

Report of University Priorities Committee Activities 2024-25

The University Priorities Committee (UPC) is appointed by President Vincent Price, chaired by a member of the faculty, and convened by Executive Vice President Daniel Ennis and Rachel Satterfield, Vice President, Finance and Treasurer. The membership of the committee includes several faculty members, Senior Administrators, some of whom report to the Provost and others to the President, one undergraduate and one graduate student, and two Deans. The full list of members can be found [here](#).

The UPC is charged with “... assessing university and academic priorities, ensuring that the University’s annual and long-term budgets reflect these priorities, and making recommendations to the President.” This committee provides an important venue for faculty governance and for collaboration between faculty leaders and the senior administration.

UPC does not vote but provides an opportunity for providing guidance and feedback on major issues confronting the university, serves as an important faculty sounding board for administration proposals as they are being developed, and provides faculty review of key spending decisions by the University. UPC participates in the discussion of key ongoing business of the University and identifies areas of interest to the faculty that should be elevated for discussion within the charge of the UPC. During the academic year, we meet monthly. The agendas prioritize issues as they arise, e.g., renewal funding program update, financial overviews for various schools and units, ensuring access and affordability for Duke students, etc.

Below are the highlights of our activities this year.

Highlights of 2024-25 activities:

Capital Project Updates

The Committee received updates on renewal funding at its first meeting in September 2024.

Renewal Funding Program Update

Rachel Satterfield, Vice President of Finance, provided an update on the University’s approach to funding major capital renewal needs. The new University renewal funding sources, including the assessment on the long-term pool approved in May 2023, were originally planned to be deployed over the next decade towards addressing needs at eight critical Arts & Sciences and Engineering buildings. However, this strategy resulted in significant funding gaps for most projects and did not create ideal incentives around swing space strategy and addressing program modernization opportunities beyond base renovation costs.

The revised allocation strategy dedicates funding resources for the next ten years towards the three highest priority projects: Reuben-Cooke, Hudson Hall, and the Biological Sciences building. Projects will receive allocated University renewal funding at a planning threshold of seventy percent of renewal cost (not including additional square footage), with the ultimate funding threshold determined by the Provost. Remaining project costs will be funded by a mix of philanthropy and internal school/unit resources (e.g., operating reserves, internal debt). The University will reserve some funding from University renewal sources to address critical maintenance needs at the other five buildings during this timeframe, in advance of the next phase of major capital projects. Project renewal budgets will include swing space costs and program modernization will be considered part of renewal, incentivizing schools and units to optimize on both issues. Demolition/building new is allowable and must demonstrate alignment with the University’s climate and sustainability commitment.

Hudson Complex Renovation Design Update

Adem Gusa, Director of Planning & Design and Mike Dausch, Director, Project Management, provided an overview on the Hudson Complex Renovation. This project is currently in the feasibility study phase with the existing Hudson complex being analyzed to determine renovation options and limitations. The project scope included modernizing the systems, bringing the building up to code, and program enhancements to create an improved learning environment that is flexible and can adapt over time to changing research needs.

Financial Overviews

The majority of UPC's business in AY 2024-2025 dealt with the financial situation at Duke, including a deep dive into the finances of Trinity College, an overview of finances of Athletics, and multiple updates on cost reduction and strategic realignment resulting from changing governmental priorities after the New Year.

Trinity College of Arts & Sciences Financial Overview (October 2024)

Gary Bennett, Dean of Trinity College of Arts & Sciences, presented an overview of Trinity's historical financial results and the financial challenges the school is currently facing. Trinity's primary revenue source is undergraduate tuition, which represents more than 60% of total revenue and 80% of unrestricted revenue. A major challenge to Trinity is meeting the financial aid needs of its students with need-blind admissions, a mandate to meet 100% of demonstrated need, and a lack of a large endowment for undergraduate financial aid, which is a feature of many competitor universities established hundreds of years before Duke. The University's decision to hold the undergraduate tuition rate flat in FY 2021 during the pandemic – without equivalent cost reductions – resulted in growing operating deficits in Trinity that required significant subsidies. Despite financial challenges, Trinity's commitment to student financial aid has not wavered.

Dean Bennett emphasized the importance of the undergraduate experience and faculty strength as core contributors to the University's brand and the need to protect investment in those areas, while also increasing the commitment to undergraduate financial aid. There is renewed emphasis on ensuring that renewal of tenure/tenure-track faculty is strategic, well-calibrated, and focused on excellence. Another area of exploration is mission-aligned professional master's programs, which could help grow and diversify Trinity's revenue base. Bennett also noted that Trinity is under-optimized on sponsored research and is considering ways to be more strategic.

Athletics Financial Overview (December 2024)

Rachel Satterfield, Vice President of Finance, provided an overview of the Athletics operating budget. Roughly seventy-five percent of costs were covered by external sources (e.g., media rights revenue, gifts, ticket sales, conference distributions), while the remaining twenty-five percent was funded by University support. The University's support for Athletics has increased significantly in recent years, driven by investments in football and backstopping of growing operating deficits, which began in FY 2021.

Nina King, Vice President and Director of Athletics, discussed the implications of the proposed "House Settlement" which (if approved) could result in substantial incremental annual costs for the University in the form of revenue share for athletes (up to \$20 million) and/or additional scholarships (costing up to \$37 million). While the University would not be required to provide either of these, investment will be necessary to maintain competitiveness. This would be in addition to a required reduction of \$1 million annually in NCAA distributions, beginning in FY 2025. Ms. King noted that revenue sharing will be a top priority for football, men's basketball, and women's basketball. Additionally, the Atlantic Coast Conference (ACC) has recently implemented a "success initiative" that distributes a higher share of revenues to schools based on success in these three sports. Under the House Settlement, collectives will continue to exist and can pay student athletes outside of the University.

For the Olympic sports, the additional scholarships allowed under "House" (if approved) will be the priority for coaches versus revenue share. Ms. King noted that Athletics is considering a tiering strategy to prioritize investment across these sports. An ad hoc joint subcommittee of UPC and the Athletics Council (AC) is being formed to discuss the path forward. The level of incremental annual investment will be carefully considered and phased in over time, which will be important in this dynamic landscape.

Ad Hoc Joint Subcommittee of the UPC and the Athletic Council (March 2025)

This subcommittee was convened in December and included as chairs Professors Herring (UPC) and Janiak (AC), as well as Professors Josh Sosin (UPC and ECAC), Lee Baker (AC), and Doriane Coleman (AC). Non-faculty members included Rachel Satterfield and Maggie Epps as administrative leads and athletics staff members Todd Mesibov and Erica Aresco. Chris Lott from the General Counsel's office also provided input as needed. The subcommittee was charged to make a recommendation to the President and Executive Vice President on whether to increase Duke's financial support to athletics in light of the pending House settlement and whether revenue sharing or new scholarships should be the highest priority. The subcommittee met frequently in December, January, and February and provided a report to the President

and Executive Vice President in late February. The President indicated he plans to share this report with ECAC in late spring.

University-Wide Strategic Realignment and Cost Reduction Planning Process (March 2025)

Leadership launched a University-wide strategic realignment and cost reduction planning process in response to significant federal funding threats by the new Administration. Daniel Ennis, EVP, characterized these threats as non-temporal in that (1) broad political support for universities is at an all-time low and (2) the targeting of elite, well-capitalized higher education institutions is occurring on both ends of the political spectrum.

Leadership estimates the scale of financial challenges across various revenue streams in the range of \$435M-\$720M, the largest in support of research. On February 7, the NIH proposed a facilities and administrative (F&A) rate cap of 15%; Duke's current negotiated rate is 61.5%. Fortunately, the proposed F&A rate cap is delayed pending further legal review, and the current F&A rate structure was protected in the recently passed continuing resolution. In addition, the University is currently experiencing losses of funding for deprioritized areas of research as well as delays/losses of funding due to significant disruption of the grant review funding process.

Threats to tuition revenue include potential losses from federal loan programs. In addition, the University is closely monitoring changes to immigration procedures that would threaten international student enrollment.

In response to significant funding reductions, the University leadership established cost reduction targets for each management center across the University. The University is in a strong financial position and is in the advantageous position of being able to plan carefully for major funding reductions.

The timeline is aggressive, with overall strategic realignment and cost cutting plans to be approved by Executive Leadership, ahead of endorsement by the Board of Trustees mid-May.

University-Wide Strategic Realignment and Cost Reduction Process Update (April 2025)

Following on the March 2025 discussion, Daniel Ennis provided an update on broader federal action response planning in light of recent actions/letters amongst our peers. We anticipate that our May meeting will provide further updates as the Administration's strategies, and Duke's cost reduction and realignment processes, evolve.

Respectfully Submitted,

Amy H. Herring
Sara and Charles Ayres Distinguished Professor
On behalf of UPC