Welcome and Founders’ Weekend

I am pleased to welcome you back to the campus for a full and exciting weekend of activities. We expect more than 250 members of the Founders’ Society to be with us to celebrate Founders’ Weekend, when we salute the University’s traditions and recognize outstanding faculty, staff, students and alumni who have made exceptional contributions to scholarship, teaching and service at Duke.

We began the weekend auspiciously yesterday with a superb Founders’ Day address by Trustee Emeritus John Chandler. I was especially pleased, as I know you were, that this year’s Distinguished Alumni Award was presented to Trustee Emeritus John Forlines, and University Medals were presented to Trustee Emerita Isobel Craven Drill and Paul Dumas of our Department of Public Safety. Each has given, and continues to give, extraordinary service to Duke. It is fitting that we were able to honor them with the University’s and the Alumni Association’s highest awards.

Levine Science Research Center and Other Major Dedications

In addition to the full agenda for this weekend’s meetings and tonight’s Founders’ Society dinner, we will celebrate tomorrow the opening of the Levine Science Research Center. I wish we could all be in two places at once, since while the Board is meeting today and tomorrow, an excellent series of symposia and addresses is scheduled -- on key issues in environmental policy and research, computer science, biotechnology, and science education, involving scholars from Duke and around the country and leaders from business and government. Immediately after the conclusion of our meeting tomorrow, we will dedicate the Levine Center; Dr. Roy Vagelos, recently retired chairman of Merck (and recently elected chairman of the board of trustees at the University of Pennsylvania), will present the keynote address. And those who can stay on through Saturday evening will have a chance to watch Duke extend to 14 the number of consecutive victories over Big Ten basketball teams when Duke hosts Michigan in Cameron.

This has been a period of impressive celebratory events at Duke. On November 18, we had a gala dinner celebrating the 25th Anniversary of the Duke University Museum of Art, with guests including former Duke President Douglas Knight and Mary and Jim Semans, whose visionary work established the institution. At that time I was able to announce a bequest gift of $1 million in endowment support for the Museum from the estate of Ted Hanscom, a long-time friend of the Museum. A second million, from the same estate, will be used to establish an endowment in support of international studies across the university.
Four fine exhibits are being shown to commemorate the anniversary, and if -- against expectations -- the weekend gives you any time to slip away and see them, I encourage you to do so. We also inaugurated a new support group for the museum, The President's Art Museum Committee, chaired by John Schwarz '56, charged with raising public awareness of and participation in the Museum, and seeking endowment support for acquisitions, programs and curatorships.

Another reason for celebration was just disclosed yesterday: Alison Elizabeth Meekhof, Trinity '95 and A.B. Duke Scholar, has been notified that she will receive a Marshall Scholarship to study for a master of science degree at Cambridge University. Alison is exceptionally gifted intellectually, and a true student leader as well; we are delighted for her, for Cambridge and for Duke.

Last week we dedicated the splendid new facility for the Terry Sanford Institute of Public Policy. Included among the several hundred people participating in the symposia and events associated with the dedication of the building were faculty, students, and alumni of the Institute, public policy analysts, and several leaders from government in Washington and Raleigh, including Governor Jim Hunt, Congressman David Price, and the Costa Rican ambassador to the United States, Sonia Picado. I was especially pleased that Trustees Susan King, John Koskinen, Wilhelmina Reuben-Cooke, and Trustees Emeriti Mary Semans, John Forlines and Gene Patterson were with us to honor Terry for his remarkable leadership to the field of public policy. It was grand also to welcome back Joel Fleishman, who returned to the campus as we dedicated the Fleishman Commons in the new building.

The dedication of the Sanford Institute and the Levine Science Research Center represent far more than two welcome additions to the campus. These exceptional new facilities represent significant milestones in our commitment to bring faculty from a variety of disciplines together to enhance both undergraduate and graduate education and to nourish research beyond the traditional boundaries of isolated specialties. Indeed, the symposia for both dedications illustrate the interdisciplinary strengths provided by the programs housed in both of these splendid facilities.

New Faculty

Among those participating in the Sanford Institute dedication were the two newest members of its faculty, David Gergen and David Price, each of whom is returning to Duke after a period of exceptional service in Washington. David Gergen will be joining the faculty next month as a visiting professor at the Institute and will teach an undergraduate course "Governing in Today's America" in the spring. There are few persons in this country who have a broader perspective on the development of national policy, and communication strategies associated with it, than David Gergen, who has worked in the White House for Presidents Nixon, Ford, Reagan and Clinton. As many of
you know, David is coming home to Duke. His father, John Gergen, was a mathematics professor here for three decades, and his mother, Aubigne Gergen Hickson, lives in Durham and continues to be an active participant in the Duke community.

We are also very pleased that David Price, a longtime member of the faculty in political science, plans to return to Duke this January with a joint appointment in the Department of Political Science and the Sanford Institute. For the past 8 years, David has served as a congressman from the Fourth District of North Carolina where he has earned a reputation as one of the most thoughtful and effective members of the United States Congress. Bill Ascher, the director of the Sanford Institute, and John Aldrich, chairman of the Department of Political Science, were in contact with me as soon as the election results were known, to urge that we invite David back to his tenured seat on our faculty before some other institution or think tank tried to capture him. I’m most pleased he will return again to his “roots” at Duke. David Gergen and David Price bring exceptional knowledge of the workings of government borne of deep experience in both the executive branch and the congress. They will, I’m confident, enhance the educational opportunities we offer our students.

Higher Education and the Elections

The recent elections promise significant changes for higher education and particularly for research universities. Democrat Tim Valentine, who represented the Research Triangle area and Duke’s West Campus, decided not to seek reelection and has been succeeded by Republican Representative David Funderburk. Democrat Mel Watt of Charlotte, who represents a portion of Durham including East Campus, was reelected. The North Carolina congressional delegation for the first time since the turn of the century will have more Republicans than Democrats (and for the first time in more than 100 years the General Assembly of the North Carolina Legislature will be in Republican control). I’ve contacted each member of the delegation to stress the importance of our working closely together in the new Congress.

The Republican Contract for America, in addition to calling for a number of significant changes in the tax code, targets a number of programs of importance to higher education for significant cuts over the next five years in order to help fund the tax changes proposed. These include the following:

- $13.5 billion cut in support of teaching hospitals
- $2.9 billion reduction in financial aid programs including Work Study
- $1.6 billion cut in indirect costs reimbursements to universities that support federal research
- $346 million reduction in planned growth of the budget of the National Science Foundation
- The effective elimination of the National Endowments of the Arts and the Humanities
Duke, of course, receives significant funding under each of these programs. While it is far too soon to tell whether the draconian cuts now being contemplated in fact will occur, it is clear that we will need to give very high priority to working with our delegation, the Washington-based associations of which Duke is a member, and others in Washington to educate the new Congress of the importance of many of these programs to our universities and to the general society.

While there is widespread concern within the higher education community about possible cuts, we also feel that the changes in Congress are likely to lead to a reduction in some of the more burdensome regulatory requirements universities have faced in recent years, particularly those associated with the implementation of the 1992 amendments to Title IV of the Higher Education Act governing financial aid. We may also see some welcome changes in the tax laws associated with incentives for parents to save for their children’s college education.

**Duke/Durham Relations**

The elections also saw a change in the Durham county board with longtime chairman Bill Bell being defeated and two Republicans being elected to the county board for the first time in many years. The new chair of the county board is returning commissioner Becky Heron. Many of you may know Becky, whose husband, Duncan, is a longtime member of our geology faculty. We have worked closely with her in the past and I am confident we will continue to have strong and productive relations with the Durham Board of County Commissioners.

We will have an opportunity to spend time with the members of the county board next week as they and other elected officials and leaders from the Durham community will join with us at the opening of the new office for Duke’s Office of Government Relations and Community Affairs. The staff in that office had to vacate its space due to other pressures on the Jordan Building, and the staff felt (and I agreed) that locating the office in downtown Durham provided an important symbolic statement of the University’s commitment to working effectively with the community and to improve coordination of our many relations with city and county government. The new offices are located in the SOUTHBank building immediately across from the Durham Arts Council. I am grateful that Jean Spaulding will represent the Trustees at the opening of the new office.

Duke’s commitment to Durham was dramatically demonstrated by the success of this year’s United Way campaign. Duke raised a record $500,604 for the annual Durham United Way Campaign this year, surpassing last year’s total by 59 percent; this is a marvelous result. It has been a great effort on the part of many people, and it demonstrates once again how strongly we at Duke care about our community. We can thank the more than 400 faculty, staff, and student volunteers who helped coordinate this five-week effort and the 3,600 members of the University community who opened their pocketbooks to help their neighbors. Special thanks go to Paul Brummett, Director of the
Department of Material Support, Laney Funderburk, Associate Vice President and Director of Alumni Affairs, and to Bob Winfree, Associate Vice Chancellor for Health Affairs, who co-chaired the successful campaign.

**Major Gifts to Duke**

I am also pleased to report to you that we are announcing today that Fleet Investment Services, the trustee of the J. G. Balfour Foundation, has awarded a $1 million grant to Duke to establish an endowed scholarship fund for minority students from the New England area. This grant is a good match with University priorities and is consistent with Duke’s strong commitment to our policy of aiding all admitted students who have need. This generous support from the Balfour Foundation is a most welcome contribution to our ongoing effort to meet these priorities while removing some of the increasing pressure on our operating budget.

We also have had some good news for the Fuqua School. In the latest evidence of his generous commitment to enhancing the quality of the school which bears his name, J. B. Fuqua has given another $2 million to establish an endowed professorship in international management. This is another wonderful example of Mr. Fuqua’s history of making the right gift at the right time. It will enable the school to attract one of the world’s leading scholars in international management as part of the Fuqua School’s drive to be a global leader in management education and research.

Last month the Fuqua School also announced that IBM has donated $1.1 million in technology and services to support global management education and worldwide research efforts. The gift-in-kind calls for $150,000 in educational consulting services and $900,000 in networking systems equipment over a three-year period. This gift will also support the School’s increasingly international role in educating business managers.

And good news from the Medical Center, which has signed a five-year agreement with Sandoz Pharmaceutical Corp. to provide $2.5 million to support new medical faculty and promising research projects. These funds will support new faculty with daring ideas in new areas with clinical relevance. The Duke-Sandoz agreement includes standard university terms regarding intellectual property rights. And under the agreement, the medical center will determine which faculty will be named Sandoz scholars and which research projects and clinical trials are to be undertaken.

Last month some 4,000 parents and family members attended Parents’ Weekend activities, more than doubling the previous year’s turnout! They were greeted by an impressive array of activities and events, including our football team’s thrilling victory over Virginia. New events added to the schedule this year included an open house at the School of the Environment in the LSRC, an information session and a tour of the Fuqua School, a reception for parents at the Divinity School, and a series of panel discussions.
and lectures involving faculty from Arts and Sciences. Many of you may have seen the excellent article in this past week’s *Chronicle of Higher Education* about our Parents’ Program and the efforts of last year’s co-chairs Janet and Calvin Hill, who led Duke’s Parents’ Program to the top position in fund raising among similar programs around the country.

**Financial Results**

Financial results for the University for the first four months of this fiscal year are encouraging, and it appears we will finish the fiscal year in June with a positive outcome. But there are some storm clouds on the horizon and managers will have to continue to monitor their operations carefully during the months ahead. Our forecast planning indicates prospects for next year will be challenging, as we have predicted for more than a year. You have the details on this year’s performance in your packet, but I will touch on a few highlights.

University operations, excluding the Hospital, were $2.3 million favorable to budget at the end of October. Revenue from all sources was $1.5 million more than budgeted for the four-month period, and total expenses were $789,000 under budget. This favorable performance may be affected during the final two-thirds of the year by the recent rather dramatic increase in interest rates which are beginning to affect our debt service obligation on variable rate tax-exempt bonds, and by some of the changes in Washington described earlier.

Net revenue at the Hospital was on budget for the first four months of the year and expenses were under budget by more than $2 million, thanks to continued strict controls on spending. Total payroll costs at the Hospital have continued to decrease in relation to budget, and so far this year are 4.4 percent under budget. The controls on expenditures indicate that costs are being appropriately reduced in proportion to decreased inpatient activity. The trend of reduced inpatient days that we have reported earlier continues. Fewer patients are being hospitalized, and when they are, they are spending less time in the hospital, averaging 7.5 days per stay compared to an 8 day average length of stay last year. Outpatient revenue, on the other hand, continues to increase and has more than offset the below budget performance of inpatient revenue.

**Faculty Research**

You will have the opportunity to learn more about the Hospital’s financial outlook when we meet tomorrow with Chancellor Snyderman to discuss these issues. While much of our recent attention has been focused on the Hospital and Medical Center’s financial outlook over the long term, the Medical Center continues to receive a great deal of national attention for the exceptional research and patient care it is providing. This was
dramatically demonstrated at the American Heart Association's annual scientific meeting in Dallas last month in which dozens of Duke cardiologists' basic researchers, surgeons, and heart nurses participated. The Duke contingent gave 89 presentations, moderated or participated in 14 panel discussions, and helped organize 18 council sessions. Their contributions ranged from revealing how mice may be able to solve congestive heart failure to mapping how the cost of bypass surgery varies across the nation.

Our faculty continue to provide leadership in a number of academic areas nationally. For the past year, Dean Earl Dowell of the School of Engineering at Duke has co-chaired with Eleanor Baum, Dean of Engineering at The Cooper Union, and John McTague, Vice President for Technical Affairs at Ford Motor Company, a major national study under the aegis of the American Society for Engineering Education. Their study, "Engineering Education For a Changing World," calls for the nation’s engineering schools to form new partnerships with all levels of educational institutions, industry and government. "Engineering Education For a Changing World" involved more than 90 corporate and education leaders from across the United States. The results of the panel's deliberations were released in Washington by Norman Augustine, Chairman and CEO of Martin Marietta, and Chuck Vest, President of M.I.T. It is a tribute to Earl's leadership that this thoughtful report has been so favorably received by both industry and the leaders of engineering schools around the country.

**Intercollegiate Athletics**

Finally, we are all excited over the success of our football team and salute the ACC's Coach of the Year Fred Goldsmith and ACC Player of the Year Robert Baldwin, CFA All-Scholar Team member Matt Williams, and the many coaches and outstanding athletes who have made Duke football so successful this year. We are excited about the Hall of Fame Bowl and trust we'll have as much success on the gridiron against Wisconsin as the Duke basketball team has had in recent years against Big Ten opponents -- and that all of you can be with us in Tampa! Duke's football team was one of many successful programs this fall, as both our men's and women's soccer teams progressed to the NCAA Tournament for the third consecutive year. Duke women, who handed North Carolina its first ever defeat on its home field during the regular season, breaking a 101-game winning streak, lost to Carolina in the tournament as the 13-time national champions captured another tournament title. Duke women also did well in volleyball, as our team also progressed to the NCAA Tournament, where we are still in contention for the title. And Duke men's basketball, with our three freshman phenoms led by "Chief" Cherokee Parks and other returning players, is off to a very exciting start of the season.

And that, Mr. Chairman, concludes my report.