

University Priorities Committee (UPC) Report

John W. Payne, Chair 5/6/2013

Who we are: The University Priorities Committee (UPC) is a President's advisory committee. The charge to the committee is to work with senior administrators to define University and academic priorities and to ensure that the University's annual and long-term budget reflect those priorities. A guiding principle of UPC is consultation during discussion and deliberation rather than after decisions have been made. The membership includes ten faculty members drawn from all units of the University; the Chair of the Academic Council; ex officio members representing the University including the Provost and the Executive Vice President; two Deans; a graduate student and an undergraduate student.

Activities: Much of what we do during the year is to listen to and give feedback on reports on various items related to the University's financial health and long-term outlook. For example, the UPC is informed about the performance of the Duke Management Company (DUMAC) which manages endowment funds and other investment funds for Duke University and other clients. Long-term, it appears that we may see a slightly reduced return on our endowment funds. Plans for the Capital Campaign were discussed. We also spent much of our time this year learning about the potential impacts of the across-the-board spending cuts taking effect as a result of *sequestration*. Obviously, the focus was on the impact on grant and contract funding. This reduction in funding amounts is clearly a major concern going forward with differential impacts on different units of Duke. As the primary faculty committee related to budget matters, we are also provided information on capital and operating budgets that will be presented to the Board of Trustees for approval. For example, there was discussion on the budget implications of Duke's need-blind admissions policy. In addition, we spend time providing reaction to various budget-related questions such as possible changes in the benefit plans for faculty and staff. Let me stress that nothing has been decided on benefit and compensation changes going forward, but this is an issue that will be revisited in the future. Most recently, we received an update of the risk analysis for DKU. A short report on DKU will be presented at the May Council meeting. The above is just a partial listing of activities, but it provides a sense of what the UPC tries to do.

Outlook and Issues: Last year, I reported that the worst was over in terms of the budget impact of the events of 2008/09. For example, substantial progress in controlling costs (the DART initiatives) had been made. Duke University as a whole is still in a healthy budget position but with some "structural" budget challenges. In particular, there are now some schools that are clearly facing more challenging fiscal conditions. In part, this reflects uncertainties about the future Federal grant support mentioned above. In part, the fiscal challenges also reflect the needed "rebalancing" of funding responsibilities from the central administration to the schools. On the other hand, one positive of the rebalancing is to ensure needed SIP funding going forward. Nonetheless, adequate funding for new academic initiatives at Duke, as a whole, remains a challenge. More generally, the budget outlook suggests that we may have to make some difficult tradeoffs over the next several years in terms of controlling costs as well as hopefully increasing revenues through the establishment of new programs.