

REPORT TO THE DUKE UNIVERSITY BOARD OF TRUSTEES

PRESIDENT NANNERL O. KEOHANE

December 8, 1995

Thank you, Mr. Chairman. I am pleased to welcome all of you back to the campus for the Board's December meeting. This already has been a momentous few days for the university. Yesterday John Koskinen and I had the honor of announcing that Trustee Peter Nicholas and his family have given \$20 million to endow environmental education and research in the School of the Environment. This magnificent gift represents an exceptional statement of confidence in the faculty and leadership of the School of the Environment, and in the Trustees' aspirations for our university. We are enormously grateful to Pete and Ginny and their family for this historic gift to Duke.

Founders' Recognitions

Pete Nicholas also delivered a thought-provoking Founders' Day Convocation address yesterday in Duke Chapel. I'm pleased that many of you could be with us for that talk. Copies of his speech will be included in the summary of action mailing you will receive from the university secretary's office following the board meeting.

The Founders' Day Convocation provides an opportunity for Duke to recognize those students, faculty, staff, and alumni who have made special contributions to Duke. Trustee Emeritus John Alexander McMahon was presented the 1995 Distinguished Alumni Award, Political Science Professor Ole Holsti received the 1995 Alumni Undergraduate Teaching Award, Professor Gustavo Perez Firmat in Romance Studies received the 1995 Scholar Teacher of the Year Award, and Dr. Paul Farmer, a Duke alumnus, received the Humanitarian Service Award.

I was especially pleased that this year the University Medal, the university's highest award for service, was presented to Trustee Emeritus John Chandler and longtime Associate Director of Alumni Affairs Anne Walker Garrard. John Chandler has distinguished himself as an educator and administrator, and while he has been a powerful advocate for higher education in general, Duke University has been a special beneficiary of his leadership and insight. Anne Garrard, who spent more than three decades in alumni affairs, won a place as one of Duke's best-loved administrators through her tremendous organizational skills and her tremendous affection for the university and its students.

The Founders' Day Convocation reminds us once again of the great vision of James B. Duke. These and other award winners exemplify the best that Duke has to offer in education, research, and service. I know you share with me great pride in their accomplishments.

Faculty Awards and Honors

While the Founders' Day Convocation provided an opportunity for Duke to recognize some of its own, members of our faculty continue to receive impressive external recognition. Let me cite only a handful of recent awards to the faculty. Professor James W. Applewhite of the Department of English has received the North Carolina Award for Literature. The North Carolina Award, the highest honor the state can bestow, is given annually to citizens who have distinguished themselves in public service, science, literature, and the fine arts.

This past month mathematics professor David Smith was one of three winners of the first Educom Medal. This

award honors those who improve the quality of undergraduate learning experiences and promote the effective use of information technology in higher education. Professor Smith is a superb teacher who co-directs Project CALC, which steers its students into learning calculus by solving practical problems in physics, biology, chemistry, and economics, rather than through rote memorization.

The Trustees will be pleased to learn as well that Dr. Mark Rogers, chief executive officer of Duke University Hospital, and Dr. Dan Blazer, dean of medical education, have been elected to the Institute of Medicine. Established in 1970 by the National Academy of Sciences, the Institute acts as an advisory body to the federal government examining policy matters pertaining to the health of the public, as well as medical research and education. Membership is based on distinguished professional achievement in a field related to medicine and health.

Dr. Barton F. Haynes, chairman of the Department of Medicine, has been named the 1995 recipient of the Arthritis Foundation's Howley Prize in recognition of his contributions to arthritis research throughout his distinguished career. Dr. Haynes' work during the last several years has led to a greater understanding of the role of retroviruses in many types of inflammatory disease. This work has led to vaccines now being tested in the United States and Japan to treat arthritis. Dr. Haynes is also leading similar work in vaccine treatment strategies for HIV-related ailments.

National Exposure

Since our last meeting, contributions by our faculty and students have received considerable public attention. All of you will know that on November 16, "Good Morning America" broadcast live for two hours from the quad in front of Duke Chapel. They happened to pick the coldest morning of the fall, but when the sun rose over Chapel Drive and cast an Alpenglow on Duke Chapel, and the carillon bells rang out in the frosty morning, ABC's cameras gave millions of viewers around the nation a glorious view of our beautiful campus. We have heard from alumni, students, and others all over the country about the "Good Morning America" broadcast. A special tribute goes to Melinda Stubbee in the News Service who coordinated the myriad of details in order to make the "Good Morning America" broadcast both possible and a success.

Of equal significance, in terms of the visibility of the research contributions of our faculty, was a conference on campus the previous week involving more than 100 leading science journalists. Sponsored by the Council for the Advancement of Science Writing, this conference provided an opportunity over four days for members of our faculty to discuss cutting-edge research from the free electron laser to the genetic causes of Alzheimer's Disease with reporters from virtually every major paper and science magazine in the country. The journalists also had an opportunity to tour our facilities, including the new LSRC and the Primate Center. The result already has been significant coverage in a number of major newspapers around the country, and we expect more attention to the work of our faculty to appear in the near future. It is a tribute both to the quality of the faculty and the professionalism that Dennis Meredith and those working with him brought to this conference that Jerry Bishop, science reporter for The Wall Street Journal and vice chairman of the Council for Advancement of Science Writing, called this the best such meeting he had attended in more than 30 years of these conferences.

Last month in Anaheim, California, Duke once again was in the spotlight at the annual American Heart Association meeting. Medical Center physicians gave some 80 presentations, which placed Duke among the top five institutions in the number of submitted abstracts chosen for presentation.

Finally, I'd like to mention another important conference held on campus in November. Duke was the host site for a conference involving the deans and other faculty members from 15 of the nation's top law schools on the topic of teaching legal ethics. Dean Pamela Gann and the faculty are to be congratulated for pulling this conference together, and for the important work they are doing on topics of considerable importance in the legal profession. The two-day symposium was a culmination of a three-year grant awarded to the Duke School of

Law by the W.M. Keck Foundation.

Financial Update

On the financial front, I am pleased to note that all divisions of the university have kept operating costs under control during the first four months of this fiscal year, and so far university operations are more than \$4 million favorable to budget. Several potential problem areas have been identified but none appears large enough to have a significant impact on financial results for the year.

Hospital operations also are doing somewhat better than anticipated through October. The length of patient stay continues to decrease -- down from an average of 7.5 days last year to 7.2 days so far this year. And the trend toward more outpatient care continues, as hospital managers anticipated. You have the details of both these financial reports in your packet.

WellPath Community Health Plans Holdings

In late October, the North Carolina Insurance Commission approved the establishment of WellPath Community Health Plans Holdings as a joint venture between the New York Life Insurance Company and the Duke University Medical Center to operate a regional HMO and benefits company. As Chancellor Snyderman has reviewed with you over the last few months, we expect that this joint venture will be a model for private sector solutions to preserve the high quality care provided at the nation's teaching hospitals. It also will allow the Medical Center to expand efforts to provide quality care through a growing network of primary care physicians and local hospitals across the region.

Community Relations

Also in October, I was pleased to join Mayor Sylvia Kerckhoff, other local leaders, and three Duke employees at a ground breaking ceremony for three new homes as part of our affordable housing project in the Burch Avenue neighborhood. The homes are being sold to first-time home buyers with loans from Central Carolina Bank and the Durham Housing Authority, with down payment assistance from Duke. Over the past two years, four other Duke families have purchased homes in the Burch Avenue neighborhood that were renovated under the initiative approved by the Trustees in 1992.

On October 30, the Center for Community Self-Help, with which Duke has invested \$2.1 million in loan monies to support affordable housing efforts, unveiled a ground breaking partnership with Fannie Mae and major North Carolina banks to provide \$100 million in home loans to more than 2,000 low and moderate income families across North Carolina. I know that the Trustees will be pleased that these affordable housing initiatives, which are given high priority in the community relations section of "Shaping Our Future," are beginning to make a difference in our community.

I'm also very pleased to report that the 1995 Duke-United Way Partnership fund-raising drive has more than met its ambitious \$550,000 goal. As recently as 1993, Duke's contributions totalled \$318,000. This nearly 70 percent increase over the past two years in the level of contributions from members of the university community to support the many worthy programs that help our neighbors in need is one more indication of the university's commitment to Durham and the Triangle area. A great many people worked very hard to make this happen, and I particularly want to thank Dennis Campbell, Dick Siemer, and John Robinette for providing the leadership that made this year's drive such a success.

Alumni Activities

This fall I made my first visits as president to alumni clubs in Denver, Cleveland, and St. Louis. While in St. Louis, John Burness and I met with the editorial board of the St. Louis Post-Dispatch. Last month we also had a wonderful party for a group of young alumni leaders in New York. Each of these visits makes clear anew the important contributions our graduates make to society, and their continuing interest in and affection for their alma mater.

Federal Relations

In October I paid my fourth visit this year to Washington to meet with several leaders in the Senate. I was encouraged by the response of these senators to many of the issues about which we at Duke are most concerned -- federal investment in financial aid for both undergraduate and graduate and professional students, federal support for basic research, and concerns about proposed immigration legislation. We talked about the need to develop mechanisms to ensure that the unique role of the nation's teaching hospitals in training medical personnel at all levels is not unintentionally undercut as the Congress reforms Medicare.

The situation in Washington changes almost hourly, and as you know, the government is currently operating under a continuing resolution. We continue to monitor the situation closely. John Burness reported on these issues at this morning's meeting of the Institutional Advancement Committee, so I expect we will have an opportunity to discuss them in greater detail later in our meeting.

Mr. Chairman, we have a very full agenda for today's meeting. Therefore, I will end my report at this point. I would be pleased to answer any questions you or other Trustees may have.

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