorary degree recipients — Chancellor Paul Hardin, of the University of North Carolina at Chapel Hill is a former Duke law school faculty member and Duke trustee; award winning author Josephine Humphreys; and, George Woodwell, the director of the Woods Hole Research Center — are each extraordinarily accomplished in their fields. You will have an opportunity to meet our honorary degree recipients at dinner on Saturday.

STUDENT HONORS

Both the April 29th and today's edition of the Duke Dialogue highlight a number of awards won by graduating seniors, but I'd like to highlight a few of these and other recent recognitions of the accomplishments of our students. A three-member team from Duke recently took first place in the prestigious William Lowell Putnam Mathematical Competition for undergraduate college and university students in the United States and Canada. Senior Jeffrey Vanderkam, junior Craig Gentry, and freshman Andrew Dittmer scored best overall among the 408 teams that participated in the 54th annual event. This is the first time a team from Duke has won this important competition; and it is the first time in nine years that Harvard has been beaten (this is at least as sweet for the mathematicians, I am sure, as winning the Carolina Game is for the Blue Devils). Jeff Vanderkam also won gold and silver medals at the International Math Olympiads, and in a ceremony a few weeks ago, I helped officially retire his "jersey," his Putman competition t-shirt appropriately marked 4 over 3. It will hang in the math majors' lounge, just as Grant Hill's "33" will hang in Cameron.

Dean Moyar, a graduating senior from Cleveland, has been awarded the Mellon Fellowship for graduate study leading to a Ph.D. in humanistic studies. Roger Boone and Christine Gregorski have been awarded 1994–95 Wallace Wade Scholarships. These scholarships are funded by an endowment created by the legendary football coach in 1986 to honor students who have lettered in one of several major sports while Duke undergraduates and who are continuing their studies in a Duke graduate or professional school. Roger, who made the Academic All-ACC football team, will begin his studies for the MBA at Fuqua; Christine, who was Duke's outstanding track and field athlete in 1993, will continue her fast pace at the School of Law.

FACULTY HONORS AND RESEARCH

Our faculty continues to garner an impressive array of national honors. We recently learned that four of our faculty received prestigious 1994 Guggenheim fellowships. The Duke fellows are Alice Kaplan, associate professor of Romance studies and literature, and director of the undergraduate studies program in literature; Alexander Keyssar, professor of history; Cathy C. Laurie, professor of zoology; and Michael Pirrung, associate professor of chemistry. Only three universities received more Guggenheim awards than Duke this year.

You should know, too, that Dorie Reents-Budet, Adjunct Assistant Professor and Associate Curator of the Duke Art Museum, and author of the magnificent new book, Painting the Maya Universe: Royal Ceramics of the Classical Period, won second place in the American Association of Museums' annual competition for exhibition catalogues. Reents-Budet and her colleagues
used a complex interdisciplinary approach to reveal fresh insights into the richly colored and intricately designed ceramics and their function in a complex society that flourished more than 1,000 years ago. The findings discussed in "Painting the Maya Universe" are the basis for a national touring exhibition that opened at our Museum of Art in January and is now showing at the Museum of Fine Arts in Boston.

You may have seen the press reports about the exciting discovery that evidence has been found for the existence of the lone missing subatomic particle needed to fulfill a theory explaining the fundamental structure of all matter in the universe. Eight physicists from Duke are on the team of more than 400 scientists who found evidence for the existence of the elusive "top quark" by smashing protons and antiprotons at the Fermi National Accelerator Laboratory. Professor Alfred Goshaw leads Duke's high-energy research program, and he and his colleagues will be continuing their pathbreaking research on this "quark research team" at Fermilab.

Last month experiments by Duke scientists were part of the space shuttle Endeavor's orbital research. While the shuttle scanned the Blackwood Division of the forest from 140 miles above the earth, Duke researchers and a team of students from Riverside High School gathered more than a thousand soil samples and took several hundred photos of the leaf canopy. The NASA project is designed to compare the so-called "ground truth" with what the shuttle's radar saw to assess the value of orbiting radar as a tool to study the environment. Eric Kasischke, one of the project leaders and an assistant research professor at the School of the Environment, reports that the radar images are just starting to come in from NASA. A second shuttle mission is tentatively set to begin August 18th.

The Blackwood Division, one of the most important research tracts in the entire Duke Forest, continues to be one of the prime sites recommended by the Orange County Landfill Search Committee for a new county landfill. Norm Christensen and others at Duke are continuing to work with appropriate parties to educate the Orange County Board of Commissioners and planners as to the inappropriateness of this important research tract as a landfill site.

**CAMPUSS PLANNING**

We are grateful for your ongoing help in thoughtful discussion of the University's long-range strategic plan; I look forward to hearing summaries of the results of your small-group discussions at the Board meeting tomorrow morning. We also have a thoughtful discussion of several aspects of the Plan at the luncheon for Trustees emeriti earlier today.

You are aware of several reports from Task Forces that are helping us focus our planning efforts and will be important in taking our next steps. Let me just bring you up to date on where we stand with these.

Yesterday the Provost and I presided at a ceremony to receive formally the Report of the Task Force on Science and Engineering at Duke; this is a dense and thoughtful planning document which will now be discussed with the Academic Council and other faculty bodies and eventually brought to the Board after we have the input of faculty members. We also have good reports from Professor Peter Lange on internationalization at Duke, submitted to the Provost and me in late February, and hot off the press, the report of the Task Force on Intellectual Life, chaired by Professor Peter Burian, which was discussed initially at Academic Council yesterday, and will be the subject of several further discussions in the fall.

The Report of the Task Force on Greek Life has also been received in the past few weeks, as has the report of the East Campus Enhancement Committee. We await the report of the Task Force on Residential Life to complete the set.
Much of our time this summer will be spent in absorbing and considering these reports, deciding which recommendations make sense for immediate implementation, and which ones are appropriate subjects for further consideration by faculty, administrators, students and trustees in the fall semester. We (meaning here the relevant administrators) will use the summer to decide on the most appropriate frameworks for considering the recommendations and implications of these reports together, in the fall semester, before making decisions based upon them during the 1994-95 academic year.

I think that the task force mechanism has proved very fruitful in generating thoughtful, well-informed documents on a variety of crucial topics. These reports have moved us much further ahead in our ability to focus on the crucial issues and make good decisions. We expect to make sparing but continuing use of the same mechanism for considering some important future issues for Duke in the years ahead.

COMMUNITY RELATIONS

We are encouraged to learn that a recent telephone poll conducted by students in Professor John McConahay's class at the Terry Sanford Institute for Public Policy found that 98 percent of Durham residents polled feel favorably about Duke and believe it is a benefit to the community. Of those Durham residents who expressed an opinion, 85 percent said they felt favorably about Duke students, while almost 70 percent of the respondents said they think Duke students are good residents of Durham. Eighty percent of Durham residents said they felt welcome on the Duke campus.

At one level, these very positive results are not surprising. Duke is the largest employer in the area, a significant source of cultural and recreational activities, and the major source of health care for Durham residents. Nonetheless, as I meet with community leaders (and with various employee groups), it is clear that Duke is seen as a mixed blessing by many Durham residents, especially those from economically threatened groups. We are sometimes perceived as aloof and uncaring, ensconced in our Gothic wonderland, insensitive to the economic problems and real-life challenges of our city. Increasingly the problems of crime, drugs and other social and economic scourges associated with urban areas, are creating two Durhams -- one prosperous and one that is falling further behind.

Duke alone cannot solve the fundamental problems besetting Durham, especially given the very real constraints on our financial resources which must be devoted to our core academic missions. But it is increasingly apparent that working with other partners, we can be a much more active part of the solution; and we need to do this in our own interest, as well, if our neighborhoods are to continue to be attractive and safe places for our faculty, staff and students to live.

Our recently established Community Relations Council, consisting of officers from across the administration including the Medical Center and chaired by John Burness, is looking at these kinds of issues. We hope to come back to you at a future meeting with an analysis of how the university can more effectively and cooperatively work with Durham to address issues of mutual concern.

Mayor Sylvia Kerckhoff and I announced that the University was investing $2 million in an affordable housing loan program targeting low-income Durham families, with special priority given to Duke employees and neighborhoods adjacent to the campus. The program builds on the strong positive results of the affordable housing loan fund the Board approved in 1989. Duke is teaming with the non-profit Center for Community Self-Help and its federally regulated Self-Help Credit Union. The Center for Community Self-Help -- recognized this year by President Clinton as the model program in the
country for expanding home ownership among lower income families -- is working with a number of major financial institutions, and our loan program will leverage several million additional dollars in home ownership for low income families. As I reported to the Executive Committee, I was pleased to participate in a tour last month of several local neighborhoods where I had an opportunity to see first hand the impressive results of our earlier loan fund. One can only be impressed by the dedication of the Duke students, faculty, and staff who have been working with city and community leaders to address this important issue, and I am especially pleased that as part of this new fund, we can support the efforts of the Duke Chapter of Habitat for Humanity, in which literally thousands of our students, faculty and staff are involved.

HEALTH CARE REFORM MATTERS

Chancellor for Health Affairs Ralph Snyderman continues to provide national leadership in the ongoing debate over health care reform. Ralph and the deans of the three other North Carolina medical schools took their concerns about national health care reform to Congress in March; they met with the entire North Carolina congressional delegation, as well as with key staff on a number of committees central to Congress' complicated review of health care reform legislation.

You will be hearing more from Ralph, Mark Rogers and their colleagues about these issues and plans to position Duke Medical Center and the Hospital for the very changed world of health care delivery during this weekend's meetings, but I would like to mention an exciting new program in the health care arena. The Fuqua School of Business will launch in January 1995 what we believe will be the nation's first executive MBA program for health care professionals. The Weekend Executive MBA Program in health services management builds on the success of Fuqua's nationally recognized weekend MBA program in general management, which has been offered since 1984. In the new program, managers will earn an MBA degree, with a certificate designating the health services management specialization. Fuqua is launching this new program in cooperation with the medical center. It's another example of the teamwork and synergies that come from the close collaboration and interdisciplinary approaches across the schools at Duke.

UNIVERSITY FINANCES

On the financial front, University operations for the first nine months of the current fiscal year are 11.9 million dollars favorable to budget. Of this amount, 8.7 million will be transferred to various discretionary reserve accounts, according to pre-existing budgetary incentive agreements. We plan to use 1.3 million to help finance the design phase of the student recreational facilities that we discussed at the February meeting, and to use 1.25 million dollars to help start-up costs at the Levine Science Research Center.

We also propose to set aside $200,000 for start-up support for a new dusk-to-dawn service called 684-SAFE that will begin this fall. This van and safe walk service will complement our bus system so members of the university community can count on safe, reliable transportation around campus 24 hours a day. This new service developed by the Safety Committee will continue to use student volunteers, but also will have a core of permanent people and equipment.

The Hospital trends discussed in February continue -- decreased inpatient days of care and increased outpatient care. Hospital operations for the first three quarters of the fiscal year resulted in a net excess of revenue over expenses of 15.5 million dollars, nearly 3.4 million less than budget. Inpatient days through March were 4.9 percent under budget, and 5.4 percent lower than last year's comparable period. Also continuing, of course,
is the strict attention to expense control, and total expenses remain under budget by more than 7 million dollars. You have more detail in Tab 10B2. But I do want to point out a major part of the cost control effort was the restructuring of the hospital's administration in March. The reorganization aimed at increasing hospital efficiency and improving internal coordination to provide a more service-oriented atmosphere for patients, faculty and staff. Five assistant chief operating officers will oversee the hospital's functional areas while a group of administrative directors will manage coordination of every aspect of the patient-care process. It is a strong statement of confidence that the new Hospital management team put in place by Mark Rogers and his colleagues has been drawn entirely from within the existing Medical Center staff.

The reorganization of the Hospital is but one component of several efforts to improve our support for managers and employees. An important initiative in the Long Range Plan is strengthening our human resource management capabilities. We are in the process of developing new university-wide performance management systems to increase communication between managers and employees and to help them work together to link organizational goals and individual performance. We expect that pilot efforts can begin as early as July with some administrative units on campus and in the Hospital, with a goal of implementing a comprehensive system by the end of 1995.

WASHINGTON ISSUES

Last month I, along with my colleagues in the Association of American Universities -- the leading research universities in the nation -- met at the White House with President Clinton and other senior government officials, including Vice President Gore and Secretary of Education Richard Riley, to discuss the importance of sustaining and enhancing the historic partnerships between the research universities and the federal government. I was asked to help open the discussion by saying something about the importance of student financial aid and support for undergraduate education in our research institutions; knowing that the President dislikes pomposity, and fearing that some of my colleagues might be tempted to that trespass by the august nature of the occasion, I broke the ice by assuring President Clinton that the President of the University of Arizona and I bore no hard feelings about the Final Four, that we were willing to let bygones be bygones; and I even congratulated him on the good performance of his team. That did seem to help break the ice, although Dick Riley raised a rhetorical question about whether I really meant my praise for the Razorbacks.

In any case, we were very encouraged by the President's response to the universities' concerns, which ranged from discussions of health care reform and its impact on academic health centers, to funding for research and the need for a rational indirect cost policy.

At the meeting, Secretary Riley also indicated that he had listened carefully to the concerns expressed by leaders in higher education about the new regulations. You will recall from previous reports that we have been disturbed by proposed regulations from the Department of Education to implement the 1992 Amendments to the Higher Education Act. The regulations initially proposed by the Department would have altered the relationship between the federal government and our nation's colleges and universities by intruding the federal government for the first time in institutional curriculum, tenure and faculty hiring practices, and other academic and related areas.

Secretary Riley is a man of his word. Our initial reading of the final regulations released this week, is that the over-arching reach into the academic autonomy of institutions has been significantly reduced. We are indebted especially to Terry Sanford for his help in clarifying for the
Secretary that Congress had not intended in its original law-making to extend government regulatory authority over institutions not engaged in fraudulent and abusive administration of federal financial aid.

While in Washington, I also had an opportunity to participate along with presidential colleagues from other universities in an off-the-record discussion over dinner with editors and reporters from the Wall Street Journal, New York Times, Washington Post, Baltimore Sun, Chicago Tribune, Newsday, and the Chronicle of Higher Education. I find these conversations with the media to be useful in bridging the gap of understanding about issues of importance to higher education generally and to Duke. We are trying to be more systematic in planning my travel schedule so as to include opportunities for me to meet with reporters, editors, and editorial boards as appropriate when I am participating in alumni gatherings around the country.

The alumni gatherings are continuing to be for me a wonderful source of stimulation and learning and meeting Duke people, and a great opportunity to talk with many alums and parents about Duke today. We take the show next to California (Los Angeles and San Francisco) next week, then to Boston, Dallas and Philadelphia before closing for the summer. Once again, I want to thank all members of the Board who have been so helpful in planning and carrying out these events across the country.

And that, Mr. Chairman, completes my report.

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