

**REPORT BY PRESIDENT NANNERL O. KEOHANE****PREPARED FOR THE DUKE UNIVERSITY BOARD OF TRUSTEES**

February 24, 1995

Thank you, Mr. Chairman. I'd like to begin my report with a brief comment about two sad losses that this board and Duke University as a whole have recently felt: the death of trustees emeriti George Herbert and Bill Pitts.

George served this university with distinction in many ways, as a member of this board from 1985 to 1993, as chairman of the Medical Center Affairs Committee, and as a member of the Executive Committee. George's involvement with Duke goes back to the 1950's when he was recruited by Governor Luther Hodges and other visionary North Carolina leaders as the founding president of what is now the world renowned Research Triangle Institute. The growth of this region in many ways reflects the vision George Herbert brought to that task. He was smart, tough, and single-mindedly devoted to excellence in all his involvements. He cared deeply about people. Future generations of North Carolinians will benefit from the wisdom he brought to the RTI. Similarly, future generations of Duke students will benefit from his leadership on this board.

It is typical of George and his devoted wife Lois Anne that he wanted no memorial service or special tributes. As the Herald-Sun editorialized following George's death, "George Herbert will be remembered and honored as a good citizen in the classical sense of the word. He devoted untold hours to pioneering enterprises . . . . But above all, he believed in people -- and they in turn believed in him." George Herbert will be missed.

Bill Pitts leaves behind a rich legacy of devotion to Duke University and the many people of North Carolina who depended on his great medical skill. A 1929 graduate of Duke and a native of this state, he was throughout his life generous to his alma mater with both his financial support and his service. He was one of the founders and the first president of the Washington Duke Club, a long-time member of the Iron Dukes, past president of the alumni association, and member of the medical center's Board of Visitors. He was an active member of this board from 1968 to 1979, and his leadership helped shape Duke during these formative years of our development.

Bill received his medical degree from Harvard in 1933, and then became only the second neurosurgeon to practice in North Carolina. He founded Charlotte Neurological Associates and was chief of neurosurgery at the old Charlotte Memorial Hospital. When he retired in 1979 he was the oldest practicing neurosurgeon in North Carolina.

All who worked with him will miss Bill Pitts. His memorial service is being held this afternoon in Charlotte, and several long-time Duke friends and colleagues are representing us.

Please stand and join me for a moment of silence in honor of these two dedicated trustee emeriti of Duke University.

**RECREATIONAL FACILITIES**

I am very pleased to report that fund-raising for the recreational facilities is proceeding well, and that as a result, we have proposed to the relevant committees of the Board that we take the next steps in the design and construction of the long-awaited East Campus recreational facilities. If we remain on course, these new and renovated facilities should be ready by the opening of school next summer, in August 1996.

As of the beginning of this week, we had pledges of \$5 million for the combined facilities projects. In addition, the Duke University Athletic Association has pledged \$2.5 million in revenues over the next five years. Just over \$2 million has been pledged specifically by a few generous donors for the East Campus project, and we also have enough cash in hand to proceed to contract for this portion of the project, under the recreation facility guidelines approved by the board in September.

Four members of the Board of Trustees have provided a large portion of this initial \$5 million, and several other trustees are now actively considering significant gifts for the project. Over the next few weeks and months, it will be my great privilege to announce these gifts individually and share news about which parts of the new and renovated facilities will bear the names of these and other dedicated Duke families. In this, as in so many ways, the members of this Board of Trustees step up to the ball, or take it and run with it, whichever the relevant sport may be, in order to make it possible for Duke to do the things we most clearly need to do, and we are all tremendously grateful for that visionary generosity.

Thanks go to Tom Butters, John Piva, Barry Wilson, Barbara Smith and their colleagues for these fund-raising efforts; and to Janet Dickerson, Wes Newman, Joe Pietrantonio, Charles Putman and John Pearce for keeping the planning for this important project on track.

## **ALUMNI OUTREACH**

Copies of an abridged version of *Shaping Our Future* were mailed in January to some 84,000 alumni, and in the past few weeks, I have talked with or heard from several hundred of them. It is clear that alumni and friends of the University are very interested in knowing about our plans for Duke's future, and appreciate our sharing this summary with them.

Two weeks ago I had the honor of co-hosting with Ginny and Pete Nicholas the Duke Seminar, and it was a wonderful opportunity to bring together a relatively small group of alumni and friends of the university for in-depth exposure to campus life, and for substantive discussion of *Shaping Our Future* and of the many challenging issues that face Duke.

Since our last meeting I've had the opportunity to meet with Duke alumni groups on each coast and even with the London Alumni Club in a two-way satellite-television hookup. This was our first experience with the tremendous opportunities satellite technology presents for enhanced involvement with our growing numbers of alumni around the world -- at a much lower cost than the plane fares and hotel rooms of an actual meeting would have required, and without any jet lag!

Joining me in this meeting along with more than two dozen alumni in London were Terry Sanford, vice provost for academic and international affairs Peter Lange, DSG president John Tolsma, Chancellor Emeritus Bill Anlyan, Senior VP John Piva, and alumni director Laney Funderburk. Both the London visit and my meetings with alumni across the country provide opportunities to discuss issues identified in *Shaping Our Future*, the university's long range plan. It is apparent from these meetings and from correspondence I have received that the essential priorities of our long range plan are being well received. Not surprisingly our alumni are ready to ask hard questions, and I find it invigorating to spend time with them and to share my impressions of the vitality of this university. Meetings with alumni groups in Texas and Florida are scheduled in the next few months.

## **INTERNATIONALIZATION**

One of the major priorities in *Shaping Our Future* is internationalizing the university. Our satellite hookup with London was but one of many steps to capitalize on increased interest across the campus in enhancing our international presence and scholarly capability. I'm pleased to report the creation of a Center for International

Library Programs at Duke. The new center is designed to provide better coordination of efforts across the campus to capitalize on the strength of our libraries to support academic work and teaching in international studies. Initial plans for the center include closer coordination of efforts to acquire print and electronic resources, especially of foreign-language materials; an assessment of the international resource needs of faculty and students; an evaluation of the influence of electronic resources on research patterns and library budgets; and the development of workshops on the use of new technologies in international research. Richard Ekman, secretary of The Andrew W. Mellon Foundation, was on campus for the opening of the new center. The Mellon Foundation has also awarded a \$350,000 grant to the university to support a three-year program of interdisciplinary seminars exploring the roots of contemporary developments in international affairs. This program will allow us to bring members of the Duke community into ongoing discussions with prominent international scholars interested in similar issues.

Next month 37 MBA students from the Fuqua School will travel to South Africa for 12 days of briefings in Johannesburg and Cape Town. The students will visit key South African companies, the South African Department of Finance and the Johannesburg stock exchange. In June, Fuqua is scheduled to launch its pioneering Global Executive Program. This impressive project will take senior executives of international corporations to three continents -- Europe, Asia and North America -- to study the economies of six countries, three developed and three developing. The program is unprecedented in its scope and will give the executives a sound grasp of the business, political, regulatory and cultural environments in the countries they visit. The project will run from June to December and between the traveling, the executives will interact with faculty and each other through Internet.

In another example of our international outreach, Donald Horowitz, James B. Duke professor of law and political science and one of the world's leading experts on ethnic conflict, joined leaders from breakaway regions in the former Soviet Union and their counterparts from Russia, Ukraine, Georgia and Moldova in The Hague. Their objective was to explore possible ways to avert in the future the kind of violence taking place in Chechnya.

You will be hearing more tomorrow from Vice Provost Peter Lange about some of the challenges and opportunities we face in our efforts to internationalize Duke.

## **BLACK FACULTY DEVELOPMENT**

I'm very pleased to report positive results of this past year's efforts to increase the number of tenure-track and other black faculty under the plan adopted by the Academic Council last year. Increasing the number of black scholars on Duke's faculty is a high priority in the campus long range plan. This year eight African-Americans joined our faculty, with Arts and Sciences and the medical school hiring three each, and the College of Engineering making two appointments. Given the intense competition for outstanding black scholars, eight new tenure-track appointments is an encouraging sign of progress; quite a few other black faculty members have also come to Duke as Professor of the Practice or as distinguished visiting professors. The fact that the School of Engineering succeeded in making two appointments is especially noteworthy considering the small number of black candidates nationally. Of course, a major focus of the new black faculty development program is to provide a supportive environment for the scholars we do recruit. Retention is another crucial prong in our strategy. We were successful in fending off a number of offers received by some of our current black faculty, but we did have some losses. One black faculty member died and two clinical associates with the medical center left for other hospitals or medical centers. Also, a black member of the Law School faculty left to enter private practice.

Another important component of this effort is increasing the number of minorities in our graduate student ranks so that eventually we can increase the pool of potential scholars available to enter academic life and faculty ranks. We have continued our excellent progress in this arena as well. The Graduate School, for example,

enrolled a record 28 African-Americans last fall, 24 of them in Ph.D. programs. This compares to an average of 18 black matriculants over each of the last five years.

I am encouraged by the priority which the deans and faculty across the campus are giving to this important effort. I particularly want to commend Vice Provost George Wright who has done a superb job in coordinating this program and providing essential support to the deans and departments that has made this year's impressive results possible.

## HONORS

A number of members of the university community have received significant honors in the past several weeks; let me highlight just a few.

Last month the campus celebrated the 80th birthday of Professor Emeritus John Hope Franklin. The highlight of the celebratory activities was a talk in his honor by Pulitzer Prize-winning historian David Levering Lewis to a packed house of students, faculty and friends in the R. J. Reynolds Auditorium in the Bryan Center. At the dinner following the lecture, I had the pleasure of presenting him with a commissioned painting of Phalaenopsis John Hope Franklin, an orchid named in honor of this man for all seasons, who is a well-known orchid collector as well as one of our nation's most distinguished historians.

We were honored earlier this month by a visit from the Reverend Bernice King, the daughter of Martin Luther King, Jr., who led a special service on her father's birthday in Duke Chapel. And this past Sunday the Chapel was the site of a splendid concert of Duke Ellington sacred music, including choral groups from Duke and North Carolina Central. The concert was taped by WUNC television and will be scheduled for broadcast across North Carolina and possibly nationally later this year.

I am very pleased to report that for the second time in three years a Duke student has been named to USA TODAY's All USA Academic team. Eric Greitens, a Trinity junior, was one of 20 undergraduates selected in national competition for this outstanding honor. USA TODAY selects its winners based on a combination of academic achievement, energetic leadership and a desire to use talent to help others. Eric is from St. Louis. He is working towards a Program II major in ethics which combines public policy studies, philosophy and religion, and he plans a career in public service. Eric has achieved a 3.87 GPA, and among his many accomplishments are his role as a coordinator for Bosnian children in a Croatian refugee camp and the catalyst behind the establishment of a council chaired by Durham Mayor Sylvia Kerckhoff to improve relations between the university and the community.

Our Drama Program's festival of original plays by students and others has been recognized by a 1995 regional designation award in the arts from the Atlanta Committee for the Olympic Games Cultural Olympiad. The winning students were selected on criteria of excellence, innovation, and the degree and reach of their work's influence on the audience. This award is a genuine tribute both to the students involved and the excellent work of Duke Drama Director Richard Riddell and our faculty in theater arts.

Eric Toone, assistant professor of chemistry, and Fangyang Zheng, assistant professor of mathematics, each have won a \$30,000 Alfred P. Sloan Research Fellowship. The Sloan awards are given nationally to young scholars who are establishing a strong record of research in the fields of chemistry, physics, mathematics, neurosciences and economics. The Sloan Fellowships are among the most prestigious fellowships for young scholars.

Dean of the School of the Environment Norm Christensen has been named chairman of the state's Wetlands

Task Force. The panel is designed to be a sounding board to help the Department of Environment, Health and Natural Resources determine if North Carolina needs to do more to protect its wetlands than is required by the federal Clean Water Act.

And finally, Chancellor for Health Affairs Ralph Snyderman was appointed to a three-year term on the governing board of the National Research Council. This is the second time in recent months that Ralph has assumed leadership responsibilities in a prestigious national scientific advisory organization, having been elected to the Institute of Medicine's governing board last December.

## **FINANCIAL UPDATE**

On the financial front, we expect to be able to report positive results at the end of the year. As I have reported previously, several financial issues have emerged that will require careful monitoring. It is clear that financial restraint will be the byword for the foreseeable future. Much of the success we can report for the first half of the fiscal year can be attributed to cost control throughout the university and hospital. You have the details in your packets, but I would like to summarize the financial status for the first six months of this fiscal year.

Non-hospital university operations are \$3.6 million favorable to budget. Revenue is \$1.7 million favorable, despite a shortfall in income from The Duke Endowment resulting from a portfolio restructuring that in the long term is expected to provide a higher return on investment than in the past. Higher than expected funds from indirect cost recovery and income from temporary investments accounted for much of the positive revenue performance. Non-hospital expenses were \$1.9 million below budget for the first half of fiscal 94-95.

Hospital operations for the first half of the fiscal year produced a net excess of revenue over expenses of \$9 million, which is \$4 million favorable to budget. Total payroll costs have continued to decrease in relation to the budget, thanks to the operations improvement initiatives that are underway and the ongoing hiring review. The revenue trends that we have discussed in the past are continuing. Inpatient days are below budget and are 7 percent lower than the comparable period last year. The average length of stay in the hospital has dropped from 7.8 days last year to 7.4 days so far this year. The shortfall in inpatient revenue has been more than offset by outpatient revenue. It is interesting that emergency room visits continue to increase and exceeded budget by almost 3 percent in the first half of this fiscal year.

## **FEDERAL FUNDING**

Our future financial situation will depend to a considerable extent on decisions in Washington about funding levels of federal agencies on which Duke students, faculty and programs depend. The November elections provided a wake-up call for institutions that depend for support on the federal government. We will hear later today from Senior VP John Burness about some of the proposed changes in Washington and their probable implications for Duke. My recent visits to the Hill made clear that higher education faces a major challenge to educate and inform these new members about the historic partnership between higher education and the federal government. Even in this time of fiscal restraint, I have been encouraged by the recognition that members of Congress give to the important role research universities must play both in training and educating people capable of providing leadership in the next century and in providing the basic research on which new technologies and new products crucial to our nation's competitive economic position will depend. At the same time, as we will hear later, the fiscal realities associated with the Contract With America seriously threaten to reduce financial aid for our students and the research base on which our faculty rely -- from the humanities to medicine.

I have had good meetings with members of our North Carolina delegation, including all of the new members,

and with a number of leaders from the Science, Budget, and Ways and Means Committees which have jurisdiction over many of the programs that are vital to Duke. Another day-long visit to Washington is scheduled in March for visits with a number of Senate leaders.

## **ADMISSIONS**

Director of Undergraduate Admissions Christoph Guttentag reports that applications are up slightly over last year. One item of note: we have received 109 applications from students at the North Carolina School of Math and Science. That's a record, and a promising indicator for the Class of '99; last year's total was 74. Evaluation of all the applications will be completed next week. The month of March will be devoted to the selection of the class, and decision letters will be mailed at the beginning of April. We expected to enroll 1,640 students in the Class of '99. Of course, early admission decisions have already been made and 531 early admission students were selected from a group of 1,247 applicants, slightly fewer than last year's unusually large pool. It's of note that 10.5 percent of the early admission students are children of alumni, and 67.7 percent attend public high schools.

## **AIDS RESEARCH**

Dr. John Bartlett, the clinical research director of Duke's Center for AIDS Research, reported earlier this month on some encouraging results in studies of a combination of two drugs in fighting AIDS. The findings were reported at a national conference in Washington and generated a substantial amount of press interest. A team of Duke scientists from four departments and led by Dr. Barton Haynes, chief of the division of rheumatology, allergy and clinical immunology at the medical center, has been awarded \$2.2 million to develop clinical trials for a potential AIDS vaccine. The project is very ambitious and it's too early to predict success. But it is promising statement that the NIH believes that the work in our Center for AIDS Research merits this latest significant award.

## **CAMPUS EVENTS**

This past weekend Duke hosted a milestone event, the first- ever meeting in the South of the East Coast Asian Student Union co-sponsored by Asian student organizations at Duke, North Carolina State, and Chapel Hill. Almost 1,000 students from schools across the East Coast spent the weekend discussing emerging issues and participating in a series of social and cultural activities. Some 10 percent of our students now are Asian-Americans. The fact that Duke was selected as the site for this 18th annual conference is impressive testimony to the progress Duke has made in attracting outstanding students from Asian backgrounds.

More than two dozen of the nation's top experts on computer policy issues met at the Law School last month to examine how the information revolution is altering legal rights to free speech, information ownership and privacy. It was the sixth annual Frontiers of Legal Thought Conference aimed at fostering local and national debate on timely legal and policy issues. The student-organized event wrapped up a week of national meetings on computer network issues held in the Triangle.

The department of classical studies is celebrating 30 years of collecting ancient Greek, Roman and Egyptian art with a retrospective exhibition at the Duke University Museum of Art that I encourage you to attend. The classical collection was chosen as representative examples of their period and consists of more than 120 pieces of sculpture, terra-cotta, pottery, antiquities, glass and jewelry.

The Divinity School has published the first two position papers stemming from its three-year study of United

Methodism and American culture. The major study, now in its second year, is funded by the Lilly Endowment. In the first paper, Dennis Campbell and associates argue that there are problems inherent in the United Methodist Church's tradition of endorsing candidates for the lifetime office of bishop. The second Leadership Letter written by Russell Richey questions the practice of the United Methodist tradition of connecting through boards and agencies.

The people at the Sarah P. Duke Gardens have just published a lovely new map of the gardens, with indications of each of the most special areas and sprightly graphics to remind one of old favorite haunts and whet your interest in unexplored areas. We will make the maps available to each of you, and hope that you'll have time to enjoy the Gardens this spring.

## **ATHLETICS**

You will be pleased to know that Coach K is making steady and rapid progress in recuperating from his back problems and is looking forward to being back at the helm of the basketball team next year. Bob and I had dinner with Mike and Mickie a few weeks ago and it was a truly enjoyable evening for all of us. I also want to say a special word in tribute to Acting Head Coach Pete Gaudet and the members of the team which has come so close in so many games this year. Obviously this has been a difficult and disappointing season for a team and its fans who are used to unparalleled success; and yet the moments of success, as in last Wednesday's game against Florida State, are somehow all the sweeter since we cannot take them for granted. I have been impressed by the consistency of effort the team has shown and how much our fans are sticking by them at this time of adversity. With Mike back next year building on a strong nucleus of returning players, we are confident that Duke will return to the ranks of the nation's best teams. While we await that happy result, I should note that Gail Goestenkors and our women's team are having a stellar year, having ranked in the top 25 nearly all season and having garnered a thrilling defeat of the defending national women's team from 8 miles down the road. We're proud of them and of all the athletes who represent Duke so well.

And that, Mr. Chairman, concludes my presentation.

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