DIRECTIONS FOR PROGRESS

A Report to the Duke University Board of Trustees

September 26, 1980

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DIRECTIONS FOR PROGRESS

I
Introduction

On December 8, 1978, I submitted to the Board of Trustees a memorandum entitled Planning for the Eighties. I take the liberty of quoting from the summary of that report:

> Duke is a distinguished University. During the last decade it has achieved substantial momentum in its quest for academic excellence.
>
> It has also operated with a balanced budget despite high rates of inflation and increased costs resulting from federal regulations, higher taxes and the energy crisis. The budget has been balanced by more stringent controls over expenses, new sources of income, increased income from gifts and the recovery of indirect expenses, increased enrollment, and annual increases in tuition. But salary increases for some have not kept pace with inflation; maintenance has been deferred; some academic programs have been restricted; fewer books are being purchased.
>
> Costs will increase at a faster rate than income from endowment, gifts and indirect expenses in the future. Substantial annual increases in tuition will not be sufficient to maintain the present level of excellence, much less permit qualitative improvement, if we continue to attempt to function as we have done in the past.
>
> A great private university must be composed of educational components which are better than or different from those in public universities, if in the long run it will be able to charge higher tuition and continue to achieve a high level of support from corporations, foundations and individual donors. The financial forecast makes it clear that Duke

> can be qualitatively superior only if it restricts the scope of its educational programs and concentrates the resources available on fewer activities.
>
> We must therefore engage in planning for retrenchment, not growth. We must be prepared to reexamine many assumptions which have been tacitly accepted in the past, and explore new ways to function more effectively, increase revenue and decrease costs. No major change in the fundamental nature of the University is contemplated. The disciplines which constitute the core of a modern university will continue to be taught, either in existing departments and programs or in consolidation of these activities. A broad curriculum in the humanities, social sciences and natural sciences must be available to undergraduates. A strong graduate program must exist in the same subjects and in interdisciplinary areas. A small number of high quality professional schools must continue to flourish. The tenured status of present faculty must be respected. But we cannot continue to do all we are now doing or do all that we continue in the same ways.

The Board of Trustees received the memorandum and approved a long-range planning exercise formulated to deal with these problems. Since that time there have been wide discussions and study in the University community of various alternatives designed to improve the manner in which the University functions.

In Planning for the Eighties I commented on approximately eighty issues that deserved serious consideration. Omitted were a wide range of questions involving the quality of student life and other matters. Exploration of these subjects has been accompanied by significant progress in a number of areas:

1. Academic Administration has been reorganized and new appointments have been made to key positions, including the deanships of Arts and Sciences and Trinity College, the Graduate School, and the Vice-Provost for Academic Policy and Planning.

2. Student Affairs has been reorganized, with the promotion of the Dean of Student Affairs to a Vice-Presidency.

3. Trustee committees have engaged in thoughtful study of a wide range of special problems, including faculty and staff compensation, intercollegiate athletics, and student affairs.

4. The University's policy on promotion, tenure, and merit compensation has been clarified.

5. The personnel system has been reorganized into expanded job families, permitting greater flexibility in response to market conditions. Simultaneously, significant progress has been made toward improving conditions of employment for biweekly workers.

6. The University has developed a strategy for University data processing, and systems for payrolls, academic records, and personnel management are, or will soon be, on line.

7. Salaries have been increased at the maximum level consistent with national wage guidelines.

8. Duke Hospital North has been completed and financed.

9. Wallace Wade Stadium renovations have been financed, and, with the exception of the DUPAC building, completed.

10. Significant progress has been made in the construction of the University Center.

11. Significant progress has been made toward a goal of updating instructional equipment. The level of expenditure has been higher during this two-year period than in the preceding eight years.

12. Major progress has been made in the needed renovation of academic and student affairs facilities.

13. Total private giving has increased to a level higher than that of any previous year in the University's history.

14. There have been significant improvements in the level of return on endowments and investments.

15. The insurance program has been reorganized, resulting in savings of approximately $100,000 to $150,000.

16. The Duke University Press is in the process of reorganization with a clear strategy for its development.

17. A University-wide board plan for students in University dormitories has been put into effect.

18. There has been a significant increase in the level of participation by the faculty in addressing the problems facing the University.

We have a right to take pride in these accomplishments, but none affects the basic thesis of the 1978 memorandum. Our underlying problems remain the same and to some degree have in fact been exacerbated by:

1. Increased levels of inflation;

2. Increases in costs at a faster rate than inflation for significant items in the University's budget, such as books, utilities, data processing, and medical insurance;

3. Increased level of taxation resulting from increases in F.I.C.A. taxes;

4. Increases in the costs of complying with government regulations, particularly OMB Circular A-21 (recovery of indirect costs) and rules concerning purchasing and disposal of radioactive and hazardous wastes;

5. The threat of decreased revenue resulting from lower short-term interest rates;

6. The threat of reduced revenue resulting from a modification in the quasi-endowment formula;

7. The threat of lower rates of recovery of indirect expenses as a result of A-21;

8. The certain expectation of an increase in costs incident to the maintenance and operation of the University Center;

9. The failure of endowment to keep pace with inflation;

10. The inability of the Loyalty Fund to exceed the rate of inflation.

In addition to the Standing Committees of the University, a number of task forces have explored different aspects of our problems during the last eighteen months: the Future of Undergraduate Residential Life; Cooperative Programs; Instruction in the Arts; Admissions, Tuition, and Financial Aid; Student Affairs; Incentives for Faculty Outside Fund Raising and University Overhead Reimbursement Policies; Institutional Advancement, University Relations, and Alumni Relations; Academic Space Utilization; Upward Mobility. Yeoman service has been provided to the University by the Long-Range Planning Committee, chaired by the Provost, which examined and made recommendations concerning the most crucial issues involving the continuance or curtailment of specific University academic programs. Of special note is the thorough study of "year-round" operations by a Task Force proposed to me by the Academic Council. The work of all these task forces has been supplemented by the reports of several committees appointed by the Provost, including the Special Committee on Education Policy and Program in Trinity College (Wardropper Report) and the Committee on the Role of East Campus in University Life. In addition, committees have functioned within the constituencies of the University, particularly in the Associated Students of Duke University, the Undergraduate Faculty Council of Arts and Sciences, the Library, and the Academic Council. Groups of alumni have met to consider implications of the planning process for particular

divisions of the University, and numerous ad hoc groups have studied issues and provided me with the benefit of their thinking.

At no time in the history of the University have we had so many thoughtful people involved in considering the directions the University should take. I have greatly benefited from their advice, even when some of it has been inconsistent. When, in my opinion, the interests of the University as a whole would not be advanced by accepting a particular recommendation, I have attempted to explain my reasons for rejection and provide an acceptable alternative.

The responsibility for the recommendations is mine. However, I would be remiss if I did not express my deep appreciation for the assistance given me by members of the task forces and committees, my colleagues in Central Administration and the staff of my office. A special debt of gratitude is owed to Joel L. Fleishman and Jennifer Hillman.

Some of the recommendations contained in this memorandum require the approval of the Board of Trustees. Others deal with matters of administration that do not need Board approval but that the Administration would not seek to implement if the Board disapproves. Frequently, the text will indicate that the Administration "will" or "proposes to" engage in a course of action. It should be understood that consultations with appropriate constituencies will take place before any action is taken, and, as a

result of these consultations, a course of action may be modified or abandoned.

The document is not a detailed program for action but (1) a summary of what has been done during the last eighteen months, (2) a statement of what the Administration proposes to do unless persuaded that a specific action is unwise, and (3) the presentation of several proposals for major policy decisions by the Board of Trustees to be made after the appropriate bodies within the University have had an opportunity to discuss them and provide advice.

II
Fundamental Premises

It seems appropriate at the outset to state what I understand to be the purposes of Duke University and the priorities that must be recognized if these purposes are to be achieved. In September 1958 President Hollis Edens announced the appointment of a faculty-administrative University Committee on Long-Range Planning, with the charge of formulating a definition of Duke University for the future. Over the next six years the faculty and Administration engaged in an intensive self-study ultimately culminating in a statement of purposes by President Douglas M. Knight. In his report, The Fifth Decade, approved in principle by the Board of Trustees in November 1964, President Knight stated the purposes in terms of four commitments:

> Our first commitment, in the future as in the past, is to liberal, general, preprofessional education as a major function of the University. Fundamental to all we do is the task of confronting young men and women with mankind's accumulated knowledge and with the processes by which this knowledge is expanded and judged in order to provide a basis for continuing intellectual growth. . . . We are preparing young people to live in an unpredictable world, to follow an unpredetermined course, and to answer questions which have yet to be asked. If we are to fulfill our obligations to Duke undergraduates, we clearly must expose them not merely to fact but to creative insight and wisdom as well. This is our first task.
>
> Our second commitment is to graduate and professional education in a variety of fields. The very existence of modern society depends on the continuous supply of well-educated and well-prepared researchers and professional men. Duke University is committed by its physical plant, personnel, and traditions to share the responsibility for maintaining and improving that supply.

> Our third commitment is to the moving frontiers of learning and to the international community of scholarship. Through scholarly research the university contributes directly to the scientific, social, and spiritual reserves on which we as individuals and as a society so heavily depend . . . and is caught up in the international exchange of ideas and discoveries. . . . In meeting our commitment to the moving frontiers of learning, we shall insist on competent, responsible scholarship. We shall also protect the scholar's right to free expression of what he has learned and of the conclusions he has reached.
>
> Our fourth commitment is to realistic participation in the affairs of our local, regional, national, and international communities. The modern university has both the opportunity and the duty to go beyond the accidental, natural impact that grows out of its own character. The more rapid the advance of knowledge, the greater the university's obligation to share what has been discovered. The more complex the issues of our day, the greater the university's obligation to share its knowledge and its insights . . . with the people of its regional, national, and world communities.

These purposes have not changed. The basic challenge facing us is to determine how they can be achieved in the light of the conditions that will prevail in the last two decades of this century. These conditions pose formidable problems to all in higher education, but particularly to private higher education. Inflation and progressive taxation have produced higher revenue to state governments, which have in turn been able to provide greater support to state university systems. The record of recent years suggests that in most states the funds allocated for public higher education are increasing faster than the rate of inflation. The October 19, 1979, issue of The Chronicle of Higher Education reported that appropriations for state funds for higher education had increased 9 percent faster than inflation in North Carolina

during the preceding two years and had increased 72 percent during the decade, after allowing for inflation.

Since that time the General Assembly has authorized academic salary increases of 10 percent for cost-of-living adjustments and an additional 5 percent for merit increases in the state system. Additional increases in state appropriations were made to meet increased costs of gasoline, fuel, utilities, hospitalization insurance, and travel and subsistence costs. A less visible but nonetheless real increase in support was effected by a decision to permit the universities to retain 70 percent of overhead receipts instead of the 50 percent formerly permitted. In the North Carolina state universities during recent years the percentage of student costs borne by state appropriations has increased significantly, growing from 87 percent of the costs of a resident student and 29.6 percent of the costs of a nonresident in 1973 to 89.3 percent and 43.3 percent respectively in 1978.

State appropriations may also indirectly aid public institutions in competing for government grants. The University of North Carolina at Chapel Hill assesses a rate of only 44 percent (modified total direct costs) of indirect expenses on government grants as compared to the audited rate of 50 percent (modified total direct costs) at Duke. The difference is immaterial where government contractors make awards on merit and direct costs, as in the

health professions. But where a resource-limited federal contract officer considers both direct and indirect costs in making an award, as is the case in several other fields, the state subsidy in the overhead rate gives the public institution applicant a clear advantage.

While public institutions, ironically, may prosper in times of inflation, private institutions struggle to remain solvent. Costs increase with inflation in both sectors, but the private university must pay increases in gasoline, fuel, utilities, hospitalization insurance, and salaries in large part from tuition revenues, not from legislative appropriations. Simultaneously, inflation decreases the ability or willingness of some parents to pay higher tuitions required by inflation, and as disposable income is reduced, the ability to support charities, including higher education, is also reduced. The gap between tuition at private and public schools increases at the same time that many parents are facing serious problems maintaining their standards of living and educating their children.

As I stated in my earlier memorandum, it is in my judgment a truism that an excellent private university must be composed of educational components better than or different from those in public universities if in the long run it will be able to charge higher tuition and achieve a high level of support from corporations, foundations, and private donors. My analysis in that memorandum concluded that future developments will preclude the

continuance of our present standards--to say nothing of their elevation--unless we are prepared to reduce the range of our commitment in order to concentrate our resources on what we can do best. It is for this reason that I shall recommend a limitation of the scope of the University. A limitation of our scope, however, will achieve no justifiable end unless the revenues freed by such a process are utilized wisely, and to use them wisely requires general acceptance of certain basic priorities for the allocation of resources. Few would question the premise, but there is less agreement when an attempt is made to state and rank these priorities.

In my judgment, the primary purposes of a great research university are to create and disseminate knowledge. A university does so through its functions of teaching, research, and publication. It follows necessarily that the components of a great university are a distinguished faculty, able students, and the logistical support services required for first-rate teaching and research, particularly libraries, laboratories, and data processing facilities.

Unfortunately, the developments of the last two decades have required expansion of support staff for a number of reasons, particularly to permit the University to deal with much more intensive regulation by the federal government and to maximize the recovery of indirect expenses as one of the means for paying for the high costs associated with research. Thus, we have been

required to add highly capable people in Personnel, Accounting, Sponsored Programs, and the Office of the University Counsel. Likewise, our increasing dependence upon the generosity of private donors has required an expansion in both the numbers and the quality of University people involved in external relations. These activities do not relate directly to instruction, research, and publication, but are nonetheless necessary if the University is to flourish in the climate that will prevail for the foreseeable future. They should not, however, detract from the principal objectives of the University.

Central to the goals of first-rate teaching, research, and publication is an excellent faculty, and such a faculty is, in turn, essential in attracting good students. Among the several factors required for excellence, the faculty serves as linchpin. Therefore, I conclude that the principal priority for the University in the years to come must be the maintenance of a level of compensation and fringe benefits for faculty and key administrators that is competitive with the best universities in the country. Our second priority must be the maintenance of high-quality libraries, laboratories, and data processing facilities that will allow the faculty to excel at teaching and research. The third priority must be a program of financial aid that permits superior students to study with us and simultaneously attracts a significant number of the most exceptional students.

These priorities should not obscure other needs: the improve-

ment of student services, the extension of alumni activities, the increase of staff salaries in order to meet inflation and competition, and equitable rewards for the competent staff serving the University. The bottom line, however, is that the future of the University will depend upon the quality of its teaching, research, and publications and the quality of its graduates.

These objectives can be accomplished only with significantly increased revenues. It is unreasonable to expect that annual rates of tuition increase will be less than the rate of inflation, and, indeed, if our other sources of support do not keep pace with inflation, higher rates of increase may be required. Gift income, particularly annual giving, must grow at a much more rapid rate than in the past. But most importantly, the University must significantly enlarge its endowment so that the greater income it engenders will defray a much more significant portion of the operating expenses of the institution. Otherwise, our aspiration to elevate our levels of excellence will remain a vain hope.

It is necessary also to cut costs. Marked cost savings will be accomplished if the Board of Trustees accepts my recommendations to discontinue the academic programs in one department and one school and to reduce significantly the level of University support to three other academic programs. Retrenchment, however, is not an event; it is an ongoing process. Although we contemplate no additional terminations of departments or schools, the process

must continue and be applied to every phase of the University's activities. Any institution as large and complex as Duke can operate efficiently only if it commits itself to continuing efforts at self-improvement. One of the most encouraging aspects of our efforts thus far is the willingness of students, faculty, employees, and staff to accept the reality that institutional as well as human wants are never satisfied and to reorder their affairs to eliminate incidentals and concentrate available resources on essentials.

We must be careful also that our necessary quest for efficiency does not impair the academic atmosphere of the University. A university is not a factory. The ambiance required for reflective scholarship and close contact between teachers and students must be retained. Indeed, one of the purposes of effecting economies where they are possible is to preserve the atmosphere required within the academy.

As Trustee Charles Murphy correctly observed, the process in which we are engaged is more appropriately described as reallocation rather than retrenchment. In our continuing efforts, it is important to remember that efficiency is not an end in itself. It is valuable only because it permits scarce resources to be concentrated on the matters that are most important.

III
Reorganization of Academic Programs

A. Introduction

The Long-Range Planning Committee is composed of the Provost and twelve other members of the faculty, ten of whom are chosen by the Academic Council and two selected by me. Thirteen different disciplines are represented, and the members include four chaired professors and three faculty members who have presided over the Academic Council of the University.

On August 3, 1979, after completing my preliminary study, I requested the advice of the Committee, as follows:

> We do not have adequate resources to operate the University with its present scope at a high level of excellence. . . . It is necessary to narrow the scope of our academic endeavors. . . . Across-the-board cuts are not the wisest way to accomplish this objective. . . . I seek your advice on the most difficult decisions, those dealing with the continuance of academic programs.
>
> I submit for your advice the question of whether we should discontinue the following academic programs in their present form:
>
> The Department of Education
> The School of Forestry and Environmental Studies
> The Department of Health, Physical Education and Recreation
> The Marine Laboratory
> The School of Nursing
> The Department of Sociology
>
> Discontinuance of a department does not necessarily mean termination of all its programs; individual programs may be retained and transferred to other departments. The issues are whether we wish to continue present departments and schools as the vehicles for instruction and research, and whether we wish to continue our present programs of education in these fields. . . .

> I assume that the fundamental mission of the University is undergraduate education in the liberal arts and the operation of a strong Graduate School in a number of disciplines. The professional schools . . . are important but less essential. . . .
>
> Several of these programs could be elevated to levels of unquestioned excellence if the decision were made not only to continue them but to commit more resources than we have been providing. You should feel free to recommend this alternative . . . appreciating that such decision will inevitably mean that resources must be diverted from other programs.

The Committee convened eleven times between September 1979 and June 1980. The months of January and February 1980 were primarily devoted to meeting in subcommittees in connection with on-site reviews of the programs I had selected for evaluation.

The strategy adopted by the Committee to guide its evaluations evolved from the discussions of the first several meetings. It entailed a careful examination of the Committee's assignment with special attention to my underlying assumptions concerning academic values and the University's several academic programs. A set of guidelines was formulated to serve as a general framework within which both evaluators and evaluated could comfortably operate. In order to accomplish reviews of individual programs within the time available to the Committee, and in order to involve a range of academic colleagues broader than the Committee itself, the Committee decided to create three-person panels and supplement each with two or more consultants from outside the University drawn from the discipline or field under review. The Executive Committee of the Academic Council participated in the selection of

panel members. Each panel was chaired by a member of the Committee and included both a second member of the Committee and a member from the faculty at large. Extreme care was exercised in panel assignments in order to avoid possible bias or conflict of interest while at the same time providing for persons assumed to be reasonably well acquainted with both the field and the program being evaluated. The consultants were recruited by the Provost, using suggestions made by the program under review, individual members of the Committee, and other knowledgeable persons.

In arriving at its recommendations, the Committee utilized primarily the following criteria:

1. Relevance of the program to the University's goals;
2. Its interdependence with other academic areas;
3. Its overall quality as compared to other programs at Duke and to programs of its kind elsewhere;
4. Its appeal to students;
5. Employment demand for its graduates;
6. Its costs.

It is clear that not all of these criteria have been applied equally to all of the units reviewed; some figured more importantly than others in the judgment of the Committee. Such a process is obviously necessary since the relative importance of the criteria is unequal.

Finally, in each case the Committee considered and examined

alternative modes of operation for the unit under review. In weighing questions of cost, the Committee determined to limit its attention to direct "hard money" costs, because these were more easily comparable and disputes about the manner in which indirect costs are allocated would be avoided. It used the cost data available mainly to provide rough measures of relative costs and to study trends over periods of time.

The Committee's recommendations are as follows:

1. Close the Education Department as expeditiously as possible consistent with meeting institutional obligations to currently enrolled students. Accommodate the essential curricular needs of undergraduate students who wish to be certified as teachers in the public schools; continue on some basis the advanced program in educational administration; and maintain the public service program in the field of reading. Other special programs should be either transferred to other departments or terminated. Reorganization, of course, also means the reassignment of tenured faculty.

2. Extend the probationary period of the School of Forestry and Environmental Studies by three years, requiring budgetary balances within limits set annually. If the School is successful in meeting its projections by 1984, thereafter place it in a quasi-autonomous status with formula-based budget commitments.

3. Reorganize the Department of Health, Physical Education, and Recreation as a nonacademic service unit. Adopt a policy of term appointments for all persons not already on tenure. Give serious attention to the rehabilitation of the physical facilities for the program.

4. Place the Marine Laboratory on a schedule of negotiated annual budgets and direct it to bring itself to a sound financial status within five years. Allow it greater freedom in fund raising and in developing instructional programs.

5. Terminate the baccalaureate program in Nursing and phase out the School.

6. Make no drastic changes in the status of the Sociology Department. Give administrative attention to management problems within the Department.

The Committee recommendations were unanimous.[1]

B. The Department of Education

The Department of Education is rather small as compared with others in its field. In the mid-seventies its faculty, full- and part-time, numbered about twenty; by the end of the coming academic year, that figure will be twelve. The number of undergraduate seniors, either majors or others qualifying for certification, has shrunk to about three dozen, about a third of their strength a decade ago. Indeed, today the Education Department is primarily a graduate department; despite its small size it regularly enrolls around 250 students in three masters and two doctoral programs. Enrollment is facilitated by the relaxation of the usual residence requirements of Graduate School degree programs. While the Department offers seventy-five courses at the graduate level, these offerings are identified with fourteen different specialties and there remains no basic set of courses to provide an overview of the field. None of the specialties involves the efforts of more than three faculty members, and ten of the fourteen are one-person operations.

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1. One member of the Committee did not participate in the deliberations or recommendations concerning the department of which he is a member.

In the opinion of the Long-Range Planning Committee, the Department is not distinguished, and there is little likelihood that anytime soon it could become the kind of department that major research universities covet. The Committee concluded that faculty productivity, as measured by scholarly publications, is relatively low and on the average of indifferent quality. The Department's most positive contributions consist of the small number of superior undergraduate students that it sends into the public schools as teachers and the large number of school administrators it prepares for senior leadership roles in the public schools of North Carolina and neighboring states. The Committee was persuaded that there are far too many graduate students and far too many areas of specialized study for a faculty of the present size.

These characteristics raise serious questions concerning academic quality: the bloated enrollment means that the individual attention afforded to each student in the best graduate programs at Duke and elsewhere is missing. Too few faculty members in each specialty means that these programs lack the richness they should possess.

Serious doubts were raised about many of the specialty programs by the Committee's Panel and in the exchange of comment, oral and written, that the retrenchment exercise has provoked from members of the Department. The Department failed to respond to the Committee's inquiries with imaginative new initiatives, either

with respect to its own crisis or to the nationwide crisis in public education today. The issues of instructional psychology, institutional management, educational policy, special education, etc. that have become lively centers of research in the social sciences at large seem not to have sparked significant interest in the Department. The Committee found it particularly disappointing that the proximity of the new North Carolina School of Science and Mathematics and administrative encouragement to take advantage of that proximity have not evoked any significant response from the Department.

In the Committee's view, the Department is not central to the mission of the University; it does not interact as much as might be expected with other academic areas; its appeal to students, at least at the undergraduate level, is quite limited; and its program is of a lower quality than Duke should expect. The Committee considered a fundamental reorganization and reinvigoration of the Department, but concluded that this approach could not be successful within a reasonable time and within the necessary financial constraints. Consequently, the Committee concluded that the wisest administrative action would be to terminate the Department of Education over a period not to exceed four years. I concur in the Committee's findings.

No new undergraduate majors should be taken after the 1980 fall semester and no new graduate students except those in School Management should be admitted after those matriculating in the

1980-81 academic year. Retirees should not be replaced except with short-term appointees. Reassignment of faculty members, both tenured and nontenured, should be explored at the earliest possible time.

The Committee and I are sensitive to the importance of producing superior teachers for the public schools, but we are persuaded that Duke cannot train them in sufficient numbers to justify a freestanding department. As indicated earlier, the number of students involved in such programs at the undergraduate level has decreased significantly, and the combination of the weak job market, mediocre compensation levels, and the rising cost of attending Duke suggest that the trend will not be reversed. It can continue to certify students desiring to teach in secondary schools.

The Committee recognized the particular importance of Duke's providing a high-quality professional program of advanced training for senior school administrators if it is able to do so at reasonable cost. In my judgment, Duke University can draw from its past success and can enrich the opportunity for advanced study by school administrators by broadening the range of disciplines involved to meet the challenge of changing school management practices. The American Association of School Administrators has recently issued a challenge to universities to develop programs of school management with the characteristics of a professional school rather than those of a single discipline or department.

Duke is well equipped to meet the challenge. In doing so, it has the advantage of already being recognized in the Southeast as a leading institution in the field. A steady flow of applicants for the graduate component of the program can thus be anticipated. The program can be expected to attract applicants primarily from among persons who are already active in the field of education and have decided to specialize in school management as principals, assistant superintendents, or superintendents. The majority of graduate students will remain on the job (except for an occasional leave of absence or attendance at summer sessions) while they complete degree requirements. Admission criteria should take into account success in leadership positions as well as the general requisites set for other graduate students. Some variations of teaching schedules, including off-campus class sessions, may also be necessary at times to accommodate the students' schedules. Close liaison with the Dean of the Graduate School and the Director of Summer Educational Programs will obviously be necessary.

The structure of the program would emphasize serious study of the major problems in the traditional school management areas of evaluating, planning, programming, budgeting, staffing, policy making, and communicating. School administrators need to be educated to deal with other problems as well: the legal restraints on decision making; public policy as reflected in federal and state grants-in-aid mechanisms; the impact of media, national and local trade unionism, and "consumerism"; the major debates involving integration, busing, school financing, and "truth-in testing"

that are likely to be controversial for the foreseeable future. In addition, administrators must be brought up to date on recent developments concerning the process of teaching and learning.

The program would have the express objective of tapping relevant courses in other disciplines, particularly in Economics, Policy Sciences, Law, Sociology, Mechanical Engineering, Psychology, and Graduate Business Administration, and in History and Political Science where cooperative relationships have long been established. Unquestionably, some new courses will be necessary; where possible, they should be interdisciplinary.

The program would be headed by a director whose graduate degree and professional experience are in Education, and governed, within the Graduate School, by a policy board appointed by the Dean of the Graduate School. A majority of the committee would be representatives of the disciplines that are involved in the program other than Education. The committee would have the primary responsibility of designing the curriculum for the program. A second advisory committee might be established, to include an active superintendent, a principal, representatives of the AASA and the National School Boards Association, and a representative of the North Carolina Department of Public Instruction. The primary responsibility of this group would be to identify the changing needs of teachers and school managers in the future, as well as periodically evaluate the program to assure that it remains current and dynamic. A subcommittee of the advisory

committee could give oversight to the undergraduate component of the program. Where appropriate the committees would meet together.

Implementation of the proposed program should not be difficult. With the appointment of a director and the policy committee, planning the specifics of the program could be undertaken immediately. The new or redesigned courses could be prepared for submission to the appropriate University committee, and subsequent approval from the State Board of Education could quite probably be obtained within one year. It is anticipated that the degree Ed.D in School Management would be conferred. Students aspiring to the Ph.D degree related to problems in public education would be enrolled in other disciplines.

The keys to success will be our ability to persuade faculty from other disciplines to participate actively in the program and to attract students who wish a tough, high-quality program to equip them for the challenges of educational administration. There is sufficient reason to believe that we can achieve each requirement.

Foreseeably, some of the best graduate work now done in Education could be performed under the auspices of the Department of Psychology--in particular, work in early childhood education, educational psychology, and school psychology, particularly if that department broadened its scope by including several members who are now assigned to Education but whose expertise and research

interests relate to psychology. An alternative placement might be proposed in a University-wide program in Human Development. Indeed, there is reason to believe that the graduate programs of these students would be enhanced by closer association with the faculty of a stronger department.

The Committee recognized also the clear advantage of making teacher certification available to students who desire to enter the profession, if it can be done at an acceptable cost. It seems likely that the limited requirements for certification of students majoring in fields other than Education can be met internally, or, alternatively, the necessary courses and supervision could be arranged at other area universities.

Some of the other special programs operated by the Department would continue to exist. The public service component of the Reading Program has had justifiable success. The new Talent Identification Program shows great promise. A series of summer workshops and courses, i.e., Cash Flow Management Workshop, Energy Use in Educational Facilities Workshops, and similar professional programs that utilize faculty throughout the institution might continue. If, during summers, the M.A.T. Program can be financed on a break-even basis, it might be continued in that limited form.

It seems likely that the programs contemplated would require four to six professors with professional degrees or experience in Education and the supporting efforts of faculty in other disci-

plines. Those involved in the School Management Program would be subject to peer review by the Director of that program and the Policy Committee. One member involved in the program would also serve as a "certification officer" with responsibility for maintaining familiarity with state requirements, recommending individual students to the State Department of Public Instruction for certification, and monitoring the course offerings for students seeking certification. The other members of the present faculty would either be assigned to other departments or report directly to the Dean of Arts and Sciences and Trinity College. The tenure of existing members would be respected.

The termination of the Department will in the long run eliminate six to eight existing faculty positions but will not effect substantial savings because of its relatively small size and the large number of part-time graduate students. The issues are those of cost avoidance and quality. The cost of improving the Department to an acceptable level would be extremely high, would probably produce little new income, and could be accomplished only by reducing the resources available to stronger departments. The program proposed will at a reasonable cost permit the University to engage in high quality offerings, with significant impact in the Graduate Program in School Management and the public service component of the Reading Program. The University should also be able to meet the certification needs of its students desiring to teach in secondary schools.

C. The School of Forestry and Environmental Studies

The School of Forestry had become a source of deepening concern for the University by the late 1960s. Its prospects for research and research support were unpromising, and its small size and lack of academic distinction raised serious questions concerning its long-term economic viability.

In eleven years the School has undergone two internal and one external review. In 1975 the Board of Trustees approved the continuation of the School for five years, after receiving the report of a distinguished panel that projected financial stability within that time--a goal which unfortunately has not been reached. It has experienced enrollment shortfalls and budget deficits in each of the five years. The inevitable impact on admissions and other revenue generating activities caused by periodic review undoubtedly contributed to the problem.

Nevertheless, substantial progress has been made, particularly during the four-year period in which the present Dean has been in office. The Committee judged the faculty as now "good but not outstanding" and vastly improved over what it was in the mid-seventies. Its recent additions are among the bright spots. The Dean has made significant progress in the tough job of reshaping the faculty, through separation as well as recruitment. Four positions exist to be filled.

While the students in the MF and MEM programs are said to

compare favorably with professional students in the better forestry schools, their GRE scores fall below the average for Duke graduate students. About 40 percent are employed after graduation by government at one or another level; 40 percent enter the private sector; 10 percent take academic jobs; and the remaining 10 percent take other kinds of jobs or enroll in other educational programs. The Committee's panel described the students as enthusiastic about the School and strongly loyal to it.

The School's single most impressive record of improvement is the increase in extramural funding for teaching and research. These funds have grown from about $150,000 in 1976 to about $650,000 in 1980, and, if the present trend can be continued, they should by 1984 reach $1.1 million, the limit that a staff of the School's current size can handle. Unfortunately, the recovery of indirect costs has stayed at about $30,000 per year since 1974; the sources of the fundings are not permanent; and the annual deficits continue.

The Committee was persuaded that there are substantial reasons to believe that the School's academic perspective will continue to be broadened; that closer working relationships will be developed with some of the biological and social science departments, the Marine Laboratory, the Graduate School of Business Administration, and the Institute of Policy Sciences and Public Affairs; that the professional programs leading to the MF and MEM degrees will be improved and more clearly articulated; that an

interest in the School's program among Duke's own undergraduates will be enhanced; that in the years immediately ahead, the enrollment, largely concentrated in the professional programs, will be increased to 200; and, finally, that the School will be able to manage itself effectively, generating most of the financial resources it will need to carry on its programs under conditions of stability.

The Committee looked at the School solely in terms of its academic merit and its probable economic viability. It assumed that the current changing political, social, and economic climate bodes well for increasing enrollment and for augmenting extramural research and teaching funds for the School. It assumed also that increasingly effective budgetary planning and management regimens will be instituted in the School.

The Committee agreed that the School was not essential to the University's mission but thought that its promise justified a longer period in which to improve its quality and reduce its dependency upon University hard funds. I accept the advice and recommend that the School be continued through the academic year 1984-85, upon the following conditions:

1. A reasonable subsidy will be negotiated between the Dean and the Provost for each of the years 1981-82, 1982-83, 1983-84, 1984-85.

2. The subsidy will decrease annually with the expectation that in 1984-85 it will not exceed the subsidy per student (after fully allocating expenses and income) in the least costly of the University's postbaccalaureate professional schools.

3. The subsidy will replace income now credited to the School of Forestry from the management of the Duke Forest.

4. The quality of the faculty and the quality of the student body will continue to improve.

5. If the economic stability, as described in 2 above, is not achieved by the end of academic year 1983-84, or if there is any significant decline in the quality of faculty or the student body, the Board will reconsider the future of the School at its December 1984 meeting.

The Committee was greatly concerned about relating the budget of the School to the management of the Duke Forest. It concluded, and I agree, that the Forest is an asset of the entire University, not the property of any one component. As such, it should be maintained to meet the teaching and research needs of any department that utilizes it, and the income from its management should accrue to the entire University. If as a matter of management the timber cutting program of the Forest is entrusted to the School, the costs of management should be paid from the income produced, and the net income credited to the unrestricted income of the University.

Considerable savings could be accomplished through the discontinuance of the School of Forestry and Environmental Studies. Yet, unlike the Department of Education, it shows sufficient promise to justify continuation.

D. <u>The Department of Health, Physical Education, and Recreation</u>

The Long Range Planning Committee concluded that physical

education at Duke should not be treated as an academic discipline. Instead, it is a service that should be made available to students as an extracurricular activity, supported by the University as an important source of personal enrichment, particularly during the undergraduate years. In arriving at this point of view, the Committee was strongly influenced by the perspective that had evolved in the Provost's 1974 Task Force on Physical Education and Recreation. The Committee accordingly recommended that the Department of Health, Physical Education, and Recreation be reorganized and transferred to the nonacademic sector of Administration. Any "theory" courses qualifying for credit that were retained should be offered in other schools or academic departments.

The University would honor tenure commitments already made, but no further ones would be made in the future. The Committee suggested that during the initial employment period, a new staff member be appointed for one or two three-year terms. If performance meets University standards, these three-year contracts might then be followed by renewable five-year contracts.

I accept the Committee's recommendations. No major diminution in the scope of instruction now being offered is contemplated. The major change (if the Undergraduate Faculty Council of Arts and Sciences concurs) would be the removal of credit from instruction in nontheory courses, which ultimately would be taught by staff members on limited term renewal contracts rather than in tenured faculty positions. No immediate savings would be realized, but in

the long run the opportunity for economies would be considerable. In addition, greater consideration than is now the case could be given to age distribution and the changing desires of the student body for instruction in specified areas. Administratively, the program would be placed under the responsibility of the Vice-President for Student Affairs, as would the club sports and intramural programs.

The process of replacing tenured faculty with contract appointments was initiated several years ago after receipt of the 1974 report. The present proposal would formally recognize the policy and transfer the instructional components from the academic sector to Student Affairs. The withdrawal of the one-course credit now permitted would follow if the faculty of Arts and Sciences agreed.

Three other matters relating to physical education concerned the Committee. Its recommendation that both men and women faculties be housed on each campus has been accomplished. Its concern about the physical facilities is discussed in Section X. Its belief that the facilities should be available primarily for students, and only secondarily for others, was recognized last spring by a policy that reserves overutilized facilities for student use during the most popular time periods.

E. The Marine Laboratory

The Committee concluded that the Marine Laboratory ranks

among the half-dozen best American marine laboratories and thus high among such installations worldwide. The research output is substantial and of excellent quality. It is one of the few laboratories to provide high-quality instructional programs for undergraduates. Both its graduate and undergraduate instructional programs are sound, and the level of student interest shows no sign of diminishing. In short, the Laboratory was characterized as an intellectually active enterprise worthy of a great university.

The problem has been its costs. It does not teach undergraduates in the fall semester; its faculty offers no courses on the Duke campus; it provides services well below--or without--cost to departments and programs on the Durham campus, to visiting investigators, and to students from other colleges and universities. It recovers less in indirect cost for the oceanography component of its sponsored research than seems reasonable.

The Committee concluded that the Laboratory could be placed on a sound financial basis without subsidies within five years, a conclusion that seems amply justified. Hence, I recommend that the Laboratory be reorganized as a freestanding cost center with the goal of self-sufficiency by the fiscal year 1984-85. It will be credited with all revenue it generates and charged with all its costs, including allocated indirect costs.

To accomplish these results, the following policies will be pursued:

1. Educational Program. The Laboratory will offer a fall semester for Duke undergraduates in addition to its spring semester for Duke students and its summer sessions. It will be credited with the tuition generated, and charged with the faculty salaries and indirect expenses involved. Every effort will be made during the coming months to resolve problems related to the granting of residence credit and student aid to graduate students during the summer months. It will supplement its existing staff by contracting with faculty from other marine science departments in the state or by adding staff. If the latter alternative is chosen, the faculty recruited will be expected to provide a significant portion of their own support through grants and contracts.

2. Research. Efforts will be made to charge a higher percentage of professional salaries to grants and contracts; the indirect-costs recovery rate associated with the operation of the research vessels will be renegotiated to a more realistic level as soon as feasible; the maintenance of research space should be fully reimbursed from grants, contracts, and charges made to visiting investigators. The present arrangements with departments on the Duke campus whereby space is provided without charge and indirect expense recoveries are credited to the home department will be renegotiated. The new consortium with The University of North Carolina will provide significant support on an annual basis.

3. Auxiliaries. The dormitories, dining hall, and related services will be operated on a break-even basis.

4. External Support. The Laboratory will be permitted to seek funds from individual, corporate, and foundation donors on the same basis as any department of the University. Alumni will be permitted to restrict annual gifts to the Laboratory if the program of annual giving described in Section XII is approved. Development staff assistance will be made available, with the costs allocated to the Laboratory.

5. Relations with Campus Departments. Services

> provided to and from the Laboratory and campus departments will be assessed. The Laboratory will be encouraged to present lectures and minicourses on the Duke campus for the benefit of students who are unable to spend a complete semester at Beaufort. It will be compensated for such services.

Faculty members at the Laboratory will continue to hold rank in the home departments on the Durham campus. The University will provide modest subsidies to the teaching program, not to exceed the average subsidy per semester credit-hour for science instruction in Arts and Sciences during the five-year period. The exact amount will be negotiated with the Provost immediately and reviewed annually, with annual decreases expected. At the end of the period the Laboratory will be expected to operate on a balanced budget.

F. The School of Nursing

1. Discontinuance of the School

No one familiar with the School of Nursing can fail to be impressed by the ambition and dedication of its faculty, the enthusiasm of its students, and the loyalty of its alumni. Simultaneously, however, one cannot study its operations during the last decade without realizing that it faces perhaps insurmountable obstacles in attempting to provide a high-quality, full-time residential nursing program at an acceptable cost.

Its undergraduate program attempts to combine a liberal arts education with professional training, including a clinical experi-

ence that necessitates a high faculty-student ratio. The Committee was concerned that the relationship between the liberal arts studies and the professional training appeared to be less closely intertwined than might be desirable, but nevertheless was convinced that the instructional program compared favorably with those at most institutions. The graduate program is small and serviced by a limited number of faculty holding graduate degrees. It is supported by others who in some cases demonstrate a record of scholarship understandably undistinguished in view of the "hands on" nature of the clinical training required for undergraduate instruction.

The Committee's study provided convincing evidence that the costs per student in the Nursing School significantly exceed all other baccalaureate programs and that the level of University subsidy was, consequently, considerably higher than in other baccalaureate programs. In part, this disproportionate expense is caused by the necessity of maintaining a separate administrative staff to serve the needs of approximately 300 students and of providing high-cost clinical instruction. The Committee concluded also that there is little hope for reducing costs without significantly reducing the quality of the program. In my judgment, costs will probably increase significantly. The School, and nursing education in general, are attempting to combine the tradition of professional, applied education with an ambition for academic disciplinary status in which high priority is accorded to creative scholarship by faculty members. While the two are not necessarily

incompatible, each objective involves high costs. The former requires practical expertise and close supervision for sustained periods of time, calling for a faculty of significant size, most of whose hours are not free for research. The latter necessitates that faculty with advanced training have the facilities and time for pursuing research. As the School attempts to achieve its second goal, costs can be expected to rise significantly. Unlike some other disciplines, large classes for upperclassmen are often infeasible. Unlike a discipline such as medicine, significant sources of external income for sponsored research and from private practice are unavailable. The most recent accreditation visit provided ample evidence that continued pressure will be applied to universities to provide the resources to fund nursing educational programs that will combine both elements described above.

At the same time, the size of the nursing applicant pools is remaining small and is in serious danger of dropping as the number of high school graduates decreases. Two decades ago most women who came to Duke seeking to enter the professions studied nursing and education. Today women comprise between 27 to 30 percent of the enrollment in all of the postbaccalaureate professional schools of the University, and this number is increasing. In the Graduate School, they now total 656, 39 percent of the enrollment, while the 182 women in Engineering account for 23 percent of its enrollment. Many women now aspire to careers in Business, Divinity, Engineering, Law, and Medicine. It is inevitable that the disciplines formerly

holding a virtual monopoly will suffer in numbers. This shrinkage is particularly marked if the long-term compensation and status associated with the profession of nursing continues to be lower than several other professions while the cost of a private education increases annually. The willingness to assume loans, which will be necessary for most students in private schools in the decades to come, inevitably will be related to the ability to repay those loans without significant hardship and the relative availability of alternate schools that provide equal or similar access to the job market at significantly lower cost. In North Carolina there are nine B.Sc. programs in nursing supported by the state system. The annual tuition is $364 for a resident and $2,074 for a nonresident in the state system as compared with $4,990 for third- and fourth-year students at Duke. The performance of graduates from several of the state supported schools in North Carolina compares favorably with Duke on state licensing examinations. Although the shortage of nurses almost assures initial employment, the opportunities for upward mobility continue to be limited.

The results of these factors can be seen in the problem of attracting capable students to Duke. The size of the recent classes has been reduced because of a dearth of qualified applicants. The original goal of ninety entering students was reduced to sixty-nine in 1979 and sixty-five in 1980. Though the average combined SAT scores of entering nursing students this fall is 178

below those in Engineering and 130 below those in Arts and Sciences, it was necessary to select eighty-two of the 148 who applied in order to provide a freshman class of sixty-five in the fall of 1980. Almost 42 percent of the applicants fell in the E, F, and G categories. Almost 90 percent of the applicants in the A, B, and C categories were accepted. Only four freshmen are North Carolinians, while approximately one-half of the class comes from the Northeast and one-third of the class from Massachusetts, New York, and New Jersey alone. The Northeast is the region in which the most precipitous drop in high school graduates is expected. The students at Duke are among the ablest to enter nursing schools in the country, but they reflect both the size and nature of the pool available.

The School has attempted to compensate by dramatically increasing the number of transfer students. None was accepted in 1976; this fall there will be nineteen. The course of study for the last two years is the most expensive, and only part of the cost is recovered in the higher tuition charged for those years.

Furthermore, the Committee found that the undergraduate program is neither essentially related to the goals of the University nor interdependent with core academic areas. The small graduate program is peripheral to the essential nature of the School, and could not be sustained except at an extremely high cost without the existence of the undergraduate program.

The Committee concluded that the overall interests of the

University will best be served by terminating the present degree programs not later than 1983-84, after the period needed to complete the full training of currently enrolled undergraduates. I concur in that recommendation, as does the Vice-President for Health Affairs. Later in this section we will propose some positive alternative programs in nursing education.

The discontinuance of the present degree programs will effect significant savings. The decision not to admit from sixty to seventy-five freshman students to Nursing will not occasion any loss of revenue since that number can be absorbed without major difficulty from the available applicant pool in Arts and Sciences. Furthermore, no significant addition of instructional staff will be required in the freshman and sophomore years in Arts and Sciences. If the seventy-five additional places in Arts and Sciences are filled by students aspiring to major in the humanities, few additional faculty positions would be required for upperclassmen, since upper-class electives in the humanities are, in general, undersubscribed. To provide staffing for 150 more upperclassmen would in any case not require lavish expenditures. As the School is phased out, most of the teaching staff costs would be eliminated, as only fourteen of its forty-nine faculty members are tenured. Presumably, a significant number of tenured faculty who choose to remain will be absorbed into the new program discussed below. A modest increase in the staff of the Office of Student Affairs may be necessary. The library costs and most of the space that

becomes available would be transferred to the Medical Center, which would absorb the costs from its allocated income. The lost income would include graduate student tuition, gift income, and miscellaneous fees--about $190,000. The two remaining expenses would be student-aid obligations, which should increase slightly, and salaries and benefits for the tenured members of the faculty not assigned to other Medical Center teaching responsibilities. The net savings are unclear, but savings of not less than $750,000 annually would definitely be feasible, and, in a short period, $1,000,000 annually would not be an unreasonable estimate.

The decision frankly causes me considerable anguish, not because of any concern about its wisdom from the viewpoint of academic or fiscal considerations, but because of the devotion to the undergraduate program by its alumni, students, and faculty. In the final analysis, the issue was reduced for me to the question of whether the interests of the University are best served by deferring to the understandable loyalty of those who love the School, or by taking the action that makes the most fiscal and academic sense. In no undergraduate program can we expect as great difficulty in attracting qualified students; in none is the cost as high or as likely to increase. The discontinuance of no other program will accomplish such significant savings. Similar decisions have been made by Stanford, Johns Hopkins, Cornell, and other distinguished universities.

A public relations aspect of the decision must be faced honestly as well. Already there are assertions that the closing of the School will significantly contribute to the growing shortage of nurses in the country, particularly in North Carolina. Nationally 30 to 40 percent of RNs leave the work force after graduation, and, while the statistics collected by the Alumni Office and the School of Nursing differ, there is no reason to believe that the number of Duke nurses who withdraw from the profession, returning on a part-time basis later in life, is less than the national average. The Duke Hospital probably provides as good an example as any. During the last eight years the Duke Hospital has hired an average of eighteen Duke alumni annually, with the number rising to twenty-two or twenty-three in recent years. Of the 1,000 nurses who served the hospital in January 1980, there were 57 alumni of the School of Nursing. Of these, thirty-eight graduated in the preceding four years and only ten graduated before 1970. Obviously, discontinuing our present programs, even if new programs were not initiated, would have no substantial impact on the Duke Hospital, and there is no reason to believe that any other hospital will be affected more seriously, particularly when there will be four years to plan for alternative sources.

The decision to terminate the present baccalaureate and master's programs in the School of Nursing does not mean that the University should be oblivious of the shortage of nurses, the most

serious one facing acute-care hospitals and intensive care units, or that it should end its involvement in the education of nurses. The University's contribution to the solution of the problem can take more imaginative, and, in the long run, more useful forms than the continuation of its present programs.

2. Alternatives for Nursing Education at Duke

Many licensed RNs who are the products of Associate Degree and Diploma schools in North Carolina and the surrounding states have a very limited opportunity to achieve the baccalaureate degree. A number of these women come from predominantly rural and disadvantaged backgrounds and may also lack the economic means for progression in education and training. We propose to utilize this source of students to increase the numbers of RNs with degrees and facilitate their upward mobility in the expectation that we can significantly increase the number of nurses remaining in the work force by broadening their professional opportunities and improving their status.

A new work-study program would be instituted for licensed RNs who are products of Associate Degree and Diploma Schools of Nursing. The degree to be awarded will be the Bachelor of Health Sciences (Nursing). Since this group of RNs will already be licensed, they will be able to obtain their work experience at the Duke University Hospital or elsewhere in the community and fulfill their academic needs in Trinity College of Arts and Sciences or at another area university. It is expected that arrangements with

junior colleges, community colleges, and teaching hospitals will facilitate the identification of applicants.

A Master of Health Science program for candidates who are both licensed RNs and baccalaureate graduates would also be initiated. Initially, its goal would be to develop leaders in acute care for positions as unit chiefs and specialists in acute care to meet national needs. Eventually, it may be possible to inaugurate other needed tracks in chronic care including mental health and home or community care. External funding from federal or foundation sources would be sought. The work-study option would also be made available.

A "reentry" program would be instituted at both levels in an organized effort to attract RNs who have been inactive professionally for five or more years. Nurses who have achieved the master's degree with distinction would continue to have access to the Ph.D degree programs at Duke in preparation for careers in academic settings.

The baccalaureate and master's program would be located administratively in a Department of Nursing Education whose chairperson would report to the Vice-President for Health Affairs. Although the contemplated program should ultimately be self-sufficient, during its first ten years the University would provide support to the program in an amount not to exceed 2 percent of its unassigned income (less than one-third of its present level of

support to the School of Nursing). The support would include the indirect costs associated with the program as well as the maintenance and operation of the nondormitory space required. The Vice-President for Health Affairs would assume responsibility for continuing endowment gifts and grants.

A unique element of the proposal is that it would not isolate nursing education but integrate it into the context of the Health Sciences. At present, with the exception of the program leading to the MD degree, the health sciences are fragmented and compartmentalized in educational standards, degrees, relationship of education to practical experience, as well as potential job markets. At Duke, there are a Master of Science in Nursing, a Master of Health Administration, a Master of Science in Physical Therapy; at the baccalaureate level there are a Bachelor of Science in Nursing, and a Bachelor of Health Sciences (Physician Associates) (Pathology Assistants) (Medical Technologists) (Nurse Anesthestists). On the national scene, the complexities are compounded by a variety of degrees and diplomas in Pharmacy, Dentistry and Public Health.

Therefore, a unique opportunity exists at Duke to develop for the health sciences a university program that is similar to the graduate schools in major universities where a degree denotes a high level of academic vigor and independent study. We propose that Duke University create an innovative model that may be applicable nationally to (1) develop a selected number of health

professionals in a program designed to coordinate the various specialties; (2) provide upward and lateral mobility among the health sciences; (3) improve continuing education in the health sciences, including "team" education, e.g., acute coronary care, renal dialysis, and emergency-room resuscitation, where multiple health professionals have to interact simultaneously with critically ill patients; and (4) eliminate traditional sex barriers of certain health professionals which contribute to manpower shortages, wage discrimination, and interprofessional conflicts. The Bachelor of Health Sciences (Nursing) and the Master of Health Sciences (Nursing) would be a basic component of the program.

Each of the other Health Sciences Professional Education programs would report also to the Vice-President for Health Affairs. The Vice-President for Health Affairs would work closely with the Dean of Arts and Sciences and Trinity College and the Dean of the Graduate School to ensure that the health profession education is not divorced from the liberal arts and sciences. Depending upon their size, the other administrative divisions would be departments, programs, or units. The bachelor's and master's degree of Health Sciences would be awarded in each specialty.

If the Board of Trustees approves the proposal for the development of the program, a planning group will be formed to accomplish the task of transition through the next four years. The obstacles facing such a proposal are significant, particularly

the vested interests of the particular professional associations. We are convinced, however, that such a program has an excellent chance for charting new paths towards the goal of educating the health professionals whom the nation needs.

G. The Department of Sociology

The Department of Sociology is a relatively vigorous academic enterprise in a discipline that has become both increasingly rigorous and increasingly relevant to issues commanding attention in the broader world of affairs. With faculty members of national rank from its earliest days, it has in the past twenty years devoted much of its attention to scholarly productivity and graduate education. Its record on both scores is commendable. Success in securing extramural funding, one indicator of overall faculty quality, places it among the University's leading academic units outside the Medical Center. Although its graduate students have lower test scores than the University average, the Department's record in placing its Ph.Ds is good.

The Committee found that in living up to the image set for it during the fifties, sixties, and seventies, the Department neglected another image that Duke has long cherished for itself, that of an institution in which scholar-teachers, senior and junior alike, concern themselves with their undergraduate students. Put another way, the Department failed to understand the connection between undergraduate enrollments and hard-money support.

As a result of a self-study initiated in response to its inclusion on the list of units to be reviewed, the Department has already moved to streamline its undergraduate offerings and to make them more attractive, with an encouraging subsequent increase in enrollment. No costs will be saved, but undergraduate enrollment should be spread more evenly within the social sciences. The Committee urged the Department to arrange appropriate involvement of its senior faculty in both graduate and undergraduate teaching and, where possible, to charge more of its faculty research time during the academic year to grants and contracts. The Committee concluded that the Department's difficulties were capable of resolution through more effective management of resources and found no justification for suggesting any drastic change in its status. I concur in the judgment of the Committee.

H. Conclusion

The Board of Trustees is requested to authorize:

1. The termination of the Department of Education as expeditiously as possible consistent with institutional obligations to currently enrolled students;

2. The creation of the Program in School Management in the Graduate School of the University;

3. The continuation of the certification for students majoring in disciplines other than Education who desire to teach in secondary schools;

4. The continuation of the public service program in the field of reading and such other programs and institutes as can be conducted during the summer or as "miniprograms";

5. The continuation of the School of Forestry and Environmental Studies through the academic year 1984-85 upon the conditions outlined on pages 31-32 of this memorandum;

6. The reorganization of the Department of Health, Physical Education, and Recreation as an extra-curricular program and the transfer of its oversight from academic administration to the Vice-President for Student Affairs;

7. The continuation of the Marine Laboratory, subject to the policies set forth on pages 36-37 of this memorandum;

8. The establishment of a Department of Nursing Education with a new program leading to the degrees of Bachelor of Health Sciences (Nursing) and Master of Health Sciences (Nursing), said Department to be a component of a Health Professional Education Program within the Medical Center;

9. The termination of the existing degree programs in the School of Nursing as expeditiously as possible, consistent with institutional obligations to currently enrolled students.

The Long-Range Planning Committee continues to sit. During the fall it will study and make recommendations concerning the Primate Center, the Translation Service, the Pre-School, and the Phytotron.

IV
The Faculty

The faculty has grown during the last decade but at a much slower rate than during the sixties. Most of the growth in Arts and Sciences is attributable to the new departments of Public Policy Studies, Anthropology, and Computer Science. During the same period the size of the student body has increased at a faster rate, but the impact was partially offset by a curriculum in which a four-course academic load replaced the previous more typical five-course schedule.

Duke's faculty faces several major problems as the University enters the eighties:

A. Compensation and Fringe Benefits

Faculty compensation at Duke has been traditionally high, reflecting the excellence of the faculty. Average compensation hit its peak during the administration of President Hart when Duke ranked fourth on national scales (at a time when only three professors in the Arts and Sciences and Engineering received a salary in excess of $22,000). During the sixties salaries increased at a faster rate than the cost of living; during the seventies, however, the reverse was true despite an increase in the average faculty salary of 79 percent at Duke during the decade. The failure of faculty salaries to keep pace with the cost of living has been typical in American higher education during recent years, but the gap has been narrower at most

other private institutions than at Duke. Nonetheless, Duke salaries continue to compare reasonably well with the majority of private institutions, and more favorably if salaries are adjusted for regional differences in the cost of living. (Table 1.)

Relatively few faculty members have been offered positions elsewhere at significantly higher salaries, and, with a few exceptions, the University has been able to retain most of those whom it wished to retain. Nevertheless, more faculty are engaging in pursuits such as consulting or the preparation of commercial materials, and more faculty spouses are working than ever before in an attempt to make ends meet. This sustained drop in the standard of living, inevitable if real earnings continue to decrease, obviously creates a concomitant drop in morale. Failure to keep pace with salaries in competitive institutions will in the long run seriously impair our ability to attract the best new faculty members, and this weakness will, in turn, reduce our capacity to attract superior students, extramural research funds, and gifts. Particularly true is this state of affairs when the local state universities are able to provide higher annual salary increases to its faculty. For next year the average faculty compensation at Duke will increase between 9 and 10 percent. At The University of North Carolina at Chapel Hill and North Carolina State University, there will be 10 percent cost-of-living increases and an additional 5 percent merit increase.

The erosion of faculty compensation cannot continue.

Errata Sheet

Table 1, p. 54: Column headings should read: "Professor," "Associate Professor," "Assistant Professor," and "Instructor."

Table 1

COMPARATIVE FACULTY SALARIES 1978-79

INSTITUTION	Professor No.	Professor Actual	Professor No.	Professor Actual	Professor No.	Professor Actual	Professor No.	Professor Actual
Brown	263	29.4	88	20.6	89	16.2	N/A	N/A
Carnegie Mellon	172	29.9	107	20.5	132	16.9	11	13.4
Chicago	395	33.2	159	22.3	166	18.0	30	15.7
Columbia	452	32.0	103	22.9	250	17.3	7	11.6
Cornell	392	31.9	192	21.9	206	17.1	17	13.2
Dartmouth	136	29.0	54	20.5	137	16.5	7	13.8
Duke	272	30.1	166	20.8	103	17.1	6	14.7
Emory	128	27.4	132	21.1	118	17.5	31	14.1
Harvard	505	36.6	120	21.6	258	17.9	N/A	N/A
Johns Hopkins	240	33.2	106	23.4	124	17.5	19	14.4
MIT	463	33.9	224	22.6	180	17.9	44	15.5
Northwestern	385	32.1	176	22.1	202	18.0	36	14.0
Notre Dame	156	28.0	143	21.6	130	17.1	11	14.9
Penn	464	33.3	242	23.5	256	19.3	15	15.3
Princeton	299	32.3	55	21.9	197	16.9	39	13.8
Rice	173	28.4	83	20.3	67	16.8	8	14.4
Rochester	205	29.7	128	21.5	150	16.7	58	12.7
SMU	146	28.1	139	20.8	129	16.1	25	11.2
Southern Cal	323	31.2	298	22.5	344	18.3	44	15.3
Stanford	452	34.4	132	23.6	157	18.5	6	N/A
Tulane	140	24.8	112	19.7	112	16.2	21	12.5
Vanderbilt	189	29.0	139	20.3	104	16.2	31	14.3
Washington U.	248	28.8	140	21.1	137	17.7	14	12.7
Yale	360	34.4	113	21.1	260	16.1	38	15.0

NOTE: Salary data as shown under "actual" column represents average for all persons holding the indicated rank.

Average compensation should not be lower than the mid-point for other distinguished private research universities. (See Table 1.) If annual salary surveys show slippage beneath this mid-point, corrective action should be taken in the next academic year. Individual faculty salaries must be comparable to those paid to faculty with similar qualifications at any competitive institution. It will be necessary to budget an amount in excess of cost of living increases to accomplish these objectives.

I do not suggest that these funds be distributed to individual faculty members on a cost-of-living basis. One of the advantages of a private institution should be its ability to reward merit and to avoid across-the-board increases. Over the last decade the salary ranges in some departments have been compressed so that there is too small a differential between scholars of national standing and their colleagues of equal longevity whose performance has not justified the University's expectations at the time tenure was awarded. The understandable desire to retain the most able juniors, the concern for a colleague who needs at least an "average" increase to deal with inflation, and rapid turnover in some departmental chairmanships have combined to produce a system in which too often the outstanding members of a department receive an "average" or lower percentage increase in order to provide "equity" for other colleagues of lesser distinction. Not infrequently, the most meritorious (with the greatest mobility) have received the lowest percentage increases. The administration of a salary

policy must, of course, consider the impact of cost of living on everyone, but it must also clearly reward merit if we are to retain our best.

Traditionally, the difference in salaries among the disciplines has been narrow. During the eighties we will have to recognize that the salaries required to obtain the best in disciplines that compete with private businesses and government must be competitive with these employers as well as with other universities. This is particularly the case in fields where there are significant national shortages.

For some years now staff and faculty salaries have been treated in the same manner in the budgeting process. Thus, the percentage of increase in salary allocated for the faculty has also been allocated for the staff. Such a tandem relationship may make some sense when the percentage of increase authorized is lower than cost-of-living increases, as has been the case in recent years. There is no inherently logical relationship between the two, however. A number of key administrators must be paid salaries that are competitive nationally, as must the faculty. The appropriate comparison for many staff positions is a local labor market that may, or may not, be the same as the national market, and annual salary increases may on occasion properly be less than those required to retain a first-rate faculty. In other areas (such as data processing) conditions may require increases much higher than those required to maintain competitive faculty

salary levels. In the future, more care must be taken in recognizing these differentials rather than automatically treating faculty and staff in the same manner.

In addition to reevaluating our salary policies, we must seriously examine our fringe benefits program. At present we have a wide range of fringe benefits for employees that in 1980-81 will cost the University $24,775,000. Too often, fringe benefits have been added without long-range projections of the costs involved, or without recognizing that dollars spent in fringe benefits are dollars not available for salary. Conversely, there has been too little recognition that some forms of fringe benefits, such as medical insurance or deferred compensation, have tax implications that significantly benefit the faculty or staff member. Rarely does discussion of a proposed new fringe benefit consider replacement of an existing one. On the contrary, there is a tendency to assume that any fringe benefit is an inalienable right, which the University has an obligation to continue without regard to new needs or past experience.

After discussions with the Chairman of the Academic Council, we have determined to reorganize the Faculty Fringe Benefits Committee as a Committee on Compensation and Benefits, reporting to the Executive Committee of the Academic Council. The Committee, meeting with the Staff Fringe Benefits Committee, when necessary, will engage in a systematic study of fringe benefits, their costs, and their implication for salaries.

Several special problems are of immediate concern. Faculty morale is severely impaired by worry over the impact of inflation upon retirement income. The University retirement system depends upon TIAA-CREF. Unlike many systems, it functions as a contributions rather than a benefits system. There are no fixed benefits to the faculty members whose contributions have been distributed between TIAA and CREF. Furthermore, there is no automatic escalator clause to cover cost of living increases after retirement. There is, therefore, serious concern about living in retirement among faculty whose salary levels have precluded significant savings.

Concern has increased in recent years because of the principle that correlated the level of University contribution to TIAA-CREF with the income levels to which the F.I.C.A. tax has applied. The University plan contributes 7 percent up to the F.I.C.A. level and 14 percent above that level. The plan worked well during the many years in which the income level to which the tax applied remained stable. During the last decade, however, Congress determined to alter the levels drastically, with annual increases each year. Each increase had the effect of (1) increasing the F.I.C.A. tax that the faculty member paid (and the University matched) while at the same time (2) decreasing the amount that the University contributed toward the faculty member's retirement. In 1979 we temporarily stabilized the income level that determined the level of the University contributions at $17,700, pending a

thorough study of the retirement system. That study is now underway.

We have begun to examine the feasibility of purchasing an annuity that would provide supplements between ages seventy and eighty. The program under examination would fix the retirement salary at age seventy and compute the impact of increases in the consumer price index each year thereafter until the retiree reaches age eighty. One-half of the increase would be provided by the supplement. The University and the faculty member would, therefore, share equally in the costs incident to inflation after retirement. Additional costs occasioned by the introduction of such a program would have to be met by curtailment of some other fringe benefits. The new Committee on Compensation and Fringe Benefits will consider the proposal; preliminary study suggests that it may be feasible.

A second matter of concern relates to the increasing costs of the University's medical insurance program. Blue Cross-Blue Shield has increased premiums by 28.5 percent this year. The increase was particularly onerous for lower-paid workers but affected all faculty and staff members. The University now contributes $5,200,000 annually as its share of the program costs, and employees contribute $3,000,000. The cost of administering the program by Blue Cross is less than 5 percent. The increased costs reflect a high rate of utilization of specialized care providers. A special committee in the Medical Center is examining

alternatives, including the possibility of a Health Maintenance Organization, self-insurance, and a package of plans with variable coverage and costs. Also in question is the wisdom of the present University policy of contributing more costs for family coverage than for individual coverage.

A third matter concerns the relationship of certain fringe benefits to summer supplements. Most members of the faculty outside the Medical Center are on nine-month contracts. They may receive up to 2-5/9 supplement for summer session teaching or research grants. Traditionally the University has contributed to TIAA-CREF solely on the basis of the academic year salary. Faculty on grants complain that their grant is charged a fringe benefit rate that includes contributions to TIAA-CREF, and that they therefore should receive the contributions on summer salaries. In the Medical Center, faculty are on eleven-month salaries and the University contributes for all eleven months. The situation is complicated by the fact that almost all salaries in the Arts and Sciences are paid from current unrestricted funds, while only about 30 percent of the Medical Center salaries are paid from this source. Cost sharing, without which some grants ensuring summer salary would not be possible, is much more extensive in the Arts and Sciences than in the Medical Center. Faculty in the Arts and Sciences receive sabbaticals, during which the University contributes to TIAA-CREF, while sabbaticals are rarely awarded in the Medical Center. This matter is also under study.

A fourth matter concerns the difficulty of attracting faculty who must acquire mortgages on homes at high interest rates. We have under study a proposal to subsidize interest rates above a specific rate with a return of the subsidy to the University in the event of the realization of a capital gain upon the sale of the house. Such a policy would be helpful if interest rates rise again to the levels of last spring.

B. Tenure

Almost 80 percent of the faculty outside the Medical Center is tenured. This is a percentage far higher than that which exists at most institutions and far higher than is consistent with a policy of regularly adding talented young people to the faculty. In an era of retrenchment where few new positions will be authorized, this tenure ratio poses a significant risk of stagnation. The present condition is the result of a number of factors: (1) rapid expansion with little concern that the level of external support or the number of students attending college might decrease in the future; (2) a tradition at Duke similar to that of other institutions sharing its status that a person hired as an assistant professor will be promoted and receive tenure if he teaches well and has produced significant publications, as distinguished from a policy common in some highly prestigious institutions that assumes that most assistant professors will go elsewhere after three to six years and that senior positions with tenure will normally be filled by external appointments on a nationally competitive basis;

(3) less than rigorous standards applied by some departments and, until recently, acquiesced in by the Central Administration; and (4) the ability of Duke to attract a significant number of very able people during the sixties and seventies because of its prestige, compensation levels, and support services. Similar problems exist in the Medical Center, particularly in the basic science departments where the situation is further complicated by the fact that a significant percentage of faculty salaries are supported by external grants.

During the last eighteen months, the Provost, assisted by the Academic Council, has developed and published guidelines tightening the requirements for tenure. A new Bylaw in all likelihood will be submitted to the Board of Trustees lengthening the time period after which tenure will automatically vest from seven to eleven years but permitting different periods to be set by the individual schools of the University in view of the varying customs of the different fields and disciplines. It is anticipated that the present period of seven years will be retained in Arts and Sciences and Engineering, but some of the professional schools will more likely adopt longer or shorter periods as their usual policies.

In addition, there is a need to develop an early retirement option. Duke has been less affected than some institutions by the new federal mandatory retirement legislation because Duke faculty members have never been required to retire before age seventy. Traditionally, a significant number of them have retired between

sixty-five and seventy, although the number is decreasing as worry over inflation increases.

During recent years, the University has made special arrangements with a few individual faculty members to facilitate early retirement, but it has not developed a general plan for doing so. Recent studies strongly suggest that the presence of a plan may increase the number of early retirements. Fortunately, Duke's Dr. John O. Blackburn and Dr. Susan S. Schiffman are national experts in the field and have recently surveyed plans in operation at a number of major private institutions. We have commissioned Dr. Blackburn to develop a plan specifically tailored to Duke's needs. The existence of such a plan, plus the annuity supplement described previously will, we hope, increase the number of early retirements, reduce the level of tenured appointments, and create more openings for new academic blood.

C. Maintaining and Improving Quality

The primary objective of the University must be to maintain and improve the quality of its faculty. During the 1970s a number of the "giants" who built Duke into a distinguished research institution retired. The University was able to replace many by external selections, largely because of generous faculty development grants from The Duke Endowment. This process must continue. The leading scholars in each department must be excellent by every national standard. Where possible, they should come from within the faculty, but where the potential for greatness is absent, the

University must not confuse conscientious service with potential greatness. A significant number of "star" appointments will be required if the University is to achieve its goal of increasing the representation of its faculty in the national academies. There is reason to believe that The Duke Endowment will be responsive to requests for funding of initial appointments. To provide for long range funding, the University must be prepared, where necessary, to reduce the size of the faculty by not refilling positions vacated by attrition.

Such appointments are particularly important in the new interdisciplinary ventures that will challenge our traditional approaches to the organization of teaching and research. The new program in the neurosciences offers such an opportunity. We will need to identify people who are not constrained by the present departmental framework if we are to be prepared for the next century.

D. Allocation of Resources Among Departments

At present the quantity and quality of teaching and research differ significantly among departments. Some departments have extremely large teaching loads which impair their capacity for research; others have comparatively light teaching loads. Some departments produce significant research while others of similar size produce much less. Enrollment in the School of Engineering has increased significantly over the decade while the faculty size has remained constant. During the next decade the Provost must

reallocate teaching positions among the departments and the schools in order to provide a more rational distribution of faculty resources than now exists.

Required also is more and more innovative experimentation with techniques for teaching large classes at beginning levels. The concept of managing teaching responsibilities effectively through a combination of senior faculty, graduate students, and modern technology was demonstrated to the Board of Trustees last spring by Professor Allen C. Kelley in explaining his TIPS system.

Particular care must be taken to avoid the dilution of undergraduate education by too much reliance upon graduate students in introductory courses. While such teaching opportunities are important in furnishing graduate students with the classroom and laboratory experience they need to acquire, they should by no means provide most of the instruction to freshmen or other undergraduates. Moreover, those engaged in such teaching should be advanced students certified as qualified by departmental chairmen. Steps to ensure these procedures have been initiated by the Dean of Arts and Sciences and Trinity College.

Essential to a rational allocation of resources in the academic sector are determinations in the following areas: appropriate undergraduate and graduate curricula for each department, distinction between essential and merely desirable courses for graduate and undergraduate students, sifting of annually offered

courses from those to be offered less often, appropriate sequence for basic courses, other needs of the University to be served by each department, and a definition of faculty requisites for presenting such a curriculum. The Provost has initiated efforts to analyze these factors. The results of this analysis may suggest the desirability of establishing a range of authorized strengths for each department. A department might then be permitted to exceed its strength by the addition of nontenured faculty supported by external funding, but not otherwise, unless a change in the basic plan can be justified. The program would also try to set goals for tenured positions in each department and a timetable for reaching these goals.

Such an approach will require several modifications in the manner in which departments have functioned. The breadth of some programs will necessarily be narrower. Requests and permissions for leave without pay will require as much advance notice and planning as possible to ensure that an adequate replacement is available to present essential courses in proper sequence. In addition, we must provide financing for sabbaticals now unfunded and made possible only by "transfers" of resources from one department to another or by deleting courses from the curriculum in the absence of the faculty member.

E. Affirmative Action

The University has far too few women and minority faculty

members. Continued efforts are required to eradicate this deficiency. (See Section XV.) Affirmative action within the faculty is particularly desirable because of the role models it provides for our students and the intellectual stimulation that faculty from a variety of backgrounds can bring to their colleagues.

F. Academic Betterments

Academic equipment was one of the major victims of the stringent budgets of the seventies. Much of our academic equipment became obsolete and little of the new technology was acquired. Furthermore, little money was spent on academic renovation. A major effort is now being made to deal with the problem. A total of over $600,000 has been spent or committed for academic equipment outside the Medical Center in addition to over $500,000 in academic renovations from current operating funds during the last two years. Much more needs to be done, particularly in the Engineering laboratories and in the application of computers to the instructional process. The "windfall" produced by high short-term interest rates, which financed much of our "catch-up" program, will probably not be available. We will place a high priority on requests to The Duke Endowment to finance the remainder of our deficiencies and to have funding built into the budget process to keep us current thereafter.

A second problem involves space. There is no rational system for space allocation outside of the Medical Center. A space inventory is available for accounting purposes but is inadequate

to deal with academic programming. During the present year a comprehensive space inventory will be conducted. A set of impartial principles for space allocation will be developed. A considerably higher degree of equity among departments and academic programs should result.

One of our major problems has been an inability to house new programs. The older departments have been reluctant to yield turf, and the new enterprises have been generally assigned to whatever surplus space could be located. Much of the elasticity needed during the sixties and early seventies was provided by new construction for older enterprises, freeing the vacated space for the newer ones. The problem could become much more acute if no new major construction is contemplated.

Fortunately, the new University Center will provide space in Flowers; the renovations of Duke South will permit the transfer of Medical Center activities temporarily located in Old Chemistry; and the construction of the new GSBA building will free significant space in Social Sciences and Old Chemistry. Prudently administered, this space should permit the movement of Anthropology and Geology to the main quadrangle and still leave adequate space for the limited number of new academic programs that will be initiated during the decade.

G. Productivity in Research and Teaching

The University is neither a farm nor a factory; still, produc-

tivity is an important institutional concern. Too little time in recent years has been devoted to means to improve classroom and research performance. We need to define which, if any, incentives would better the quantity and quality of this performance, and isolate those deficiencies in our present structure that deter or impede the attainment of our goals in teaching and research.

During the past year, I appointed a Task Force to explore ways of increasing productivity of existing research expenditures by reallocating these resources so as to expand the amount of quality research, as well as to explore ways in which we might increase the financial resources available to research from external sources. In addition, the Task Force was charged with the responsibility of identifying institutional and other factors that presently impede research at Duke and of suggesting feasible ways for reducing or eliminating these research barriers.

The excellent report of the Task Force reflected a high level of frustration about the research environment among the faculty members surveyed. These faculty members perceive insufficient administrative support for, and increasing obstacles to, research, particularly in the rapid expansion of University bureaucratic structures and procedures. They urge more decentralized decision making.

Many of the individual faculty recommendations demonstrate an as yet incomplete understanding of the degree to which the Univer-

sity's policies concerning procurement, personnel, and recovery of costs are the result of federal regulations. Some also indicate a perception that the primary contribution of the University to research is through sabbaticals and Research Council grants. They are far less aware of the extent to which the University provides basic, continuing, and indispensable support for research through faculty salaries, light teaching loads, data processing, construction of laboratories, and maintaining libraries.

The faculty surveyed viewed administrative and committee work as the most significant impediments to research. The failure of administrative systems to facilitate, rather than to monitor and regulate, emerged as another significant concern. Teaching ranked third among the impediments noted. The most important elements in improving the climate were thought to be blocks of time that could be allocated exclusively or largely to research, at least minimal financial support, and an improved information system.

The Task Force recommended, and I accept, the desirability of minimizing faculty committee assignments. The trend during the sixties and seventies toward a high level of participatory democracy in governance has spawned an inordinate number of committees that generate administrative work with which faculty should not be taxed. The Provost and I will meet with the Chairman of the Academic Council in order to eliminate as many committees as seems desirable, and reduce the size of others. We will propose a limited number of major standing committees, with all others to be

ad hoc and of limited life span and mission. We must recognize that some professors must be willing to serve on key committees if the faculty wish to participate in governance.

The Task Force also recommended that existing hiring and wage administration policies be modified to encourage the employment of competent staff who can relieve faculty of administrative duties. To the degree possible under federal regulations, we shall attempt to do so with a clear understanding that the addition of administrative staff of the quality required may require the utilization of resources previously used for faculty support. It should be recognized, however, that decentralization of personnel policies that govern hiring wage rates and promotions is not possible so long as the University is subject to intense federal regulation in these areas.

The Task Force suggested that the sabbatical leave system should be reserved for persons of proven research productivity. The Provost will be developing guidelines governing the award of sabbatical leaves during the next year. There is general agreement within the Administration that sabbaticals should not be automatic, though it is unclear that those faculty members who have shouldered heavier than normal teaching loads at the expense of research should be treated less favorably than those whose research productivity has been enhanced by reduced teaching loads.

The Provost and I accept the Task Force's conclusion that

teaching loads and administrative assignments should be adjusted to facilitate the time demands of productive research. Departments that require equal teaching loads of colleagues who are engaged in productive research and no additional duties for those who are not so engaged are improperly managing scarce resources. The University must develop a rational system for defining 100 percent of effort by a faculty member and for allocating effort among appropriate University activities--formal instruction, research, the supervision of students in independent study and research, advising of students, and administration--including committee work. It must develop a reasonable set of standards for defining appropriate teaching loads and an equitable system for adjusting them up and down. Likewise, efforts will be made to encourage the pooling of resources among departments that are too small or fragmented to provide the necessary flexibility in faculty and staff assignments.

The Task Force also made other recommendations that seem highly desirable:

1. A department's research productivity should be at least as important a consideration as its teaching productivity in decisions to hire new faculty members as well as in retrenchment decisions.

2. An organization of departmental chairmen should be created to serve as a forum for those policy issues that are common among chairmen and to provide assistance to those new to the position. (This is now being done in Arts and Sciences.)

3. Priority must be accorded in recruiting, selecting, and awarding strong chairmen capable of

making key, hard allocative decisions. Such chairmen should be provided with considerable discretionary power and flexibility to effect improvements in teaching and research activities.

4. The concept of service to the University's research and teaching functions must be emphasized as the primary goal at all administrative levels.

5. A faculty member's research productivity must be rewarded at least as much as his teaching productivity in promotion and tenure decisions. Salary increments should vary more than they do now in recognition of outstanding accomplishments in research.

6. Distinguished Research Awards should be instituted as one way in which the University community can recognize the excellent research contributions of our faculty.

7. The research (as well as teaching) productivity of each tenured faculty member should be periodically evaluated.

Several other recommendations can be endorsed with modifications. It is obviously desirable that library resources and facilities keep pace with the research needs of the faculty, so long as it is understood that not every need can be met without undesirably allocating funds from other necessary activities. The Task Force also recommended that the Research Council be encouraged to husband its limited financial resources by placing greater emphasis on the faculty member's past productivity, as well as his or her research potential, in determining research funding. There is good reason to discourage minimal levels of support to mediocre projects at the expense of greater support to projects of potential excellence. In my judgment, however, the Council

should be encouraged also to give greater emphasis to "seed" proposals for junior faculty colleagues. Faculty members of proven scholarly productivity, at least in some disciplines, should be able to generate extramural funding and, therefore, not be as dependent upon internal support as are junior members.

The Task Force, in discussing how the University allocates its limited financial resources, reflected a concern that research should receive at least the same priority as teaching. At present, such is in fact the case; indeed, a significant number of faculty and students would assert that it is teaching and advising rather than research that are undernourished. Determining where the balance should be is appropriately the province of the Provost.

There is clearly an internal need to communicate the degree to which the University is supporting research to its faculty, some of whom feel they are being shortchanged. It is also necessary to mount more effective public information programs relating to research and research productivity for the nationwide community. As indicated in Section XII of this memorandum, the Provost has been requested to state annually the priorities of the academic sector to the University Relations Office. Unquestionably, a primary priority will be the presentation of the "research story" of the University.

The Task Force also made a number of recommendations concerning the expansion of extramural research at Duke. It was recom-

mended that the policy of negotiated cost sharing be continued on the grounds that it strengthens the quantity and quality of research, broadens the development of the faculty scholar, buttresses graduate and undergraduate instruction, and expands the financial resources of the University. There may be some differences concerning the degree to which it accomplishes each of these objectives, but it is clear that in general the best interest of the University is served by the practice. Among institutions of its type, the University has one of the highest rates of overhead recovery on sponsored research. It is able to do so because of its sophisticated cost accounting system. It chooses to do so because about 80 percent of the sponsored research in the University is conducted in the Medical Center and most medical funding sources reimburse for full overhead recovery. Several of the most important agencies funding proposals for the Arts and Sciences and Engineering consider direct and overhead costs as a "package" and in substance place a ceiling on the level of support made available. A principal investigator at an institution with a lower overhead rate is thus at a competitive advantage in dealing with agency contract officers. Other agencies may simply fix an arbitrary level of overhead at a figure much lower than the audited rate. As a practical necessity, cost sharing in some form is necessary to obtain grants either by direct cost sharing of faculty time or secretarial costs, computer costs, and supplies or by accepting an overhead rate below actual overhead costs.

This does not mean that cost sharing is necessarily desirable

for every proposed project. The issue is whether the interests of the University are best served by subsidizing the proposal in the amount and manner requested. A proposal by an established scholar of proven productivity that includes external funding for equipment, graduate students, and part of the faculty member's academic year salary is an obvious choice for a reduction of overhead. Such a reduction, however, is more difficult to justify for a less productive scholar's proposal that provides little other than supplies and a summer salary supplement, yet seeks a reduction in teaching load during the regular year and significant computer support from hard funds. The test of cost sharing should be the degree to which the proposed project accomplishes the objectives set forth by the Task Force, i.e., strengthening the quality and quantity of research, broadening the development of the scholar, buttressing graduate and undergraduate instruction, and expanding the financial resources of the University.

Too often members of the University community fail to appreciate the fact that the indirect costs recovered on research grants are real costs. A significant number of persons in the Business and Finance division--particularly in accounting, sponsored programs, internal audit and central purchasing--are required to serve the research function of the University. In the absence of such a commitment, the size of these staffs could be cut markedly. Moreover, a significant amount of University space is committed to the research function; the acquisitions and

staffing policies of the library demonstrate a like commitment; and the teaching obligations of faculty in many departments are considerably less than would be appropriate in the absence of a significant research commitment. The University shares these costs even when it is reimbursed for indirect expenses at the audited rate of recovery, since government regulations preclude full recompense.

Thus, when it "cost shares" by providing without compensation a portion of a faculty member's effort, secretarial assistance, data processing, or accepting an overhead recovery of less than the audited rate, it is in substance assuming an additional obligation to pay costs related to its research functions from its current funds, which otherwise could be used for salaries, books, financial aid, or student services. It makes such a choice because on balance it believes that to commit these funds in support of its research is a wiser expenditure than to use them for other purposes. This is perfectly appropriate, but it is also appropriate to recognize that it is a "trade-off" involving real costs, which must be calculated with great care. Efforts are underway to state principles by which to determine when direct cost sharing and waiver of overhead are proper.

Decisions concerning cost sharing will be made by the Vice-Provost for Research (Dean of the Graduate School). He will consult with the appropriate dean directly responsible for the specific faculty member's evaluation and development.

The Task Force argued cogently for the necessity of providing incentives to the individual faculty member as well as to departments and schools to encourage sponsored research. Significant incentives already exist: an opportunity to do research of the faculty member's choice; the serious consideration of such research in decisions concerning promotion, salary, and tenure; the mobility available to those of proven productivity; the esteem attached to those occupying chairs traditionally reserved for research scholars; the ability to finance and obtain the assistance of able graduate and postdoctoral students; the assurance of summer compensation free from the obligation of teaching.

The Task Force, as I had requested, explored other incentives. It recommended that departments be permitted to "buy back" teaching time by including in research grants provision for "purchasing" part of the normal teaching responsibilities of the professor. The "purchased" time would be used to pay for a replacement. The Task Force recognized the potential danger of such a procedure in reducing the quality of instruction and increasing the real costs to the University, but on balance thought that it would have overriding advantages in many situations. It also recommended that the University establish individual faculty "research accounts," with income credited to these accounts from cost savings to the University derived from research grants. These funds would be used solely for research purposes. Under such a scheme, a faculty member who earns $24,000 and who obtained a grant of $12,000 in salary support, but who did not reduce his

teaching load, could have a specific amount--perhaps $10,000--credited to his research account. The same situation could occur when a grant underwrites secretarial or other direct departmental expenses. There is much merit in such a proposal where there is no supplemental cost sharing of overhead or direct expenses. When the University engages in significant cost sharing in overhead, direct salaries, or computer costs, it would simply be authorizing transfers from current funds to the reserve account by such a policy.

In any case, such proposals must await the definitions of 100 percent effort by a "normal" teaching load for faculty members. We must determine what the University has a right to expect as a "normal" teaching load before we can formulate what is being bought back. In addition, as the Task Force pointed out, there must first be a significant modification of budgetary policies with respect to departmental management, combining specific authorized strength and expenditure levels with shorter-term annual implementation of the budget. Efficient departmental management must be rewarded and inefficient management penalized. As the Task Force recommended:

1. Baseline budgets must be developed which are realistic in terms of the instructional and research requirements of the department, in the sense that they represent a University commitment in the absence of unforeseen major variances in short-term financial affairs.

2. Baseline budgets must be adjusted annually to take into account increments and decrements in costs

arising from inflation and also from long-run demonstrably valuable programming changes.

3. Extraordinary steps must be taken to ensure that departments which are efficient in budget management are not penalized for their successes. For example, successive baseline budgets should not be notably depressed in level or growth due to efficient budget management. Indeed, the possibility should be recognized that efficiency in management of ongoing programs may justify increased baseline funding.

4. Most of the cost savings should be allocated to the department which makes the savings possible.

These proposals represent a fundamental break from the current budgeting practices at Duke. They emphasize long-run planning at the departmental level; they require contingency financing to bridge gaps between annual and long-run budgets; they rely upon and emphasize positive incentives for fund raising and expert budget management.

While this process is being implemented, the Provost will study the proposed "teaching buy-back" and "research account" proposals, giving special attention to the experience at Johns Hopkins where a similar program is in operation. During the same period there will be an opportunity to determine the impact that such a policy would have on those members of the faculty for whom external funding to permit "teaching buy-backs" and "research accounts" is not a reasonable possibility. A significant number of faculty--primarily in the humanities, in some of the social sciences, Divinity, and Law--rarely have available government or foundation funding of the kind found in the sciences, Engineering

and some of the social sciences. Many of these scholars have heavy teaching loads, do not receive course reductions to stimulate research, and engage in scholarship throughout the summer without the benefit of summer stipends. The quality and quantity of their research compares favorably with those engaged in the kinds of research that brings substantial external funding. In general, the University subsidizes their research to a lesser degree than it now subsidizes the research of those who would be eligible for the proposed incentives.

Difficult issues are posed by the need to increase the level of extramural funding, the efficacy of individual incentives for--and the "hidden" internal costs of--doing so, and the need to reward fairly the labors of first-rate scholars in disciplines where the incentives would be unavailable. The ultimate decisions are properly those of the Provost.

Present University policy limits summer stipends to 2-5/9 of the salary in the regular academic year. No reason appears that University policy should prohibit grants which seek 3/9 salary stipends if grantors are prepared to make such funds available. Care must be taken to assure that the cost sharing requested of the University is not the real source of the funds. There is a natural temptation to add to personal summer compensation in lieu of graduate student assistance or computer time, seeking support for these activities from University hard funds. Adequate protection exists in the University's power to deny or determine

the manner and amount in which it will share costs.

The level of assistance provided to faculty in the preaward phase of extramural funding needs to be improved significantly. There is an excellent Office of Sponsored Programs in the Medical Center that is alert to new funding opportunities and provides assistance in the preparation of grants. A similar capability must be developed for the campus academic components. We shall establish an Office of Research Administration in the Graduate School with the responsibility of assisting faculty in ascertaining new potential sources of federal and foundation support. The Dean of the Graduate School has been requested to develop a description of the exact functions to be performed by the office and the staffing required.

H. Academic Management

During the last eighteen months there have been significant changes in the structure of academic administration designed to deal with the deficiencies discussed in my earlier memorandum. (See Appendix B.) Trinity College of Arts and Sciences has been reorganized with departmental chairmen reporting to an able dean who has budgetary control over the departments. She has the responsibility for developing and implementing plans for faculty development, as do the deans in the other schools. The necessary relationship between curriculum and staffing is now the responsibility of the Deans of Arts and Sciences and Engineering, as

they are in all other schools. A Council of Deans has been established, and the Provost has initiated a program of periodic external reviews of departments and schools. Carefully defined policies on promotion and tenure and merit salary increases have been promulgated by the Provost as well. The Office of Student Affairs has been removed from the academic sector and placed under a Vice-President of the University. The research responsibilities of the University have been entrusted to a Vice-Provost who simultaneously serves as Dean of the Graduate School.

The Board has approved the appointment of a new Vice-Provost for Academic Policy and Planning with responsibility for the development of a new budget system to encompass both hard and soft money budgets. On the agenda for 1980-81 are the thoughtful proposals of the Special Committee on Educational Policy and Program in Trinity College relating to undergraduate curriculum and the reconsideration of a number of policies in the Graduate School discussed in my earlier memorandum.

The Provost has been fortunate in persuading three of our ablest professors in the University to serve in key posts. There is every reason to believe that the combination of the reorganization and the leadership of these individuals will free the Provost for the vital tasks of providing intellectual leadership and developing broad educational policy and exempt him from the myriad meetings and individual decisions that plagued his

predecessors. High on his agenda for the next year are the important academic appointments of Dean of the Divinity School and University Librarian.

I. Ambiance

In my 1978 memorandum, I commented on the need to create an atmosphere more conducive to productive scholarship and intellectual colleagueship, the need to improve the ambiance in which instruction and research take place and in which administrative officers, faculty members, and students interact with ideas and each other. Much has been accomplished during the last eighteen months. Regular faculty coffees with the Provost have begun; a faculty newsletter has been initiated; informal visits to departments by University administrative officers are taking place. Much more needs to be done.

There is an urgent need for a social setting in which faculty can meet, dine and discuss matters of common interest in an attractive relaxed atmosphere. Most universities have faculty clubs, and while Duke has a splendid tennis-swimming facility, built and operated at no cost to the University, it has never had a faculty club conducive to intellectual interaction. The Magnolia Room on the East Campus serves this purpose to some degree, but no similar facility exists on West.

To this end, we propose to experiment with utilizing the Union ballroom for this purpose when the University Center opens. A

limited menu, served from the University dining halls, will be offered, and the room will be arranged in a way that encourages the mingling of persons from different disciplines. Only lunch will be available. If the service proves successful, serious attention will be given to the development of plans for a faculty club facility.

No Board of Trustees action is requested at present. There will, at a later date, be submitted to the Board (1) an amended Bylaw relating to the period required for the attainment of tenure, and (2) a program for early retirement. Additional proposals may recommend modifications of the retirement system and other fringe benefit programs.

V
The Library

In 1979 the library collections of the University surpassed the three million volume mark. The breadth and depth of the collections suggest a strength that exceeds its dimensions in terms of size. The libraries are served by a dedicated staff in generally attractive surroundings.

During the last two years it has been possible to promote a significant number of librarians already at Duke as a result of positions vacated by retirement and to increase salaries substantially to the point where they are now competitive by national standards. It has also been possible to advance support staff in the library as a result of the introduction of a more sophisticated job-family classification system. In addition, special appropriations have permitted an improvement of library audiovisual and data processing equipment.

Nonetheless the library faces several major problems in the next decade. It is essential that key persons be among the best in the nation, and continued care must be given to assure that the salary structure, opportunity for professional advancement and working conditions are competitive across the board. Moreover, there is need to improve procedures that permit promotion from the support to the professional staff for those who demonstrate the necessary qualifications.

To maintain an acceptable level of acquisitions in the face

of extraordinary inflation, is, however, the most significant challenge facing the library. Book prices have increased 112 percent and subscriptions 226 percent during the decade. For foreign publications the rise has been even greater, and compounded further by the devaluation of the dollar. Simultaneously, we are experiencing a knowledge explosion that has resulted in a dramatic increase in the sheer bulk of scholarly publications to be acquired. These developments will require us to spend much more on acquisitions. At the same time, library security is dangerously weak, and the paper on which many books are printed is deteriorating. Both situations pose serious threats to the collections already acquired.

These conditions suggest that even if library budgets continue to rise at a rate greater than that of increases in salaries and financial aid, we will not be able to maintain the same level of acquisitions as in the past. It is obviously essential that a very high rate of acquisitions be maintained in order to provide a reasonable representation of scholarship in a very wide range of disciplines in our libraries. But the process of greater selectivity, begun during the last five years, must continue and be refined. In short, more money must be spent on the library, but we must also be prepared to face a relative loss of rank in library size. Duke has fewer students, fewer faculty, and a narrower range of disciplines than almost all of the universities with libraries of comparable size. What is essential is that we have

a library that meets the full needs of our students and faculty, not a library of any particular size.

The library is well behind many others in the use of modern informational technology for a wide range of functions, including access to data banks. An important beginning has been achieved with the introduction of the SOLINET system, but considerable capital outlays will be required to bring the library to the needed level. Particular emphasis must be placed on areas where significant cost savings in personnel can offset the costs of the data processing hardware and software.

Important new initiatives have been taken to improve the level of cooperation with The University of North Carolina at Chapel Hill and North Carolina State University. Much more needs to be done. The involvement of the provosts of our several institutions may be needed to provide for the short-term resources required to determine how cooperation can best be accomplished and to ensure from each of the institutions a long-range commitment to the plans that are developed.

There is also a major problem involving storage. Most of the departmental libraries in the sciences exceeded their storage capacity sometime ago. Thousands of books are inaccessibly housed. Perkins is running out of space and during the last two years has converted departmental reading rooms into additional shelving areas. There are a number of potential short-run

alternatives to relieve the problem. Additional study space can be converted into stacks. There is the possibility of extending Perkins into some portions of Gray Building now occupied by the Department of Religion, and of transferring the Department of Political Science and other faculty offices to the Social Sciences Building when the Graduate School of Business Administration occupies its new building. Significant effort can be made to weed out of the present collection volumes that bear no relationship to the teaching and research programs of the University. For instance, a random survey reveals science textbooks of the 1920s and a significant number of juvenile books that could be removed without harm.

The future of the East Campus Library is still to be determined. Regardless of the role it eventually assumes, that library's collections will need to be weeded to allow space for future book purchases. A decision concerning the proposed residential life program discussed in Section VII-A is a prerequisite to such a determination.

Even with these efforts, however, additional storage space will be necessary. At regular intervals there are requests for the construction of a science library or an expansion of the existing departmental libraries. The construction of a major new facility or a series of smaller facilities would commit the University to high-cost construction at the very time when its developmental activities are needed for the raising of endowment.

In my judgment, we simply must put a stop to our tendency to build a new building whenever a need arises. A new building, even when needed, is less important than the raising of endowment upon which the future of the institution clearly depends. We should commit ourselves to providing storage space, but not of the kind normally associated with the monumental structures housing the University's principal collections. Rarely used books should be transferred to this facility and made available by courier when needed.

The library has considered the possibility of renting space, at best a temporary option; the University has considered the possibility of constructing space, even Butler-type buildings. The best immediate solution would appear to be to acquire warehouses in Durham and convert them to storage facilities equipped with the necessary temperature and humidity controls. It is possible that such facilities may be acquired by gift. If not, a high priority should be assigned to acquiring the necessary funds through Duke Endowment requests during the next three years.

No action by the Board of Trustees is requested.

VI
Admissions, Tuition, and Financial Aid

A. Admissions

The quality of the students at the University is high. They compare favorably in Duke's professional schools (Medicine, Law, and Divinity) with those attending the outstanding professional schools of the nation. The student body in the Graduate School of Business Administration is good and constantly improving as the size of the pool increases. In the Graduate School there is less uniformity, since the quality tends to vary among the disciplines; in a number of them, however, the students are among the best in the nation.

Most of the students of the University are in its undergraduate divisions. For the class entering in September 1980, of the over 9,909 applications requested, 8,030 were completed, 3,066 offers of admissions were made, and 1,462 chose to accept. The average combined SAT score in Trinity College of Arts and Sciences is 1267, in Engineering 1315, and in Nursing 1137. There is reason to take pride in this quality. Even with a 20 percent increase in the size of the undergraduate student body during the past decade, the academic quality of the female students, as measured by objective indicators, has remained consistently high, while the quality of the male students, particularly those in the School of Engineering, has improved significantly.

There is no room for complacency, however. Comparative

statistics suggest that our applicant pools are smaller than those of the Ivy League schools and Stanford, and that in the competition for the ablest persons, Duke regularly loses students to several top-tier institutions. In fact, our greatest problem in admissions lies in the fact that a high percentage of the ablest students who are accepted at Duke choose not to attend.

The statistics on the entering class are affected by preferential treatment shown to some alumni children, some athletes, some minority students, some North Carolinians, and, in a limited number of cases, to applicants for whom the President takes special action through the authority specifically vested in him by the Bylaws of the University.

Opinions on the quality of the student body differ within the faculty. Many are impressed with the high quality of students and would note only a relatively few who are either unable to do acceptable work or demonstrate little desire to do so. In recent years, however, concern has been expressed about the lack of strong intellectual commitment on the part of many students. Whether this weakness results from the admissions policy, the ambiance of campus life, a combination of the two, or comes about through factors beyond the University's control such as the increased student concern nationwide about careers is a matter of serious debate. We can, however, be certain that the level of intellectual curiosity and dedication sought by the faculty probably relates closely to the quality of student life, a

subject to be discussed later in this memorandum. In part, however, the concern suggests a need to reconsider some of the underlying premises upon which admissions policy has been based during the decade.

Any discussion of admissions policy necessarily centers on the size of the entering class. During the last decade the size of the undergraduate student body has increased by approximately a thousand. The Task Force on Admissions, Tuition, and Financial Aid is in agreement with the Administration that no substantial increase in the undergraduate student body should take place in the absence of some major change in the academic program brought about, for example, by the adoption of a schedule of year-round operations. The dormitories are already overcrowded. Recreational space and facilities in some areas are already grossly inadequate. The further deterioration of amenities attendant upon increased size would make Duke a less pleasant place for students and faculty, and thus less attractive to the kinds of students whom we wish to attract in the future. In addition, the present size and quality of the applicant pool suggests that we are not yet in a position to attract a significantly greater number of students of the same quality as now matriculate. Furthermore, the sole advantage in increasing the size would be to generate dollars, but these would necessarily be promptly spent for operating expenses, without producing any real cure for the underlying financial problems of the University.

The second major issue deals with the kind of student whom we wish to attract. In the past, we have aimed at those who are intellectually capable of excelling and also "well-rounded," and we have been reasonably successful. We have been less so, however, in assembling a student body that is heterogeneous in terms of racial, social, and economic background. These objectives are not materially different from those of any other high-quality educational institution, and we have come closer to achieving them than most.

The University has followed its tradition of admitting "blue chip" athletes who are capable of doing acceptable work, of attempting to attract as many minority students as possible who can succeed at Duke, of granting preference to children of dedicated alumni, and of maintaining a significant number of North Carolinians in the student body. The premises underlying these policies have been accepted by the Board of Trustees and are supported by the Administration. Except perhaps for the preference for home state students, these policies find expression at other prestigious schools as well, although some institutions are considerably less candid about their admissions practices.

The first step in improving the quality of the student body is to increase the pool of capable applicants, and particularly those who see Duke as their first choice. At least two elements are involved in this process. First, we must expand greatly the recruiting efforts of the University in order to attract students from a broader range of secondary schools than at present. A

recruitment campaign based on regional assignments of permanent staff and coordinated alumni activity should permit a much more extensive visitation program to secondary schools than has occurred previously, thereby providing an opportunity to attract a larger number of able students. In particular, we must place renewed emphasis upon recruitment in the Southwest and Midwest and in the Southeast, where the anticipated decline in numbers of high school seniors will have less effect than in the Northeast. Duke at present receives less than 5 percent of its applications from seven of the eleven states with large pools of qualified students (California, Minnesota, Iowa, Texas, Illinois, Michigan, Wisconsin).

This is particularly important because of the anticipated decline in the number of high school graduates. The Task Force on Year-Round Operations estimated a 16.8 percent decrease in high school graduates nationwide between 1979 and 1985. At least 52 percent of Duke applicants come from states where the number of high school graduates is expected to diminish by 30 percent or more by 1985. The Task Force concluded that Duke could expect a decline of 17.5 percent in the number of applicants by 1985 at 1979 yield rates if recruiting strategy is not changed.

Second, we must define with greater precision exactly what we are seeking. The faculty perceives a need in admissions to increase significantly the number of individuals who possess both enthusiasm and potential for intellectual creativity. Thoughtful people recognize that there is a difference between those persons

who possess a potential for long-range intellectual contributions to society and those who perform with a high degree of success in conventional activity. Students of both types are highly desirable, but we have much fewer of the first group than we desire.

We must seek to attract individuals with genuine intellectual talents beyond memory and examination-taking skills, including a significant number of persons who have the potential for original thought. The Task Force distinguished between consummate brilliance and the well-trained unoriginal intelligence that reflects itself in higher grades but minimal creativity, and emphasized the crucial role of that first category in enhancing a university's contributions to society. At the same time, we wish to broaden heterogeneity within the student body and assure that the average student at Duke is talented and personable, with a wide range of interests in the world as well as a first-rate intellect.

In admissions, a university can do no more than articulate its goals and then attempt to implement them through its practices. It is necessarily passive in the applications process and in the final selection by its applicants of acceptance offers. Critical, nevertheless, are the practices of the school both in determining the students it seeks to attract and extending its acceptances to selected members from that group. Those practices obviously must relate to its goals.

There is considerable disagreement within the academic

community concerning the relative weight that should be given to different factors in the selection of students. Some members of the faculty are concerned largely with intellectual potential as measured by standardized tests. Other members of the community would give less weight to standardized tests except as an index of institutional prestige--an extremely important factor in that it is the normal index for comparing us with competitive institutions. Among members of this group, some argue that a potential for leadership reflected through extracurricular activities deserves at least as much attention as SAT scores; others would maintain that the best proof of capability is a student's past performance, as reflected by his rank in class, with the exception of cases in which a student has been in an uncompetitive academic setting. Still others are concerned that excessive reliance on test scores may be more likely to predict the students who will achieve the highest grades, but may "screen out" the really creative and imaginative students. A final group of critics would place even less emphasis on SAT scores, GPAs, or records of extracurricular leadership, arguing that capacity to excel at Duke is less important than heterogeneity in the student body, and that reliance upon the usual criteria inevitably will produce a homogeneous upper-middle-class student body.

One of the effects of our present practice is to place almost no weight on the course of study the student wishes to pursue, except in Engineering and Nursing. The heavy weight accorded SATs

and GPAs in the admissions formula by which applicants are placed in A, B, C, D, E, F, G categories, when combined with the national images of the Schools of Medicine and Law, produces freshman classes with an extraordinarily high proportion of students desiring to undertake the basic courses in a prelaw or premedical curriculum. The number of students entering Duke who aspire to careers in law and medicine may be as high as 60 to 70 percent, and the large number of students aspiring initially to enter these fields now overtax faculty and physical resources in Chemistry, Zoology and Economics while underutilizing resources in the humanities and elsewhere.

There is also some reason to believe that the emphasis on raising SAT scores--ideally to the magical level of 1300--has resulted in the rejection of students with high GPAs but SAT scores below Duke averages, despite validity studies indicating that the GPA may be a better indicator of performance. Such practices have particular impact in areas like the South, where SAT scores are considerably lower, on the average, than in the Northeast. Laudable though the goal may be, emphasis upon recruiting in the Northeast places the University in direct competition with the top-tier Ivy League schools, to which a high percentage of the ablest applicants will turn in preference to Duke. A significant percentage, moreover, of the students who do choose Duke will do so as a second choice, following rejection elsewhere. Lost in the process may be applicants with lower SATs and high

GPAs who would prefer Duke and who might equal or surpass the performance of those whom the University at present enrolls.

Duke experiences continuing problems in attracting significant numbers of North Carolinians. In part, these difficulties stem from factors over which we have little control. The number of North Carolinians who meet our admissions standards is relatively small, as compared to the number of applicants from some of the Northeastern states and California. Of those who do qualify for admission, the high cost of Duke discourages many, and the North Carolina stipend is too small to permit real choice for most. Furthermore, traditionally, many of those North Carolinians who do attend private colleges and universities have chosen outstanding Northeastern institutions.

More easily surmounted in our attempts to attract North Carolinians are those other obstacles attributable to lack of knowledge. Our financial aid policies are not generally understood; they need to be explained to counselors, applicants, and families so that no potential student is lost for lack of information. In addition, we must combat the general attitude that you have to be a genius to get into Duke or that a small-town resident will be "uncomfortable" at Duke where "everyone" is from the big cities of the North. The admissions policy of the University should attempt to deal directly with these problems.

At the outset, it should be recognized that Duke is strongly

committed to attracting as many minority students as are able to do successful work. Our record of success thus far is respectable. The percentage of minority students in the entering class this fall is 10 percent and compares favorably with the other high-quality universities with which we compete. However, stronger effort will be required simply to maintain our present level of minority enrollment as the number of high school graduates decreases while, at the same time, the percentage of minority students in the SAT ranges that suggest an ability to perform well at Duke remains relatively stable.

Duke will continue to give preference to alumni children, particularly those who apply for early admission. It will continue the program initiated this spring designed to increase the number of North Carolinians. It will continue to grant preferential status to athletes on grants-in-aid, but not to others, thereby reducing the number of athletic preferences to forty-seven annually. The likelihood, as determined by the Director of Undergraduate Admissions and the appropriate dean, of reasonable academic success leading to graduation, will continue to govern their acceptance at Duke. The President will continue, on his part, to exercise his privilege of granting preference to a limited number of persons whose admission, in his judgment, best serves the interests of the University.

For the remainder of the applicants, the bulk of the admissions process should be administered according to policies the

precise nature of which shall be determined by the Provost after consultation with the appropriate deans and their faculties. These policies should fall within the following framework.

Despite the limitations of validity studies, it is possible to arrive with reasonable precision at the factors that best predict performance at Duke. Usually these involve weighing GPAs and SATs to produce a formula. Such an objective, impersonal mechanism should normally be the primary criterion for determining admission. Obviously, any formula must be subject to modification when the judgment of a seasoned admissions committee thinks it appropriate; in special cases the committee may choose to accept explanations for deviation from the normal standards. Permitting such deviations should be the function of a faculty committee that acts on the advice of a professional staff but exercises its own experienced clinical judgment.

"Well-roundedness" should be an important ingredient in selection, but not at the price of intellectual potential. Save in the most extraordinary cases, applicants with exceptional ability should not be denied admission because of concern that they are not "well-rounded." Neither should "well-rounded" students of limited intellectual potential be accepted. Only among students of roughly equal intellectual promise should "well-roundedness" appropriately be given significant attention.

Present concern about the average SAT score and its comparison

with that of Ivy League schools must be subordinated to the desire to produce the ablest student body and to the recognition that such a student body is not necessarily in possession of the highest SAT scores. To the degree that the present classifications do not conform to these directions, they should be modified.

We should continue to seek students with creativity and "consummate brilliance" and recognize that some of these applicants may be overlooked if there is complete reliance upon the rote or otherwise unthinking application of any formula. At the same time, we must recognize that we have not yet devised a wholly reliable litmus test for such talent. While it may prove appropriate to establish a level of SAT scores or class rank below which applicants will not be admitted, the Faculty Admissions Committee should be afforded wide latitude in exercising its discretion so as to admit those who show evidence of such talents despite their failure to measure up to the normal admissions profile.

Likewise, the Committee should exercise discretion in admitting a critical mass of students with the special talents needed to provide excellence and diversity within a student body--demonstrated expertise in art, music, drama, journalism, photography, leadership--and who can do acceptable work. The Provost should inform the Committee of the approximate percentage of the class in which such discretion should be utilized and the rough percentage of students who should be admitted primarily on the basis of predicted academic performance.

A special admissions track composed of 5 to 10 percent of the entering class in Trinity College of Arts and Sciences should be instituted on an experimental basis for students whose past performance and stated interest indicate a desire to major in the arts and humanities. Students applying for this program would be considered separately from the general pool of Arts and Sciences applicants, in the same manner as students in Nursing and Engineering are selected. If this pool yields significantly less qualified students as matriculants, the experiment can be abandoned.

In all likelihood, there is in the applicant pool a significant number of persons who would probably choose to major in the humanities and who could do acceptable work at Duke if admitted, but who are not selected because their predicted average is marginally less than those who typically choose the overcrowded prelaw and premedical curricula. Yet, the admission of a discrete number of these humanities-oriented students would more effectively utilize the resources of the humanities departments and improve the education of other students by reducing the pressure on the disciplines in which they study. Two objections have been voiced. The first is that we cannot predict with certainty the areas in which a student will major and that many of those admitted to study in the humanities would transfer to premedical and prelaw courses of study. The second objection to such a policy centers on the variable standard of admission, producing lower profiles among these putative humanities students than would result from

the entire class being chosen on the same standards.

The answer to the first of these objections is that, while students can choose to transfer, there is reason to believe that those with genuine interest in and aptitude for study in the humanities will not choose to do so. Our experience in both Nursing and Engineering suggests that, while transfer is available as an alternative, few students choose to exercise it. Students admitted to such a humanities track would presumably be chosen, not only because of their professed desire, but because their application indicated particular disposition as reflected through poetry, painting, music, language, literature, philosophy, or similar interests as displayed in their secondary school record. While some of these students would change their interests at Duke, there are reasons to believe that a significant number would continue in the fields in which they were admitted. We are confident that a panel of faculty drawn from the arts and humanities would have considerable expertise in detecting a subterfuge early on.

Simultaneously, we should change our policy on transfer students to admit only those who in our judgment are likely to major in underutilized disciplines, including but not limited to the humanities. There is little reason to admit students who desire to major in fields already crowded.

The concern that the admissions profile of the class might be

lowered is simply immaterial if, in fact, the education provided to the students admitted could be improved, the resources of the faculty more effectively employed, and a superior "product" graduated. Indeed, we suspect that such a track might attract a significant number of those students whose intellectual potential is poorly measured by SATs. In any case, certainly no one would be admitted who is incapable of doing acceptable work. Rather than threatening a decline in quality, the proposed program promises to improve the educational programs in the overloaded disciplines and provide a core of students genuinely interested in the humanities in each class of Trinity College.

We must also develop a more effective strategy to attract a higher percentage of those ablest students who initially apply to Duke and are accepted but who, for a variety of reasons, choose to enroll elsewhere. In most cases, these students now choose to matriculate in Ivy League institutions with academic programs at least equal to ours; in part, therefore, their choice is unquestionably based upon their perception of the relative educational quality of the institutions. To the degree that we improve both the quality of education at Duke and the perception of this quality nationally, we will be taking significant steps toward alleviating the problem. Such a process takes time and faces certain inherent difficulties. A very high percentage of the ablest students in the United States are concentrated in the Northeast and California. The Ivy League institutions are located

in the Northeast, and Stanford is located in California. These institutions receive greater publicity in the press, have been in existence longer, and have old-established reputations for excellence. To a very large degree, Duke, in contrast, is the "new boy on the block." A failure to recognize these competitive disadvantages is simply unrealistic.

We lose additional students, however, to The University of North Carolina because of the Morehead Scholarship Program and to other institutions with similar large merit scholarships. In most cases, these students could be persuaded to study at Duke except for the significant difference in costs that are involved and the fact that Duke provides little or no scholarship aid to a student without high need, while our neighboring university provides significant financial aid, regardless of need.

The same factor, of course, accounts for the continued difficulty of the University in attracting as high a percentage of North Carolinians as it desires. As pointed out earlier, relatively few high schools in North Carolina produce a significant number of students with SAT scores at the level required for successful performance at Duke, but a marked percentage of even the minorities are lost to us because of the difference in tuition between Duke and state institutions--again because Duke provides no merit scholarships. A policy of partial tuition remission to the best of these students might significantly increase the number in the student body.

No single factor would do more to improve the intellectual climate at Duke than attracting a higher percentage of those top students whom we are now losing. There is reason to believe that a significantly higher percentage of these students could be attracted if we made available a reasonable number of substantial merit scholarships to be awarded without regard to need. The Angier Biddle Duke Scholarships, for example, could be supplemented to provide full tuition in order to compete with Moreheads at The University of North Carolina, the Echols program at the University of Virginia, and similar scholarships offered elsewhere. The attraction of a more significant number of the ablest students would improve the competitive position of the University in convincing more talented students to matriculate with us. Hence, it seems reasonable for the University to alter its present policy and allocate from current operating funds a reasonable amount of money to supplement the Angier Biddle Duke awards. The aim would be to offer a crucial number of merit scholarships designed, in the short run at least, to increase the yield of the ablest students admitted, irrespective of need.

There is within the academic community an antipathy toward "buying" undergraduate students, although this sensitivity apparently does not extend to the graduate or professional level. There is also an understandable desire that the student body be more heterogeneous, in terms not only of race but also of social and economic origin, and that available financial aid be used to

achieve this objective. For Duke, however, no matter how vigorously it be undertaken, its accomplishment is far more difficult than in Northeastern institutions close to major population centers and able to depend upon a significant "day hop" student body. The present level of academic attainment required for admission significantly limits the number of people who can gain admittance. Even at a time when the University has met 100 percent of need, many students have been understandably reluctant to apply to a relatively high cost institution such as Duke, either because of the disbelief that 100 percent of need would be met or because of an unwillingness to assume the loan obligations required as a part of the financial aid package. It would be less than candid to suggest that our objective of greater heterogeneity is likely to be fully realized in the foreseeable future, particularly in an era when the expected decline in the number of high school graduates will result in a commensurate decrease in the number of students capable of doing successful work at Duke. Nevertheless, we should do all we can to achieve that objective, consistent with other priorities.

I am persuaded that the University's interests will be advanced more by a program that provides significant numbers of highly prestigious merit scholarships to a limited number of exceptional students and that offers additional partial tuition remission for extremely able North Carolina students, than will be accomplished by the distribution of the same funds solely on the

basis of need. I am comfortable that equity to needy students can be afforded by a policy that (1) makes them equally eligible for the merit grants, (2) continues the present percentage of tuition income made available for "need"-based grants, and (3) expands loan opportunities. These matters will be discussed in the section on Financial Aid that follows.

Finally, the relative quality of those in our freshman pool and our transfer pool convinces me that we should be able during the decade to increase the number of freshmen by approximately fifty while reducing the number of transfers by a similar amount. Such a change would necessarily be accomplished over a period of time and might not begin for four years if the recommendations contained in Section III-F are approved.

B. Tuition

Duke tuition is significantly lower than that of most of the other highly selective private schools and is well above the level of any state university. During the past two years, tuition has been increased $900, and each year the amount of the increase is the largest in the University's history. Yet tuition increases have had no perceptible impact on the pool of applicants and, in fact, the gap between Duke and the institutions with which it competes has broadened slightly during the interval. In addition, living costs at Duke are considerably lower than at most comparable institutions: the total cost of room, board, and tuition at Duke is actually 20 percent less than at the lowest of the Ivy

League schools.

Many of the faculty have for some time believed that Duke is underpricing itself in its low tuition. The assumption is that an increase in tuition to provide more revenue should presumably reflect itself in higher faculty salaries as well as meet a significant number of other economic problems within the University. Any rise in tuition under our present policy, however, would bring with it a marked increase in financial aid, as pointed out in my earlier memorandum. In addition, there is reason to believe that at least some of the ablest students who come to Duke choose to do so because of the appreciably lower tuition rate. Tuition differential means real savings to students and their families, particularly the high percentage of Duke students who do not receive financial aid. Furthermore, an increase in tuition has particularly significant effects on the choice of North Carolinians. Few North Carolina counselors genuinely believe that students will be admitted without regard to need or that their need will, in fact, be fully met. Furthermore, in North Carolina there appears to be less willingness on the part of families to borrow in order to finance a college education than in some other areas of the country. For these reasons it has been the policy of the University to keep tuition as low as possible, and, in my judgment, this policy should continue.

We must recognize, however, that tuition will necessarily rise considerably and that, in all probability, the differentials

between Duke and its competitors will narrow. General tuition increases will normally exceed the University cost inflation unless income from alumni giving, endowment, and indirect recovery on government contracts and grants is equal to increases caused by inflation. In addition, an increase in tuition over several years may be necessary if we are to accomplish some of the major program changes needed to improve undergraduate life. An increase in dormitory rates would seem appropriate in order to fund at a more rapid rate the demands of deferred maintenance that are at present not being funded, and to help pay the cost of the construction of a new dormitory, if such a structure is built. A significant increase in tuition, or a special fee having the same effect, will be required to pay the costs of operating the University Center.

During the last eighteen months there has been continued discussion of the wisdom of maintaining a fixed tuition rate throughout the University. Increasingly, it has become obvious that such standardization does not meet Duke's best interests. Tuition higher than that charged in Arts and Sciences is now being assessed in Medicine, Graduate Business Administration, and in the third and fourth years of Nursing. Tuition one-half of that of Arts and Sciences is being charged in Divinity. This differential reflects favorable competitive capabilities in the professional schools, higher costs of faculty, earning power upon graduation, the availability and willingness to assume loan obligations, and a number of other factors related to the conditioning of "consumer"

attitudes. The Board has implicitly accepted such differentials when it has approved tuition charges.

There seems little reason to adopt differential tuitions within the Arts and Sciences, the School of Engineering, and the School of Forestry and Environmental Studies. Continued consideration should be given to fixing Divinity tuition at rates competitive with the other great divinity schools of the country rather than at the arbitrary level of one-half of the rate in Arts and Sciences. A policy of higher tuition in Law and Medicine and the Graduate School of Business Administration is particularly appropriate in view of their formula arrangements for budgeting that assure the accrual of additional tuition to the educational benefit of the students in those divisions.

C. Financial Aid Policy

The undergraduate divisions of the University have, during the last decade, pursued a policy of meeting "100 percent of need." On the basis of financial aid forms submitted by parents, calculation is made of the reasonable parental contribution and reasonable student summer earnings. The sum of these figures is subtracted from an estimated student budget and the difference made available to the student in the form of a college work-study job, loans, and grants-in-aid. The annual loan obligations a student is permitted to assume have been low, ranging from $1,100 for undergraduates to $454 for first-year minority undergraduates.

Such a policy assumes that the University will allocate from endowed or current operating funds whatever sum of money is required to make up the difference between the loan, college work-study, summer earnings, parental contributions, and government grants. If the federal government determines that a parent should be expected to contribute less, Duke picks up the difference.

The University's contribution in grants to undergraduate financial aid is lower than at most similar institutions. The primary reason is that the percentage of students seeking financial aid at Duke is at present considerably lower than the percentage seeking aid at most comparable institutions. Nevertheless, the University contributes significantly more from current funds than do a number of these other universities because of the inadequacy of its endowed financial aid funds. The amount of current fund support dedicated to this purpose has remained at tolerable levels solely because of the significant influx of federal funds in the form of BEOGs and SEOGs during the 1970s and because of the University's capacity to obtain the maximum federal aid for which it is eligible. In addition, some support has been received from the State of North Carolina--$553,569 in 1979--all of which was returned to North Carolinians in the form of scholarships. Simultaneously, the undergraduate divisions of the University have eschewed the granting of merit scholarships not based on need, except for the nominal award of $1,000 to Angier B. Duke Scholars and $1,500 scholarships to children of Methodist ministers

in the North Carolina conferences.

These policies have never been followed in the University's professional or graduate schools, where merit scholarships have been regularly awarded and student need met only to the degree that resources have been available. Thus, in several professional schools and the Graduate School, awards have been made to the best students without regard to need, while some students whose needs exceeded available resources have been unable to attend.

The source of the "100 percent of need" policy in the undergraduate schools is unclear. It has never been adopted by the Board of Trustees, nor is there any record of its formal approval by Central Administration. It was more likely a policy modeled after the policies of the College Scholarship Service schools and was accepted in the late sixties without major discussion at a time when existing resources were more than adequate to meet its demands. Obviously, a policy that makes it possible for any student to be admitted without regard to need, and then meets 100 percent of his need, is a desirable one and should be followed whenever resources permit such an approach.

The present level of need of our students and our present level of resources permit us to meet 100 percent of need. We now expend 6.25 percent of tuition in financial aid from current funds. We should continue to meet 100 percent of need so long as

we can do so without exceeding this allocation of resources, modifying our present formula to increase loan limits and mixing NDSL and FISL awards as is done at comparable schools. It may never be necessary to change our policy if federal funding or income from endowed scholarships increases sufficiently. We should be prepared to do so if endowed support and federal funding prove to be inadequate. We need to develop a policy that recognizes the probability of such a situation sometime during the next decade.

Over a period of time, the policy of meeting 100 percent of need regardless of the cost to the University has become ingrained as an essential element of financial aid at Duke. There is considerable support for it both among students and within the faculty, despite periodic bickering on what constitutes the full cost of an average student. The long-term impact of such a policy, however, is obvious. Each time costs increase, a higher percentage of students require financial assistance, and at the same time those already receiving such assistance need more. The present policy, that freezes the limits on the total level of loans at figures lower than those at other schools with which we compete, means that any additional need must be met by scholarship aid. This support must be met from endowed funds, government funds, or from current operating funds. During most of the decade the increases have been met by increases in government funds, a situation that will probably not persist during the 1980s in view

of the anticipated available BEOG and SEOG funding. To continue the present policy without limits placed upon it may mean that an increasing amount of the University's current funds will need to be recycled to financial aid. This, in substance, would place an additional tax on tuition-paying students.

Furthermore, the issue of what constitutes parental capacity to contribute, and, hence, student need will in the future apparently depend as much on political considerations as economic criteria. Under provisions of the 1980 legislation, in determining eligibility for federal grants, the parents' equity in a home, regardless of the amount, cannot be considered in determining the parents' capacity to contribute to the educational expenses of a child. Thus, a parent could own a home valued at $150,000, with no mortgage, and be eligible for federal aid under the new formula. Our "packaging" approach of combining governmental and institutional sources in meeting need would result in either greatly increasing the demands on our current funds because of using the federal formula, or requiring the use of two "need" formulas, one to determine the eligibility for federal funds, the second for institutional funds. In addition to the administrative difficulties, we could anticipate annual disputes concerning the legitimacy of the University formula.

The effect of our present policy is not necessarily to improve the heterogeneity of the student body or its quality. After a decade of the policy, the economic and social diversity within the

student body has not materially changed. A significant number of students who are supported at high cost by the University have admissions profiles only marginally different from applicants requiring no support and denied admission. There is little reason to believe that any major impact on quality or heterogeneity would occur if the top-tier of rejected students were admitted and the accepted students in the bottom quartile of the class rejected.

A prudent financial aid policy should not commit the University to providing a blank check for costs over which it has no control, unless it has the resources to do so. Some more affluent schools have such resources; Duke does not. It is far more prudent to develop a financial aid policy that bears a rational relation both to the institution's admission goals and to its resources.

It is submitted that under a new program applicants should be classified as Outstanding (roughly 10 percent), Excellent (roughly 40 percent) and Highly Desirable (roughly 50 percent). As suggested earlier, a program of funding Angier Biddle Duke Scholarships to full tuition for a limited number of Outstanding students will be necessary if we are to compete for some of the best. An additional program of partial tuition remission for extremely able North Carolinians is also desirable.

Accordingly, I propose that we implement a four-year program of $1,500 tuition remission for North Carolina applicants ranked as Outstanding to determine if such a technique can significantly increase the percentage of able North Carolinians accepting admission. Both the Angier Biddle Duke supplements and the tuition remission program can be funded next year from reserve funds, and, if successful, in the future should be funded from additional allocations of current operating funds. The present allocation of 6.25 percent of tuition income would continue to finance "need"-based awards.

The present program of meeting 100 percent of need for all students would be continued so long as it is possible to do so without expenditures from current fund revenues in excess of 6.25 percent of tuition income. In such an event, the University would continue to meet 100 percent of need for (1) minority students, (2) children of North Carolina Methodist ministers, and (3) all students in the Outstanding and Excellent categories, however defined by the admissions committee. Loan limits in these categories should be set at levels not exceeding those at competitive institutions. NDSL and FISL loans would be combined in awards, and the University would backstop any unmet need from current fund scholarship resources.

The proposed change in policy would most affect applicants classified as Highly Desirable but not Outstanding or Excellent.

These students would be admitted without reference to need, and students would be permitted to borrow the maximum limits permitted by federal law. In addition, scholarship aid would be made available to the degree that current funds remained after meeting the needs of Excellent and Highly Desirable students. If the federal Parent Loan Program is approved in the legislative action now under consideration, any remaining aid to bring support to 100 percent of demonstrated need would be offered to the student through the Parent Loan Program. Each applicant would be informed of the level of scholarship aid available, but apprised as well that his award might also include a Parent Loan in order to meet 100 percent of his need. Students needing financial assistance originally admitted in the Highly Desirable category would be eligible for additional scholarship assistance if they excelled in their studies, thereby reducing their loan obligation.

Such a program would probably increase quality by increasing the number of outstanding students who would be attracted, and provide an incentive for those whose performance exceeded the prediction of their admissions profile. This would be accomplished, in my judgment, without substantially affecting heterogeneity.

The most significant impact of the proposed plan would be to include the Parent Loan Program in some students' total award package, and possibly deter some students from applying. It should not deter those who in the opinion of the admissions committee are in the top one-half of the accepted group or any

minority students.

The Board of Trustees is requested to approve in principle the admissions, tuition, and financial aid policies recommended.

VII
Student Life

A. Residential Life

The goal of the residential life program at Duke is to provide convenient and comfortable lodging in a setting that supports informal intellectual exchange and active cultural and co-curricular involvement. Discussions with graduates of the last three decades reflect a genuine appreciation of the advantages of living on campus at Duke and reaffirm our belief that the system is basically sound. The residential life program has remained substantially the same during these thirty years. The last major change in the program occurred in 1971 when male students began to live on East Campus and female students on West Campus in significant numbers. Since then, undergraduate students are residing as well at Central Campus Apartments, originally developed primarily to house married students and single graduate students, and at Trent Hall, originally a graduate student dormitory.

The Task Force on the Future of Undergraduate Residential Life was appointed in October 1979, ten years after the last intensive study of residential life was conducted. It was asked to evaluate the present program of residential life at Duke and, within the limits of available resources, recommend any changes that would make residential life more attractive, equitable, and complementary to the educational programs of the University. Simultaneously, the Special Committee on Educational Policy and

Program in Trinity College, established by the Provost, considered, among other things, the role of the residential system in the undergraduate educational experience. An ASDU referendum, a proposal submitted by the Association of Independent Houses and the Council of Federation Presidents, and correspondence with the Interfraternity Council supplemented these reports. At my request, a committee visited the campus of Yale University to examine their residential college system. Recent studies at other universities, including the Princeton CURL Report, were also considered.

The principal concerns about residential life that have evolved are (1) an atmosphere, now prevailing in many of the residences, that is not conducive to the level of intellectual pursuit appropriate in a great university and (2) the inequalities that exist in our system for residential life.

Adoption of a board plan applying equally to each campus was a major step towards the goal of equality of treatment. The University is indebted to ASDU for its initiative and leadership in the development of the "point system."

Owing in part to design and in part to historical accident, residential life at Duke is characterized by diversity. There are basically four residential campuses--West, East, Central (includes Trent Hall, Hanes House and Hanes Annex), and Central Campus Apartments. Fraternities are housed on campus in University-owned buildings; sororities are not. There are all-freshmen men's

dormitories, but no all-freshmen women's houses. Despite the merger of the Woman's College and Trinity College in 1971 and a student body nearly fifty percent female, West Campus remains a predominantly male campus while East and Central are primarily female. (In 1979 men accounted for 68 percent of West Campus residents, 40 percent of East and 32 percent of Central.)

The housing patterns at Duke are more a product of tradition and evolution than of a comprehensive plan to serve the entire undergraduate community. Freedom of choice has clearly been preferred over academic design. The residential system has been shaped by numerous untested assumptions: (1) selective groups should be assigned their individual houses in perpetuity, losing their squatters' rights only through extinction or unconscionable behavior; (2) any living group wishing to become selective should be permitted to do so regardless of the purpose and criteria for selectivity; (3) nursing students should, and in fact desire, to live together in a separate dorm near the hospital; (4) transfer students should not be provided University housing until every regular student is housed in unexpanded space; (5) it is better to house freshmen in cross-sectional dorms where they can interact with upperclassmen than in all-freshmen dorms. Recognizing these statements as assumptions rather than facts allows us the flexibility to reconsider and, if need be, to reject them if they impede the equitable, diverse, and academically-oriented residential system we desire.

At the heart of Duke's residential system are its on-campus fraternities. Fraternities have had a long and distinguished tradition at Duke and stand out in the memories of a large number of alumni. But along with the strong support fraternities have received over the years, there has also been criticism that they have been given unfair advantage in the residential system. They occupy, to a disproportionate degree, the most preferred locations on campus. Of the seventeen resident fraternities at Duke, fifteen are located in the main area of West Campus, none in the Edens complex, two on East Campus, and none on the Central Campus. Not only do they inhabit much of the most coveted space on campus, but they do so under relatively uncrowded conditions, as compared with their counterparts in nonselective houses. Even in cases of dwindling numbers, those fraternities no longer able to fill their sections have generally been permitted to retain their preferred space, with vacancies filled by randomly selected freshmen and independents.

In addition to the selective fraternities on campus, eight selective dormitories are not affiliated with national organizations. These nonfraternity selective dormitories have been approved on an ad hoc basis. No specific criteria have been established by which to judge the merits of the selective group proposals, and no limit has been placed on the number of dormitories that can be converted to selective houses. The result of this approach is that we have now reached a point where selective

upperclass dormitories outnumber their nonselective counterparts on West Campus. Only six of the twenty-four dormitories on West Campus housing upperclass men are nonselective.

Clearly, there is nothing inherently wrong with selective houses. A cogent argument can be made that selectivity is desirable because it promotes unity and friendship within a dormitory. However, women's dormitories at Duke have remained nonselective, on the whole, with no apparent loss of community spirit, and the same can be said of the independent men's dormitories. The real problem presented by the proliferation of selective houses is that male students who either by choice or default do not join selective dormitories after their freshman year are left with very few housing alternatives, particularly if they wish to live on West Campus. There is reason to believe that some students join selective dormitories to avoid the vagaries of the independent lottery rather than out of any strong desire to affiliate with a particular group.

Another problem with the present system is related to the issue of selectivity. The general trend, with few exceptions, has been that once a dormitory has become selective, the members have as a practical matter retained possession of the building indefinitely. Since the vast majority of selective groups are male, this policy has had the effect of severely limiting the space available for women's dormitories on West Campus. Thus, while there is a continuing heavy demand by women to move from the East

and Central Campuses to West Campus, few requests can be accommodated. Many female students who live on campus at Duke must expect to remain on the campus where they are placed as freshmen.

Freshmen at Duke have been assigned to cross-sectional houses upon the assumption that the value of associating with upperclassmen in a residential setting outweighs the disadvantages, a position not shared by many distinguished universities. One effect has been that many freshmen never are able to meet and know their classmates. Class identity, which is a vital part of college life at many campuses, is almost immaterial at Duke. It is impossible to develop organized programs that can be effectively delivered to freshmen, once they are absorbed into upperclass houses. Significant numbers opt for membership in selective houses as soon as possible in order to assure space on West Campus. Socialization into the University is affected more by peers in the living groups than by the faculty or the staff of Student Affairs. Those with special problems who are assigned to upperclass residences sometimes become disillusioned with the University before they have had an opportunity to know it.

Given our objective of providing an equitable residential program that retains the current housing alternatives, we propose that the following revisions in the residential life system be phased in over the next three years. The most significant change will be in the grouping of students. In the future freshmen will be housed in all-freshmen dormitories located primarily on East

Campus but including Trent Hall and Hanes House. Student preference will, within logistical limits, determine the division between single sex and coeducational freshmen houses.

Special programs will be developed by Student Affairs to introduce these students to the University, including the involvement of more of the faculty in academically-related activities of the houses. Students in Trent and Hanes and those in Gilbert-Addoms and Southgate will have self-contained dining facilities, an advantage unfortunately not possible throughout the University. Simultaneously, the athletic and co-curricular facilities on East will be upgraded. The East Campus Library will be reorganized with special emphasis upon the needs of the first-year curriculum. The number of resident advisors will be increased significantly in the freshmen houses.

The obvious concern about such a program is the possibility of isolation. Special efforts will be made to assure that a significant percentage of upperclass courses will be taught on East, and freshman courses taught on West. The renovation of Baldwin and the athletic facilities on East should attract more upperclassmen to participate in East Campus co-curricular activities than is now the case. East Campus will retain a cadre of approximately 375 upperclass students, or approximately 30 percent of the beds.

West Campus will be an exclusively upperclass campus.

Nursing students in their freshman and sophomore years will be distributed throughout the housing system, but upperclass students will, upon request, be given preference for rooms in Hanes House and Hanes Annex. There will be a 50 percent ceiling placed on the amount of upperclass dormitory space that can be assigned to selective groups. Of the space allocated to selective housing, the male/female ratio will be predicated upon the ratio of upperclass men and women living in the residence halls during the preceding year. If less space is requested by selective groups of one sex than the determined ratio prescribes, the space occupied by selective groups of the other sex may increase. Most selective groups will be assigned to the smaller residence halls on East and West Campus (forty to forty-five). Those students who cannot be housed within their selective units will be required to live off campus.

Selective house members will decide which of their members must live off campus. Allocation of specific residences to particular selective groups will be made through the Office of the Dean for Residential Life by a process involving the advice of the appropriate student organizations. Assuming the demand exceeds the 50 percent space limitation, decisions will be made by a student/ faculty committee appointed by the Dean of Arts and Sciences and Trinity College in consultation with the Vice-President for Student Affairs. The educational merit of their proposed residential group program will be a controlling criterion in this

determination.

Once selective house assignments are made they will remain in effect for eight years. Reconsideration of these assignments and review of new applications will be conducted during the sixth year. Selective house licenses may be revoked at any time if the behavior of the residents is judged to be in violation of the residential behavior code and the nature of the violation is sufficiently serious to justify revocation. The remaining 50 percent of the beds on West will be nonselective housing. The division between single sex and coeducational houses will be made on the basis of student choice, but the University shall in its advising function make it clear that our experience during the last decade demonstrates the desirability of coeducational housing for many upperclass students.

All upperclass residences will be organized in federations.[1] A significant difference of opinion exists concerning the performance of federations in the past, but there appears to be considerable agreement about their potential, if properly led and supported. At the same time, it must be recognized that federations are only a means to an end, not an end in themselves. The Residential Life Task Force recommended that a council composed of dormitory presidents and heads of common interest groups be

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1. It has been suggested that "quadrangles" be used to describe the groupings, rather than "federations."

formed to carry out activities requiring a larger mass than any one living unit can undertake. In my judgment, the function can be served by a council of federation presidents. The federations should also have the primary responsibility for the educational programs conducted at the residential level, and to this end programming money should be provided by the office of Student Affairs on a competitive basis.

Selective house rush will be rescheduled for early in the second semester rather than in the first to ensure that the energies and interests of the freshmen will be directed toward their own program for the initial semester and to allow for assignment of housing early enough that freshmen might begin an association with their federations before the sophomore year.

The number of resident advisors will be increased significantly. Duke has a very high number of students per resident advisor as compared with most other prestigious institutions, and examination of the role and demanding duties of RAs indicates the need for an expansion of the staff. Over the next year we will increase the number of RAs from the present sixty to approximately one hundred, with heavy reliance upon graduate students, who will receive room and a percentage of board in lieu of stipends.

The need to increase the resident advisor staff stems in part from a decision to place these advisors in all residential units, including fraternities. The RAs perform a number of important

duties--assistance with academic advising, counseling, orientation, house governance, and administrative tasks associated with the housing lottery--and should not be seen as primarily disciplinarians. They fulfill a vital need and should be available to all students, fraternity members and independent students alike. The RAs will be expected to play an active role in dormitory programming and in this regard will work with the Assistant Dean for Residential Life.

There are multiple advantages to the proposed residential program. Increased programming in the dormitories directed specifically to the needs and concerns of freshmen will be planned by the Office of Student Affairs in conjunction with the Associate Dean of Freshmen of Arts and Sciences and Trinity College. The ratio of resident advisors to freshmen will be improved to approximately one to twenty-two, allowing for more effective personal and academic advising.

For upperclassmen the advantages will be more fairly distributed. A much higher percentage of women will have the opportunity to move to West Campus after their freshman year. Selective and nonselective living groups will share more evenly the most attractive dormitory space. Finally, the intellectual climate of the dormitories should improve as increased University resources are directed toward strengthening the grouping of individual houses into larger educational and cultural units.

Although restructuring the housing system will provide a

more equitable and educationally sound program, it will not provide a total solution for the problems of residential life at Duke. In addition to the inadequacies in the structure of the residential system, there is a serious and persistent problem of insufficient living space on campus. As late as 1970 forecasters suggested that students would increasingly choose to live off campus. But these predictions have proved wrong. In fact, a higher percentage of undergraduate students choose to live on the campus now than at any time in the recent history of the University. While the size of the undergraduate student body has remained frozen for several years, overcrowding has become worse annually.

Not only has this overcrowding produced discomfort for the individuals in expanded rooms and the dormitory residents required to surrender commons rooms and study space for conversion to bedrooms, in some cases the congestion has destroyed the atmosphere necessary to encourage intellectual dialogue. Lacking adequate space to house each incoming freshman class, we have chosen to deny guaranteed housing to transfer students and to regular students taking a temporary leave from school for educational or personal reasons. In my judgment, these policies are neither fair nor educationally sound. As long as we accept transfer students, we should accord them all of the rights and privileges given regular students. Instead of easing the transfer students' adjustment to a new university, the present policy effectively isolates many of them from the mainstream of campus activity. The policy requiring that a student continue to reside in University

housing without interruption in order to be assured housing on campus is likewise untenable. The University should encourage rather than discourage students who wish to pursue an internship, to travel and study abroad, or simply to drop out temporarily to reconsider the wisdom of their present course of study or to acquire funds needed to finance their continued education.

There are two obvious choices for solving the overcrowding problem at Duke: either decrease the size of the student body or build a new dormitory. The former choice only produces more problems than it solves since any decrease in enrollment would require a major increase in tuition in addition to the significant increases now required annually to meet inflation. The construction of a new dormitory is a more attractive possibility, and was considered on East in 1971 and on West in 1977. The East Campus proposal was rejected when the bids greatly exceeded the University estimates during a period of concern about off-campus housing alternatives in the future. The West Campus proposal was rejected for several reasons, the most important being the higher dormitory rates that would have been required of occupants to amortize the costs of the building.

Two options improve the possibilities for a new dormitory: (1) defraying the costs by assessing them across the entire dormitory system rather than amortizing them exclusively through rentals in the new building, and (2) financing through state revenue bonds. This latter option is unavailable under present

North Carolina law, but there is a reasonable possibility of amending the state constitution to permit such financing in the near future, thereby making low-cost financing of dormitories possible in North Carolina as is now the case in a number of other states.

Until such financing is available, the realization of such a program must be postponed. The need for deferred maintenance on existing residences must receive first priority, and that program will impose a surcharge of $100-$120 on existing dormitory rates. Assuming a six million dollar cost, financed at 10-1/2 percent for forty years, for a 250-double occupancy room dormitory, at a room rate of $1,100 for a double, approximately $125 a year would have to be added to all dormitory and apartment rates, an unacceptable level of increase in view of anticipated increases needed to deal with our deferred maintenance problem. If tax-free financing at approximately 5-1/4 percent becomes possible, the project could be financed by a modest increase of approximately $65 per year. In my judgment, we should build a dormitory at that time eliminating overcrowding and accommodating transfer students. Simultaneously, the addition of 500 beds would provide a broader base for financing the deferred maintenance charges. In the event of a change in student demand, our ability to utilize Central Campus Apartments for graduate students and for Medical Center staff--the purpose for which they were originally intended--furnishes us with adequate protection.

We can take some steps to alleviate our problems. We propose, first, to decrease the number of transfer students accepted each year by fifty, increasing the freshman class by that number, and furthermore, to accept only transfer students who desire to study in underutilized disciplines. Second, we will seriously consider allocating fifty new spaces in Central Campus Apartments, presently reserved for graduate and professional school students, for use by transfer students. Several additional factors should alleviate the problem of overcrowding: an increase in the number of students at the Marine Laboratory at Beaufort, an increase in the number who accelerate, an increase among those studying abroad, the overflow of students who choose selective housing and cannot be accommodated, and the decision of some to reside off campus rather than participate in the "point plan" for mandatory board.

The elimination of the guarantee of eight semesters of housing would permit the accommodation of transfer students and some relief from overcrowding. This alternative has considerable appeal in that (1) it eliminates from the treatment of transfer students an inequity that troubles me greatly, and (2) a study of other university catalogs reveals that Duke is one of only a few universities to assure students of four years of housing.

I have been persuaded that removing the eight-semester guarantee involves an unreasonable risk that we should not accept. The Admissions Office and the Task Force on Year-Round Operations

believe that the guarantee is a significant factor in attracting many able students who might otherwise choose to study elsewhere. We must necessarily assume some risks when we increase tuition and room charges and reduce the level of assured financial aid to some students at a time when the number graduating from high school is decreasing. I am not prepared to add yet another element that may unfavorably affect the admissions process. Furthermore, the Office of Student Affairs counsels that such a change would reduce stability in the residences when we most require it in developing house and federation identities and programs. In addition, Student Affairs believes that fewer problems in off-campus housing will result by the present system than through one in which a significant number of students are required to find nine months' housing each year. It is clear that a better organized, more efficient housing locator service is needed to assist transfer students and others seeking off-campus residences. Special attention must also be given to assuring that all transfer students understand our present policy before they enroll.

A continuation of the guarantee of eight-semester housing will mean a continuation of overcrowding; it will preclude the "de-expansion" of any significant number of rooms and the creation of any substantial number of study/recreation rooms; and it may preclude the desirable goal of providing separate commons rooms for each living group. I understand that the student body recognizes these deficiencies, and the results of the student referendum

and representations made to me by the Office of Student Affairs and to the Board by the President of ASDU indicate that, if required to choose, most students would prefer the present guarantee to the more favorable conditions that would prevail if it were abandoned.

I am not comfortable with the decision but have been persuaded that continuance of the present policy is the least undesirable alternative in the short run. The construction of the new dormitory will, I hope, provide the solution in the near future.

The Task Force recommended that a strict, administratively enforced code of behavior governing conduct in University housing be established. I agree. Considerable improvement was reflected in changes in the judicial code behavioral policies, and in their enforcement, during the last year. More needs to be done. We must have a residential atmosphere in which students are not compelled to leave their rooms when they wish to study, where they can sleep without unreasonable interference from their neighbors, and where civility is the norm. There is reason to believe that the student leadership will take the initiative in this area and that continued improvements can be expected.

Concern was expressed by the Task Force about the appearance and condition of the East Campus physical plant. Adoption of the deferred maintenance program recommended in Section XVI, the improvements already made in Baldwin, West Duke, the tennis courts,

and athletic fields, as well as the proposed renovation of the East Campus Gym, are major steps in alleviating these concerns.

B. Student Affairs

1. Improving Student-Faculty Interaction Outside the Classroom.

A sharp and increasing separation has developed during recent years between the academic and social aspects of undergraduate life. Some faculty members have been willing to limit their interest in students to class-related matters; some students have been satisfied with concentrating their intellectual efforts on the successful completion of thirty-two courses; and the Administration has adopted a laissez-faire attitude toward the social side of undergraduate life. Such life outside the classroom offers too few forums for intellectual interchange and debate about art and politics, events and ideas. Student and faculty attendance at some cultural events is low. There is too much isolation of black and white students from one another.

During the past year a Task Force on Student Affairs met to discuss these problems and propose solutions. In addition, the Special Committee on Educational Policy and Program (Wardropper Committee) offered suggestions relating to these matters. On the basis of the Task Force's report and after consultation with appropriate members of the Administration, we have decided to implement the following changes.

Of particular concern are student-faculty relations outside

of the classroom. We have developed a program designed to increase faculty-student contact and will phase in the program as soon as possible. A half-time position in the Office of Student Affairs will be created to promote additional residence programs of an educational and cultural nature in the freshmen houses and federations, as well as to stimulate further faculty-student interaction. This position will be filled by a faculty member responsible for gathering information on colleagues willing to meet with students in their residential units, developing a file of programs to be carried on there, meeting each semester with representatives selected as program chairmen from each residential unit, participating in the training of residential advisors with respect to the development and implementation of dorm or federation programs. Modest funding will be made available to subsidize these programs on a competitive basis. We hope these efforts will prove a valuable tool in increasing faculty-student contact and in encouraging dormitory discussions of ideas and events.

In addition, each dormitory will be allotted dining hall passes for a limited number of faculty members and their families, to facilitate the interaction of faculty members and students over dinner. To encourage administrators and faculty members to join students at mealtime on a more informal basis, special arrangements are being negotiated to provide limited board privileges to administrators and faculty members who desire to participate. The dining halls will permit residences to reserve the Magnolia Room

on East Campus, the Varsity D Room, the Ballroom or the University Room on West Campus, and perhaps a portion of the dining room at Trent Drive Hall if a more reserved dining atmosphere is desired for the evening meals which faculty members attend.

Faculty members with expertise and interest will be invited to highlight a particular speech or cultural event with a lecture or a discussion either before or after the performance. The Office of Student Affairs will examine the possibility of establishing a bank of complimentary tickets for faculty members to encourage them to join students in attending some cultural events.

With an eye to the mutual benefit of academic departments and students, the Dean of Arts and Sciences and Trinity College has been requested to consider the revitalization of majors unions. This revival may enhance faculty-student contact and student involvement in the affairs of the department of their major, provide significant opportunities for the exchange of ideas and information on topics of common interest, and facilitate the efforts of students to enrich their departments. Past activities of majors unions include organizing luncheons with faculty members, sponsoring receptions for speakers, leading discussion following speeches, organizing committees to process teacher-course evaluations, providing information and peer advice during preregistration, and assisting with the recognition and honoring of outstanding students from the department. Additional departmental support of the unions would be essential if they are to be revitalized.

The Dean of Arts and Sciences and Trinity College has also been requested to review the house course program. Part of the initial reasoning behind the establishment of house courses was to allow the teaching of unique, nondepartmental courses without requiring the instructor to go through the lengthy process of establishing a full-credit course and to offer courses in a setting and style different from the traditional classroom format. Unfortunately, faculty involvement has diminished significantly over the last decade. They teach few courses and, as sponsors, are seldom actively involved in student-taught courses. In addition, there are some procedural problems with the establishment of house courses and with the timing of their announcement which require review.

In addition, the Dean of Arts and Sciences and Trinity College has been asked to consider the desirability of matching students' dormitory placement with the sectional groupings of English I classes. It is hoped that such an arrangement will promote discussion of ideas from the courses in the house, and might facilitate holding of tutorial sessions in the dormitories on occasion.

2. Minority Affairs.

The Office of Student Affairs, in conjunction with the deans, faculty, and the entire Duke community, must also consider the continued isolation of black and white students from one another. The first black undergraduate matriculated at Duke in

1963. Sixteen years later there were 275 black students enrolled in Trinity College. Although the number of black students within the student body is still modest, it is comparable with the private schools in the Northeast with which we primarily compete, and considerably higher than at Vanderbilt or Emory, schools whose past experience is more similar to Duke's. Likewise, in recent years the pool of applicants, the percentage of black students admitted, and the percentage of students enrolled at Duke have compared favorably with most distinguished private schools.

These accomplishments have not occurred without financial cost. The University created a summer transitional program primarily for the purpose of assisting its black students. For the same reason, an Office of Minority Affairs offering special tutorial programs was established. The University has provided a special subsidy to the Black Student Alliance, and it recruits extensively for black students, to whom over 18 percent of its financial aid to undergraduates is awarded. The status of black students within the student body has been reflected by their leadership in a wide range of activities--in particular, the fact that three of the last five presidents of ASDU have been black.

Despite these accomplishments, however, much needs to be done. A series of articles in The Chronicle last fall reflected the fact that many aspects of life continue to be segregated, particularly in social and cultural affairs. Not unlike other major institutions, there is continued concern here that the

percentage of black students within the student body is small. This concern is not likely to be reduced significantly in the near future because the number of black students nationwide who meet the academic standards for admission in institutions such as Duke continues to be small. In some social organizations there is de facto segregation, graphically reflected within the dining halls where some tables are occupied entirely by whites and others entirely by blacks. The absence of adequate physical facilities and the late arrival on the campus of black cultural activities have meant that the stage and rehearsal facilities available to black students wishing to reflect black culture in drama, music, and dance have been inadequate. Perhaps more significantly, there are, from time to time, lingering traces of the prejudice against black people which by now should have long ago passed into history.

It seems appropriate that the University's philosophy in dealing with these matters should be enunciated clearly. Duke University is committed to an integrated educational program conducted within an integrated community, but with recognition of the distinctive races, cultures, creeds, and religions of the persons who compose that community. The University will not engage in any activities that by intention or result contribute to the segregation of races within the community, or to the denigration or the elevation of any race, as a part of its educational or social programs. It will, consistent with the human, physical, and financial resources available to it, provide

assistance to distinctive ethnic or racial groups in making their cultures known to other members of the community and permit such groups the opportunity of demonstrating understandable pride in their cultures.

We are challenged by this task of respecting individual cultures and races while working together toward the goal of integration in our residential, social, and educational programs. The University must continue to assert its commitment to an integrated environment, equality of opportunity, and respect of diversity, as well as intellectual excellence. The Office of Student Affairs, the Dean of Trinity College, and all others in University administration will continue to make concerted efforts to break down the isolation of blacks and whites from one another.

3. Recognition of Student Leadership.

The Office of Student Affairs has been requested to formulate new ways to recognize student leaders. Duke is fortunate to have students willing to take on tremendously time-consuming, worthwhile activities, yet has no mechanism to honor and thank students appropriately for these notable efforts. We need to establish a set of awards or a special program to highlight the students who have made great sacrifices of time and displayed unusual leadership ability. We need also to develop a mechanism for informally bringing student leaders together. One possible solution is the revitalization of the Red Friars/White Duchy, and this and other alternatives will be considered by the Vice-

President for Student Affairs.

4. Cultural Affairs.

Student attendance at many artistic performances, especially the Artists Series, is often low. Though attendance problems can be attributed to the large number and rich variety of performances available in any year, the increasingly high cost of admission is largely to blame. There is little hope that prices will not continue to increase, since the costs of concerts are rising rapidly. Despite the existence of these financial obstacles, the Office of Student Affairs has been requested to examine and recommend ways to encourage increased student attendance so that important educational opportunities will not be lost. We need to devise a means for making a few performances available to students at low cost. One possibility is the implementation of a "rush ticket" system involving the sale to students, at a reduced price, tickets that were unsold shortly before the start of the performance. Another possibility is the introduction of a group discount rate which would allow groups of students to purchase a block of tickets at reduced rates.

In order to assure accurate and University-wide publicity concerning all cultural events and scheduling of facilities, the University Calendar will be distributed to students in their dormitory every week. It is hoped that the Calendar will become the major mechanism for the announcement of all speakers, movies, plays, and other cultural events. All members of the University

community will be invited to place information about cultural events in the Calendar. In addition, the University Stores will this fall give every student a year-long calendar that will include as much information on cultural and athletic events as is available at the time of printing. The Office of Cultural Affairs will each semester bring together all people who are involved in the scheduling of cultural events to discuss the thrust of various programs, potential scheduling conflicts, and possible areas of joint sponsorship of events to ensure the effective use of facilities, the development of a varied bill of fare, and improved coordination. Implementation of the proposed Program in the Arts (Section IX) should provide a major impetus to cultural activities on campus.

5. East Campus Activities.

There is a need to utilize East Campus more extensively in the conduct of student affairs. We have recently funded renovations of the East Campus tennis courts, Baldwin Auditorium, and the West Duke building. This fall Freewater Film Society's Friday evening series of movies will be shown in Baldwin, and the auditorium will be available for additional cultural events. In addition, a number of student offices will be moved to the East Campus, and all publications offices with the exception of The Chronicle and The Chanticleer will be consolidated in the East Campus Center. Next year the photography lab, now located in Old Chemistry, will be installed in the basement of the Campus Center.

Consideration is also being given to additional use of the Ark.

6. Administration of Student Affairs.

A number of changes have recently been made in the administration of student affairs. Last year, the position of Vice-President for Student Affairs was created, and reorganization within the area of student services took place. We now have one administrator under whose jurisdiction falls all of the components of nonacademic student affairs. Also, the Vice-President maintains close contact with the Dean of Arts and Sciences and Trinity College to assure that those areas of student affairs affecting the educational atmosphere are not lost in the cracks between academic and student affairs.

There is a need for tighter administration and stricter bookkeeping procedures in the Student Activities Office. A position of Financial Manager for Student Affairs has been created and filled. This person will oversee the bookkeeping and financial accounts of the Student Activities Office, as well as the student clubs and organizations whose funds are administered by the Student Activities Office.

The Trustee Special Committee on Student Affairs has proved extremely desirable. It provides needed advice and assistance to the Vice-President for Student Affairs and improves the capacity of the full Board to develop policy in this area.

The Board of Trustees is requested to constitute the Committee on Student Affairs as a Standing Committee of the Board.

VIII
Cooperative Programs

A wide range of cooperative programs exists within Duke as well as between it and other colleges and universities. The administration of these programs has been highly decentralized. While some have ceased to exist except in name, others are vibrant forces within the intellectual community. Yet there remains a need for still other cooperative programs not now in existence.

The Task Force on Cooperative Programs examined the subject in a thoughtful report that defined a cooperative program within Duke and one between Duke and other universities. It described the existing cooperative programs in the University, for the first time compiling a definitive list, and concluded that the supportive climate required for successful programs incorporates the characteristics of mutual faculty interest, geographical proximity, a formal budget, complementary resources, support from top administrative officers, a unique mission not accomplishable within an existing department, and a reflection of the needs of students and faculty.

The Committee fully recognized that resources were not available to support all proposed cooperative ventures and expressed concern about the existing duplication wherein faculty are added to one department to teach courses that could be offered by existing faculty members in another. It applauded

the efforts toward cooperative arrangements between Perkins Library and other university libraries in the area and the cooperation shown in the use of computer facilities. It expressed serious concern,however, over the "territoriality" of some of our departments. These conceive narrowly of their mission in terms of a specific discipline; they discourage cooperative ventures by rewarding faculty through promotion and compensation for service to their own discipline while at the same time ignoring contributions to University education outside the department. The Provost has been requested to devote special attention to devising a method of providing new incentives to the faculty for participating in cooperative programs.

The Committee was concerned also about the absence of centralized record keeping in regard to cooperative arrangements and the failure to evaluate regularly the academic benefits from specific cooperative programs in terms of the costs that are involved. The Task Force recommended the establishment of an office of Vice-Provost for Cooperative Programs to provide the needed management of the functions. Such an office would be charged with the responsibility of management and oversight of cooperative programs including a technique for measuring their educational quality. Among its other duties would number the management of internal as well as extramural negotiations, the initiative and exploration of new cooperative ventures, and the exchange of information among the various cooperative programs now in existence. The

Committee also recommended the establishment of a standing cooperative program policy committee that would provide advice to the Vice-Provost.

The Task Force's comments concerning the necessity for improved management of cooperative programs have much merit. I do not see, however, the need for a new administrative appointment to undertake these duties. The task of initiating and exploring new cooperative programs with other universities is appropriately the function of the Provost, as is the management of negotiations in academic matters with other institutions. The management and oversight of cooperative programs within a particular school, including quality control of these programs, seem more appropriately vested in the dean of that school. At present, most cooperative programs reside within Arts and Sciences and have been accordingly transferred by the Provost to that dean. Programs involving more than one school are the province of the Provost, but could be delegated by him to the Dean of the Graduate School, who is the one dean with University-wide jurisdictional responsibilities. Questions involving jurisdictional conflict can be determined by the Provost.

The obvious first step in the improvement of management is to examine each program in terms of the benefits received by the University in relation to the costs involved. Such a study will undoubtedly reveal some programs that do not in fact exist functionally and some that are little more than an occasional perfunc-

tory get-together of a few faculty members with similar interests. Others with considerable potential for improving instruction or research are operating with such a low level of support that their potential cannot be realized.

I have requested that the Provost begin a process similar to that involved in "sunset legislation." The existing cooperative programs of the University will be organized in five groups for examination within the next five years. Beginning in the academic year 1980-81, 20 percent of the cooperative programs will be requested to justify their continued existence based upon their past accomplishments as well as their future plans. Another faculty committee, assisted when desirable by outside consultants, will advise the Provost concerning the quality and promise of each program and advise whether a five-year extension of the program is desirable. It is expected that the Provost will delegate responsibility for those activities primarily within Arts and Sciences to the Dean of Arts and Sciences and Trinity College while retaining in his own charge the evaluation both of cooperative programs with other universities and cooperative programs in which the professional schools play a dominant role. Once this process is completed, it is expected that academic administration will continue to evaluate the programs at subsequent five-year intervals. The necessary support will be given for management systems to apprise the Provost annually on the status of each program and to exchange information among the programs.

We have begun a number of very successful cooperative ventures with our neighboring institutions. As part of Duke's long-range data processing program, the Triangle Universities Computation Center continues to be an excellent means of providing low-cost computing time to academic researchers within the University. There is also a need to continue to explore cooperative ventures in library acquisitions and library storage. Discussions have been conducted with The University of North Carolina concerning potential cooperative efforts involving the Duke Press and The University of North Carolina Press, but the prospects do not appear promising.

During the course of the year, a limited program of cooperation in international studies with The University of North Carolina at Chapel Hill has been initiated. Moreover, Duke is involved with The University of North Carolina at Chapel Hill, North Carolina State University, and The University of North Carolina System in a Triangle Universities Center for Advanced Studies, and in the Microelectronics Center of North Carolina. A joint proposal submitted by The University of North Carolina and Duke for NSF funding of a new research vessel to replace the Eastward has been successful, and The University of North Carolina has committed annual support toward the operation of the new vessel, which will reduce Duke's costs for operating the Marine Laboratory.

Continued problems in negotiations with public institutions

concern financing and representation. Duke sometimes finds itself in a position where state funds are available to support the state components in a cooperative venture at a level higher than that which Duke thinks is needed or than that it can afford to contribute. Duke is sometimes sought as a participant because of the reputation and quality of its faculty, but state funds are thought by some to be appropriate only for the participating state institutions. On occasion, moreover, there is an understandable desire within the state system to involve other components of The University of North Carolina, which in the opinion of Duke have little to offer a proposed cooperative venture. On occasion it is urged that representation be accorded to The University of North Carolina System in addition to the individual representatives from each of its components involved in the cooperative venture. This additional representation may leave Duke with little real influence on the direction the joint venture will take. These obstacles must be faced honestly, and the benefits of cooperative activities must be balanced against the disadvantages that sometimes are significant. They should not discourage us from exploring opportunities. In many cases the advantages will outweigh the disadvantages.

No action by the Board of Trustees is requested.

IX
Program in the Arts

A Task Force was appointed to study our present program in the fine arts and to recommend any improvements deemed necessary. On the basis of the Task Force report and after consultation with appropriate members of academic administration, we have decided to propose the program outlined below.

It is important to note the assumptions that guided our deliberation. First, it must be recognized that the purpose of our program in the arts is to provide the opportunity for students to develop their artistic talents and to develop a better understanding of our culture through the mastery of different arts. Although we recognize that some students will achieve professional mastery while at Duke, the University does not seek to provide a program to produce professional artists. Secondly, it is necessary to recognize our financial constraints. Significant allocations of resources to the arts have been made during the last decade. Any changes in the arts program, whether programmatic or structural, must be supported within the limits of present internal resources, augmented by new external sources.

There is a clear need for better coordination, both of programs and people, in the arts. A more unified plan for programming is needed, one which strikes a balance not only between the activities of the various departments and programs, but also

between instruction in theory and instruction in the practice of specific arts. In addition, there is a need to improve coordination among the various departments, the Office of Cultural Affairs, and other University programs that sponsor permanent and guest performers.

To remedy the present state of disorganization, we propose to establish a committee comprised of the chairmen of the Departments of Art and Music, the directors of the programs in drama and dance, the head of the Office of Cultural Affairs, and a designated coordinator of performing arts. This group will serve as a standing executive committee responsible for recommending the allocation of resources among the various fine arts departments and programs. The committee's first task will be to devise a plan for better utilization of the existing resources in the arts. The plan will be based upon a static budget, adjusted only for inflation, and developed without reference to the present allocation of funds among the various departments and programs. The Dean of Arts and Sciences and Trinity College will be responsible for accepting or rejecting proposals emanating from the committee and reallocating resources, as they become available, to accomplish the objectives of an approved plan, under which the tenure status of faculty will, of course, be respected.

A study of our arts program inevitably involves a consideration of the role of performance and instruction in the practice of the arts within a university dedicated to scholarly research.

Recognizing the importance of integrating theory and practice in the arts, we propose to maintain a balance within the academic department, but under slightly different terms. In the future, tenure would be reserved for those who qualify as scholars, while most teachers of practice will be given nontenured appointments. Only teachers of "practice" whose dedication to scholarship is reflected in creative productivity, the studio equivalent of creative scholarship, albeit expressed in a different form, will be eligible for tenure. An "untenured" appointment does not necessarily imply annual contracts. Contracts of greater length both attract abler people and provide stability to the academic program.

To accommodate and encourage performance we shall establish an Institute of Performing Arts that will sponsor a critical mass of distinguished performers as fellows or performers-in-residence. Some of these may also be instructors in the arts in which they excel. In such cases they will normally occupy nontenure track, courtesy appointments in art, music, drama, or dance. In all cases the fellows will be retained on an ad hoc basis depending upon their individual talents and the needs outlined in the overall program plan. A first order of business will be the definition of a substantive program of activity.

An individual with the appropriate breadth of artistic experience will be appointed to direct the Institute and will be supported with external funds for the first five years. At the

end of the five-year period, if the program proves to be sufficiently successful, the University will absorb the position on hard funding. It is fundamental to the plan that the primary support for the program of the Institute will continue on soft monies. Appropriate support will be provided for fund raising activities.

The director of the Institute will chair a governing board composed of the members of the executive committee on the arts previously described, as well as other members of the faculty and students who have demonstrated interests and proficiencies in some area of the arts. The board will be answerable to the Dean of Arts and Sciences and Trinity College and will serve to advise the Institute director on matters of personnel and policy.

No action by the Board of Trustees is requested.

X
Athletics

The Board of Trustees, in approving the budget for 1980-81, adjusted the level of subvention for intercollegiate athletics to a level of $1.236 million, an increase of $61,000 over the level of subvention in the 1978-79 budget. The new level reflected the September 1979 decision of the Board that an intercollegiate athletics program of the basic nature of the one now in operation be maintained at Duke at no net increase in the level of the University's subvention. The increase in the 1980-81 budget was authorized in order to permit the University to comply with the requirements of Title IX as it is interpreted by the University.

The budget reflects also a fundamental change from the philosophy of grants-in-aid in intercollegiate athletics. A three-tiered system has been created in which football stands alone in one category with ninety grants-in-aid. It is expected that this number will be reduced to eighty in the foreseeable future. The second tier of sports will receive a pro rata distribution of grants-in-aid between men's and women's sports. These sports will involve twelve grants-in-aid each in men's and women's basketball, five each in men's and women's tennis, five each in men's and women's golf, seven in men's soccer, five in men's baseball, two in men's wrestling, four in women's field hockey, and four in women's gymnastics. Thus, Duke will award thirty-six grants-in-aid for men and thirty grants-in-aid for women when the program is

fully in force. The third tier includes a number of sports in which no grants-in-aid will be awarded. The average student not recruited for athletic prowess will thus be able to participate. Efforts will be made to schedule teams of comparable quality.

The University has not made an effort to provide grants-in-aid in the women's sports in amounts equal to those provided men's football, since it is our understanding that this is not required by Title IX. Should a decision to the contrary be made by the courts, it will be necessary for the University to reexamine the status of intercollegiate athletics because of the enormous cost consequences that would result.

Club sports have been reorganized during the year but still must be incorporated into the current operating budgets of the University in a more effective manner. This year additional playing fields have been renovated and storage facilities provided. New tennis courts have been constructed on East Campus. Renovation of the seats and rest rooms in Wallace Wade Stadium has been completed. Construction of the DUPAC-Press Box is underway.

In a decade the University has built an aquatic center, the intramural building, an outdoor track, new dressing rooms for football, and has renovated Cameron Indoor Stadium and Wallace Wade Stadium. These accomplishments, as well as the unprecedented level of annual giving and endowed scholarships, have been made possible through the dedication of the Iron Dukes and other

friends of the University. To have done so without significant conflict with the other development campaigns of the University has been remarkable.

Three major problems continue. The East Campus gymnasium is a disgrace. It is in deplorable condition. The University has for some time sought to build an East Campus Activities Building to replace the existing structure. The building, originally estimated to cost $2,500,000, would probably cost $5,000,000 if built now. Extensive efforts have been made to find donors, with little success. Undoubtedly, competition with the University Center has dampened fund-raising efforts, but not a single donor prepared to offer the requisite gift to make the project feasible has been located. It seems appropriate to recognize that (1) it is unlikely that the funds necessary to build the structure will be found, and (2) continuation of the project both contributes to false expectations and diverts energies from the major thrust of University development--the raising of endowment. It is, therefore, recommended that the Board terminate the project.

We cannot continue to ignore the condition of East Campus. A renovated pool is needed for instructional purposes and for individual recreational use. A gymnasium is needed for volleyball and basketball and other recreational and intramural activities. Locker rooms for both sexes and offices need extensive renovations. There is need for a sauna for women similar to the one for men on West. A plan has been developed for the renovation of the

East Campus gym that will transform it into a safe, attractive, functional facility. The cost of the program is estimated at $1,700,000. We should begin work as soon as possible, phasing in specific programs as funds become available. Adoption of such a program as a priority item is recommended.

Extensive repairs would be required also if the Card Gymnasium pool is left open. At the time the Aquatic Center was planned and built, it was anticipated that the Card Gymnasium pool would close. Accordingly, we have decided to close the pool, floor it over, and use the space for student recreational use. Swimming classes will be transferred to East Campus.

Intercollegiate sports have adequate facilities with the exception of wrestling and gymnastics. Each needs space not now available, but in both cases assignment of the space desired can be provided only by limiting the recreational activities of students within the University to an unacceptable degree.

The University does not have adequate handball, squash, and racquetball courts. These, in addition to being "lifelong sports," are increasing in popularity. The cost of construction of such facilities suggests the desirability of a method of financing in which user costs will defray the required capital outlays, as well as operational expenses. Plans for developing such a facility are underway.

It is recommended that the Board of Trustees (1) terminate

the authority to raise money for the East Campus Activities Center, and (2) direct the officers to proceed with the renovation of the East Campus Gymnasium as a high priority.

XI
Endowment Policy

Duke, in common with almost all other private universities, increased its endowment during the seventies only to witness a decline in its real value caused by a sustained high rate of inflation. On July 1, 1980, the University's endowment had a market value of $142,005,734. Of this amount, $6,923,837 was in life income agreements and unitrusts; $67,550,513 was permanent endowment; and $67,531,384 was quasi-endowment, that is, funds functioning as endowment that the University can expend in any manner it chooses. Slightly more than 54 percent of the total is restricted endowment, funds that can be used only for designated purposes,leaving only $64,723,690 as general endowment (excluding unrestricted life income endowment), the income from which can be used for the general support of the University (Table 2). During the last fiscal year, the endowment produced an income of $9,745,705, of which $6,151,412 was restricted to specific purposes (Table 3). Unlike many institutions that operate teaching hospitals, no endowment income is presently utilized for defraying the costs of patient-care functions of the University.

In addition to its own endowment, the University is entitled to receive 32 percent of the net income of The Duke Endowment. This produced $9,543,338 in 1979-80, in addition to special grants of $1,750,000 to the hospital, $440,585 to other Medical Center purposes and $1,694,667 to the "campus" educational divisions of

Table 2

MARKET VALUE OF ENDOWMENT

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Permanent Endowment:										
Unrestricted	$ 13 584 242 81	$14 667 661 14	$14 024 333 94	$12 212 488 58	$13 228 928 42	$13 810 953 85	$14 222 294 00	$13 479 922 69	$13 912 783 57	$14 465 385 69
Restricted	32 988 389 33	36 243 304 54	35 145 929 85	32 581 295 21	37 761 408 19	41 524 190 32	45 440 530 47	44 864 735 31	48 402 191 20	53 085 127 52
Total Permanent Endowment	46 572 632 14	50 910 965 68	49 170 263 79	44 793 783 79	50 990 336 61	55 335 144 17	59 662 824 47	58 344 658 00	62 314 974 77	67 550 513 21
Quasi Endowment:										
Unrestricted	51 542 558 33	63 807 061 04	51 867 052 78	41 464 868 64	47 010 995 03	45 111 502 80	43 386 573 39	43 185 728 96	45 163 484 38	50 258 303 82
Restricted	5 245 168 23	6 554 183 94	5 315 998 29	4 091 008 68	4 945 612 83	12 185 685 29	12 825 678 32	13 586 651 87	15 401 281 88	17 273 080 17
Total Quasi Endowment	56 787 726 56	70 361 244 98	57 183 051 07	45 555 877 32	51 956 607 86	57 297 188 09	56 212 251 71	56 772 380 83	60 564 766 26	67 531 383 99
Term Endowment:										
Unrestricted	3 880 740 88	4 644 278 26	4 068 163 35	3 649 247 10	1 472 028 25	724 347 00	103 406 25	-	-	-
Restricted	1 386 634 12	1 417 139 87	1 211 919 37	1 087 123 12	-	-	-	-	-	-
Total Term Endowment	5 267 375 00	6 061 418 13	5 280 082 72	4 736 370 22	1 472 028 25	724 347 00	103 406 25	-	-	-
Life Income Endowment:										
Unrestricted	121 416 68	266 791 12	728 858 41	697 481 78	764 248 86	956 413 92	3 008 005 33	2 993 546 37	3 248 891 00	3 239 212 87
Restricted	25 187 50	600 122 16	954 416 94	965 725 90	1 588 479 62	2 089 132 89	2 897 683 05	2 906 977 48	3 710 287 57	3 684 624 52
Total Life Income Endowment	146 604 18	866 913 28	1 683 275 35	1 663 207 68	2 352 728 48	3 045 546 81	5 905 688 38	5 900 523 85	6 959 178 57	6 923 837 39
Grand Total Endowment	108 774 337 88	128 200 542 07	113 316 672 93	96 749 239 01	106 771 701 20	116 402 226 07	121 884 170 81	121 017 562 68	129 838 919 60	142 005 734 59
Current Fund Expenditures and Transfers	29 721 070 00	31 460 164 00	34 577 731 00	37 702 964 00	42 051 613 00	55 399 735 00	60 534 691 00	71 611 814 00	72 933 667 00	Not available
Annual Percent Increase in Consumer Price Index	5.2%	2.9%	5.9%	11.0%	9.3%	5.9%	6.9%	7.3%	11.0%	14.3%
Annual Percent Increase in Gross National Product Deflator Index	5.1%	4.1%	5.9%	9.7%	9.4%	5.2%	5.9%	6.9%	7.4%	8.6%

Table 3

ENDOWMENT INCOME

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Duke Endowment Unrestricted	$6 008 703	$5 998 668	$6 032 217	$ 6 115 923	$ 6 036 417	$ 6 565 909	$ 7 576 231	$ 8 248 702	$ 8 960 966	$ 9 543 338
Duke University - Unrestricted	1 586 879	1 742 310	1 650 842	2 212 099	2 436 340	2 372 396	2 377 564	2 522 857	2 888 253	3 594 293
Restricted	1 744 555	2 244 502	2 226 941	3 037 060	2 951 227	3 082 976	3 579 020	4 114 239	4 853 332	6 151 412
Total Endowment Income	9 340 137	9 985 480	9 910 000	11 365 082	11 423 984	12 021 281	13 532 815	14 885 798	16 702 551	19 289 043

the University.

The major problem of the last decade, the high rate of inflation, suggests a need to reexamine the manner in which our endowment is managed in order to fulfill our obligation to future generations. A balance between fixed income investments and equity investments in an endowment could in theory assure an income and an appreciation of capital roughly equal to the inflation rate. The higher income usually available from bonds would meet a significant portion of the need for current funds while the appreciation of capital in the equity component of the portfolio could assure the preservation of capital in real terms. Such a policy was possible during a period of low inflation that prevailed prior to the 1970s.

During a period of high inflation it is now all but impossible for both the value of and the income from the endowment to increase at inflationary rates. The price of attempting to increase yield in order to meet current needs may be a slower growth of the endowment, resulting in a decrease in the value of the endowment in real terms. An attempt to increase the value of the endowment through appreciation at a rate that would ensure the preservation of capital in real terms could be accomplished only at the sacrifice of yield, thereby greatly intensifying the pressure on the University to balance its budget from tuition income.

The problem may have been exacerbated by the manner in

which we have managed the quasi-endowment of the University during recent years. Historically, Duke utilized only the yield from dividends and interests for its current operations. It has long been recognized, however, that during a period of growth, some equity investments will greatly appreciate in value while their yields will be limited. The overall financial stability of the University does not depend upon whether its income comes from an increase in appreciated value or from dividends; total yield is the significant factor. It was thought wiser to invest funds functioning as endowment on a total-yield basis, utilizing for the current fund a percentage of that yield while returning in capital accumulation the remaining percentage. The objectives of accumulating capital and maximizing current yield could be met and, in addition, such a formula would provide expendable income that was reasonably stable and predictable.

The Investment Committee, with the approval of the Board of Trustees, chose to adopt this philosophy in the management of the unrestricted quasi-endowment. Withdrawal each year was calculated upon the market objective rather than actual market value. Managers were instructed to invest the funds in such a manner as to produce the highest amount of return defined as conventional income, such as interest, dividends, and capital gains, without taking undue risk. A greater reliance was placed on growth stocks in the quasi-endowment, sacrificing higher dividends for greater appreciation. The objective of the Investment Committee was to

produce a long-term rate of return, as defined above, of at least 10 percent compounded annually with 5 percent withdrawn for current fund expenditures. At the inception of the program the unrestricted quasi-endowment totaled $51,455,009.

The market deteriorated in the early seventies so that a $21,780,619 gap developed between market value and market objective. At June 30, 1974, the value was $44,871,456 as compared with an objective of $66,651,075. During that period, we received into this fund only $751,806 in new gifts. During that same time, we had earnings of $5,310,181 and withdrew capital gains totaling $8,824,319.

Recognizing the inadequacy of the formula, the Executive Committee changed the objective and the draw from 10 percent and 5 percent to 8 percent and 4 percent, effective July 1, 1974. It also established the market value at that date of $44,871,456 as the basis for calculating market objectives in the future. That market objective has increased as of June 30,1980, to $63,118,421 while on the same date actual value was $54,642,683, not as big a gap as existed in 1974, but certainly a very substantial one. During the last year, the actual earnings for the first time exceeded the withdrawal, in this case by $171,300.

Since the inception of the program we have expended $10,818,049 from the endowment principal while only $3,654,320 of new endowment has been added to it. The market value of the unrestricted quasi-endowment has increased by $3,187,684; its real

value has obviously decreased.

Clearly, there are major problems involved in the continued utilization of the quasi-endowment formula. In any given year appreciated capital gains may be distributed even though the endowment growth objective is not met since the annual withdrawal rate is pegged to the objective, not the reality. In addition, there is an assumption that inflation will not outstrip capital appreciation. The withdrawal of 4 percent of total yield at a time when inflation proceeds at a much faster rate than capital accumulation inevitably means the endowment's value is decreasing in real terms, even when the objectives are met.

The permanent endowment is managed on a traditional basis in utilizing only interest and dividend income. (A comparison of the market value of the endowment at the end of each year during the last decade is shown in Table 2.)

The results of this management policy are discouraging. The increase in the size of the endowment has not approached the growth in the general expenses of the University, nor has it approached inflation. The real value of the endowment has decreased in real terms despite the fact that the University has raised $30,965,702 for endowment during the decade. Meanwhile, educational and general expenses have more than doubled. The magnitude of the change is best reflected by comparing the ratio between unrestricted endowment and unrestricted educational and general expenses, since restricted endowment is unavailable to support these expenses.

This trend poses a formidable challenge. Even with the utilization of appreciated capital gains from the quasi-endowment, the income from endowment has not kept pace with inflation, resulting in significant annual tuition increases. Only the advent of substantial federal financial aid programs for undergraduate students, a remarkable growth in private gifts, short-term investment income, and a significant rise in the amount of overhead recovery have made it possible for Duke to maintain a high level of excellence.

By continuing to allow a constant significant deterioration of the real value of the endowment, we are simply mortgaging the future to permit us to live beyond our means now. Our goal should be to have endowment increase at the inflationary rate, based upon a combination of (1) an appreciation of the existing endowment and (2) the addition of new endowment. To the degree that augmenting restricted endowment removes the need of support for educational expenses from general endowment, it makes no difference whether restricted or general endowment is increased. By the same token, in the "formula" schools (i.e., Medicine, GSBA, and Law), however, an increase in restricted endowment makes no contribution to the support of the educational and general expenses of the University as a whole. Thus, for example, the addition of an endowed chair in the School of Medicine does not, under the formula, reduce the level of support the School of Medicine is

receiving from the University, and hence, while it improves the quality of the School of Medicine, it does not contribute to the solution of the financial problems of the remainder of the University. We have been much more successful, particularly in the Medical Center, in raising restricted endowment than in raising general endowment (Table 4).

An inflexible policy of insisting that the growth of endowment keep pace with inflation would have serious implications for the operation of the University. A fixed mandate could substantially diminish Duke's quality in years where inflation outstrips both capital appreciation and new gifts. The objective should, nevertheless, be to maintain the real value of the general endowment as far as it is possible consistent with operational needs. The first step should be a major modification of the quasi-endowment formula.

Among the several alternatives that are available, the first would be to preclude the use of any appreciated gains in the quasi-endowment for current operating expenses unless the total increase in the value of the quasi-endowment kept pace with inflation during the preceding year. A second would establish a new base as of June 30, 1980, and reduce the rate of withdrawal to 3 percent. This would still result in deterioration, but at a lower rate than we have been experiencing. A third would be to adopt a spending rate based on the average of the actual market value of the preceding three- or five-year average, which would

Table 4

GIFTS FOR ENDOWMENT

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Unrestricted	$ 503 145	$ 2 195	$ 82 353	$ 111 399	$ 426 182	$ 274 151	$ 234 376	$ 23 110	$ 114 269	$ 11 063
Restricted										
Medical Center	125 867	1 043 267	61 980	506 107	474 336	431 268	1 008 995	881 006	1 144 334	1 891 740
Other	1 500 969	1 794 905	1 598 116	2 119 132	1 980 708	1 932 056	4 589 367	1 655 792	2 663 598	1 779 916
Totals	2 129 981	2 840 367	1 742 449	2 736 638	2 881 226	2 637 475	5 832 738	2 559 908	3 922 201	3 682 719

provide protection against wide fluctuations. The use of the actual market values, rather than an ideal objective, would result in a far more realistic rate. If endowment grows, the total dollars available for the current fund would increase although the rate might remain stable. The rate could be changed whenever necessary.

It should be recognized that (1) none of these alternatives would prevent some deterioration in the real value of the quasi-endowment unless endowment growth and income, less withdrawals, exceed the rate of inflation, an unlikely hypothesis in the short run, and (2) each would probably reduce endowment income, requiring a cut either in expenses or an increase in income produced from other sources. In determining which alternative to select, it may be useful to compare the "pay out" policies of other major private universities. Our objective must be to obtain the highest possible total return and then preserve as much of the real value of our capital as possible by paying out a smaller amount than the normal yield. In determining the amount of the pay out we must carefully balance our present and future needs.

A second technique in meeting the challenge is equally obvious. Our primary commitment must be to raise either general endowment or restricted endowment that reduces the level of unrestricted expenses. We must not engage in new construction, despite our needs, other than to meet commitments already made for

an Engineering addition and a GSBA building. Nor should these buildings be started until we have raised the endowment also to cover their maintenance and operation We must abstain resolutely from our practice of beginning new programs without long-range funding, even when the program is creative and a foundation is willing to provide the initial support. We simply must improve the ratio of general endowment income to general educational expenses before any program commitments that will add to total costs are made.

We must recognize also the impact of the trend toward restrictive rather than general endowments. If our inability to raise significant general endowment persists, we must reexamine the "formula" school arrangements and consider either reducing the level of their support from the general endowment or "taxing" them a percentage of the restricted endowment raised for the general needs of the University, as is the practice elsewhere.

A separate issue of endowment policy also deserves attention. As pointed out earlier, the University received a total of $13,428,590 from The Duke Endowment during the last fiscal year. These funds were generated by the Endowment's portfolio, with 70 percent of the total income resulting from the operations of the Duke Power Company. The availability of The Duke Endowment funds to the University is, therefore, largely dependent on the operation of one electric power company. In addition, the University's portfolio includes stock valued at $3,177,816, as well as

$2,230,750 in bonds in the electric power industry. Such a high dependency on any single industry appears unwise. Obviously, the University has no control over the composition of the portfolio of The Duke Endowment. It should, however, manage its own endowment with recognition of the degree to which its income from The Duke Endowment depends upon a single industry. Serious consideration of a broader level of diversification would seem appropriate.

As the Board is aware, the University has attempted to hedge against the likelihood that equity investments may not keep pace with inflation by moving into the field of nontraditional investments. The operation of this pool promises significant appreciation. The maximum level of investment in such assets having been fixed by the Board, it seems appropriate that the Board also establish and periodically review the relative distribution of endowment assets among common stocks, fixed income securities, and other types of investment. As an example, Yale University has already determined that new endowment gifts be invested 65 percent in common stocks, 25 percent in bond notes and other fixed rate securities, and 10 percent in income-producing equity real estate. Similarly, Wesleyan University has determined that the equity component of its portfolio range between 40 and 70 percent, the fixed income component should be set at approximately 30 percent, and whatever balance of assets remains be invested in short-term money market instruments. At the present time, this University's endowment is invested 48.28 percent in common stock, 15.88 in

fixed rate securities, 9.44 in nontraditional holdings, 3.90 in an internal loan (Tel-Com), and 22.5 in short-term investments.

The Board of Trustees is requested to direct the Investment Committee to reconsider the quasi-endowment formula with the objective of maximizing the preservation of the endowment's real capital value. This goal should be consistent with the University's need for operating income, in recognition that any drastic change in the formula must be accomplished over a period of years, if the University is both to balance its budget and to maintain its level of excellence. The Board is also requested to direct the Investment Committee to consider the desirability of reducing the level of the University's investments in the electric power industry. The Board is further requested to consider how the endowment assets should be apportioned among stocks, bonds, and other investments.

XII
Reorganization of External Relations

A. Coordination of External Relations

Coordination is the major problem in the conduct of the external relations of the University. The Director of University Relations and the Director of Alumni Affairs have reported directly to the President during the last decade. The Director of Development has reported to a Vice-President for Institutional Advancement who exercised no line supervision over University Relations or Alumni Affairs. The annual giving efforts of the University are located within Development with no direct relation to Alumni Affairs. Though during the last decade efforts have been made to improve communication and coordination, the development of an overall strategy for external relations of the University requires a much closer cooperation between Alumni Affairs and annual fund solicitations than currently exists. The Task Force on Institutional Advancement, University Relations, and Alumni Relations has recommended to me that these three major activities be placed under one person. I accept this recommendation. Hence, I recommend to the Board of Trustees that the Vice-Presidency for Institutional Advancement, which has been vacant for a year, be filled and that the person selected have responsibility for Development, University Relations, and Alumni Affairs. The Vice-President, of course, would report directly to the President.

The first order of business of the new Vice-President will be

to create a coordinated strategy for these three offices to promote the image of the University, to serve the alumni, attract students, assist in placement, create the climate required for the external support upon which the University depends for its future, and raise the funds the University needs.

The principal objective of our development policy during the next decade is to raise funds for (1) endowment and (2) annual operating funds. Upon completion of the present building drives for the University Center, the Graduate School of Business Administration, and the School of Engineering, primary efforts should be directed to these goals.

B. Organization of Development Activities

Additional problems of coordination exist between the central development function and development activities in the professional schools and athletics. For most of the last decade there has been an Office of Medical Center Development with joint reporting responsibilities to the Vice-President for Health Affairs and to the Vice-President for Institutional Advancement, while athletic giving has been the responsibility of DUAA. Three years ago development officers were authorized in the Graduate School of Business Administration, the School of Engineering, the Divinity School and the School of Law. Over the passage of time there has been an understandable tendency by development officers located in the professional schools to see their function and future as more dependent upon the Dean or the Vice-President to which they report

than to Institutional Advancement. There has been reasonably good coordination in requiring overall clearance before extramural contacts are made in order that the University may determine the priority to be followed where there is more than one proposed contact with a foundation, a corporation, or an individual.

Participation in the overall University development efforts, the maintenance of names of prospects, the flow of information concerning the results of external contacts, and maintenance of a relatively uniform salary scale need constant supervision. For example, the level of compensation among development officers must reasonably relate to duties performed, not to the funds available, if morale is to be preserved. Obviously, the coordination of these efforts poses a major challenge, and we have in substance determined to give up some coordination in exchange for the day-to-day supervision by the head of a component division. This sacrifice has been made in the belief that such a system will produce a greater level of external support and that coordination problems are tolerable so long as the University continues to determine priorities in the case of potential conflicts. However, there must be a willingness on the part of the University to terminate any particular arrangement with a professional school where the absence of cooperation jeopardizes the overall University program.

We must appreciate that raising the general endowment of the University is the function of the central staff, but that an

appeal for general endowment rarely competes successfully with an appeal for a building or endowment in a professional school. Moreover, the size of the Medical Center staff is now roughly equal to the central staff, and funds appear to be more readily available for travel, entertainment, and promotional literature in GSBA and the Medical Center. The narrow range of responsibilities, the close personal relations with the dean, and the specialized clientele to which the professional schools relate permit contacts to be made and cultivated that produce gifts for the schools which otherwise might have benefited the University as a whole. Conversely, the activities in the professional schools identify donors who otherwise might never have contributed to the University at all, as well as others who extend their largess to other University programs.

There is also a potential conflict with athletic giving, arising from the preferences extended to large athletic donors for ACC tickets. Yet the advantages from the high percentage of nonalumni donors to the Iron Dukes, the number of dual gifts to athletics and the Loyalty Fund, and the extraordinarily high level of annual and capital gifts more than outweigh these disadvantages.

There has thus far been no development officer with principal responsibility for Arts and Sciences. Such a post needs to be created if the needs of Trinity College are not to be ignored.

Continued scrutiny by the Trustee Committee on Institutional

Advancement will be helpful in assuring the Board that our decision to move toward the decentralized model is in fact the most advantageous to the University.

There is a tendency in Development to place persons in highly specialized fund-raising roles--i.e., foundations, corporations, deferred giving, annual giving--without providing an opportunity for staff members to move from one function to another, and thereby not only to facilitate a better understanding of the operation of the division, but also to qualify themselves for promotion. In addition, while there is a high level of cooperation, there is also a tendency to compartmentalize individual reporting assignments rather than to operate in patterns of teamwork. Serious consideration should be given to reorganizing the division by function: annual giving, endowment giving, programmatic support. Annual giving would function much as it has in the past; the staff of planned giving would concentrate on endowment, whether achieved through deferred giving or otherwise; the present foundation and corporate officers would concentrate on funding special programmatic needs determined by the Provost.

The size of the University's development staff is the smallest among the universities with which we compete, as are the staffs of University Relations and Alumni Affairs. We may have been "penny-wise and pound-foolish" and should be prepared to increase the staff in Development, if the costs will be offset by income

targeted for the areas we need most--general endowment, endowment for financial aid, faculty, library, and annual giving.

We have compounded our staffing problem by encouraging faculty to seek assistance in obtaining support for individual research projects from a development staff already spread too thin. Frequently, there are no foundations willing to provide support for the desired project, and neither the staff nor the faculty member knows whether there is a possibility of government support. A small proposal for individual research necessarily receives low priority from the staff member charged with the responsibility of obtaining support for large grants involving major program support. The professor, on the other hand, understandably occupied primarily with his own proposal, often concludes that the development staff is unconcerned or inept. At the same time, the staff member is less able to spend the required time on high-priority matters because of the diversion of his efforts.

Faculty members deserve and need assistance in obtaining external funding. The appropriate locus of such support, however, should be in the office of the Vice-Provost for Research and Special Programs (Dean of the Graduate School). The Development Office should concentrate its efforts on broader proposals originated by the Provost.

There is also a need to organize better our volunteer efforts

in the University's fund-raising programs. During 1979-80 the New York Development Council performed splendidly in mounting a drive for the University Center, with staff support provided from the campus. We need to create similar councils in Charlotte, Southern Florida, Tampa-St. Petersburg, Los Angeles, Chicago, and other centers. These councils should be provided with specified objectives and staff support. And, when needed, senior officers of the University should be available to help in their development efforts.

A close relationship between annual giving from alumni and the operation of the Alumni Office is essential. The percentage of contributing Duke alumni is less than the national average for private universities and well below the average of most of the prestigious institutions with which we compete. Support from alumni of Trinity College is especially weak. As the Task Force pointed out, part of this difference may relate to the educational experience at Duke and the manner in which we choose our students. Certainly, a great part of it relates to the erroneous belief, particularly among our older alumni, that the University is affluent and that most of its needs are met by grants from The Duke Endowment. Yet to achieve the level of support required by the University in the next decade, concerted effort must be made both to improve alumni understanding of our financial needs (and of the limited level of support which The Duke Endowment is able to provide) and to increase alumni participation in annual

giving.

Related to this task is the need for a better information system involving alumni. The present system of gift records and solicitations precludes an effective use of a data base that would clearly be helpful to managing gift solicitations and alumni service. Such a system has been devised but is costly, and a decision must be made whether the increased cost of such a system will be more than justified by the increased yield.

I have determined that we should proceed with the development costs of such a system with the understanding that its continued use and the concomitant operating costs will be reevaluated after a three-year period. If, in fact, the yield in alumni giving does no more than keep pace with inflation and does not compensate for the additional costs of the system, then it will be discontinued. Critical need for increasing the level of Loyalty Fund contributions justifies the risk involved in the capital investment for a pilot project operation of the system.

There is reason to believe that the number of alumni donors will increase if they can be assured that their contributions will not be assigned to the University's general fund but used rather to support the particular school or activity in the University in which they have the deepest interest. Such restricted annual giving is already the norm in Medicine, GSBA, and Law and, on an experimental basis, should be extended to the other divisions

of the University. A program of this kind will also permit designation of activities such as the Marine Laboratory, the Library, the Chapel and the Art Museum. Iron Duke giving will not be included as an alternative, consistent with the University's stance that athletic giving should be in addition to and not a substitute for support for the academic program of the University. Permission to designate with assurance that the donor's desire will be honored will also permit a reduction in the multiple appeals for funds that have annoyed some alumni during recent years. An alumnus will still have the opportunity of contributing to the general fund if he or she chooses.

Such a process of facilitating restricted giving may reduce the level of gifts to the general fund. If so, the level of support for the programs of the University will be proportionately reduced. It is expected that the increase in restricted giving will more than compensate for the reduction in current fund giving.

The main objectives of development activities in the future should be the raising of money to support faculty salaries, student financial assistance, and libraries. A smaller amount raised for these purposes may be more desirable than a larger amount raised for program support of an activity that is tangential to the University's mission or for construction of a facility that adds to the University's maintenance and operation expenses. The same is true for many restrictive gifts where the donor might

otherwise have given for a more important general need of the University. We must persist in concentrating on our primary objectives in fund raising.

There is a general criticism of our development activities by many within the faculty. Undoubtedly, room remains for improvement, but few of the critics appreciate that the total level of private gifts to the University has increased at a very fast rate during the decade and that the University now ranks among the top fifteen in private giving in the country.[1] There is an inadequate understanding of how our efforts are limited by both our location away from major metropolitan centers and also the relative youth of our alumni. Neither is there an appreciation that Development is basically involved in selling a product. As the quality of the University improves, its capacity to raise support for its operations will improve. No single factor could assist the University's ability to raise funds more than the consistent improvement of its teaching and research.

C. Alumni Affairs

The Alumni Office has been reorganized during recent years to permit much closer coordination with Duke's admissions functions, and the results are generally excellent. A hundred alumni committees are now providing assistance in the location and screening of

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1. It ranks about twentieth if grants from The Duke Endowment are not included.

potential applicants. In addition, alumni understanding of the favoritism shown to alumni children and the reasons some alumni children are not admitted has been enhanced.

Last year alumni were involved in the first career conference at Duke, an ASDU initiated program. The project will be funded for a second year and then offered at regular intervals. Efforts have been made to assure alumni of the University's willingness to provide special assistance to them when they visit Duke. Participation at class reunions last June showed a significant increase. The foreign trips program of the University has been greatly expanded, with excellent alumni response, and this fall a new program of weekend seminars at various places in Canada and the United States will be initiated. The Alumni Register is performing a valuable service and is generally well received. It has become more responsive to the needs of the Development Office in communicating with alumni.

Students have been involved to a much greater degree than heretofore in alumni and development activities. This increase in student involvement has occasioned a demand on the alumni and development staffs in excess of available resources. A problem of coordination exists among the Vice-President for Student Affairs, ASDU, Alumni Affairs, and Development. There is a natural reluctance to refuse support for student projects, but present resources are inadequate to meet the wide range of student requests for participation incident to their increased involvement. Particu-

larly encouraging are the efforts initiated this fall to reestablish the notion among Duke students of a class identity and to develop within them a loyalty to the institution. Students must learn while they are here of the University's needs and the degree to which they have benefited from their predecessors. Student leadership has made great contributions to this process during recent years.

The Board of Directors of the National Alumni Council has been reorganized, and a greater level of participation in decisions affecting the University has resulted. The increased responsibilities have also required the addition of staff personnel, which, in my judgment, perform a very valuable service. In order to increase the participation of alumni in this area, future employment policy in Alumni Affairs will emphasize the desirability of attracting highly qualified alumni. The function of Community Relations, formerly included within the Office of Alumni Affairs, has been transferred to the Office of University Relations.

D. University Relations

The Task Force was most complimentary concerning the conduct of University Relations in projecting Duke's image to the outside world. Cooperative projects with the faculty of the University have produced programs such as the Washington Post and Time journalists-in-residence programs and have increased the level of national and local publicity accorded to University activities; coordination with the public affairs activities of the Medical

Center has also been improved.

At present the University Relations Office determines to a considerable degree the image of the University to be projected to external constituencies; this judgment is not generally subjected to formal appraisal by the officers of the University. I have requested that the Director of University Relations develop the goals of his office more specifically so that they might be more widely reviewed. Necessarily, the images of the University projected to its constituencies must be true, but given the great diversity of these constituencies, the images it wishes to project are not necessarily identical. The officers of the University are in the best position to determine what activities most need to be publicized. It is the primary function of the Director of University Relations to coordinate the diverse priorities of different interest groups in the University and to assign responsibilities for what can be accomplished with available staff, while indicating to the constituencies what present budgetary restraints preclude. I have requested that the Provost initiate a procedure to operate simultaneously with the budgeting process whereby the academic divisions of the University indicate the image of their teaching and research they desire to be projected during the next year. The Medical Center will do likewise. The President, of course, decides what overall image of the University will be projected, and the Director of Alumni Relations is responsible for determining

the particular messages to be related to our alumni.

Proposals for priority coverage will be collected and evaluated by the appropriate officers of the University. The objective is to produce a limited number of priority matters to be dealt with by the News Service, the Alumni Register, and other external University publications during the next academic year. The Director of University Relations will assess the feasibility of these proposals and will determine the best methods of accomplishing them, assigning the persons required. If the number of projections exceeds the capacity of the staff, he shall so indicate, provide his advice, and request guidance concerning which proposals should receive the highest priorities. In case of conflict among the officers, the decision will, of course, rest with the President.

There is an additional need for improved communications within the University. The faculty newsletter recently initiated by the Provost meets a longstanding need. There is an equal need to communicate with other employees outside the Medical Center in a publication which performs the same functions as do Heartbeat and Intercom. I have requested the Vice-President for Business and Finance and the Director of University Relations to develop a format for such a publication.

It is recommended that the Board of Trustees authorize filling the position of Vice-President for Institutional Advance-

ment with the understanding that this office shall have responsibility over University Relations, Alumni Affairs, and Development activities of the University.

It is further recommended that the Board approve the modified program for annual giving described on page 184.

XIII
Business and Finance Division

Outside the academic sector, the largest single component of the University supported in substantial part from current unrestricted funds is the Business and Finance Division. Having grown significantly during the last fifteen years, it should appropriately be subjected to the same scrutiny as the academic departments. Indeed, some have asserted that retrenchment should begin here since the function of the division is one of logistical support, while the functions of the academic sector--teaching and research--are the primary missions of the University. At the very least, it is argued, cuts should be prorated between the academic and nonacademic sector.

The problem with this approach is that it fails to recognize that in some instances logistical support is essential if research, teaching, and patient care are to flourish, and that improvident retrenchment in the personnel and services providing these functions may immediately and severely impair our ability to fulfill our primary mission. Furthermore, the Business and Finance Division has been under tight budget control for several years since its forecast was reduced by $800,000 in 1975. Further significant savings are more difficult to achieve, except through the sophistry of eliminating personnel, whose services would then need to be performed by outside contractors at higher costs. In addition, much of the cost of the Business and Finance Division is

allocated to the Medical Center, service components, and auxiliary enterprises. In 1978-79, the last years for which fully allocated costs are available, 79.3 percent of the costs of the division were allocated to the Medical Center, auxiliaries, and service components. Thus, in gross terms, an across-the-board cut of $1,000,000 would free only about $207,000 for University academic, student services, and development activities. (See Table 5.)

I do not suggest that these factors should immunize the division from scrutiny or that cost savings are impossible. My point is that while the proper approach is to subject each unit to close study and effect economies where possible, we must not proceed upon the assumption of a necessary or appropriate relationship between the extent of retrenchment in Business and Finance and in the academic sector.

At the outset it is important to recognize the reasons why the division has grown and why its functions continue to be necessary. Foremost among the reasons has been the phenomenal growth of the Medical Center, which is served by many of the components of the division.

The second most important factor has been the continued growth of sponsored research with the concomitant increase in auditing required for accounting to the government and other grantors. Significant components of the division, particularly in sponsored programs, internal audit, accounting, personnel, and

Table 5

Vice-President, Business and Finance - Summary
(000 omitted)

	FY 1974-75 Actual						FY 1978-79 Actual					
	Total	Univ.	Med.	Hosp.	Ser.	Aux.	Total	Univ.	Med.	Hosp.	Ser.	Aux.
General Administration	52	6	6	14	15	11	81	16	11	27	10	17
Accounting	1,501	375	496	215	150	165	2,158	476	692	534	242	214
Internal Audit	99	19	26	37	8	9	132	23	44	51	5	9
Director, Business Auxiliaries	36	--	--	--	11	25	38	--	--	--	--	38
Coordinator, Printing Services	21	4	6	4	3	4	64	3	10	13	37	1
Office, Business Manager	--	--	--	--	--	--	46	6	1	2	13	24
Material Control	771	115	177	263	154	62	924	147	262	276	171	68
Personnel	660	86	139	317	59	59	745	73	142	397	68	65
Treasurer	89	38	15	22	5	9	151	89	20	20	4	18
Mail and Messenger	61	53	--	--	3	5	86	73	--	--	5	8
Moving and Storage	--	--	--	--	--	--	13	13	--	--	--	--
Total	3,290	696	865	972	408	349	4,438	919	1,182	1,320	555	462
Percentage	100.0	21.2	26.3	29.5	12.4	10.6	100.0	20.7	26.6	29.8	12.5	10.4
Transferred Functions:												
Personnel	--	--	--	--	--	--	107	--	13	84	8	2
Material Control	--	--	--	--	--	--	136	--	--	136	--	--
Adjusted Total	3,290	696	865	972	408	349	4,681	919	1,195	1,540	563	464
Percentage	100.0	21.2	26.3	29.5	12.4	10.6	100.0	19.6	25.5	32.9	12.1	9.9

central purchasing, could be cut back or eliminated if we chose not to sponsor research from external sources. But to do so would prevent our continuing as a major research university.

The third factor has been the increased need for improved financial management to accomplish a number of objectives:

1. Achieving budgetary control and the appropriate allocation of costs in a period of inflation;

2. Maximizing income from investments managed internally;

3. Achieving optimal overhead recovery and Medicare/ Medicaid reimbursement;

4. Administering the University's loan program to students and its borrowing for capital improvements (e.g. Duke North, Parking Garages #1 and #2, Tel-Com, steam plant);

5. Making it possible for the trustees to perform their fiduciary obligation of ensuring that the institution is operating in a fiscally responsible manner.

The fourth factor is monitoring and achieving compliance with a host of regulatory requirements that have resulted from the government's involvement in higher education, such as the regulations governing facilities for the handicapped, occupational health and safety law, the Fair Labor Standards Act, collective bargaining under the National Labor Ralations Act, legislation governing retirement compensation plans, legislation governing procurement of supplies and equipment, wage and price stabilization policies, regulations governing the use and disposal of radioactive and hazardous wastes--not to mention the myriad laws

and regulations dealing with nondiscrimination and affirmative action in which the division shares responsibility with the Office of Equal Opportunity. Added to the government regulations are reporting demands from educational associations that need data to present the case of higher education to the government and to engage in self-regulation.

A fifth factor contributing to the growth of the division has been the consolidation of certain activities, increasing personnel in Business and Finance while reducing numbers in other areas, and the addition of personnel to effect cost savings by the elimination of outside contracting. Thus, the central printing function of the Business and Finance Division now employs 27 persons, replacing the 33.5 who had been engaged in printing operations in 1974-75, none of whom were in Business and Finance. The insurance office has added one person as a part of a reorganization that will save $100,000 to $150,000 annually.

In addition, some of the departments of the division increase income at a more rapid rate than the costs incident to the function. Areas of growth such as cost accounting, plant accounting, and the Treasurer's Office have produced additional revenue far in excess of the added expenditures required to improve the level of their performance. (See Table 6.)

Often ignored is the extraordinary change in the scope of our enterprise. In 1970, Duke had approximately 6,700 employees, 6,977

Table 6

Treasurer's Office
(000 omitted)

	FY 74-75 Actual	FY 78-79 Actual
Revenue		
Investment Income	$ 1,195	$ 2,131
Securities Lending	186	209
Securities Call Options	--	148
Total	$ 1,381	$ 2,488
Expense		
Treasurer	$ 12	$ 13
Investment Management	(87)	(140)
Bursar	163	278
Student Loan	75	183
Total	$ 163	$ 334
Net Contribution to University P/(L)	$ 1,218	$ 2,154

Contribution of Net Revenue to University Increased by 77%.

students, and $172,147,000 invested in the physical plant and a consolidated budget of $59,000,000. Today there are approximately 12,000 employees and 9,200 students; $447,385,000 is invested in physical plant and the consolidated budget is approximately $200,000,000. A larger, more sophisticated institution with an aging plant simply requires more people and dollars to administer it. Despite this growth, the increase in costs of the division during the last four years has been held to 35 percent except in maintenance and operation of the physical plant, where costs rose 39 percent, principally because of energy expenses. This figure compares favorably with increases in instruction and departmental research (39%), libraries (49%), and student aid (43%). As will be seen, a significant percentage of these costs is allocated to activities outside the campus academic sector.

We can reduce the level of functions that respond to requests for more or improved services, but the needs of the hospital, sponsored research, and federal regulation are not likely to be reduced. Whether the addition of staff to consolidate activities or to perform functions formerly provided by outside contracts will effect savings poses a question of cost effectiveness that must be determined in individual cases. We save money by doing some things internally; we can save money elsewhere by contracting for external services.

In many areas, cost savings are an unreasonable expectation

in view of the growth in business caused by the factors already described. The available quantifiable data establish that there has been a consistent rise in the number of payroll checks, accounts payable invoices, purchase requisitions, square feet of buildings maintained, telephone calls and a wide range of other activities (Tables 7 and 8). Most of these increases, occasioned by the Medical Center, service components and auxiliaries, are absorbed by them as well (Tables 9 through 14). More than 20 percent of the division's manpower is involved in service components and auxiliary enterprises, which with few exceptions are budgeted to break even, with users paying the cost of the services provided. Indeed, all of the increase in new personnel since 1975 can be attributed to the hospital and service components (Tables 15 and 16) and are charged to them.

Nevertheless, areas unquestionably exist where cutbacks can be achieved without diminishing essential services. To ascertain where savings can be accomplished, we have determined to apply the technique of zero base budgeting to every component of the Business and Finance Division. In the spring of 1980, zero base budget studies were applied to Public Safety, Grounds, Office Products, and Wage and Salary. Similar studies have been scheduled for 1981 in Budgets and Measurements, Sponsored Programs, Material Support, and Special Services. Results of the 1980 study will be utilized in the preparation of the 1981-82 budget, as will those of the next four studies.

Table 7

Business and Finance Division
Examples of Work Load Growth Trends

	FY 74-75	FY 78-79	Percent Increase/ (Decrease)
Accounting Department			
Payroll Checks Issued	247,368	275,780	11.5
Accounts Payable Invoices, etc.	134,500	145,900	8.5
Number of Movable Capital Assets	64,945	91,500	40.9
Journal Vouchers Processed	12,600	20,400	61.9
Number of Restricted Funds	2,684	3,060	14.0
Treasurer's Office			
Number of Investments Internally	21	67	219.1
Number of Trust Funds Investments	64	175	173.4
Bursar's Office			
Student Enrollment - Fall	8,923	9,700	9.0
Faculty Ledger Accounts	255	403	36.0
Imprest Cash Checks Written	43,645	48,106	9.0
Wachovia Manual Checks	2,603	3,755	30.0
Office of Student Loans			
Collections - Number of Receipts	12,848	21,572	68.0
Collections - Total Dollars	$ 771,209	$ 1,300,055	69.0
Receivables	$9,800,000	$14,900,000	52.0
Personnel Department			
New Hires by Employment and Transfer/ Promotion	2,960	3,168	7.0
Classification Audits	547	672	22.8
New Employees Process	5,147	6,017	16.9
Personnel Change Notices, Deductions, Other Requisitions	18,462	31,592	71.1
Salary Surveys Conducted	21	190	804.8

Table 8

Business and Finance Division
Examples of Work Load Growth Trends

	FY 74-75	FY 78-79	Percent Increase/ (Decrease)
Public Safety			
Traffic Appeals Handled	865	2,184	153.6
Police Patrol Mileage	182,245	211,777	16.2
Police Incidents - Total Requiring Written Report	3,020	3,919	29.8
Criminal Incidents (included in above)	1,729	2,024	17.1
Arrests	80	154	92.5
Fire Extinguishers Maintained	1,558	2,213	42.0
Material Control Department			
Line Items Issued	76,179	129,236	69.7
Number of Purchase Orders Processed	49,900	57,809	15.9
Physical Plant Department			
Sq. Ft. Maintained - University Buildings	2,137,676	2,311,303	8.0
Maintenance Expenditures - University Buildings	$ 1,007,006	$ 971,794	(3.5)
Utilities Expenditures - University Buildings	$ 1,645,304	$ 2,458,492	49.0
Pounds of Steam Produced	457,218,967	512,431,521	12.0
Campus Services			
Housekeeping - Sq. Ft. Cleaned	2,107,250	2,255,657	14.1
Sanitation - Number of Dumpsters	101	147	45.5
Tel-Com			
Amount of Tolls Billed	$ 583,956	$ 1,953,208	234.5
Number of Lines in Use	4,932	6,047	22.6
Number of Directories Published	11,500	18,000	56.5
Number of Directory Listings	27,875	32,610	17.0

Table 9

Accounting

Component	FY 74-75 Actual $(M)	FY 74-75 Actual %	FY 78-79 Actual $(M)	FY 78-79 Actual %
University	$ 375	25	$ 476	22
Medical School	496	33	692	32
Hospitals	315	21	534	25
Service Components	150	10	242	11
Auxiliaries	165	11	214	10
Total	$ 1,501	100	$2,158	100

Total Increased by 44%.

Portion Absorbed by University Increased by 27%.

Overhead on University Held Grants Going to Depreciation Funds in FY 78-79 - $460M.

Table 10

Electricity

Component	FY 74-75 Actual $(M)	FY 74-75 Actual %	FY 78-79 Actual $(M)	FY 78-79 Actual %
University	$ 968	36	$1,472	32
Marine Laboratory	65	2	75	2
Medical School	675	25	1,272	27
Hospitals	557	21	1,003	22
Auxiliaries	434	16	805	17
Total	$2,699	100	$4,627	100

Total Increased by 71%.

Portion Absorbed by University Increased by 52%.

Rate Increases Per KWH Equal 49%.

Table 11

Heating Plant

Component	FY 74-75 Actual $(M)	FY 74-75 Actual %	FY 78-79 Actual $(M)	FY 78-79 Actual %
University	$ 504	40	$ 697	38
Medical School	131	10	285	15
Hospitals	234	19	353	19
Auxiliaries	387	31	511	28
Total	$1,256	100	$1,846	100
Fuel Costs	$ 793		$1,219	

Total Increased by 47%.

Fuel Costs Increased by 54%.

Portion Absorbed by University Increased by 38%.

Table 12

Material Control

Component	FY 74-75 Actual $(M)	FY 74-75 Actual %	FY 78-79 Actual $(M)	FY 78-79 Actual %
University	$ 115	15	$ 147	14
Medical School	177	23	262	25
Hospitals	263	34	412	39
Service Components	154	20	171	16
Auxiliaries	62	8	68	6
Total	$ 771	100	$1,060	100

Total Increased by 37%.

Portion Absorbed by University Increased by 28%.

Table 13

Personnel

Component	FY 74-75 Actual $(M)	FY 74-75 Actual %	FY 78-79 Actual $(M)	FY 78-79 Actual %
University	$ 86	13	$ 73	9
Medical School	139	21	155	18
Hospitals	317	48	481	56
Service Components	59	9	76	9
Auxiliaries	59	9	67	8
Total	$ 660	100	$ 852	100

Total Increased by 29%.

Portion Absorbed by University Decreased by 15%.

Table 14

Traffic and Security

Component	FY 74-75 Actual $(M)	FY 74-75 Actual %	FY 78-79 Actual $(M)	FY 78-79 Actual %
University	$ 175	28	$ 216	21
Medical School	109	17	173	17
Hospitals	225	36	496	47
Auxiliaries	122	19	163	15
Total	$ 631	100	$1,048	100
Traffic Fines	$ 40		$ 143	

Total Increased by 66%.

Portion Absorbed by University Increased by 23%.

Net Amount Absorbed by University after Deducting Traffic Fines Decreased by (135M vs. $73M) - 46%.

Table 15

Business and Finance Division
Analysis of FY 74-75 vs. FY 78-79 Budget Manpower
(excludes students)

	FY 74-75 Budget	FY 78-79 Budget	(Reduction) Increase in Manpower
Vice-President, Business and Finance	3	5	2
Internal Audit	6	7	1
Subtotal	9	12	3
Assistant V. P. and Corporate Controller	2	3	1
Hospital Controller	122	182	60
University Controller	86	77	(9)
Sponsored Programs	13	13	--
B & F Division Data Processing	23	27	4
Subtotal	246	302	56
Treasurer's Office	31	35	4
Personnel	48	50	2
Public Safety	60	98	38
Office of the Business Manager	2	2	--
Physical Planning	15	12	(3)
Material Support	87	69	(18)
Physical Plant	168	129	(39)
Campus Services	278	315	37
Duke Telephone System	73	78	5
Dining Halls	185	197	12
Housing Management	128	132	4
Stores Operations	66	66	--
Subtotal	1,002	1,000	101
Grand Total - B & F Division	1,396	1,497	101

Table 16

Business and Finance Division
Analysis of Manpower (Excludes Students)

FY 78-79 Budget	1,497
Adjustments	
Eliminate Growth in Duke Hospital Business Office	(61)
Eliminate Growth in Public Safety for Duke Hospital North and South	(38)
Eliminate New Service Components Operated at Break-even, but at Savings to University	(48)
Revised FY 78-79 Budget	1,350
FY 74-75 Budget	1,396
Increase/(Decrease) in Manpower	(46)
Percent Increase/(Decrease) in Manpower	(3.30)

The 1980 studies identified areas that could be selectively reduced, but in each case at a price. A reduction in Public Safety would certainly increase risks for our campus community--especially students--an unacceptable consequence particularly in view of the problems encountered last fall. Moreover, it is mandatory that Public Safety be present at many special events. Providing this coverage already involves overtime and taxes the staff to a level that gives management concern. Economies can be effected in grounds maintenance, and the zero base budget identifies the results with some precision. Such a reduction could only be made with anticipation that complaints about conditions on East Campus or the central quad would increase. Given that a disproportionate part of the Grounds budget is directed to litter clean-up rather than professional garden and lawn work, an effective antilitter campaign would seem the most obvious way to reduce costs, but numerous attempts to that end have failed. A third possibility, reductions in the Wage and Salary Administration budget, would unacceptably increase the risk of violation of federal regulations. The consequences of such violations can be quite severe. Failure to monitor the process earlier necessitated a substantial settlement by the University in 1972 and resulted in the present organization. Office Products could be reduced or eliminated, tempting from the standpoint of Business and Finance budget cosmetics, but the faculty and staff will suffer a consequent loss of service and the independent and uncoordinated contracting for equipment and maintenance may increase costs in

other departments of the University.

Based on wide-ranging and dissimilar criteria, the four studies resulted in a preliminary conclusion by the Business and Finance Division that no cuts in these divisions were desirable. In the case of Public Safety and Wage and Salary Administration, a cutback would impair the performance of an essential mission, i.e., the protection of persons and property on the campus and compliance with federal law. Arguments for Grounds and, to some degree, for Office Products, rest on a different foundation--that the services being performed, while not essential, meet the needs of the comnunity and are worth the costs. The same justification will probably be made for Material Support and Special Services departments now under study. I do not think that a judgment of this nature should be entrusted solely to the Business and Finance Division or, indeed, to Central Administration. A mechanism needs to be established to determine faculty views of the relative value of well-kept lawns and centrally purchased office products. The Chairman of the Academic Council has agreed to provide faculty examination of the Business and Finance findings and provide me with advice. If there is disagreement, I shall submit the matter to the Trustee Committee on Business and Finance with my recommendations.

The studies conducted by Business and Finance are undertaken with no preconceived ideas, nor are these studies intended to provide the sole approach to budget control and/or reduction.

Standardization of office stationery, adoption of new standards for office and furniture procurement, the development of a system of Duke-owned buses and vans are examples of the approaches.

Simultaneously, consideration is being given, where feasible, to contracting out certain functions. Much of the work of the student loan office will be performed in the future under contract with Harvard University. Other activities, such as the office of the Architect, may be cut back as our building programs come to an end. Additional cost savings may be possible if we improve the level of service which the division provides to the components served by it. Too often deans, department chairmen, and principal investigators find it necessary to keep their own books, causing a costly duplication of effort. There may be additional areas in which costs can be saved by decentralizing purchasing without violating government regulations. Renewed attention to problems of this nature are essential.

Realistically, the best that can be hoped for is (1) effecting economies wherever possible, even if the impact on the availability of funds to meet other needs is only minor; (2) limiting future growth wherever possible; (3) assuring that the cost allocation system properly places the cost where incurred; (4) improving the efficiency of the division. Only a dramatic decrease in the scope of federal regulation, particularly in sponsored research, would permit significant savings.

XIV
The Support Staff

The morale of our support staff is affected by many of the same concerns that trouble our faculty: salaries and fringe benefits, opportunities for advancement, security for retirement, a sense of self-esteem. The University must be able to provide adequate compensation, fringe benefits, and attractive working conditions if it is to retain the support staff it requires.

Biweekly employees at the lowest level have seen their salaries increase at a rate faster than the cost of living over the decade, but only recently has the University been able to provide an entry salary above the minimum wage. Employees at higher levels have experienced an erosion similar to that experienced by the faculty, as salary increases have not kept pace with increases in the cost of living.

Efforts have been made to develop a wage and salary scale that is competitive. During the last eighteen months the University has modified significantly its wage and salary structure by greatly increasing the number of job families. Annual market surveys establish the competitive wage of each job family, and salary levels are adjusted to the degree that resources are available. Over a period of time it is hoped that most positions will be competitive with positions outside the University and that the differentials that sometimes have occurred between the Medical

Center and the remainder of the University can be eliminated or reduced.

A major problem has been caused by Duke's inability to keep pace with the cost of living in wage and salary increases. Too frequently, the University has attempted to cope with the problem by across-the-board salary increments, leaving little to be distributed in merit increases for deserving employees. Such a compensation system discourages merit and rewards inefficiency. No one in Central Administration is happy with the process. But there is considerable difficulty in assessing merit equitably across the entire work force, and there is an obvious need for all employees who are retained to receive at least some increase to help cope with inflation. Over the next decade the University plans to establish a step increase system in which there will be annual increases on the basis of seniority in the lower salary ranges with additional funds available for merit. The total amount of the merit increases will depend upon the funds available. In the higher salary ranges of biweekly employees and in the monthly staff, salary increases will be based primarily on merit.

Perhaps no single feature of the present wage and salary system has been more destructive to morale than the annual increases at beginning levels which leave an employee with several years of experience receiving pay only marginally higher than that of a new employee. The beginning levels must be increased annual-

ly, sometimes substantially, in order to compete for new people. We simply have not had funds to permit us to increase the salaries of all present employees at a rate as high as has sometimes been required for beginning rates. A system has been initiated by which the relative status in each job family will be protected in order to assure that no new employee receive salary in excess of that paid an old employee in the same job category, and that each continuing employee's relative position within a job family be maintained. Still we recognize that no obvious answer to this long-range problem is evident so long as inflation continues at its present rate.

A corollary of this problem stems from the University's policy of hiring employees normally at the beginning rate of each job level. Faculty and administrators complain that an experienced person deserves more than the beginning rate. Yet, a decision to hire a new employee at a higher rate results in pay to a new employee as high as or higher than an employee with significant Duke seniority. The problem is particularly acute when existing employees are ignored in filling job vacancies.

While there is clearly a need to remain attractive in a competitive job market by selectively hiring at salaries above the beginning rate, in order to be fair to present employees and remain clear of any appearance of discrimination, it is necessary to develop criteria justifying the pay differential. The Wage and Salary division has been instructed to place a high priority on

the development of such criteria beginning with clerical employees. Simultaneously the University's upward mobility plan will place additional importance on hiring from within to fill vacancies.

Upward mobility is a major problem within the University. Over a thousand clerical and technical employees are women with bachelor's degrees. Not infrequently they majored in fields that did not provide the technical and professional skills required for many higher-level positions within the University. Persons with this level of certification are understandably concerned when they do not have an opportunity for advancement. The number of non-faculty positions within the University is necessarily small,and many are highly specialized. But in filling the junior positions on the staff, careful consideration is owed to employees in clerical and technical jobs, and equal consideration is owed to junior staffers in filling intermediate-range positions.

I appointed a Task Force to examine this and other problems of upward mobility last year and have benefited from their preliminary recommendations. We must accord a high priority to developing career pathways for employees at each job level. This can be accomplished only by a coordinated survey of institutional needs for the future, a skills inventory of the work force, a reassessment of the skills required for jobs in each job family, a coordinated counseling service to advise employees of promotional opportunities, an employee development program that includes traditional programs, apprenticeship opportunities, and on-the-job

training programs. In addition, the process of filling job vacancies at higher levels must be routinely monitored to assure that existing staff have a fair opportunity for promotion. We must develop incentives to retain those who have progressed.

Such a system cannot be created overnight. We do not have the human or material resources to implement a program of such magnitude. The coordination and, in some cases, merger of a wide range of University activities will begin this year and should provide the nucleus required.

Job grade levels 1-5 will be targeted for primary emphasis. Goals will be set. I hope that with the aid of counseling, skills inventories, and in-house training programs, at least 50 percent of job vacancies in levels 3 and 4 can be filled internally. Other goals will be set for higher grade levels as the program develops.

Some concern has been voiced about the University's grievance procedures. To remove all doubt about the fairness of the procedures, provision will be made for outside arbitration at the final stage of an employee grievance involving dismissal from the University.

Nonacademic employees share the faculty's concern with the escalating costs of fringe benefits, particularly medical insurance. Few appreciate the significant sums paid by the University for fringe benefits. The average employee considers only the cost

that he must bear. These fringe benefit costs, increasing at a high rate annually, must be explained to employees. The Personnel Department has been requested to examine the feasibility of a "cafeteria plan" of fringe benefits that would permit employees to decline some fringe benefits in exchange for higher levels of compensation. The difficulties of developing such a plan in an academic environment are significant, but it deserves the most careful consideration.

Nonacademic employees are also justifiably concerned about their retirement benefits. Under the present program, the University pays the full cost of the biweekly employee retirement plan while biweekly employees have the option of contributing 5 percent of their salary to the VALIC Plan, a University-sponsored tax shelter program. As a result of this combined retirement plan, initiated in 1959 and adjusted in 1974 and 1976, we are now in a position to assure our biweekly employees who have chosen to participate in VALIC that their retirement benefits, their annuity from VALIC, and their social security benefits will provide after-tax income equal to the after-tax income they received while employed at Duke. The automatic cost of living adjustments in social security provide a significant hedge against inflation.

The maximum benefits just described do not necessarily accrue for employees who do not choose to contribute to the VALIC Plan or for those with significant employment experience before the VALIC Plan became operative in 1959. The University needs to educate

its employees about the importance of utilizing the VALIC Plan in order to provide for their retirement. In addition, we will examine the possibility of providing additional post-retirement coverage for those employees with substantial employment experience prior to the invocation of VALIC. Monthly employees participate in TIAA-CREF and face the same problems as the faculty, described in Section IV.

The problem of ensuring against nondiscrimination and providing opportunities for affirmative action continues. In particular, special efforts must be made to assure that persons are referred to jobs from the Employment Office without regard to race and that no job categories constitute "dead end" positions offering no opportunity for advancement. Continued monitoring of equal pay and promotional opportunities will also be necessary to assure that there is no significant unjustifiable underutilization by sex or race in any job category.

More needs to be done to impress upon our employees the significance of their efforts to the University. Employee service awards are an important first step, but other methods of recognizing special achievement by cash bonus or otherwise deserve serious study. It is also necessary to assure that the level of recognition and working conditions are not significantly different for persons performing the same job in the Medical Center and in the remainder of the University.

No action by the Board of Trustees is requested.

XV
Equal Opportunity

Over the last decade the University has made significant progress toward its goal of assuring equality of opportunity for all persons within the University community. The University's program has focused on three major areas: the admission of students; the assurance of equal opportunity for employment, salary, and promotions for staff; and the attraction and retention of faculty. The principal thrust of the program has been to deal with the underrepresentation of blacks and women in certain areas of the University community, but is extended to include all minorities and those who are handicapped.

The program began prior to the official creation of the Equal Opportunity Office in 1972. That office has the responsibility of coordinating and monitoring the equal opportunity programs in the University and of maintaining a liaison with federal enforcement agencies and special interest groups involved in the area. It also provides advice and counsel to students, employees, and managers. Its function is both to assure against discrimination and to provide the affirmative action required under a myriad of federal regulations. Similar provisions are contained in a series of other laws that apply to the University in the event that a

grant is received pursuant to such laws.[1]

The University has been successful in its efforts to eradicate vestiges of the racial discrimination that is a part of its history. In 1970, forty-three black students were admitted to the

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1. Among the laws affecting Duke are:

Equal Pay Act of 1963, requiring equal pay for equal work without regard to sex, enforced by the Equal Opportunity Commission.

Title VI of the Civil Rights Act of 1964, prohibiting discrimination on the basis of race, religion, or national origin in student admissions and treatment, enforced by the U. S. Department of Education.

Title VII of the Civil Rights Act of 1964, as amended, prohibiting discrimination on the basis of race, sex, religion, or national origin in employment, enforced by the Equal Employment Opportunity Commission.

Age Discrimination in Employment Act of 1967, as amended, prohibiting discrimination against persons aged 40 to 70 in employment, enforced by the Equal Employment Opportunity Commission.

Executive Order 11246, as amended, prohibiting discrimination on the basis of race, sex, religion, or national origin in employment and requiring affirmative action in hiring and promotion to correct underutilization, specifically through the application of goals and timetables for minorities and women, enforced by the Office of Federal Contract Compliance Programs of the U. S. Department of Labor.

Title IX of the Education Amendments of 1972, prohibiting discrimination on the basis of sex in student admissions and treatment, enforced by the U. S. Department of Education.

Section 503 of the Rehabilitation Act of 1973, prohibiting discrimination on the basis of handicap in employment and requiring affirmative action in hiring and promotion, enforced by the Office of Federal Contract Compliance Programs.

Section 504 of the Rehabilitation Act of 1973, prohibiting discrimination on the basis of handicap in student admissions and treatment, enforced by the U. S. Department of Education.

Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, requiring affirmative action in hiring and promotion of Vietnam or disabled veterans, enforced by the Office of Federal Contract Compliance Programs.

Age Discrimination Act of 1975, prohibiting discrimination on the basis of age in student admissions and treatment, and in CETA-funded employment, enforced by the U. S. Department of Education.

freshman class. In 1980, that number will be ninety-eight. Approximately 10 percent of the freshman class will be composed of members of minority groups.

In 1970, there were 632 blacks as members of the University's clerical and technical forces. There are now 1,608. In the same year, five members of the University's faculty were black and sixty-four members were women. These figures are now nineteen and 128 (exclusive of Nursing).

More than half of the administrative staff members of the University are women, including 43 percent of the staff outside the Medical Center, and 8 percent of the staff is black. In 1974, the first year when reliable staff figures were recorded, only 26 percent of the staff outside the Medical Center were women, and 6 percent of the staff were minority (including Asians and Hispanics).

In pursuing its program, the University has been troubled, as has the nation at large, when its objective to treat all persons equally comes into conflict with the federal government's mandate that some persons receive preferential treatment. Thus, the decision to hire a "minimally" qualified member of an under-utilized group rather than an "overqualified" member of an over-represented group has posed major problems in an institution which both needs to choose the most able person then available to fill its job and believes it is fundamentally unfair to discriminate against any individual on the basis or race and sex. These

problems do not affect Duke alone, and Duke has dealt with the paradox as well as most.

An affirmative action plan was submitted and approved by the U. S. Department of Health, Education, and Welfare in 1976, establishing goals for women and minorities on the faculty, on the administrative staff and in skilled crafts. In other broad hiring categories the University was free of underutilization, although certain job classifications and departments were targeted as problem areas. Also identified at that time was the lack of a coordinated program for upward mobility by lower-level employees, predominantly minorities and women. To date, the University has made significant progress toward meeting the faculty and staff goals for women. During the last two academic years, ten women have been appointed to the faculty of the University outside of the Medical Center, 21 percent of the total appointments during that period. In the Medical Center, seventeen of the 130 persons appointed were women. Nevertheless, there is a need to continue to attract women in a number of fields on both sides of the campus. (Table 17.)

In addition, most of the new appointments have been non-tenured, reflecting both the age of most members of the applicant pool and the nature of the positions that need to be filled. New appointments are now subject to a preaudit by the Equal Opportunity Office to assure that adequate consideration is given to all women applicants in the search procedure.

Table 17
ARTS AND SCIENCES FACULTY
(As of August 1, 1980)

Department	Total Faculty	Women	Blacks	Other Minorities
Anthropology	10	5		2 (Hispanic)
Art	11	3		
Botany	17	1		
Chemistry	22	1		
Classical Studies	10	1		1 (Asian)
Computer Science	6			1 (Asian)
Economics	22	2		
Education	16	4		
English	29	3	1	
Geology	6			
Germanic Lang and Lit	6	1		
History	32	2	1	
Mathematics	24			
Music	12			
Philosophy	9			
Physical	14	7		
Physics	18			1 (Asian)
Political Science	22	1		1 (Hispanic)
Psychology	24	3	1	
Public Policy Studies	15	2		
Religion	18	2	2	
Romance Languages	18	3		1 (Hispanic)
Slavic Lang and Lit	2			
Sociology	13	2		
Zoology	23			
PROFESSIONAL SCHOOLS FACULTY (Excluding Medical Faculty)				
Business Administration	35	5		1 (Asian)
Divinity	27	1	2	
Engineering	41			3 (1 Hispanic, 2 Asian)
Forestry	11			
Law	24	4		
MEDICAL FACULTY				
Basic Sciences				
Anatomy	22	5		
Biochemistry	20	1		2 (Asian)
Microbiology and Immunology	22	3		1 (Asian)
Pharmocology	16	1		
Physiology	18	1		2 (Asian)
Clinical Sciences				
Anesthesiology	30	3		1 (Asian)
Community and Family Medicine	24	6	1	
Medicine	129	6	2	4 (3 Asian, 1 Hispanic)
Obstetrics and Gynecology	22	1		
Opthalmology	9	14	1	
Pathology	30	2	3	
Pediatrics	41	14	1	1 (Asian)
Psychiatry	71	12	3	3 (2 Asian, 1 Hispanic)
Radiology	63	3	2	5 (3 Asian, 2 Hispanic)
Surgery	70	1	1	
Allied Health and Health Administration	16	6		
Nursing School	48	48	1	

The search for qualified black faculty has been less successful. In the last academic year, three appointments were made outside of the Medical Center, increasing the total to nine. This is a significant beginning, but does not reflect the number appropriate in a university faculty of this size. Although motivation and adequate resources are present, numerous problems face the University in this effort, not the least of which are that the pool of highly qualified black applicants is small and the salary demands higher than those normally paid to other faculty members of the same rank and experience. The appointment of a black faculty member at a higher salary would trigger a violation of the Equal Pay Act if women members of the faculty were not paid commensurate salaries. If women members of the faculty were paid commensurate salaries, male members of the faculty would under the statute have a right to equal payment. The conflict arising from the discrepancy between the need for competitive salary offers and the provisions of the Equal Pay Act is ignored by the federal government but poses a major problem to the University. However, the special efforts this year will be pursued in the next, with the expectation of commensurate success. Total commitment to the objective will continue to be necessary.

For reasons that are unclear, the University has been unsuccessful in attracting the number of Americans of Asian origin to meet its interim goals, particularly in the clinical departments

of the Medical Center, except for Pediatrics and Psychiatry. This problem may result from inadequate resources devoted to attracting a broader applicant pool, since there is no reason to believe that there is a dearth of qualified persons falling in the category.

Special problems exist within the skilled craft types of employment in the University. The Medical Center maintenance unit, which is not unionized, has developed an apprenticeship program that is expected to channel more women and minorities into the building trades, which are encompassed in the skilled craft group. There are also a few classifications disproportionately populated by persons of one race or sex; some of these offer no planned career track that would encourage a person to progress regularly within the University. Additional opportunities must be provided to the large number of women with college degrees in the work force. A program to deal with these problems is described in Section XIV.

During 1976, as a result of Title IX regulations, a self-evaluation was undertaken which led to a reassessment of priorities in athletics and a significant increase in the number of athletic grants-in-aid provided to women, with the necessary cutback in the number of sports in which grants-in-aid are offered. (See Section X.) A major self-evaluation has taken place during the last two years under Section 504, heightening the awareness on campus of persons with physical disabilities. This resulted also in removal of architectural barriers--at extremely high costs--to

comply with inflexible provisions of federal standards.

During the coming years the University must reinforce the gains made in the representation of women on the faculty and continue to foster an awareness within the predominantly male faculty of the desirability of race-sex diversification without regard to the mandate of federal law. Some of the funds saved by retrenchment will implement a special program to encourage the attraction of a significant number of women in higher ranks into the faculty of Arts and Sciences. I have proposed to the Provost that funds be allocated to authorize additional tenured appointments in several disciplines, with the appointments awarded to the departments that attract the ablest candidates.

A realistic program dealing with the underrepresentation of blacks in the University faculty must continue. In particular, a special effort must be devoted to creative methods of increasing the supply of black Ph.D.s educated at Duke, in the hope of retaining a significant number in the future. More specifically, it is our intention to recycle some of the funds saved by retrenchment to provide additional graduate awards for minority students. In addition, we must continue a process of identifying staff women and minorities who have the potential for greater levels of responsibility. The introduction of a new personnel management information system for the next academic year will for the first time provide a computerized method of analyzing skills, educational background, and job performance in order to identify potential

persons for promotion within the University. There are still pockets of underutilization present at staff levels at Duke. Special supervision over these areas may be required in the event that the condition is not remedied promptly. Funds must be available for the implementation of the upward mobility program. No more significant problem exists than to provide an opportunity to persons originally hired in grades 1-5 for promotion within the University.

All these obligations and programs suggest a recognition by Duke of its social role as an employer. Few institutions have come as far as Duke has progressed within one decade. The progress thus far, however, in no way reduces the necessity for renewed dedication and the resources required to accomplish continued progress.

No action by the Board of Trustees is requested.

XVI
Deferred Maintenance and New Construction

Maintenance is simply defined as the upkeep of property. Regular maintenance is required to achieve reasonable life of building, roads, and equipment. Over the last fifty years much of the physical plant at Duke was not adequately maintained, initially because of an apparent lack of concern and, more recently, because of financial constraints. The result is a backlog of maintenance needs, the postponement of which shortens the period of effective use of the buildings affected and increasingly necessitates high cost emergency measures. Deferred maintenance is the term used to describe (1) the conditions now existing as a result of the failure to provide adequate maintenance in the past, or (2) the measures required to remedy such conditions. It does not include upgrading, renovation, remodeling or refurbishment.

The Business and Finance Division completed a study of the deferred maintenance needs of the University in 1978. It estimated that $23,000,000 in 1978 dollars would be required to restore the physical plant of the University to an acceptable condition. The $23,000,000 estimate was divided into $11,000,000 for student residences, $8,000,000 for educational and general buildings, and $4,000,000 for roads and utilities. It subsequently concluded that at least $2,300,000 would be required annually simply to stay even, i.e., avoid increases in the $23,000,000 catch-up requirement, assuming a 7 percent inflation factor and a 3 percent con-

tinuing deterioration factor. The 7 percent factor was obviously too optimistic, and a more appropriate "stay-even" figure is probably about $3,000,000. Deferred maintenance needs were classified on a I to V scale, with category V representing immediate high-priority needs and category IV representing needs that will be later elevated to category V if not dealt with promptly.[1] It was recognized that the time in which the required work could be accomplished was dependent not only upon the presence of funds but also upon the available work force of the University, the requisite contractors in the Durham area, and the limited periods in which access to the physical plant could be allowed without impairing the academic programs of the University.

During the last eighteen months, $1,900,000 has been released

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1. The categories are:

   I. Is adequate and can be maintained under the present funding for maintenance with a normal rate of deterioration.

   II. Is in need of minor repair and/or parts replacement. Under present funding, deterioration will occur at an accelerated rate.

   III. Is in need of major repair and/or parts replacement. Under present funding, complete replacement will be required within the next three to five years.

   IV. Is in need of immediate attention. From 60 to 75 percent of the system needs replacement. Under present funding, complete replacement will be required within the next one to two years.

   V. Is in need of immediate replacement. Under present funding, the use of the facility may be greatly limited and/or may cause an accelerated rate of deterioration to occur in other portions of the building.

for deferred maintenance in educational and general buildings, and $1,000,000 for additional funding is available. In addition, renovations in a number of buildings have reduced the backlog. A reasonable estimate of the present deferred maintenance needs for educational and general buildings is approximately $6,500,000. The East Campus has special problems, some of which are discussed in Sections VII and X.

In addition, $479,000 has been expended for student residences, and $450,000 is available for additional work in the near future. After application of these funds, the dormitories still have an estimated current need of $5,000,000 in the category IV and V projects. No significant expenditures have been made on roads and utilities during the period.

We have, therefore, made a modest start toward dealing with a major problem. The funds expended have been generated from depreciation recovered on contracts and grants outside the Medical Center, special-purpose grants from The Duke Endowment, surpluses generated from the high short-term interest rates that have prevailed during the period, and modest allocations from the current fund. With the decline of short-term interest rates, the funds available will decrease.

We have several alternatives open to us. We can continue to use the funds generated by depreciation charged to grants and student residences, modest special-purpose grants from The Duke

Endowment, and occasional surpluses, and increase the level of maintenance budgeted from current funds. Such a process would generate $750,000 to $900,000 a year, permit us to meet emergencies as they occur, and transfer to a future generation the inevitable day of reckoning. While such a policy would be preferable to ignoring the problem completely, as has been done in the past, it is less than a half-way solution. It does little good to recognize a problem unless an effort is made to solve it.

The deferred maintenance problem is greatest in the student residences. It is essential that category V and IV needs be met promptly. If these items can be dealt with, the remaining needs should be met by funds generated from dormitory rentals.

I propose that these costs be met by an internal loan paid back through a surcharge applied to dormitory rentals. In substance, a line of credit would be created in an amount not exceeding $5,000,000 for a period of fifteen years. Interest would be fixed at the rate of return on the permanent endowment in the fiscal year preceding the date in which the funds are utilized, or 10 percent, whichever would be less.

The work would be accomplished as soon as possible, depending upon the availability of contractors and access to the buildings. A surcharge of approximately $100-$120 would be applied to the present dormitory rates to service the loan. Similar increases would be made in the Central Campus Apartments rental rates. The

surcharge is substantial, but residence rates would still remain lower than those at most institutions with which we compete. Furthermore, financing the immediate needs will deal with the problem expeditiously, limit the impact of inflation on the long-range costs, and be consistent with the traditional principle that the residences be self-sustaining. A University subsidy may be involved if the yield on the permanent endowment exceeds 10 percent.

There is also the need to fund the deferred maintenance of educational and general buildings, roads, and utilities, a figure of approximately $11,000,000. All depreciation allowed on contracts and grants should be applied to this purpose; the University's special grants requests to The Duke Endowment should place a sufficient priority on these purposes to justify $250,000 a year from that source; periodic surpluses should be applied; a significant increase in the funds budgeted from current operating funds should be authorized. As indicated earlier, these sources will be inadequate.

Approximately $4,000,000 are category V and IV needs. I propose that the Board of Trustees authorize expenditures of this amount from the quasi-endowment, with the requirement that the remaining deferred maintenance needs be met through the sources outlined above. Transfers from the quasi-endowment would be scheduled as contractors and access to buildings permit. The additional costs to the current operating funds would be shared through cost allocation across the University including the

formula schools and the hospital, since roads and utilities benefit the entire University and the educational and general buildings support all educational components.

I fully recognize the magnitude of a proposal to expend quasi-endowment for deferred maintenance. The effect will be to reduce the size of the endowment and hence the yield from it. I make the recommendation in the belief that we will in the long run be a better University if we tighten our belt and make do with less. There is precedent in the Board's 1979 action that liquidated quasi-endowment to meet special needs in dealing with the operations of Sea Level Hospital.

It should be recognized that expenditures of this magnitude will not include renovations or significant improvements in the observable physical conditions in the residences, or the renovation of the East Campus Gym or Crowell, which were not included in the estimates. Additional funds will be required for these purposes.

It should also be recognized that this program will not eliminate the problem of deferred maintenance. There will always be some facilities in need of repair. This program will reduce the problem to a level that it can be effectively managed.

It is essential that the University meet its space needs primarily through reallocation. New facilities should be built only when funds are in hand for new construction and maintenance and operation costs, and new program costs can be paid

from new endowment or user fees. Even then, the University should be reluctant to plan new construction unless absolutely necessary. The past decade should have taught us the dangers involved in (1) major inflation in estimates between initial authorization and completion, (2) the difficulty of raising funds to cover maintenance and operation expenses, (3) the escalation of preliminary costs by acceding to user committee requests, (4) the potential diversion of donors who might otherwise contribute to endowment, and (5) the impact upon a development staff told to raise funds for endowment but placed under pressure to find the resources necessary to build buildings. It may be instructive to note also that there does not appear to be any necessary relationship between the quality of our academic programs and the space they inhabit.

The Board of Trustes is requested to (1) authorize the loan of $5,000,000 from the quasi-endowment of the University for a period not to exceed fifteen years at not more than 10 percent interest, to be recovered from residence revenues, the borrowed funds to be used for deferred maintenance of student residences; and (2) authorize the expenditure of $4,000,000 of the quasi-endowment for deferred maintenance of academic buildings and utilities.

XVII
Year-Round Operations

A Task Force proposed by the Academic Council and appointed by me has engaged in an exhaustive study of the feasibility of year-round operations at Duke. Year-round operations means that three semesters (fall, spring, and summer) would be offered annually. Each undergraduate student would be required to be in residence at Duke for one summer session (or two half-summer sessions) in lieu of attendance during one fall or spring semester. Such a program would permit the University both to admit more undergraduate students while not increasing the number on campus at any time and to use the physical plant more effectively in the summer, resulting in a significant increase in income.

The Task Force determined that year-round operations are technically and educationally feasible and have a potential yield of approximately $2,000,000 per year after all additional costs incident to the program are met. The Task Force nevertheless did not recommend implementation at this time, primarily because of its concern that our existing pool of applicants is not sufficiently large and stable to risk the loss of a significant number of highly qualified students who otherwise would have chosen Duke. In addition, concern was expressed that such a program might have undesirable consequences in terms of the intellectual climate at Duke, faculty scholarship, and departmental governance. It would also increase the administrative complexity of planning and

scheduling courses, assigning faculty, advising students, and planning renovations and maintenance. In the background was a reluctance by many students and faculty to abandon a lifestyle to which they have become accustomed.

I was not surprised at the conclusions of the report. I assumed that the community was not prepared for such a drastic change and shared the concern about the impact of a unilateral decision by Duke on an applicant pool that has more traditional four-year programs available to it. It was for this reason that I did not recommend the alternative for study in my 1978 memorandum.

I do not suggest that this excellent report is not useful. On the contrary, it has made an extremely valuable contribution in recognizing both the feasibility of the program and its capability of generating substantial income. Moreover, in delineating the problems that must be faced, the study enables us to begin the planning required to meet them.

In my judgment, the present policy of Duke and other distinguished universities that fails to utilize its physical plant effectively during the summer, and places no obligation upon members of the faculty for three and one-half months each year, will not be possible in the long run. Yet the time is not ripe, and the University must use the interval to seek ways to minimize the disadvantages of year-round operations presented in the report, a copy of which will be distributed to each Board member.

During the interval, we must explore fully the options available for increasing the voluntary use of University facilities by Duke programs and others. Simultaneously, we must examine whether the costs of operations can be reduced during the summer months.

We must remove present impediments to attracting students whenever possible. The tuition rate in the summer is lower than during the regular academic year, and in my judgment the differential should be maintained or permitted to widen.

The Task Force suggests that no discount on tuition be provided because of its belief that voluntary demand may be inelastic. I prefer to experiment with techniques to increase demand before adopting such a position. The present housing and leave policy should not discourage students from withdrawing for a semester during the regular year and resuming studies during the summer. Leaves should be granted with the understanding that students will have the same housing priority as if they had remained in residence, provided they resume studies for two terms in the summer following their return. The Graduate School has been requested to reexamine its rules precluding residence credit for graduate students who continue their work in the summer.

Special efforts should be made to facilitate acceleration, particularly for undergraduates who will continue in graduate or professional school. Significant cost savings are possible for a

student who combines advanced placement and summer studies to graduate in three or three and one-half years. The usual concern about maturity loses much of its force when the accelerating student will be in a university six to eight years. Many may find the sacrifice a part of an undergraduate experience which is acceptable if it permits the choice of a private professional or graduate school that they might otherwise be unable to afford.

Acceleration at Duke is possible, but the number of undergraduates has been decreasing from about 12.3 percent in the Trinity class of 1976 to 6.4 percent in the class of 1979. Several factors tend to discourage students from seriously considering a time-shortened degree. We need to make it clear that acceleration is a reasonable alternative for some students and that counseling concerning its advisability is available. Our present policies are scattered through our bulletins. A single publication describing the existing options would be a significant step forward. Secondly, some of our students attended high schools that did not offer advanced placement opportunities. We should consider the desirability of administering advanced placement tests to interested students from such schools as a part of the orientation program.

At present we do not offer financial assistance in the summer on the same basis as in the regular year. Such a policy is understandable for students who are enriching their educational programs, seeking to undertake reduced loads during the regular academic year, or removing academic deficiencies. On the other

hand, students who are substituting a summer session for a fall or spring semester as part of an approved program of acceleration should be as eligible for assistance in the summer as they would be in the fall; and they should not be expected to earn the same amount as if they were employed full time. The vagaries of federal funding preclude equal treatment, but more imagination is needed to package financial aid in such a way that the needy student is not discouraged from acceleration.

Approximately one-half of the summer courses are offered tentatively and canceled if enrollments do not justify the costs. We must continue to develop a set of "core" courses that will be offered regardless of enrollment. Included in the core curriculum should be more team-taught courses not available in the normal academic year such as Ethics and the Professions, described to the Board of Trustees last year. The assurance of the summer stipend will attract able faculty and permit students, particularly those who are accelerating, to plan their academic program with knowledge of the courses that will be available in the summer.

The University should not encourage all students to accelerate. It should counsel those who are interested and facilitate the process for those who can benefit from the experience. Simultaneously, it should reexamine its policy that permits the transfer of two course credits for summer work done at other institutions.

A number of other program opportunities deserve serious consideration:

1. We presently enroll seventy-five rising high school seniors in a precollege program. Early indications suggest that it can be expanded to the benefit of the University and the students in attendance.

2. We have summer foreign study programs in Canada and Israel. Consideration is now being given to programs in Germany and Italy.

3. We need to develop a broader range of special institutes and programs, such as the programs of Chemistry for Executives and the Summer Institute of Alcohol Studies. A number are now being planned. Possibilities in the field of education are discussed in Section III-B.

The Task Force urges that guidelines should be established for income goals for use of University facilities by sport camps, short courses, and similar activities. It argues that the costs charged should be based on full costs (variable plus fixed) plus a return to the University. Such an alternative is, of course, attractive. I am concerned, however, that the resulting price increases might prevent the University from competing for summer conferences and make our camps uncompetitive with those held at neighboring institutions. We shall study the pricing policy but cannot ignore the competitive realities.

Simultaneously, we must examine other ways to save costs. Among the alternatives are: consolidating instruction in fewer buildings, limiting some functions to the traditional academic year only, and delaying the filling of vacancies in nonessential

positions.

No action by the Board of Trustees is requested.

XVIII
Summary of Recommendations

1. The Board of Trustees is requested to authorize termination of the Department of Education as expeditiously as possible consistent with institutional obligations to currently enrolled students.

2. The Board of Trustees is requested to authorize the creation of the Program in School Management in the Graduate School of the University.

3. The Board of Trustees is requested to authorize the continuation of the certification of students majoring in disciplines other than Education who desire to teach in secondary schools.

4. The Board of Trustees is requested to authorize the continuation of the public service program in the field of reading and such other programs and institutes as can be conducted during the summer or as "miniprograms."

5. The Board of Trustees is requested to authorize the continuation of the School of Forestry and Environmental Studies through the academic year 1984-85 upon the conditions outlined on pages 31-32 of this memorandum.

6. The Board of Trustees is requested to authorize the reorganization of the Department of Health, Physical Education, and Recreation as an extracurricular program and transfer its oversight from academic administration to the Vice-President for Student Affairs.

7. The Board of Trustees is requested to authorize continuation of the Marine Laboratory, subject to the policies set forth on pages 36-37 of this memorandum.

8. The Board of Trustees is requested to authorize the establishment of a Department of Nursing Education, with a new program leading to the degrees of Bachelor of Health Sciences (Nursing) and Master of Health Science (Nursing), said Department to be a component of a Health Professional Education Program.

9. The Board of Trustees is requested to authorize termination of the baccalaureate program and the graduate program in the School of Nursing as expeditiously as possible consistent with institutional obligations to currently enrolled students.

10. The Board of Trustees is requested to approve in principle the admissions, tuition, and financial aid policies recommended

in Section VI of this memorandum.

11. The Board of Trustees is requested to amend the Bylaws to constitute the Committee on Student Affairs as a Standing Committee of the Board.

12. The Board of Trustees is requested to approve in principle the program of residential life described in Section VII-A of this memorandum.

13. The Board of Trustees is requested to terminate authority to raise money for the East Campus Activities Center.

14. The Board of Trustees is requested to direct the officers to proceed with the renovation of the East Campus Gymnasium as a high priority item.

15. The Board of Trustees is requested to direct the Investment Committee to reconsider the quasi-endowment formula with the objective of maximizing the preservation of the real capital value of the endowment consistent with the University's need for operating income, recognizing that any drastic change in the formula must be accomplished over a period of years if the University is both to balance its budget and maintain its level of excellence.

16. The Board of Trustees is requested to direct the Investment Committee to consider the desirability of reducing the level of the University's investments in the electric power industry.

17. The Board of Trustees is requested to consider the proportion of endowment assets which should be invested in stocks, bonds, and other specified investments.

18. The Board of Trustees is requested to authorize filling the position of Vice-President for Institutional Advancement, with the understanding that this office shall have responsibility over University Relations, Alumni Affairs, and Development activities of the University.

19. The Board of Trustees is requested to approve the modified program for annual giving described in Section XII of this memorandum.

20. The Board of Trustees is requested to authorize internal lending of $5,000,000 from the quasi-endowment of the University for a period not to exceed fifteen years at not more than 10 percent interest, to be recovered from residence revenues, the funds to be used for deferred maintenance of student residencies.

21. The Board of Trustees is requested to authorize the expenditure of $4,000,000 of the quasi-endowment to be used for deferred maintenance of academic buildings and utilities.

XIX
Conclusion

I fully recognize that I have recommended a number of difficult decisions to the Board. I wish it could be otherwise. It is the Board's responsibility to determine whether such actions will best serve the interests of the University. A genuine effort has been made to elicit the participation of the many constituencies of the University in the planning process. They have not had an opportunity to respond to this document; however, their views will be solicited in order that the Board may have the benefit of their advice before taking action. As I indicated in my earlier memorandum, there is little reason to expect a consensus on the most controversial recommendations. Perceptions differ among persons of good faith, and vested interests exist in universities as in other communities. Hence, the decisions which the Board must make will not be easy. The Administration is available to provide whatever additional information the Board requires, and will implement, to the best of its ability, whatever decisions are made.

Appendix A

Task Forces

Academic Space Utilization

Calvin L. Ward, Chairman
Robert L. Dickens
Gerald E. Gerber
R. James Henderson
James A. Ward
George W. Williams
Peter H. Wood

Admissions, Tuition and Financial Aid

Martin Bronfenbrenner, Chairman
James W. Applewhite
Charles W. Bergquist
Clark R. Cahow
Philip Cook
Grace Daniel
Terry W. Johnson
Ellis B. Page
Cliff W. Wing
Rhys Williams (Student)

Cooperative Programs

Clay Hamner, Chairman
Robert L. Barnes
John D. Costlow
John F. Oates
Ronald Perkins
John R. Spencer
E. Roy Weintraub
Ellen W. Wittig

Undergraduate Residential Life

Jean F. O'Barr, Chairman
Paul R. Bryan
Dorothy J. Brundage
Philip L. Jones
Richard S. Kramer
David L. Paletz
Ida H. Simpson
Richard L. Wells

David J. Berger)
Sandy L. Clingan)
L. Kendrick Mills)
John L. Morris) Students
Patricia L. Schaffer)
Judith A. Siverson)
Joseph G. Taylor)
Janet S. Willy)

Incentives for Faculty Outside Fund Raising and University Overhead Reimbursement Policy

Allen C. Kelley, Chairman
James David Barber
Jack B. Chaddock
James H. Charlesworth
Frank C. DeLucia
David A. Dittman
Barbara E. Echols
Robert F. Gleckner
Gregory A. Kimble
George W. Pearsall
Richard A. White
William H. Willis

Institutional Advancement, University Relations and Alumni Relations

Thomas A. Langford, Chairman
Robert F. Durden
Dara Dehaven
Craufurd D. Goodwin
David L. Lange
Richard H. Leach
Robert W. Whalen
Ralph Eads (Student)

Instruction in the Arts

James W. Applewhite, Chairman
Montrose J. Moses
David L. Paletz
Bruce L. Payne
Cynthia R. Farris)
Elise D. Glickman)
Michael G. Marsicano) Students
David Wilcox)
J. Michael Woodard)

Student Affairs

Wesley Kort, Chairman
Lloyd Borstelmann
Albert F. Eldridge
Wesley A. Magat
Charles S. Maier
Bruce L. Payne
Reynolds Price
Donald Wright
Carol L. Andress)
Michael Mozenter) Students
Lucille A. Stea)

Upward Mobility

John D. Shytle, Chairman
Edward W. Arrington
Robert G. Berry
Ann R. Britt
Dolores L. Burke
J. Peyton Fuller
R. James Henderson
Richard L. Jackson
Frederick Joerg
Wilma A. Minniear
Jean F. O'Barr
Jill E. Orvald
Joseph G. Pietrantoni
Carl E. Ravin
Kenneth A. Schneider
Thomas T. Thompson

Year-Round Education At Duke

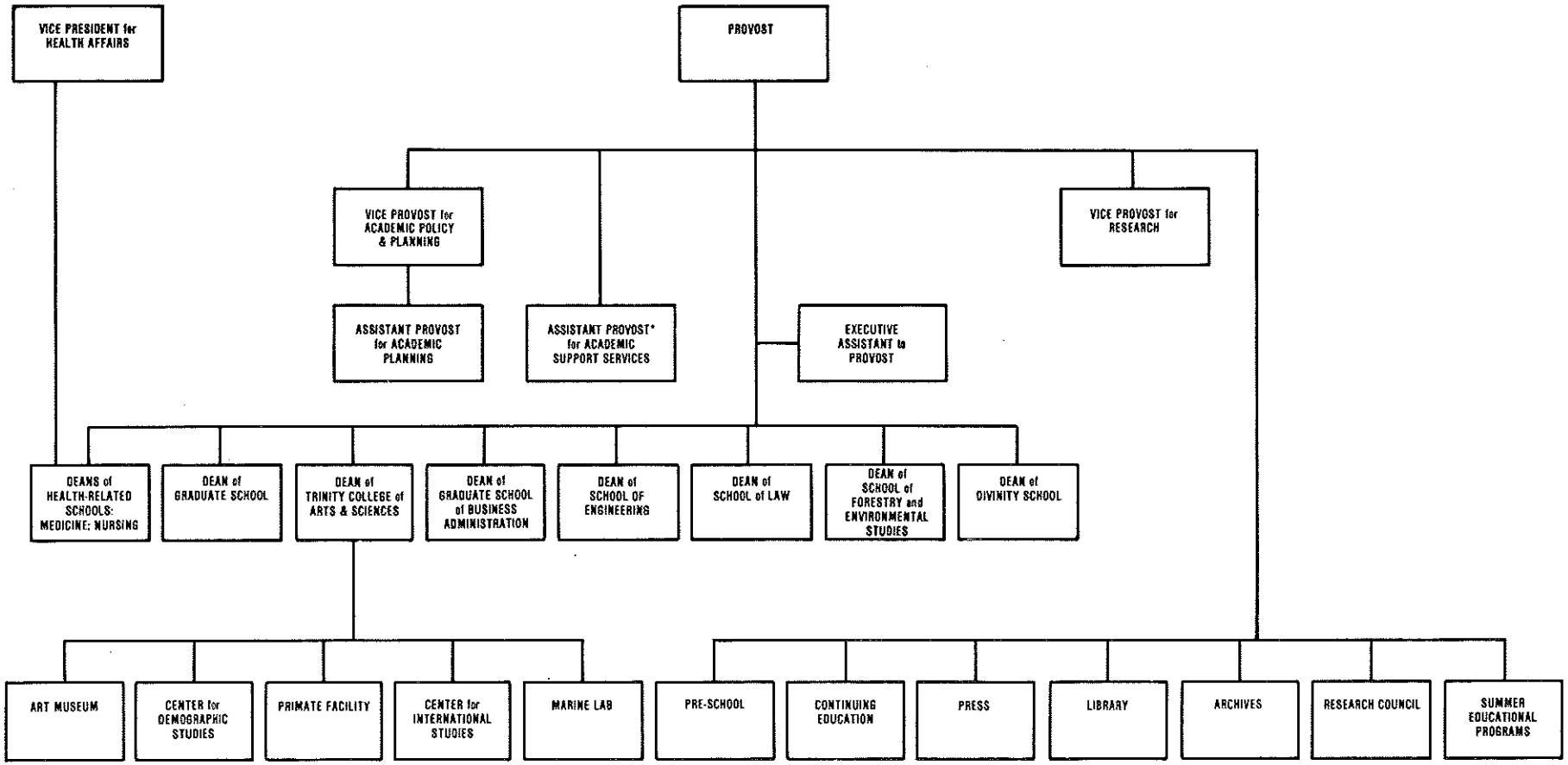
Arie Y. Lewin, Chairman
Joseph R. Bailey
Clark R. Cahow
Alfred T. Goshaw
Elizabeth S. Nathans
James Rolleston
Robert N. Sawyer
Marion L. Shepard
Richard L. Watson

Office of the Chancellor Staff

Jennifer A. Hillman, Administrative Assistant
Ann L. Majestic, Research Assistant
Mary Ellen Earp, Executive Assistant
Myrna K. Jackson, Editorial Assistant
Barbara H. Wade, Information Systems Specialist
Barbara A. Mann, Administrative Secretary

Academic Administration

Appendix B



*ADMISSION, RECORDS, FINANCIAL AID, ACADEMIC SYSTEMS, PLACEMENT