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## Minutes of the Regular Meeting of the Academic Council

Thursday December 2, 2010

Craig Henriquez (Chair, Academic Council and Professor of Biomedical Engineering and Computer Science): Welcome everyone. We are back again – seems like we were just here. I hope everyone had a nice Thanksgiving and that you are not going too crazy as we approach the end of the semester.

At today's meeting, we are going to be revisiting some major topics we discussed last year. The first topic is Duke in China and the second topic is athletics. Both of these topics are interesting in their own right, and we weren't quite prepared to have both in the same meeting but that's the way it worked out. I should also let you know that both the President and Provost may be leaving a bit early to attend another meeting, so if you see them get up and leave it is not because of something someone has said – at least I hope not (laughter).

Let's get started with the approval of the November 18 minutes: [Minutes approved by voice vote with no dissent.]

If you were here two weeks ago, you heard a presentation from a very jet-lagged Greg Jones, Vice President and Vice Provost for Duke's Global Strategy and Programs, on the state of Duke global activities and the philosophy guiding new global initiatives. A lot has changed in the year since we've had our discussion about Duke in China, there has been the initiation of the campus building, the construction is underway, and there have been some recent developments that Greg alluded to last year regarding developments around financial planning and some of the programs that may be going forward in China. So Greg is here again to update us on Duke in China.

### *Duke in China*

Greg Jones (Vice President and Vice Provost for Duke's Global Strategy and Programs): Thank you, it's good to be with you again and to have been on this side of the Atlantic between the last meeting and this time as

well as the Pacific. What I want to try to do is to give you a brief overview of three particular aspects of the Kunshan Initiative. I want to just remind you of why we undertook this decision a year ago and then give you a sense of where we are and where we think we are moving. A reminder that at the heart of Duke's Global Strategy is a sense of evolving to a place where we will be embedded and connected in key regions of the world, China being one of those places, not the only one – obviously there is already a medical school in Singapore. The places where we think that there are significant issues where Duke can do research, teaching, engagement, but also to establish those connections on a long-term basis.

As Craig mentioned, a year ago, the Academic Council endorsed and approved Phase 1 of a campus in Kunshan, China. I want to just give you a sense of what we are going to be moving through fairly quickly, and then leave time for questions. I'm going to give you an overview of the current status of the Kunshan initiative, then address three particular themes. First, the issue of academic partners, both in terms of an entity sponsor and academic partners; second the question about undergraduate programs; and then third, issues around cost.

Before I turn back to that agenda though, I just want to give you some sense about the design of Phase 1 on what the campus looks like. This is the phase one site plan that gives you a sense of the buildings that will be there. On the right-hand side is the Fuqua building which is the business school building, a conference center, up in the center area are dormitories, on the left side the faculty residences, and down on the lowest side, the incubator building to do work on other schools of the University. Picture a lot of the water through there. This is a river town region of China and the architecture is spectacular at weaving in traditional Chinese themes and the river town region of China into the Phase 1 campus.

It's about 750,000 total square feet that the city of Kunshan is paying the bill for the construction. In US

dollars, it's probably worth about \$90 M. It's estimated that if we were to build this equivalent amount of space in Durham, NC, it would cost around \$260M.

Just to give you a sense of some of the designs, that's the Fuqua building, this is a view of the campus anticipated in the evening, Phase 1, this is the conference center building, the incubator building where there will be classrooms, wet and dry labs, the dormitory building and two- and three-bedroom apartments for faculty residences there.

In terms of the LEED score card, we are aiming for getting an environmentally sustainable award, and we anticipate that we will be able to get a LEED silver award. Most recently we were actually looking at putting solar panels on the parking lot trellises which might actually mean that we would have a LEED certified parking lot in Kunshan.

So now let me go back to the agenda. The current status: we have strong support as we have been working over the last year from the Jiangsu Province Educational Bureau, Kunshan is in the Jiangsu province, as well as from the Ministry of Education which has targeted Duke's project as a high priority for Chinese education and that's obviously the ministry that we will have to get approval for our campus. As Craig mentioned, construction has begun on Phase 1, we anticipate completion in the summer of 2012, we anticipate the first classes will be able to be offered on the Kunshan campus the fall of 2012, and as the Academic Council resolution from a year ago indicated, we anticipate that the first programs, and at the largest scale will be the Fuqua School of Business. Presumably the executive MBA as well as residencies for the cross-continent and global-executive MBA and if and when approvals are worked through the Academic Priorities Committee and Academic Council and the Board of Trustees, a Master of Management Studies degree on the Kunshan Campus.

In addition, Global Health will be doing work there; we anticipate they will establish a research center, probably not in fall of 2012 offering a degree, but probably shortly thereafter, in all likelihood with the Nicholas School of the Environment.

So in Phase 1, it's primarily Fuqua and Global Health that will be leading us with the Nicholas School and the Sanford School both participating in programs. In terms of degree programs in Phase 1, we anticipate that at this point it's going to be the Fuqua Executive MBA and the process of the MMS which is moving through the faculty governance processes now and then we anticipate in a year or so from now, looking at perhaps a Master of Science in Environmental and Global Health.

We're anticipating and hoping that we will be able to submit our formal application to the ministry of education in March of 2011, so the timeline is to give you this update, to meet with the Board of Trustees tomorrow, to continue to work in January and February with the anticipation of a further update in February with formal approval then of the Board of Trustees at the end of February, and for us to submit our application to the Ministry of Education. They only accept applications

twice a year, March and September, so we're really focused on the March application and we've gotten strong signals from the Ministry of Education that they are eager for our proposal and will hopefully expedite approval of it. There is no formal deadline by which they have to respond to you, so we are very eager to build on their interests and expedited approval.

The Chinese academic partners question: the first thing to understand is the distinction between the entity sponsor and the academic partners. They need not be the same, but we have to have someone who will sponsor our application to the Ministry of Education. A year ago, it was anticipated when the resolution was brought to Academic Council and Board of Trustees that both our entity sponsor and our program partner would be Shanghai Jiao Tong University. However, in the first half of this year, what we learned was – largely because of provincial rivalries – that is to say Shanghai Jiao Tong University is in the municipality of Shanghai, Jiangsu province is next door, you might draw an analogy between New York City and Connecticut, there were issues that emerged in the early summer, that Shanghai Jiao Tong University was quite interested in being a program partner, an academic partner with us, but that they were not willing to sponsor us establishing a legal entity in another province. That meant that we then needed to take a step back and say, "Who might be willing to be our sponsor for the academic entity?" We engaged in a series of conversations over the course of the summer, relying on our Trustee, Xiqing Gao, who is in Beijing (a law school alumnus) for advice and counsel, we met with ministry officials as well as people at the Chinese embassy.

The clear advice that we received for the entity sponsor that we ought to find is someone who would sponsor us that would establish Duke's name most visibly in China. They encouraged us to find someone who would be relatively silent, that is to say, rather than it being Duke-JTU or Duke-Anybody Else, they recommended that we try and have our campus so that in Chinese it would legally be known as Kunshan Duke, and in English we would refer to it as Duke University Kunshan, but we wouldn't be tied to any other university in the formal name of the campus. We engaged in a series of exploratory conversations with institutions both within Jiangsu province and outside Jiangsu province, and consulted with the Ministry of Education.

At this point, what I can tell you is that we're comfortable that with the Ministry of Education and the Jiangsu Province Education Bureau, both of which have to approve our partner status, that we have a plan in place that over the next six weeks we will be able to finalize. That is to say, we are in conversation with three different possibilities. One is a weak institution outside of Jiangsu province that is willing to be completely silent, and simply facilitate us getting the entity establishment; the second is to work with a weaker institution within Jiangsu province that would also be silent but the primary focus would be to get us into business; and the third is actually to work with a top-tier institution outside of Jiangsu province, who would be

willing to have the name be Kunshan Duke or Duke Kunshan, but with whom we would then work also as an academic program partner.

The third possibility is one where we have done some initial soundings with some units across Duke where there would be possibilities and keen interests throughout Duke because of the quality of the faculty and research programs. We're not at a point to say exactly which one of those three we think is going to be likely. I'll be traveling back to China in early January and we anticipate being able to work out an arrangement with one of those three scenarios, and the Ministry of Education is quite comfortable with all three of the approaches that we are engaged in at this point.

The second dimension of the Chinese academic partner is what I describe here as academic partners in the plural, which is to say that we are actually able to do programs with more than one partner. One of the disadvantages of having a single partner that we might have had if it had been SJTU would have been that they might have been more unwilling to have us engage other universities for competitive purposes. As Duke Kunshan we will be in a position where we can actually develop multiple partnerships in various programs, and one of the things I have learned over the course of this year, in working with schools and units across the University, is that there are lots of different strengths and weaknesses of Chinese universities. So, to be able to work with different units with different partners actually provides us with a significant opportunity.

Let me give you an example: The Global Health Institute actually has a diploma program that they have already developed with Peking University in Beijing; they have interest in developing programs both with Shanghai Jiao Tong University and with Fudan University in Shanghai; they also have interest in working with Wuhan University in Hubei Province in Central China. The way in which we are developing the entity-sponsored approach is going to permit us to be able to work with multiple institutions. The Law School has an interest, perhaps, in Tsinghua University in Beijing.

This gives us an opportunity to work with several academic partners going forward and be intentional about that process, and all of the entity sponsors were engaged in conversations, and understand our interests in having multiple academic partners.

Let me turn to the second key question which is undergraduate programs. We learned in the late summer that the Ministry of Education expects any foreign entity to eventually have undergraduate programs. A year ago, when we first embarked on the China Initiative, we were very clear that this was going to be a graduate, professionally focused campus because we didn't think we could replicate what makes a Duke undergraduate experience unique in another setting in any kind of a near-term fashion, it wasn't even on our agenda, we didn't want to offer the Duke undergraduate degree. The Ministry of Education actually is willing to approve us as a graduate and professional entity but has requested that we find ways to offer undergraduate programs on the

campus going forward. What we think now is our current idea going forward that we're testing, is to offer two undergraduate programs that would be diploma-like programs of one semester, five courses, in a couple of areas, global health has expressed interest in doing it, perhaps the second one might be in entrepreneurship because both of those cut across the schools at Duke that offer undergraduate education.

They would offer a certificate but not a degree. It would be an opportunity for us to partner with top universities in China to offer their students a semester to study global health or entrepreneurship for example on the Duke and Kunshan campus as a part of their undergraduate education. We have some indications that there would be interest particularly in global health from institutions pan-Asia. It would be very small, we're talking about 50 students. We might do it during the summer time and we still have a lot more work to do so I will have to give you a more formal update in February. But the idea is that we would use these as a way of testing: what does it mean to do teaching and learning in an undergraduate setting in China? How would we build on that?

While we are offering those undergraduate certificates, we would form a formal study process to evaluate what it might mean eventually to have some kind of undergraduate degree program on the Kunshan campus. There are a range of possibilities. One would be that we would simply decide to say, "We're not going to do anything other than consult but we might help facilitate another Chinese university establishing their degree program adjacent to our graduate-professional program. It might be that we would want to partner with two different institutions where they would offer their degree. For example, the National University of Singapore is establishing a presence right nearby in Suzhou; it might be that they would be interested in doing something. Or we could do a kind of engagement with an American university wanting to offer undergraduate education where we would work with them as a consultant but it would be their degree.

During this five-year process, we would also be able to be watching Yale's experience and experiment in Singapore to see the kinds of issues that emerge for them in terms of quality, faculty, the overall undergraduate experience. We would not be committing to ever offering a Duke undergraduate degree at the end of those five years, we would be committing to the end of Phase 1, having a plan for the further development of undergraduate programs that might have somebody else actually offering the degree.

The third key question then is finances. As I already mentioned, Kunshan committed to paying for the construction of the campus, which is a significant outlay of money. They are also committed to investing in subsidies, particularly in Phase 1 to help us get programs up and running as we develop them. As we have worked with the trustees and have worked with both Gensler, our architect, and the Chinese architect, it became clear to us that it was important to Duke's long-term future for us to invest money in design, consultants, and oversight of the

construction process. That's to ensure the long-term viability of the buildings, to be sure that the labs are equipped in ways that American researchers would want to do research there, to be sure that the quality is done to American standards. So it looks like we'll spend about \$5.5 million on design, consultants and oversight of the construction process to ensure the highest quality in China. We think this is a wise investment to ensure the long-term viability and strength of our campus.

In addition to that, as we have forecast the first five years of Fuqua's programs, of the undergraduate certificates, and of a Master of Science in environmental and global health, the kind of incubator programs, as well as the research centers to make it attractive to faculty who want to do research on the Phase 1 campus, as we have looked at the anticipated kind of subsidy we expect Kunshan will provide as we have looked at the kind of price point that we think we will anticipate in terms of tuition revenues, we think that in Phase 1 it will probably require an investment from Duke in terms of SIP funding of about another \$5.5M, roughly about \$1.1M a year over those first five years.

That number may go down if we are successful in raising money, the way we think we will be successful in China, and we've already had some pretty positive indications of that, but I want to be candid that it probably will involve that kind of investment in order to get our programs done at a high quality over the first five years. That number will be firmer when I present it to you in February, but that's the projection that we have.

We think it's actually a relatively modest investment in terms of the overall impact that establishing this presence in Kunshan will have for Duke's presence and our identity as a global university.

One final word about finances and cost, and that is what I think is a sign of the fundraising possibilities: Fuqua and Blair Sheppard, the Dean of Fuqua, deserves significant credit and is close to finalizing an agreement with a foundation in China that would provide significant financial resources for our Kunshan campus, including the full funding for five full-time faculty, two of whom would be jointly appointed between Fuqua and other units of Duke, would provide support for students for their MMS program in Durham, support for doctoral students, and actually support to develop Chinese cases, cases in Chinese enterprise and establish a research center on Chinese enterprise. The cases are something that need to be developed for business school education. This foundation is willing to provide that kind of support.

If and when that deal is finalized and is announced publically, it will provide significant financial resources into the Kunshan campus and it will serve as a significant risk mitigator for the early years of our enrollment projections.

When I was there in November, I met with a very wealthy Chinese business person who also offered to pledge scholarship support and other financial support for our campus so that while the costs are real, an initial investment in the construction of \$5.5M and then the anticipated need for about another \$5M to \$5.5 M over

the first five years, we actually think that that will be very wisely invested because we are confident that the support we will be able to develop in Kunshan and Jiangsu province and throughout China will actually improve our overall financial outlook. With that let me stop and invite questions.

### *Questions*

Steffen Bass (ECAC / Physics): Let me come back to your item on the silent-entity sponsors. So, two-part question: first part, what is in it for the silent-entity sponsors? How do they gain from helping us gain that accreditation? And the second question is how do we ensure if you are looking at a very weak institution that our name is not going to be held hostage in the future in ways that we do not want?

Jones: So the first question – varies according to the conversation. The weakest sponsor that we have been engaged in, what their request is that we be willing to offer consulting advice on how to improve their quality, so actually go and try to help them understand what kind of curriculum you need to develop, how you would want to develop assignments, in those sorts of ways and at an informal level.

One of those is actually confined to business because they want to develop a new business school. In another of the conversations, what they are really interested in is developing connections to our faculty and standards and so part of the conversation with one of the sponsors would be about us doing some visits to their campus, both to offer courses or lectures but also to be willing to have administrators go to talk about what it means to develop a world-class university.

One of the influential universities is really interested in becoming part of our network, they know we're looking at connecting to universities outside of China and they see us as an opportunity.

The other silent partner says we could care less about the name, what we really want is to learn the kind of creative interdisciplinary approaches that you all developed at Duke. They learned, they studied us and they learned what we do, and we might get frustrated that we aren't farther along, but from their perspective they think we have a heck of a lot to offer to them.

The second question is a trickier question, one we've struggled with. Really, you have to learn that you are going to be able to trust the partner and that there would be a written agreement about what they can and cannot put on a website or otherwise. What's known informally there is no control over, but the Ministry of Education's advice was that you may sacrifice in short-term reputation you'll gain in long-term being able to be known as Duke in Kunshan.

I should by the way mention Shanghai Jiao Tong remains quite interested in program partnerships and they are bringing a delegation of twelve people to our campus next Wednesday and Thursday because they still want to be involved and they think that we have a lot to offer, and they have a lot to offer us.

Brenda Nevidjon (Nursing): Just out of curiosity, if things don't materialize, if the RLI isn't realized, is there an exit strategy for us?

Jones: Well, the first thing to say is that the very phase process means that we are starting small and that we are not even going to build out, it's not that we are going in trying to make a big splash and then are trying to figure out how to exit, we are going to start with programs that we do a lot of market testing and analysis for. We are pretty confident that the business school programs will be able to fly and we are increasingly confident that the global health programs will as well and that there is significant demand on both of those fronts.

We've got various ways in which we will talk about phasing back and building out but we don't anticipate a full exit in terms of the kind of relationship and the ways in which we are establishing their presence.

Julie Britton (Fuqua): Can you tell us how the financing of the equipment and the interiors, all of those kinds of things, what is the plan on those? Are these part of the construction costs, part of our costs?

Jones: Both. There is a complicated formula for what Kunshan is responsible for and what we are responsible for. What we anticipate doing is only building out the stuff that we are responsible for as we know we have use for. So we aren't going to up-fit all of the labs in the incubator building until we actually have research programs to warrant those kinds of programs. We aren't going to up-fit all of the dormitories, the dormitories house 200 students. If we don't have 200 students, we aren't going to buy all of the beds, refrigerators, etc. What we anticipate is funding through an internal loan within Duke that then becomes part of an operating expense for us that Kunshan actually eventually pays for a portion of that as it becomes part of the operating budget over the first five or ten years if we actually look at it. Kunshan is looking for all the fixed features of the up-fit and we pay for the moveable things which has actually lead to some interesting conversations about what is fixed and what is moveable (laughter).

Karla Holloway (English): What standards and oversight are we putting in place for people who will actually be doing the construction?

Jones: we have been in conversation with the people in Kunshan and they actually have a very high reputation for the people they work with. They actually are the ones who are employing the people, so we just told them that the kinds of things we care about in terms of the labor and the rights of the workers, the city of Kunshan has actually won awards, both in China and from the United Nations, for the way they treat what are known as migrant workers – they are people who don't live in the city but come into work during the day, and Kunshan actually has a very high reputation within China for the quality of the ways in which they treat people who work with them.

It has been a conversation we've been involved in and we are going to continue that. That is part of what we are paying for with the oversight is to have people on the ground there so that they are not just waiting for the visit every six months where they clean everything up,

we are actually going to have people watching and being there on a daily and weekly basis.

Holloway: But there is nothing in writing regarding safety and standards?

Jones: That is correct.

Bill Seaman (Art, Art History, and Visual Studies): It seems important that a relationship with Tsinghua be built up because of our long-term reputation in terms of an entire community and we might consider making a certificate program in English for the undergraduates so it functions as a conduit. You have probably already discussed that.

Jones: Well, we're interested in working with any top-tier university and there are clear possibilities with Tsinghua; I think English there is a possibility there, there is also a possibility that we could develop eventually other things about studying the United States. There have been some articles written about the lack of understanding within Chinese culture of the United States, so we think there are actually probably some significant certificate opportunities. We have been invited by the Ministry of Education to start with things that would be least likely to be controversial in the early time, to build trust.

Bass: Will we do our own IT and do we have assurances that students and faculty on campus will have unfettered access to the internet and that data and other electronic information material will be maintained in an integral way without...

Jones: What I can tell you is it's a very high priority, we are committed to doing this and we have a work stream chaired by Tracy Futhey that is focused on this. We've been in conversation with Johns Hopkins which has been in Nanjing for about twenty-five years to learn their best practices with the Beijing Public Library. There are routes to deal with the IT security issues which include VPN access, but also where we set up our links – and so we're working on all of those issues.

What I can tell you is that we are absolutely committed to having all of those things – can I tell you that we have it all resolved now? No. But it's a high priority, we talk about it all the time and we've been engaged in conversations, not only with academic institutions but also with corporate institutions who have to deal with it on a regular basis as well.

Jennifer Brody (ECAC, Theater and African and African-American Studies): I have a question about the recruitment of students. You mentioned that some might be Chinese, some might be in the MMS program, should it be approved, here. Could you tell us more about the recruitment of students in looking at standards for exclusion or in the same kind of quality of openness that Duke has currently?

Jones: The reference to the MMS students coming here – Fuqua's experience, I don't have the numbers, is that their MMS Program in Durham has actually attracted a very significant number of Chinese students applying to come here, for their MMS program in Durham. The question of recruiting students to the Kunshan campus: we will control all access for admission standards and applications. That's one of the

working commitments we have on the campus. In every entity partnership we've talked about, we're going to be the one who determines admissions standards. We expect that they will be the same quality standards we would have at Duke in Durham, if not higher, and what we anticipate is that we will be able to work with some partners of top-tier universities, both in China but also perhaps – and I just point to National University of Singapore – because of their involvement in Suzhou Industrial Park which is right next door to Kunshan – to establish relationships. We're going to be working really hard in the next two months to continue the market analyses.

But if you think that we are starting small, we're talking about 50 undergraduate students in a certificate program or I think the target is around 140 students from an MMS program then you think about the population that's in the Shanghai to Nanjing corridor, there's an enormous population and all the initial soundings that we can take are that there's a very high demand for high-quality students. The proof will have to be in the pudding as we actually get to the application process. We've met with some CEO's of companies to ask what they think about the demand and they pretty quickly say they would like to send a number of their students because they're frustrated with the quality of the more local schools in the area. Mike Merson has gotten similar kinds of soundings on the global health certificate as we develop it.

I think the more creative our own intellectual offerings there, the more effective we will be. The whole model of the phasing is to test with small pilot cohorts and then you can build out as you actually build the capacity. One of the challenges that we will face as we go forward, is that one of the best ways we will be able to do this is if we do some things in shorter term modules which Fuqua is already used to doing but a lot of the rest of the university isn't.

So, it's not necessarily a full semester-long kind of process. The more flexibility we build into the Kunshan campus in terms of how we do teaching and learning, the more we learn the kinds of things that Duke-NUS Singapore Medical School has done – team-based learning – the more flexibility it will give us. I think we'll find both quality and demand will be high. The Duke-NUS Medical School is an example where they weren't aiming for a thousand students – it was a small cohort, they were able to attract a significant number of people within Singapore, but they were also able to attract a significant number of people from outside of Singapore who found it to be a high-quality institution. So the really critical question for us in the fall of 2012 is to be sure that as we launch these programs we do them all at very high quality and that we deliver on what we promise. If we don't do that well in the first two years then recruitment is going to become a lot more challenging.

Henriquez: If there are more questions for Greg you can certainly send them to us at [acouncil@duke.edu](mailto:acouncil@duke.edu). Now if I heard Greg correctly, it sounds like he is going to become a regular agenda item on our meetings which

is fine. It would be nice to hear what's going on so I'm sure we'll hear from you again in the spring. Greg also mentioned several times the MMS program from Fuqua. There is also one currently in a pilot phase, Fuqua has asked approval for this MMS degree and so we will be hearing from them in January. They have gone through the appropriate committee process and discussed with ECAC yesterday and so you will be hearing from them at our January meeting.

### *Athletics at Duke*

Our next topic is athletics and in this presentation we actually have three faculty speakers. Before they start I have a few opening remarks regarding this presentation. In November 2009, Vice President and Director of Athletics Kevin White addressed this council for the first time on the state of athletics and some of the economic challenges facing the department. On the field, Duke has had a banner year – with National Championships in Men's Basketball, Men's Lacrosse and an individual National Championship in diving for Nick McCrory.

Off the field, Duke Athletes has done very well in the classroom. Duke had a 97% graduation rate – highest in the ACC. The 95% graduation rate by Duke's football team was tied for the second-highest in Football Bowl Subdivision (FBS) schools with only six programs with 90% or better.

So Duke Athletics is apparently in a very good state and there is much to be commended – so why discuss athletics today? Well last summer, the Knight Commission issued their latest report on College Athletics. For more than 20 years, The Knight commission has served as a watchdog, seeking to reform issues in college sports, mainly relating to excesses in recruiting, gender equity, and academic problems of student athletes. The commission has no connection to the NCAA or any government agencies and has members who come from the Academics, Athletics and Journalism. In fact two of the members are Janet Hill, current trustee of Duke and mother of one our most famous athletes Grant Hill, and Judy Woodruff, a graduate of Duke, and former trustee and journalist.

Twenty years ago, the Knight Commission issued a landmark report about major college athletics. The report was critical of low athlete-graduation rates, questionable academic standards, and the increasing tendency of athletics programs to operate independently of university oversight. This report helped to spark some significant national reform and changes by the NCAA. The most current report, which I hope you had a chance to read – and if not it is sitting on our website or you can download it by just googling the Knight Commission – has three main recommendations.

The first is requiring greater transparency on athletic budgets, including better measures to compare athletics spending to academic spending. The second is rewarding practices that make academic values a priority. And the third is treating college athletes as

students first and foremost and not as professional athletes. While there is discussion on academics, the focus of the report is really on the escalating costs and what that effect might have on the institution over time and what it means to be a student-athlete.

The report concludes with some strong words. It says that:

“[I]t is time for colleges and universities to resist the never-ending pressure to increase spending on intercollegiate athletics. Even as this report goes to press, high-profile athletic conferences are expanding their memberships in an effort to boost television market share and revenues they hope will follow. Such changes will likely make it harder than ever for the vast majority of colleges to keep up with the continued escalation in spending on coaches’ salaries, facilities, and other trappings of athletic prestige. The predictable result: increased subsidy of athletics programs at the cost of academic programs, higher mandatory athletics fees for all students at many institutions, and a reduction of sports offerings—including dropping of teams that are not generating revenues. Such outcomes are indefensible for an enterprise that exists for the benefit of student participants and should serve to strengthen the academic mission of the university.”

The presentations today are really meant to sustain a university-wide discussion on athletics. Whether you are a fan or not, athletics is a very visible part of the Duke brand and affects all of us – and if you do not think it is visible, just keep this number in mind: last year’s National Championship Game in men’s basketball had viewers from over 18 million households. That is a lot of exposure and a lot of potential clicks to the Duke website. While it is clear that the primary mission of universities is to educate and do research, universities also need to build and sustain communities and connect to the outside world. For many reasons, college sports have been one of the more powerful ways of connecting Universities to their communities.

We can either sit back and watch the impact of escalating costs on college sports from the sidelines, or we can think about the issues critically and see if we can make this all work as an institution. That is really the choice we have – to be spectators, or participants in reform.

We must remember that Duke is unique. Its relationship to athletics is unique and approaches and solutions at Duke may not always translate to other institutions. But if we cannot force national change, we can try to make Duke a model for how academics and athletics should work together to maximally benefit the University.

Today we have a series of presentations on some of the issues raised in the Knight Commission report. Also in attendance are some members from the Athletics Department, Mitch Moser, who is in the back there crunching some numbers and manages the budget in Athletics, Brad Berndt who is the Associate Athletic Director, Martha Putallaz who is the Faculty Athletics

Representative, and who represents the President and Duke to the NCAA and ACC. Kevin White would have been here but he is attending a meeting for the ACC.

Our first presentation is from Charlie Clotfelter, the Z. Smith Reynolds Professor of Public Policy and Professor of Economics and Law. Professor Clotfelter has been at Duke a long time – and like myself was an undergraduate here. He has written extensively on education and has recently finished a book – which I am very anxious to read – on how revenue-generating sports fit within a university. We are pleased that Charlie could be here today – although he is a member of Academic Council so he is supposed to be here (laughter) and lead a discussion on big-time college sports from a national perspective. Charlie?

**Charles Clotfelter** (Sanford School of Public Policy): So this is a research project and one of the things I work on is higher education so this is going to be a book like many others in this room have published and will come out every year at the University.

Some 200 or so American universities have within them two very distinct domains. One of them is the academic domain with which we are all very familiar, it has to do with research, teaching and service. The other is an enterprise, that if it were not part of a university would be classified in the entertainment industry of this country, competing for attention with the National Football League and Dancing with the Stars (laughter).

By many objective measures, this second entity is much better known than the first one. Although those of us that grew up in this country probably take it for granted, this is the only country in the world that has universities that sponsor and run commercial sports enterprises. So the book that I’ve been working on seeks to examine the role of commercial sports in American universities, especially research universities. The question I wanted to face was: imagine I was entertaining a visitor from another country, showing that visitor around a campus and then the visitor comes to the football stadium and says “what does this have to do with the business of higher education?” (laughter) In the few minutes that I have I just want to give you some of the facts that I have uncovered and some of the opinions that I have.

This is intended to be an empirical study and really does not deal at the end with detailed recommendations having to do with the NCAA. My book focuses entirely on big-time athletics in college, so that means only football and basketball, the two main revenue sports, and only at the highest level, so I only looked at the Football Bowl Subdivision for football and Division I in basketball.

Now some of the nation’s most prominent universities have operations like this. Here is a listing with some universities that we are familiar with. And this gives the top 20 by their opinion and the top 20 universities in the world. Of these top 20, 17 are American, and of those 17, five are big-time sports universities.

Just to give you an idea of who is big and some comparative numbers, if you look at the expenditures in 2009 on athletics by universities, the top spender was Texas at Austin with \$113 million and then you have some familiar names up there such as Ohio State and Florida and Duke comes in at number 18 spending about \$71 million a year.

One of the things I learned in doing this study is that the universities that have been doing this have been doing it for a very long time. If you look at the top 100 universities by expenditures, 60 of them were in the top 100 most powerful football powers in 1920. Duke is not one of those because Duke only came in after that period.

A significant fact that I found is that if you are a national university and you were ever in big-time sports, you hardly ever drop out. The exceptions are very few. The Ivy League is one group and the other two national universities that were big-time and are no longer are Washington University in St. Louis and most famously the University of Chicago. In universities with big-time sports it is a very big deal – maybe I don't have to convince this room of that.

This next table is based on a survey taken in Lexington, Kentucky, and you can imagine a similar survey that might have been taken in Chapel Hill or Durham, North Carolina. I direct your attention to the 33% who say "I live and die with the Wildcats. I'm happy if they win and sad if they lose." I found in many, many ways that this is a very meaningful activity to many, many people. In terms of newspaper coverage, I went to the most self-righteous, self-important institution in journalism, that's the *New York Times*, and I said how many times do they cover universities and I looked at 58 universities that have big-time sports programs and I asked the question: what percentage of the articles in the *Times* about these 58 universities were about sports?

The answer was 87% and here is a pie graph. White refers to the percentage of articles in the *Times* in 2007 that were about sports. I compared those to 16 universities without big-time football that were also listed high in the *US News* rankings and the percentage about sports and those were still pretty high, 38%.

Big-time college sports and the media coverage of them can affect the patterns of work. I believe it affects the patterns of work beyond the campus walls, but to measure this, I took the number of journal articles viewed on a website called JSTOR – many of us use JSTOR – and counted that as a measure of work and was able to get the daily number of articles viewed in 78 different research libraries, Duke was included.

Over a three month period over three different years and this is the average number of articles viewed by index. I have taken out spring break so they are not affecting this and what you see is that in each of those three years, there is a general upward trend as the semester goes along. There is only one week in which those articles go down and it is the week after something called "Selection Sunday" (laughter) and that might be a familiar week to you and that is the week that the brackets come out, and everyone, including the President of the United States is filling out brackets (laughter) and

so I believe that this has the effect, not only in universities but really across the country.

Another indication of the bigness of college sports is the number of games that are on television. Here are the number of TV college football games on in the Chicago market in the first weekend in October. In 1983, there were only two. In 2009, there were 29 games from which to choose.

We can also look at the increase in dollars. These are in real dollars, the increase in TV revenue to the NCAA from their annual basketball tournament, over a period of 20 years the amount of money made by the NCAA on TV alone went up five times.

One of the consequences which I think is most interesting of this increase in dollars is what it has done to compensation. What I did was to look at data from 44 universities, put everything in inflation-adjusted dollars, corrected for retirement and health benefits, and we looked at the compensation in 1986 and 2010 for three groups of employees: one is full professors, one is university presidents, and the other was head coaches for football. And what you see is that we professors, did pretty well. We increased by 32% in real dollars, presidents went up 90%, and football coaches went up by a factor of *seven and a half*.

Now there are vast differences in the profitability of programs across the way, and let me just go very quickly, there is probably too much here to look at. If you look at the first column, what I did was to put in major powers, what I counted there as universities that had good winning records and they were in the prominent leagues like the Southeastern conference and the ACC. These are the teams with the biggest stadiums and the most revenue and the best-paid coaches, but you can see if you go to the far right not everything is so rosy. Because in the smaller leagues, especially those that don't win very much, the coaches don't get nearly as much money and their major form of revenue, which is very unlike what we experience, is mandatory student fees and direct subventions from their universities.

Let me say a word about mission statements. You can't read this in the amount of time that I'm going to give you, but trust me there's no reference here to Athletics. And in this way, Duke is very typical of most universities with big-time sports. They act as if it doesn't exist – officially (laughter). And that's one of the points I'm trying to make in this book. I think it's time for a little more candid conversation about the realities of big-time sports. Here is just a comparison of the mentions in mission statements of different units. And what you find, is that universities are more likely to mention their law school, their medical school, their business school, their extension service than they are athletics. Athletics here is at the bottom, getting mentioned by about 10% by those institutions that have that.

Let me quickly say something about how life is different for students at universities with big-time sports. And here I'm not claiming causation, I'm only saying that I'm comparing universities with and without big-time sports. This is a comparison among eight, highly-



selective private institutions, Duke is one of them. There were four of them with big-time sports and four without.

The black bars show the universities with big-time sports. What you see is that students in universities with big-time sports spend fewer hours in class, fewer hours studying, more hours in organized activities and you also see from this same survey that students at these universities are more likely to engage in binge drinking.

Now, I've got two minutes left and I would like to say that there are some costs that I would like to mention quickly and some benefits. Some of the costs that we in research universities of America that have this kind of activity and deal with are conflicting values, and let me just give you four examples quickly. We say we're interested in the academic progress of those we call student-athletes but we devise playing schedules that stretch over many weeks often requiring long travel and late-night competition. We say we're against underage drinking yet we advertise beer on television and we know that these advertisements are seen by underage people and those affect their consumption.

Two pictures: We say that we are against commercial exploitation of students but universities with contracts with Nike Incorporated require their players to wear the Swish logo, they can't cover it up, and as I was surprised to learn last night at the Duke game, this University requires its cheerleaders to carry advertisements for Harris Teeter during the game.

And finally, we are an institution that say we value free expression, but if there was a player who wanted to write on his face Psalm 23:1 that would not be allowed.

On the plus side, very quickly, I think there are important benefits from college athletics and let me just mention the two that I feature the most. One of those is what I would call the civic value of a good example. Racially diverse college teams demonstrate that groups of people who are racially different from each other can not only get along but can work together to succeed in cooperative undertakings and I think that is an example that is as valuable now as it was in the 1970s.

And the second benefit might seem mundane to you, but I believe it's important especially for public universities, so probably this is not as important for this university. Because so many people are emotionally invested in college teams, college sports contributes something intangible that economists term "consumer surplus" but the everyday term is "happiness."

In conclusion, I find both good and bad in big-time college sports. It's very much a mixed bag. Its defects are not the work, I believe, of outside forces, rather they are largely of our own making. Commercial sports is more important than we acknowledge in our mission statement and I think it is worth discussing seriously and candidly in academic senates like this one.

Henriquez: Are there any questions for Charlie? If there are no questions, I encourage you to buy his book (laughter). There'll be a book signing next semester.

Our next speaker is Professor Richard Hain, from Mathematics, who studies topology, a branch of mathematics that studies the properties that are preserved through deformations, twistings, and the stretching of

objects. Perhaps there is some stretching involved that makes a topologist interested in athletics and perhaps Professor Hain will tell us what those are. Professor Hain has a web page

<http://www.math.duke.edu/~hain/athletics/> in which he has chronicled the growth of athletics at Duke over the last decade; he created the page to help catalyze an informed discussion of athletics at Duke.

His talk today relates to the Knight Commission recommendations of greater transparency and consistency of the reporting of athletic budgets and will tell us a little of what he has found over the years. It is important to emphasize that Professor Hain's presentation is based on publically available data and as noted in the Knight report – these data are not consistent from institution to institution and are sometimes difficult to interpret for a given institution. So I invite Professor Hain to present what he has found and some of his thoughts on reform.

**Richard Hain** (Mathematics): Well I would like to thank Craig and ECAC for giving me this opportunity to speak. My first comment is that I think it is extremely important for faculty to have some accurate data on the budgets of athletics because there is a lot of misinformation out there and a lot of misconceptions.

One comment I will make, and it's apparent from one of Charlie's slides, is that athletics is not constant. People often say how great athletics was say in the 1960s or 70s, they'll cite all sorts of examples, but if you look at the amount of money that is floating around in the system it's changed enormously even in the last ten years, and even in the last ten years at Duke.

So being a mathematician, I want to start with an equation (laughter). I thought of starting with a different one. So this is  $100 \text{ million} = 60 \text{ million} + 40 \text{ million}$ . I am putting this up to provide context and this is (you should probably recognize) the 100 million is the amount that Duke is trying to cut from its budget overall, 60 million is what has already been achieved, and reading the Chronicle, I think it might now be 70 that has been achieved and 40M is cuts that are yet to be made.

So I put this up because whenever you see large numbers it is often hard to put them in context. These are things that I want you to measure the budget against and also the changes in the budget. Also, many schools and academic departments have had already some serious cuts and my understanding is that this year and last year and up into the future the operating budget of Arts and Sciences has been cut 10% that has resulted in layoffs of staff and so on.

So here is the Athletics budget, and here are the numbers reported in the Title IX reports, and here I have reported revenue. I wanted to point something out, there are some anomalous years, if you look at expenditures I think it's 02-03 is also an anomalous year. I'd like to make a comment about the last figure here. Although I have the figure for 09 -10, I believe it is with solid evidence, it is another anomalous year just like 06-07, I don't believe that the report is accurate. All right, so I just mention and will explain why I think the current

year is anomalous in the next slide, I don't want to dwell on it.

The main observation is that this budget has more than tripled in the eleven years from 97-98 to 08-09. It has increased from \$23 million to \$71 million. So if you work out how much this is per year, it is 10.8% per year compounded – that is huge growth. And in the last four years it increased by \$29 million, so that is three quarters of the amount that we still need to cut out of the University's budget. There has been an incredible increase, in just four years it increased by roughly \$30 million.

So let me say why I think the 09-10 report is anomalous. Revenues and expenditures are approximately equal fell by about 4%. However, if you read the lines on the report, many items increased substantially; for example, coaching salaries increased 22%. Reported revenues of the three major sports, men's and women's basketball and football, increased by over \$20 million by 114%, and I now understand why this is the case, it has been explained to me. This is because there were a lot of revenues on these reports that were not attributed to either men's or women's teams and now almost all of those revenues have been allocated between these three teams. However, the same is not true on the cost side. The unallocated costs were not redistributed between the teams, so I think this is very misleading and so I am going to omit the 09-10 figures for men's and women's basketball and for football.

It's a common misconception that athletics runs at a profit. Two years ago the Academic Council passed *Unrivaled Ambition*, which is the current strategic plan for athletics, and in it there is an extremely frank admission, and that is that athletics not only runs at a loss but it was running down its reserves and required further input of funds from the University. So, soon after this plan was passed, I learned that the subsidy was doubled from \$7.5M to \$15M and I understand that it has since been reduced to \$14M. There is still a substantial increase, of \$6.5 M.

From 07-08 to 08-09, undergraduate tuition increased by roughly \$1,700 and if you take the increase in the subsidy which was \$7.5 M and you work out what it is per undergraduate, it was \$1,200, that is 70% of the tuition increase. I know you might be able to argue you can't trade one for the other but I believe they more or less both come from central funds.

The premise behind *Unrivaled Ambition*, the way I read, it is that the revenue sports are going to generate revenue which will pay for the non-revenue sports. I think it's fair to say basketball runs at a profit, football does not run at a profit, so the idea is to invest in football so that it generates more revenue so that it will be able to help pay for the other sports. So, it's not surprising that football runs at a loss – again, if I put in the 09-10 figures it would show a great big profit because the unallocated revenues were allocated to these teams. 03-04 was an anomalous year for reporting costs.

Women's basketball...so again I understand that these figures can be interpreted many ways, for example, these figures don't include the Iron Duke contributions

which I'd say are a large part of these revenues that have been added in 09-10, but here are figures reported consistently over time that shows that the trend in basketball is in the opposite direction to the direction we'd like.

I don't want to dwell on salaries but I think it's important to know how much some of the coach's earn. I've read reports in the press that are wrong because they don't agree with what's on Duke's tax return for example. So the 08-09 compensation for the football coach and the basketball coach total almost \$6 million, and the average compensation for the 12 assistant men's basketball and football coaches in 09-10 (so I used the 09-10 reports – I believe these salary reports are accurate) is...the average salary is \$238,000 and the early report just does not include benefits and so these total \$2.9 M.

I will say that we see this huge increase in revenues coming from say TV revenues and my personal view is that this fire hose of revenues has to find some place to go and one place it's going is into salaries.

The total compensation, just for the men's basketball and football teams, is almost \$9 M. So, again, I will return to what I said a minute ago, and that is that the goal is to invest in football so that football becomes a revenue generating sport. However, there have been many reports that show that investing in football does not yield increased revenue, so this one by the NCAA can be paraphrased by saying that the average return on a dollar invested in football is one dollar. There are many other reports that show it is less than a dollar.

In January, Michael Gillespie stated that the increase in the cost of athletics was largely due to Title IX. I'd like to set the record straight because the information is in the Title IX reports. Here is a graph of the expenses by men, women, and unassigned, where unassigned means unassigned by gender. And so you'll see that the cost of women's athletics rises steadily because of some anomalous reporting in 03-04 and you've got in 06-07, but you can see that the cost of sports is far higher and it is increasing more rapidly and there it is plotted out by percentage, women's sports cost less than 20% of the total, so the increases I think are not due to Title IX.

So I would like to start with a question: should we subsidize athletics? Let me start by making an analogy with the academic part of the University. We have all sorts of academic departments, and you can think of some of them as being revenue-producing. For example, a department may be revenue producing if it has lots of students, so in some sense you could assign a lot of tuition dollars to that department. Maybe you have a lot of external grants and there are other departments where the cost of running the department is perhaps a lot more than the cost of revenue that you may be able to assign to the department.

So should you let these departments that don't generate revenues go away and let the one that generates lots of revenue grow? I think that most people would say no, you need a good balance of academic disciplines, you need an exciting and interesting mix of disciplines, so, reallocate resources. And so it is the job of the

administration to do that, to limit the size of some operations and to subsidize small ones that are 'most profitable.'

So, should we extend this idea of balancing operations to a larger context between athletics vs. academics? Athletics has grown very quickly and a lot of people might say that's fine, they bring in lots of revenue, let them keep growing. I think this is something we ought to think about: how much of athletics should be allowed to grow?

So the question is how, if you want to control the growth of athletics, how should you do it, what mechanisms are available? Well, I would like to suggest that one way you can do this is to withdraw the subsidy. If revenues were constant over time, this would be hard to do, but revenues are growing at roughly 10% a year, that is roughly \$7M, the subsidy is only double that. So maybe over four years you could eliminate the subsidy, you could control the growth of their expenses and somehow buy back the subsidy.

But a second idea is that athletics could pay overhead on broadcast revenues. Most federal grants pay overhead to the Provost and roughly one third of the money of most grants is taken as overhead and departments get one percent or maybe two percent back. The idea of overhead is that it covers those expenses incurred by the university because of that grant existing on University soil. So I would like to propose that athletics pay overhead. That is another possible mechanism for controlling the growth.

I also think that the larger athletics becomes, the more likely it is to distort the mission of the University. I would like to give this example. I can't substantiate that this is true but I read it on the front page of the *Chronicle* (laughter). The statement is that the Board of Trustees is raising \$125 million for the renovation of Wallace Wade. It just had a \$5 million renovation, I believe. In the past ten or fifteen years there have been several other renovations on the order of \$3M to \$5 M.

To put this in context again: The French Science building, which is quite large cost \$125 million or less. And you can ask, is there a better way to spend \$125 million that you would raise for Wallace Wade? Well, I live in the Physics building so it's the only building I'm really aware of (laughter), but it's in extremely poor physical condition. This is not bad for Mathematics, but it is very bad for Physics (laughter). The roof is leaking, there are leaking water pipes and so on. The building needs serious work, but I am sure there are plenty of other buildings that need renovation. So, I think that it is important that we reflect on what role athletics plays.

The first question to ask is what is Duke? And the next question to ask is what should it be? Because the situation of athletics is changing over time. It is not a constant story, it's not like athletics today is going to be where athletics is ten years from now. It is going to be much bigger relative to everything else in 10 years unless something changes. How should Duke be branded? You know what you think Duke is or what we would like it to be, how should we brand the University? And that is a different question from asking what do we want to be

known for? Do we want to be known for the exploits of our athletes? The exploits of our students and faculty? Some combination of the two? And in what balance? Once you have decided the answer to these questions you can ask questions about resource allocation and whether to withdraw the subsidy or charge overhead and so on.

I've got a few recommendations. Faculty oversight of athletics, especially the budget should be strengthened. I believe some strengthening has already occurred, but I can see various ways in which the oversight could be tightened.

I think there should be an accounting for the extra \$30 M in annual revenue of athletics over this period from 04-05 to more or less the present time. \$30 million is a lot of money, especially when we are considering cutting \$40 million from the budget. Where has this money gone? Has it gone into salaries, has it gone into more personnel? I have no idea. It's a huge amount of money relative to the size of the budget of even a large department.

I've already mentioned that I think the subsidy should be phased out and I think the cut should come from basketball and football, not from the non-revenue sports. I believe, just like I believe that there should be some sort of nice spread or nice diversity of academic subjects, the same should be true of athletics.

Trying to bring the athletic budget under control at Duke is really part of a larger picture. College athletics budgets are a problem at many, in fact most universities, and I think that Duke has to do something about solving the problem nationally. It's very hard for one university to act alone. I think the overall system needs to change.

My parting thoughts are that there is an athletics bubble, just like there has been a housing bubble. You see the way that the budget is going up, it can't keep growing without something breaking. Either athletics will overtake universities, or the budget's going to come under control. You're going to do so gradually, or what is the budget going to be at that point or is there going to be some kind of crash? So what happens at Duke when it bursts?

I also believe that *Unrivaled Ambition* is a bubble plan. It was written at the height of the bubble, just before the collapse of the financial markets and if you go back and read it, one of the premises is that you can raise lots of money through donations, and I don't believe that assumption is still valid. Thank you.

### Questions

Jocelyn Olcott (History): It seems like, just off of the top of my head, the University that most resembles Duke in terms of the prominence of athletics and what the University offers in terms of a benchmark institution is Stanford. I am wondering, and there may be others that you can think of that are similarly profiled, if your research tells you how Duke stacks up to a place like Stanford?

Hain: I made a slide in response to one of Charlie's slides. I think he mentioned these universities that were

above the line, and he gave the amount there of athletics expenditures and you can do it per undergraduate and you can compute the numbers and you can see that Duke is very high on that list there and you can see that Duke is very high on the list of comparisons and there is Stanford. I don't know the details but my understanding is that Stanford athletics are largely endowed.

Sunny Ladd (Sanford School): I'm not sure if this question is appropriate for you and you can rule it out of order if you wish, since we are talking about athletics, I wonder every time I see a football game why college football teams need to dress over 100 students for football. I think 11 people on a team, multiply that by two and offense and defense and a back up for every one of them and have five special teams, I don't get above 55 (laughter) no matter how, and I don't understand why we dress over 100 people. So I'm looking at Martha Putallaz, and maybe this is a broader issue.

Martha Putallaz (Faculty Athletic Representative and Director of TIP): I'm afraid that you think that I would know (laughter) but we do practice, practice against each other and if there are injuries, there's the special teams work, there's the kicking team, I agree with you, it is a large commitment in terms of the numbers. I understand that we don't even use all of our scholarships.

Hain: Duke's roster I think is 115 and there are I think approximately 80 FTEs of scholarships.

Bass: I have a question with respect to the subsidy which probably can be directly answered by Peter or by Tallman. It is my understanding that the increase in subsidy which was decided upon a few years ago, is coming from SIP funds from the Provost's pocket, which are funds that are not allocated in perpetuity to a certain program, but have an expiration date. So the question is will these funds be called back in again and what's the idea of returning them? Because the SIP funds are a very, very useful tool for a lot of academic programs in the University; as long as they are being used by athletics, they are missing for other purposes.

Peter Lange (Provost): I'll start and I'll let Tallman comment if he wants to. The first thing is that I want to clarify one fact with regard to Professor Hain's presentation: the subsidy is made up of two components; one component is athletic scholarships which is approximately half. So of the \$15 M, approximately half is scholarships which go to the students to support their education, so the part that was added by the Academic Council is the other half, which is about \$7-7.5M. That portion was cut commensurately with the rest of the budgets of all the units, so when you saw an approximately \$1M cut which Dick mentioned in the reduction of the subsidy, and he had it going from \$15 M to \$14, that was actually a reflection of the fact that the \$7.5M, which was the non-scholarship portion of the subsidy, went from \$7.5M to \$6.5M, which is approximately a 13% cut in the athletic subsidy.

That is just a factual matter, I'm not getting into a big argument, it's just a factual matter and it's important to understand that in the context of all the revenues. Tallman could talk further but it is our understanding,

and my understanding with the athletics department, that over time we expect them to replace increasing portions of the amount which still is part of that subsidy, that \$6.5M with funding that they themselves generate. Want to add anything?

Tallman Trask (Executive Vice President): Well the assumption obviously at the time the decision was made, to increase the subsidy, was that we would move toward a Stanford model, where we would raise endowment to provide income in the equivalent. I think Dick raises a very interesting question about how feasible that is in the current world, and as Stanford learned, having a fully endowed athletic department looked like a really interesting idea when returns were running 10 to 15% – when their returns went down 25%, they got hammered.

But we've talked to athletics and said basically that was never meant to be a permanent subsidy. It was meant to be an investment which over time through fundraising or additional revenues would come down. We took it down a million this first year then we are going to have a similar conversation for the athletic 2012 budget, we haven't come to a final number yet. I think with the downturn in the economy, we're caught in both problems: our ability to get it out faster is reduced and our ability to fund it is also reduced, so we are making different trade-offs.

Can I answer Sunny's question? The hundred are home games only...

Phil Costanzo (Psychology and Neuroscience): Are the expenditures of athletics a matter of collective wisdom or plurally speaking, because as I look at these lists that are famous for a wide variety of noteworthy contributions, why would they all decide, or at least a large number of them decide, that these expenditures are a reasonable way to consider the relationship between academics and athletics? Just asking the social-science questions, is it collective wisdom? Is it pluralistic ignorance? What seems to drive the tendency for the universities to view athletics as a significant part of their interests?

Hain: I'm not a social scientist, also as a foreigner so I don't understand football either, I understand rugby. One is athletics is a tradition. But athletics is not constant as I mentioned before, every year there's a lot more money. People don't go back and examine, for example, whether we should take the scholarships given that the amount of money sloshing around in the system is increasing at least 10% a year, and when I look around, for example it is interesting to look at the tax returns of conferences because they are tax-exempt organizations and I don't think they do very much, but if you look at the salaries of the commissioners, they are going up like this. Again, it is because there is a lot of money there that's sloshing around, and everywhere in the system there is more and more money and every year there is more money.

Clotfelter: I have a different take on that. I believe that universities are not stupid, that they make rational decisions all the time and that what we see is a result of what Boards of Governors and Trustees want: they want to have competitive teams. It's as simple as that. There

are some ancillary benefits that benefit the academic side, but I think in general it's what the Trustees want. Now Peter and company, they see the Trustees much more, but that would be my reading.

Trask: Can I make one quick comment? I think 10% of your growth is essentially correct for that period. It is also important to remember that the University's overall budget was going up 9% so athletics was not an outlier from everybody else.

Hain: I suspect, though, that a lot of departments weren't growing at 9% a year.

Tallman: A lot were growing faster than that.

Lange: The growth rate that Tallman gave is the average growth across the schools. We aren't talking about central administration, we're talking about revenue growth in the campus side academic units during that period. 9.1 or 9.3%.

Henriquez: Do we have any more questions for Professor Hain? Thank you, Dick.

Next, I'd like to call on Professor Jim Coleman, the John S. Bradway Professor of Law, who became the chair of Duke's Athletic Council in July. Jim succeeded Prof. Michael Gillespie who had been Chair for three years. Jim does not have a formal presentation but wanted to reflect on what was said today and introduce himself. He will come back again if needed and start a conversation to get input from this Council about what topics to bring forward in the Athletics Council.

**Jim Coleman** (Law and Chair, Athletic Council): Thank you, Craig. I do not have a formal presentation and I asked Charlie, "when does the meeting end?" And he said, "Whenever you end," (laughter) so I'm going to cut out a lot of what I intended to say. Obviously, I don't intend to address the specific issues that Charlie or Professor Hain discussed today. I think the issues are important. Professor Hain said that the starting question is should we subsidize athletics? I don't think that's a starting question, I think we would get to this question at some point, I think that probably the starting question is Phil's question about why we have athletics in universities in the first place and why we continue to have them and continue to spend so much money on them.

I think the Knight Commission, the most recent report called *Restoring the Balance, Dollars, Values, and the Future of College Sports* raises a lot of the questions that Charlie and Professor Hain have been discussing about the ever-increasing costs of athletics, the commercialism, the loss of control over athletics by some of the universities and so forth. I think that report can be a catalyst for discussion, both here at Duke and nationally about this subject. I think both Charlie and Dick and Craig talked about us participating in a national discussion about these issues, restoring the balance. I think we are positioned to do that I think that Duke is one of the very successful universities that have performed well on the academic side as well as the athletic side, I think that there certainly is some balance here with respect to those. I don't think that there is the gap between the athletics and academics here that exists

at some places, I think that the people in the department, particularly the athletic director views himself as one of our colleagues, I think he has performed that way. Certainly in his dealings with me, that has been his approach and that is the right approach.

Certainly there ought to be transparency and I think it is not clear, I read some of the minutes of Council meetings at which athletics were discussed, and I see and saw that some of those issues are repeat topics and that's fine, but it seems to me that what we need to do is to find a way to focus on what it is that should be important to us, the faculty – the University – and then to discuss those things, to try and figure out what it is that we ought to be doing in the circumstances that we have today in terms of controlling budgets, overseeing budgets, spending on athletics, increasing the size of athletics and so forth. I think those are all subjects that are legitimate ones to be discussed in the University by the faculty and by the athletic department as well.

I don't think we are adversaries in this – we have something I think that we can all be proud of, and that's a good discussion to have.

One of the things that I hope to do as Chair of the Athletic Council is to bring the members of the Athletic Council up to speed on some of these topics. I started to do that, I distributed a handbook that I put together for an orientation to the Council, I distributed the Knight Commission report, and I have subsequently distributed other articles that I think are interesting, looked at some of the issues that we have been talking about and I hope that the members of my council will, at least, by the end of this year, be at a point where we can discuss these issues in an intelligent way. I've also invited Professor Hain to have lunch with Martha (Putallaz) and me and Craig, to talk about the issues that he has raised, to talk perhaps about what protocols we might have in the presentation of financial data of the University so that there is transparency. I don't think anybody is trying to hide anything but there is a common source to the numbers that float around, so the question is "what do they mean?" and can we present them in a form that we can all understand, and I think that ought to be our goal.

When I come back in the spring (I am required to meet with the Academic Council twice) I told Craig that I thought that the first time should be an opportunity for me to see what is on the Council's mind about these issues so that the Athletic Council can focus on some of those issues, and then in the spring, when I come back, I can report on what it is that we have done, provide answers on what it is that needs to be answered. I view this as a partnership, my Council with your Council, to figure out what the common interests are and that is how during the time that I am Chair, we will operate. So that's it in terms of my presentation.

Speaker: I guess more conversation...calling on the other presentations, and I say this as somebody who played intercollegiate sports as well, so I am very committed to athletics, but the growth has not just been in salaries, it has been in the length of seasons, the number of teams played, the amount of travel. I think those might be issues that might be looked at, and I think

all of those also connect to the question of sustainability. So if one is thinking about reducing carbon footprints, the question of how many trips to the west coast, for the golf team, not just the football team, but for the minor sports as well...thinking about sensible limits for athletics...

Coleman: I certainly have no objection to that. I think that it is very complex though. Duke can't just make decisions itself, we are part of a conference and then we are part of this national organization of universities with large sports departments, and that is really the discussion that the Knight commission has invited. Depending on how you come down on those topics, it would affect some of the things that you are talking about.

Costanzo: I just wanted to mention that I think one of the important parts of the collaboration between academic and athletic components of the University, is to reveal the complexity rather than the simplicity of the traditional retention of an interest in athletics, and that is why I asked a question for Dick that I did, and I think that what is the underlying wisdom of keeping academics and athletics in some balance and why did they become part of the institution? Because I have this faith that there is a rational basis for this connection that we tend to lose sight of when we view these as competing entities of the University and I think that really has to be looked at in some sense. As long as it becomes polarized, I don't think we can come to a resolution about what we need.

Coleman: I don't think the two domains are as separate as Charlie suggested they were. I think there is some overlap and I think that there is a lot of teaching that goes on in the athletic department and that there is a lot of character development that goes from there and that is important.

Henriquez: Thank you, Jim and thank you all for the excellent conversation about athletics. We will see you next on January 20th.

Respectfully submitted,

John Staddon  
Faculty Secretary, January 6, 2011