

# Duke University

DURHAM  
NORTH CAROLINA  
27708-0928

ACADEMIC COUNCIL  
UNION WEST  
BOX 90928

phone (919) 684-6447 304  
e-mail [acouncil@acpub.Duke.edu](mailto:acouncil@acpub.Duke.edu)  
fax (919) 681-8606

## Minutes of the Regular Meeting of the Academic Council

Thursday, April 20, 2006

Paul Haagen (Law, Chair of the Council): I want to welcome you all to the first meeting of the 2006-07 Academic Council and, especially for those of you who are new to the Council, I want to apologize ahead of time for how much I am going to be talking today. You will not have to suffer this in most meetings. There are special circumstances today.

### *Announcements*

The first order of business is to approve the minutes of the March 23<sup>rd</sup> meeting. Approval of the minutes is normally a *pro forma* matter. I cannot remember the last time that there were any additions or corrections moved at the meeting of the Council at least since Tom Rowe left it. The minutes for the March 23 meeting are, however, quite different from our usual minutes. We discovered immediately before that meeting that the recording device that we normally use was not recording properly. Technical Services went to a back-up system that they believed was working. They were wrong. This was no Rosemary Woods gap. It was the whole thing. There was absolutely nothing on the tape.

In the absence of a complete oral transcript of the proceedings, what we had to do was reconstruct the proceedings from the written documents presented to the Council secretary and from the notes of the honorary secretary, Linda Franzoni. Rather than try to construct more complete minutes based on the recollections of those in the meeting, which once committed to paper would give the appearance of a more complete and accurate record than actually exists, I thought it preferable to make it clear on the face of these minutes that they are the most complete contemporaneous recording of what transpired, but that they are incomplete. I have been assured that the equipment will work today.

Could I have a motion to accept the minutes as written in their admittedly incomplete form? Is there a second? Any discussion? [The

minutes were approved by voice vote without dissent.] Thank you John and Linda.

There is one change in the Agenda for today's meeting. The vote on the merger of the Psychology Departments will not take place today. It has been put on the calendar for the May meeting for the convenience of the members of those departments. We will take it up in May.

### *Lacrosse*

The events and allegations surrounding a men's lacrosse team party on the evening of March 12 - 13 have disrupted our community in profound ways. We have experienced an unwanted intensity of media coverage. Some of this coverage reflects little more than a news cycle dominated by sensationalism and prurience. But the intensity of interest in this story is driven by much more than that. It is driven by broader national social concerns about education, individual and institutional responsibility, race, gender and inequality in 21<sup>st</sup> century America. None of these issues is peculiar to Duke or Durham. Both Duke and Durham are probably far ahead of most of the rest of the United States in our mutual attempts to deal with them. But the focus is now on Duke and Durham and we have both the responsibility and opportunity to address them here.

A measure of the character of this place, and of the leadership of this University, is the way Duke has responded to date. It has been a response that has been both open and remarkably without defensiveness. It has been one of adherence to our existing procedures and of a refusal to jump to conclusions in the face of uncertainty. Since I am by training a lawyer and by heritage a product of New England and the radical Protestant Reformation, both the insistence on following procedure and the willingness to engage in introspection may come more naturally to me than to others. But recognizing my biases, I believe that Duke's approach will in the end serve

us well. Before we get to the end, there will be some pain and much frustration. Our approach, in keeping with the finest traditions of great academic institutions, is a response that reflects the character of this place and which we should celebrate.

This celebration need not be uncritical. This would not be a university if it were. But to fail to recognize how well Duke has dealt with the incident in the face of intense pressure and great uncertainty would be a serious mistake.

Communicating this message is remarkably difficult, in part because it is a complicated message that is being delivered to diverse audiences. I am reminded of the frustration of my friend and former colleague, the late Jerome Culp, who had just come back from delivering a public address at East Carolina University on race in America. His message that day was a challenge delivered in two parts.

To the African Americans in the audience, he urged that they take greater responsibility for the problems in the African American community and take positive steps to address them.

To the whites in the audience, he pointed out the need to come to grips with the legacy and damage of racism, and to take responsibility for addressing those problems.

To his dismay, each group warmly endorsed the message intended for the other, and both believed themselves absolved of responsibility until the other put its house in order.

It is my hope that we as community, and particularly as a faculty, will concentrate on the work that we need to do; that we will resist the impulse to find in others the source of our and their problems; and that, in the midst of our present turmoil, we will recognize how great a university this is and how much greater it can be.

I want to report to this Council on the initiatives that ECAC and I have taken since our last meeting in response to this incident. President Brodhead asked me, as the Chair of this Council, to meet with him and his crisis group on March 25. I have been meeting with him and that group regularly ever since, and I have been reporting developments and seeking the counsel of ECAC. I met with the Executive Committee of the Arts and Sciences Council both to update them and to get their views, and have continued to consult with the Chair of that Council, and I have met with all faculty groups that asked to meet with me. I have answered every e-mail and

telephone call that has gotten to me – except one that I chose to treat as a rhetorical exercise in self expression rather than an attempt to communicate.

On March 29, I called an extraordinary session of the Academic Council for March 30, to which all faculty of the University were invited, for the purpose of meeting with the President and creating an opportunity both to hear his views and to give the faculty an opportunity to share their views and concerns with him. Out of that meeting, ECAC drafted a statement responding to the incident. My Vice-Chair, Laurie Shannon, deserves the credit for shaping and drafting that document and ECAC ultimately for producing it.

ECAC charged one of this Council's faculty committees, the Academic Council Student Affairs Committee, to look into our rules and practices with regard to student non-academic discipline and to report and make recommendations to this Council on their findings. Professor Prasad Kasibhatla is chairing that effort, and has already sought the input of members of this Council.

ECAC and I were consulted about the choice of faculty to serve on the President's task force on Climate at Duke, and were asked to help identify faculty to meet with the Bowen-Chambers task force looking into the University's response to incident, including particularly those faculty who had been the most outspoken critics of that response.

The President and ECAC also jointly charged a special ad hoc faculty committee to look into the lacrosse program at Duke. I asked the Chair of that committee, my colleague in the Law School Jim Coleman, to come here today. But it turned out that that was not possible because, as I am speaking, his committee is actually interviewing people in connection with their inquiry. But I did want to say a few words about Jim and that effort.

There is not much that is associated with the lacrosse incident that can be described as lucky for Duke. That Jim Coleman was available to take on the responsibility of leading this investigation may be the only one. It would be difficult to imagine someone better suited to take on this role. Jim is a person of extensive relevant experience. He has conducted investigations of U. S. Congressmen on behalf of the House of Representatives Committee on Standards of Official Conduct and he is currently the

faculty advisor to the Law School Innocence Project. He has defended and prosecuted athletes for doping offenses in international sports. He has worked for the Legal Services Corporation and was for twelve years a litigation partner in one of Washington's most prestigious law firms. He teaches, among other things, criminal law and legal ethics. He even was an intercollegiate athlete during his undergraduate days at Harvard. He is also a person of judgment and complete integrity, on whom I have relied personally for advice for years.

Jim asked me to tell you that he will receive any e-mails that you choose to send him, and will speak to any of you on the phone if you prefer not to commit your thoughts to cyberspace.

I would now like to call on Nancy Allen, the Chair of this Council in happier times, to make a brief announcement.

### *Sloan Foundation Survey*

Nancy Allen (Medicine, Assistant to the Provost for Faculty Diversity and Faculty Development): Thank you Paul and thanks for all your work this year in such a challenging situation.

As special assistant to the Provost for Faculty Diversity and Faculty Development I sent out an e-mail two weeks ago tomorrow to tenured and tenure-track faculty about a Sloan Foundation American Council on Education survey. Unfortunately the survey company didn't have our e-mail address list soon enough before many of you received that survey, so we will be sending it out again next week.

Briefly, this survey has to do with flexibility in faculty careers, which is something we are interested in furthering with the policies and programs we have in place already. So, if you get another e-mail from me and/or the Provost and the President, who signed the memo, about an important faculty questionnaire regarding flexible careers, I'd appreciate it if you would fill it out. This is not for the Medical School, but for all non-medical tenured and tenure track faculty.

### **Honorary Degrees: Executive Session**

### *Medical School Faculty Titles*

Haagen: Next on the agenda is a vote – this is one of these two-meeting-rule matters. We had a debate last time and are here now voting on the proposal to change some Medical School

Faculty titles. Ross McKinney is out of town and Ann Brown is here to answer any questions you might have before we vote. New members received the proposal and the minutes, such as they were, reflect our discussion of the item. Ann, is there anything you would like to add? (No) Are there any questions?

In the absence of any questions, ECAC would like to move the following resolution:

**Be it resolved the Academic Council accepts and endorses the proposal requesting changes in faculty titles within the Medical School as listed in the March 8, 2006 resolution from the Academic Programs Committee and that these changes be forwarded to the Board of Trustees for approval and subsequently reflected in Chapter 2 of the Faculty Handbook.**

Any discussion? If not, all those in favor please say aye. Opposed? The resolution has passed.

### *Faculty Ombudsman*

Haagen: The next item on the agenda is the election of the Faculty Ombudsman, but before we get to that I would like to honor the previous ombudsman.

Now, I made heroic efforts when I was an undergraduate to teach myself Old Icelandic, and an tempted, therefore, to show off and treat you all to a short and erudite lecture on the history of the post of ombudsman. Having started proceedings as a preacher, perhaps I could add pedant to the list of today's achievements. But I decided to forego this alliterative possibility for another and ask Paul Killenberg to come up here with me.

I have asked Professor Killenberg to come here today, so that this Council can have the opportunity to thank him for the work that he has done on our collective behalf during his three terms as the University Ombudsman. I had hoped not to have this ceremony, because I had hoped instead to present Paul's nomination for a fourth term. Since that is not to be, I want to honor his work.

The position of ombudsman at Duke is one that requires patience, judgment and creativity. The ombudsman has no power to decide anything. The ombudsman is no part of the administration. Instead, he is drawn from among the faculty and charged with listening to grievances and seeing if there are ways of resolving them. His authority is the authority to help. Helpful, he

has been, and the *Chronicle of Higher Education* recently featured him as the model for the position.

During his six years as ombudsman, Professor Killenberg has been asked to use his good offices to help resolve about thirteen matters a year. Remarkably, in those six years none of those matters has gone to a hearing or to litigation. Blessed are the peacemakers! Would that we were all so successful in making conflicts go away. He told me that he attributed his success to the willingness of the administration, and especially of Provost Lange, to respond creatively to those matters that have substance and should be responded to. I am certain that his self-effacing readiness to give credit to others underestimates his contribution. We have all benefited from his selfless efforts on our behalf. It is with regret this Council will now need to give him back his time for his research in gastroenterology and for his family. Thank you Professor Killenberg. (Clapping)

Paul Killenberg (Gastroenterology): It's been not only an honor and a privilege to do this, but it's been an eye-opener for me. I've been really impressed with the integrity of this institution, with the willingness of the members of the administration to step up and try to do what seems to be right – particularly when there are no rules that govern particular situations. It has been a real pleasure for me to do this and I thank you very, very much for the opportunity. (Clapping)

Paul Haagen: We now move to the appointment of the new Faculty Ombudsman. This position is described in Appendix M of the Faculty Handbook. With your agendas you received brief information on Professor Burton as well as an excerpt from the Faculty Handbook indicating the types of complaints the ombudsman has jurisdiction to consider (along with the Faculty Hearing Committee). Are there any questions?

ECAC now moves that the Academic Council endorse Professor Richard Burton for a two-year term as Faculty Ombudsman.

Berndt Mueller (Physics): One of the important aspects of this I believe, as Professor Killenberg has demonstrated, is continuity – not necessarily for a decade but certainly for more than a two-year period. So, one of my questions would be: have you explored with Professor

Burton whether he is in principle willing to serve for more than two years if things work out?

Haagen: I have been doing a lot of groveling recently. I groveled to get him to agree to two. Judging by his past response to a request to serve, if it goes well I would expect him to be willing to do it. But in answer to your question I tried to get the first one through.

So I now move to vote. All those in favor of Professor Richard Burton's appointment to a two year term as faculty ombudsman please say aye. Any opposed Nay. Let it be noted that Professor **Richard Burton** is appointed with the unanimous consent of the Council.

### *Faculty Secretary Election*

We now go on to the annual election of the Faculty Secretary. The primary responsibility of the Faculty Secretary is to provide the minutes of these meetings. The Faculty Secretary is also on the Executive Committee. ECAC wants to thank John for the minutes he has provided this past year and we have put his name forward for reelection to this position. You received brief biographical information with your agendas.

At this point I will ask whether there are any nominations from the floor of candidates for this position. These must be candidates who have previously agreed to serve in this capacity. Are there any other nominations?

Hearing none I offer the name of **John Staddon** as Faculty Secretary for the coming academic year and ask all those in favor to signify by saying aye, opposed? Passes unanimously and congratulations to John (clapping).

### *Executive Committee Election*

We now move on to the election of members of the executive committee. Because of the length of today's agenda, I do not have the time that I would like to thank the retiring members of the Executive Committee of the Academic Council for their service.

Three of those members, Laurie Shannon from English who has also been my vice chair of the executive committee, Julie Edell Britton from Fuqua (and currently in Paris), and Linda Franzoni from the Pratt School, are each completing their two year terms. Sally Kornbluth from Pharmacology and Cancer Biology and Marjorie McElroy from Economics were from ECAC's womb untimely ripped after one year, Sally to become the new Vice Dean of Basic Sciences for

the School of Medicine and Marjorie because of the vagaries of our election practices. All five of them have worked very hard to make faculty governance work at Duke. They have been a remarkable group to work with, and I am personally, and on behalf of this collective, grateful for their efforts and counsel.

It is now our responsibility to replace them on ECAC. To paraphrase the cry at the death of an English king, ECAC has retired, long live ECAC. In the midst of our current turmoil, this meant that I was faced with the daunting task of getting ten members of this Council to agree to stand for election to ECAC. I think that all of us recognize that this coming year will be an important one for the Council. In addition to all of the matters happily associated with dynamism of this University that will require the consultation of this body, we will also be working through the initiatives and questions raised by our current crisis.

I want to report that I have been very heartened by the response that I received to the abject groveling with which I approached a group of very able and very busy faculty to take on yet another responsibility. I was particularly gratified that every woman I asked agreed to take on this additional burden. I hopefully attributed this response my personal charm, but was told by my Vice-Chair that this was just another example of the commitment of the female members of this faculty to University service. When I complained to the Provost that Laurie had not mentioned my charm as even a secondary cause, he dismissively noted that he was sure that she was right.

In any case, I think that we have presented you with an unusually strong group of candidates. I am grateful to all of them for agreeing to stand for election and to serve if elected.

For today's election I have asked Professors Ann Brown and Steve Baldwin to act as tellers. They will now distribute and collect the ballots. When the votes are counted I will announce the winners before the end of the meeting. You received with your agendas a brief description of each of the candidates who was nominated consistent with the Academic Council bylaws. Those bylaws say that ECAC should prepare a ballot with two nominees for each position, circulate that ballot in advance of this meeting. I will read the names of the candidates and ask each to stand when I read your name:

Warren Grill (Biomedical Engineering, Neurobiology and Surgery)

Lori Setton (Biomedical Engineering and Surgery)

Karla FC Holloway (English, Law and Women's Studies) (Karla is out of town and extends her apology to fellow council members, for being absent – but has asked me to say that she has agreed to stand for election because she is indeed interested in having this opportunity to serve.)

Kenneth Surin (Literature, Religion and German)

Susan Lozier (Earth and Ocean Sciences)

Paul Zipkin (Fuqua School of Business)  
(Unable to attend today)

Dona Chikaraishi (Neurobiology)

Chris Counter (Pharmacology and Cancer Biology)

Elizabeth Kiss (Political Science and Philosophy)

Helen "Sunny" Ladd (Public Policy Studies and Economics)

Again, thank you all for agreeing to stand. As soon as all the ballots are collected, we will move to consideration of planning for the creation of a School of Public Policy. Is there anyone whose ballot has not been collected?

The persons elected were **Lori Setton, Karla Holloway, Susan Lozier, Chris Counter and Elizabeth Kiss.**

### *Sanford Institute of Public Policy: Transition to a School*

At this time I would like to call on Provost Peter Lange and Bruce Kuniholm, director of the Sanford Institute of Public Policy and chair department Public Policy Studies to present us with that.

Provost Lange: Jim Roberts is also here. I'm going to give most of the presentation and then we'll all be available to answer questions...

This issue began about a year ago or a little bit more when the then-director of the Sanford Institute, Bruce Jentleson, and the Board of Visitors and some of the faculty of the Institute brought to my attention their interest in returning to a question which had been taken up ten years before, briefly, but then not allowed to go forward. This issue is the transformation of the Institute into a *school* of public policy.

There was some pressure to act immediately. We felt that instead this kind of decision deserved long and careful deliberation and so to begin that process, I named a task force to consider the question. And I'll talk about the charge in a minute, but I think there are some noteworthy things about this task force.

As you will see, it was a very broad task force. It included both members of the Sanford Institute and the Department of Public Policy studies, but it included a number of non-Sanford faculty, ones with broad university experience, people who had interacted with the Sanford Institute and who also had in prospect the possibility that their units would want to interact with and might benefit from the creation of a school.

There was also a member of the Board of Visitors, Adam Abram, on this task force. Ex officio, we also had the people who could provide both the kinds of detailed legislative knowledge that we needed, that included David Arrington and Jim Roberts, representatives from Arts & Sciences deans and Susan Roth, Lew Siegel, the Graduate School had a direct interest in the issue, and Bob Thompson, because clearly the department is one of the major units of Arts & Sciences, one which has approximately 300 majors.

I will not detail here the charge, but I thought it would be useful for you to know the specific question, the issues that I asked them, to assure that the following conditions are met and to indicate how best they might be assured in the long run, because the question was: would a school place any of these issues in any jeopardy?

Those issues were: The undergraduate major – the undergraduate major is an outstanding asset of the current department within Arts & Sciences; we wish to assure that it remains strong and clear and supportive collaborative relationships are developed in Trinity College around an agreement regarding management and financing of the major.

Second, a school of public policy will be expected to play a university-wide role and be a willing partner for the translational aims of other schools and programs at Duke.

The school's finances should be sufficient for it to thrive and respond to opportunities for growth as well as for it to pay for its own expenses on a basis similar to other schools of the university. That point will come up in a few minutes.

Appropriate relationships must be developed with all or most of the major centers and programs now part of the Institute and there must be an ability to manage and fund a high quality graduate program at both the master's and, if approved by the Board of Trustees at that time (we did not have the approval yet) of the new Ph.D. program.

So that was the charge. The outcome of the charge, as you know – and I'm drawing from many of the materials that you got – was that Sanford should become a school. The arguments for that, to summarize them briefly, are that this would enhance both the unit's and Duke's national and international standing.

Our institute stands among a group of units around the country, most of which are schools, and I can vouch myself for the fact that when we tried to recruit a director of the Institute a few years ago, it was a major challenge because most people that wanted to come as directors said "I really want to be a dean. You're giving me a dean's job, but you're not giving me a dean's status nor are you giving me a dean's authority."

They also argued that the mission of the unit could be expanded and enhanced by becoming a school, a change which would tie in very closely with the University's strategic mission, especially as we are beginning to evolve the Strategic Plan in the area of putting knowledge at the service of society, but more generally, as you know in the task-force report – those of you who actually went to the website may have read all 120 pages, if you did not... They could tie in very well with a number of initiatives already ongoing in a number of our schools.

There were issues about the appropriate management of the centers of the schools. I'll come back to that in a few minutes. They recognized and argued that they could get the needed resources for a dynamic school and that they thought they would be available to them and that therefore they would be able to finance the kind of dynamic program that we're looking for.

The President and I took this report under advisement and, after some substantial deliberation and discussion with others, we made a decision that we would proceed to a full consideration of the kinds of issues which making a school would create.

So we created three targeted paths for '05-'06, which I'm going to review briefly now. The first was to examine what might be an optimal

structure for this school, what kinds of relationships should it have with other units, and so forth?

Second, what would be an appropriate financial structure for this school?

And third, what were its fundraising needs and capacities?

So we set up groups to examine each of these issues in some substantial detail, and bring these forward as agreements around these various issues. With respect to the optimal structure of the school, we first wanted to assure that the quality of the undergraduate program would be maintained. We had a group look into that and work very closely with Arts & Sciences to be assured that the financial incentives, as well as the attractions of different parts of the program, of Sanford as a school, would be such that the undergraduate major would remain a very high priority and that its quality would be assured or even enhanced if the school was created.

You should know that Sanford has approximately three hundred undergraduate majors. They have a thriving internship program – which is one of the major attractions – they play a very major role in a number of the service activities we have at the university. It is in fact a very dynamic undergraduate major and we wanted to assure that any arrangements would promote that. We had a group look into that very carefully.

Second, we wanted to assure that the school would have dynamic programmatic capabilities. That is, it should not be a school that has just barely enough resources to do what it was already doing, but should have some in prospect resources that would allow it to innovate and to do new things without having to necessarily immediately cut off something else.

As you know from the documents received, there was the question of what to do about two major centers that are already within the Institute. One of the centers has a budget larger than the Institute itself and there were a number of issues which had to do with the fact of how these centers could be managed either within or outside the Institute or then a school, best to promote the programs of those centers and of the university more broadly.

Fourth, there was the sustaining quality and accessibility of the master's program, which we wanted to assure.

Fifth, we wanted to assure that there would be good development of the Ph.D. program.

To move from those questions to the actual outcomes, we created first a working group on undergraduate tuition sharing. The agreement which has been put in place basically takes a three year span of undergraduate enrollments in public policy and fixes that as a tuition-sharing base, which will be stable for five years – unless there will be a 20% deviation from it at the end of the five year period, in which case we'll look at it again.

The reason for that is really designed to avoid two things. On the one hand, you don't want anything approximating a free-ranging competition for undergraduate enrollment. Basically you want the program to be focused on quality and not just on jacking up enrollments because you think you think you can jack up revenue.

On the other hand, you also want to assure a stable source of revenue for the school and you want to be sure the school sees the value of continuing to maintain a very high quality undergraduate program. So we've basically got agreement working on that, between Arts & Sciences and the Sanford Institute, about how that arrangement would work and we're satisfied with it.

We had a working group on graduate and professional school programs which was precisely designed to assure both the master's programs could flourish, and that the Graduate School would not suffer were this Institute to become a school because this master's program currently was contributing a substantial amount of revenue to the Graduate School.

We had a working group on the cross-school centers, which I've described, and with which we had agreement. We had a working group on development, that is, what were the real prospects? Those of you who did look at the document on the web would have seen there are pages and pages of x-ed out things. Those x's were the long development discussion in the report, which went into great detail about how they could raise money and what the prospects were.

And finally, there was a working group on budget. Now I'm going to turn to budget matters. To develop a *pro-forma* budget, basically, we needed to do three things. We needed to do an accounting of the current programs, we

needed to account for current commitments that were to be funded in the future. That is, there were some things that Sanford had already been told that they would be able to do if they were to made into the Arts & Sciences, which we did not feel should become immediately their responsibility, since those commitments had been made prior.

And third, we had to account for the school's new infrastructure and programmatic growth. I would remind you that our schools have considerable autonomy, in the sense that they retain their revenues, are responsible for all their expenditures and then pay allocated costs. We wanted to assure that a Sanford school would be on the same basis as all the other schools, from the beginning.

Here is a listing of the unrestricted listing of expenditures for the school. Basically, this was not a terribly difficult task, Jim tells me. But there were some categories that needed to be treated very carefully. Basically, what we found is that if you took all the unrestricted expenditures – and I stress unrestricted, because that means the ones which are not paid for with funds that are restricted to a specific program. When you added all of these up, the estimate 2006-2007 was that the school had an expenditure list of about \$17.5 million. You can see the categories. Faculty compensation was the largest, staff and student compensation follows, and then these categories are precisely the ones you would expect. And then there is allocated costs down here. And I presume we are not going to come back to these so if there are questions you have of fact, you should raise them now.

### *Questions*

Earl Dowell (Mechanical Engineering): when you count the undergraduates, are undergraduates now going to be admitted directly to this new school or will they be admitted to Arts & Sciences and at some point in time they become part of the school budget?

Lange: Neither. Undergraduates will continue to be admitted just as they have been. When they become majors, they will become majors just as they have in the past. The tuition-transfer arrangements are based on enrollments and not on majors and therefore not driven by the number of students who become majors. So this will act effectively like a department, it's not really different from the Nicholas School ar-

rangements with respect to its majors in Arts & Sciences. Does that answer your question?

Dowell: Yes, I think you're saying that students in not enrolling per se in the School of...

Lange: Right, exactly. And the only courses that count are the courses which are taught by Sanford Institute faculty, that is faculty on this budget line. So if a student is taught at Sanford as a cooperative relationship for instance with a professor from Political Science to teach a course or a jointly listed course, that would not count for enrollments. And that's precisely so we don't get that kind of cross border competition.

Helen "Sunny" Ladd (Public Policy Studies/ECAC): I think this is a follow-up to that. I'm confused by the line "undergraduate financial aid." If the undergraduates are under Trinity College, what is that financial aid?

Lange: If you get the tuition, you've got to pay the aid on the tuition.

Ladd: So is it student-specific, or just based on the numbers? How does that work?

Lange: It's a prorated number. You can't cherry pick your enrollments, so to speak.

Sunny: So it's just prorated?

Lange: Right. So they'll be on the same basis as Arts & Sciences. Any other questions on this slide?

Curt Richardson (Nicholas School) What allocated cost which is the largest...?

Lange: What's the allocated cost? The cost that every school pays for all of the rest of the costs of the University. We have a system for allocating those costs. It's extremely fair and just (laughing). And every dean comes to me regularly and tells me how fair and just they find the allocations of cost to all the other schools...

So this one's a little more complicated, which is to figure out the existing revenues that supported the underlying program. The reason it's more complicated is because our schools don't designate revenues to specific purposes, right? They collect a lot of money and then they spend a lot of money and it isn't as if one stream is dedicated to one thing and another stream is dedicated to another. In fact, we've desperately tried to avoid them doing that or to think that way, because it's not a sensible way to think about how you actually manage a unit. You just collect as much money as you can to spend on the things you want to spend it on. So this was a substantially less easy task and I have to credit

Jim for doing an amazing job of sorting this all out.

Here again you can see the basic lines – undergraduate tuition, which is based on the enrollment figures that we talked about earlier, the graduate/professional tuition, graduate school fees, especially the master’s programs (they have two study-away programs that they gain revenue from), the annual fund.

Some of this is what I would call science, some of this is what I would call craft, and some of this is in the form of art. And I would say that it is an art to divine what exactly is the annual fund that’s coming from folks who have a dedicated loyalty to Sanford or not. But, a nice thing here is that we have an agreed-upon number. That is all I would say about it. We then had unrestricted endowment income, the indirect cost recovery so there are programs and the miscellaneous source. So that came to \$16 million. Now, for those of you who are not arithmetically challenged, you will see that 17.5-16 leaves an amount of \$1.5 million, which their current budget does not cover. Now, what you may not know is that all schools receive a fixed portion, fixed in 1997 – before that it was not fixed – a fixed portion of the unassigned income of the University to support their programs. It’s another stream into their generalized revenue pool.

That unassigned income pool derives from a variety of sources, including endowments, which are unrestricted to any particular purpose other than the good of the University, an amount of money which we get from the Duke Endowment every year, and a few other sources. All schools get this. In fact, when we went to the formula system and the other schools were created, a system very similar to this was used to calculate the original unassigned income assignments to them...

So effectively, the unassigned income allocation here is a plug filler derived from – I’ll come later to how we’re getting that unassigned income, that’ll be an important question, but is a plug filler. So that’s the first number. What you see here is that the school as a whole will have that \$17.5 million direct expenditures of unrestricted money plus an additional \$10 million of restricted and allocated funds. So they’ll have an overall budget of around \$27.5 million and that puts them about \$7 million larger than Divinity and about \$6 or \$7 million dollars smaller than

Law and Nicholas. It makes them one of our smaller schools but not at the smallest level.

Now, remember earlier I said that there were certain outstanding commitments to the school that had been made by Arts & Sciences, which the school had a right to expect. And we did not want them to start...and the task force report they started from an expected base of 25 faculty with the projection they would grow to 42 over 10 years. We did not want to start them in the hole. So we credited them with the cost of the commitments, did not take them from Arts & Sciences, which after all would be paying for something they wouldn’t actually be doing, and added that number to the unassigned income expectation, which would give them an unassigned income allocation of about \$2.6 million. Does everyone understand my flow there? Now, this \$2.6 million allocation from unassigned income is fixed. Once they get it, that’s all they’re going to get. All the schools, since 1997, have had their unassigned income amount fixed at the level it was in 1997, so in case of this school, now that we’re creating it, it too will have this fixed. In other words, this number will not grow. This is just an amount they get every year.

Ladd: Not even...

Lange: No, nothing. Earl?

Dowell: But doesn’t that come from the University Endowment?

Lange: No, I’m about to cover that. I explained to you where this unassigned income comes from earlier, right, when I said a few minutes ago. The question is, where are we getting this \$2.6 million? You will be relieved to hear that we are not reducing the unassigned income allocations or the funding in any other form for the other schools to arrive at this number. Fortunately, the pool of money of unassigned income exceeds, or will exceed over the next two years, by more than \$2.6 million on a regular basis the amount that is currently going to the other schools. So in a sense, we are taking this above the line; the quantities devoted to all the other schools will remain the same as they have been.

Now you may say, well what the heck would that \$2.6 million have gone to do if it didn’t go to do this? Am I ahead of you or behind you or whatever? The answer to that question is as follows. The unassigned income is one of the streams of revenue that feeds the overall strategic investment pool, which we use to fund all of our central strategic priorities, including

this strategic plan. It is actually a fairly small stream in that overall pool. The largest one being virtual equity and the second largest being the fifty basis points from the endowment income. So this is a fairly small pool since we're spending on the order of \$30+ million a year.

What rationale would one use to say, you should take...what we're doing basically is saying, this money will go to support the Sanford School, and therefore it will *not* go to support other strategic priorities. But that is, of course, our point. We believe that creating a Sanford School is a strategic priority. It merits, in the overall alignment of all the priorities of the University, an ongoing commitment: this is that ongoing commitment.

I should also tell you that this \$2.6 million, on the base of the overall expenditures of the Sanford School were it to be created, would be at the lower end of the unassigned income allocations for the school...

Question: 1.5 is at the lower end when you add them together, it's still in the normal range so you can't say it's at the lower end.

Lange: Right. I want to make sure that everyone understands the logic there. This is an opportunity cost for other schools, because they lose the ability to compete for this \$2.6 million. But that's no different from the opportunity cost that exists every time that we make a strategic plan allocation to one unit, it represents an opportunity cost for all the other units. So our basic line here is that this is a worthwhile investment of strategic funds, on a long-term basis.

That's what we're contributing. What about them? They propose in the task force report to grow the school from 25 faculty members to 42 faculty members over a ten year period. Now I want to stress, these numbers are not...if you come to me in ten years when I'm deep in retirement, and you come to me and you say you said they were going to have 42 faculty members and they only have 40 or they have 43, I'm not even coming out of my hovel to speak with you.

What we're basically doing is making a point-estimate around a general evolutionary process – they're going to be somewhere in the forties. They hire more assistant professors, they'll be able to have more, they hire more full professors, who are expensive, they're going to have fewer. But the basic point is, we had to pick some number, that was the number they used, so they then built a budget of how you get from 25

to 42, and that's what all of this is. So that the unassigned income level really takes them to their current level, plus those already existing commitments. This is how they grow. And that is, a total of \$2.9 million. You can see all the things that it's paying for. Faculty expansions are a very substantial portion.

You have to figure out how the school can grow...\$2.9 million is equivalent to approximately \$60-65 million of endowment. So, if the school is to get to its projected size in the form that we want and as it is laid out in the task force, they should, over that ten year period, increase their endowment by approximately \$60-65 million.

Of course they could find ways to generate the revenue other than endowment. Now, nobody expects a new school to raise \$60 million immediately. On the other hand, we in the administration have no intention of creating a school that will struggle from day one to get going. So what we have done is basically said – again, now we're somewhere in the craft area rather than the science area – we said look: a school of 25 is too small, they've already told us that. A school with 40 is a long reach and it will take a long time to get there. What's a reasonable reach? What's a school that you think would be reasonably able both in faculty size and in overall income, to be the kind of dynamic place we want as it's moving toward the larger target, and if it never raised another dollar, you'd still know that you had a unit that you could be proud of.

So, we've gone into a kind of craft process, we made a decision that that's somewhere in the mid 30s. the faculty size somewhere in the mid 30s, around 33, 34, 35, about halfway to their 42 goal, and that to reach that, they need to raise \$40 million of endowment. We need to know that there is \$40 million of new endowment or income equivalent to \$40 million available before we are fully willing to commit to this new school. They've told us they can do that in about two and a half years. Right, Bruce?

What we are going to take to the Board is a contingent proposal which basically says, we are satisfied in all the other areas, that we have agreements in place which are agreements we are confident can create the kind of school with the kind of priorities and the kind of protections, both for their own programs and other programs we wish them to have. But, we are not asking

you to create a school until they have demonstrated that they have a budget which can support a school of the type we want. For that to happen, they need to raise \$40 million or the equivalent, and our target growth area is 2.5 years. When we have that evidence, we will return to the academic programs committee, to the University priorities committee, to ECAC, to the Academic Council, and then to the Board saying “ok, the last condition is in place. Now we would ask you to create a school.” That’s my presentation. Are there any more questions?.

Earl Dowell: It’s in our professional staff who have done a very good job of identifying potential donors in Arts & Sciences who have an interest in public policy. So, one of the keys would be deciding which of the donors now becoming prospects for new school would formerly have been prospects for Arts & Sciences. And this will only work, it seems to me, if you have a donor out there who will say “I’ll write you a large check but only if you create this school.” Can you elaborate on that?

Lange: So, there are two or three arguments here. One is *yes*, that is correct and all those x’s in that document represented analysis of donors, many of whom gave once, when public policy was created and or when they built their first building, and they have not given money to Duke more generally since then, to whom they expect to go back and say, look, this is the next big opportunity, will you help us? There is also the opportunity for us, through the normal clearance process to say look, from a strategic point of view, this particular donor, we’re willing to allocate to the school. Obviously that requires discussions with the dean of Arts & Sciences, as well as the leadership of the Sanford Institute, the Development Office, the President, and myself.

But we have fairly high confidence that there will not be a lot of tensions. I’m not saying there won’t be any – I’m not that naïve – about donor selection. The other thing is, because of the financial-aid initiative, one of the critical ways a donor could help the Sanford Institute, but could help the University at the same time, is by making gifts to financial aid. Since they have a financial aid expense they need to cover, that would work as well.

Berndt Mueller (Physics): I have two questions. The first question: it says “expansion”. Does the existing space of the institute suffice to

actually accommodate projected expansion? If does not, does the projected financial calculation take precautions against the need for further expansion of space?

Lange: That’s an excellent question from a former dean. As you know, we built the Rubenstein building last year. Currently, the Rubenstein building is very heavily occupied by activities of some of the centers, some of which have a direct educational bearing, and many of which do not. They are basically part of the research program of those centers. Bruce Kuniholm and his colleagues are working with the directors of those centers to establish a sort of ten-year plan of how that space would be eaten up or be progressively ceded from those centers’ research efforts to the school as the faculty expanded. A faculty of 42 can be fully accommodated within the existing two buildings and leaving some space back for the centers, we believe.

Mueller: The second question I have: it says \$2.6 million of unassigned income. From what I understood, actually, that is needed to fill the gap between the projected revenues and the existing income and expenses, which presumably are now all part of the Arts & Sciences budget. Does that mean that the 2.6 million that you as the Provost will inject into the school will be effective relief for Arts & Sciences?

Lange: Not 2.6, but 1.5. However, as Earl has already pointed out, there is some donor conflict, so there is some, it is in a sense a partial concession to their potential loss of donor availability. We also know that Arts & Sciences is going to face some very major costs in the out years around the need to bring graduate stipends up to a competitive level. So in a way, we’re beginning a process of generating the revenues which will allow Arts & Sciences to meet the obligations that are going to be necessary, because the Arts & Sciences costs of doing that are dramatically higher, about ten times higher, than those of any of the other schools.

Barbara Shaw (Chemistry): Actually, I had two questions, but one question was: it appeared to me that the expenses of school at present compared to the amount of indirect costs that are being brought in by the school and possibly grants although annual funds are very good. Schools have a real advantage over departments, within Arts & Science, in the sense that, you know, I can bring in \$300,000-400,000 of indirect costs a year, which is on the par of what the

indirect costs of the school is bringing in and yet we don't see anywhere near the amount of support for individuals. We don't have enough people to help us with work and computer problems – one computer person per department. What I'm seeing here, that this is very interesting to realize that by creating schools, we may be creating inequities among the faculty. Not only in what they're able to do, how they're able to work, but also in the future types of projects, things they can create, because everything costs money.

Lange: I'm not sure how to answer this question. Departments in Arts & Sciences are not responsible for all their expenses; the Dean is paying the expenditures of that department and that is why the Dean is retaining the indirect costs. So, I would anticipate that ten years from now, if we create another school, using the same methodology, that the faculty of the public policy school will make the same complaint that you do: "I'm not getting enough for my unit of my indirect costs requirements."

The issue you are raising is whether you feel that the Dean of Arts & Sciences or the administration of Arts & Sciences is distributing the overall revenues of the school appropriately across different activities. Indirect cost recoveries as I said earlier, they're just one of the streams in the overall pool. So the issue you're raising really is, that you feel, and I'm not taking sides one way or the other, that you feel that Arts & Sciences is not spending enough money, let's say, on the kind of computer assistance that you would like to see. The choice there, however, is that then they would have to spend less on faculty positions or something else. So, it's always a choice at the margin about which activities you want to support. But indirect costs recoveries cannot be isolated as a stream from any other stream – endowment income, gifts, grants, etc.

Barbara Shaw: Well, I realize that. It's just that inequity, I think, is something I would hope that the current administration would pay some attention to.

Lange: And that is in fact in its future goals. Yes. Earl.

Earl Dowell: Peter, is it a possibility that other schools might want to follow this model and could you speak to whether that's likely to happen? If one goes through this, if it's a very attractive thing this school and you can imagine others would like to follow...

Lange: Let me assure you that that was entirely a hypothetical in order... I do not foresee any new schools on the agenda in the immediate future. And I do not think with the various projects we have in this particular plan that one could foresee that happening.

Curt Richardson (Nicholas School) asked a question about tuition sharing.

Lange: The plan we've devised for Sanford is pretty similar to the one that exists for the Nicholas School. It's very different from the one for engineering...

Paul Haagen: Thank you, Provost Lange. Before we adjourn I want to announce the result of the ECAC election [shown above], and before I do that, I want to thank all the persons who agree to be put on the ballot.

The meeting is adjourned.

Respectfully submitted,  
John Staddon

Faculty Secretary  
May 1, 2006