

Report of University Priorities Committee Activities 2020-21

The University Priorities Committee (UPC) is appointed by President Vincent Price, chaired by a member of the faculty, and convened by Provost Sally Kornbluth and Executive Vice President Daniel Ennis. 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 is at the end of this report.

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 replaces the President’s Advisory Committee on Resources and provides a stronger 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 important 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 both participates in the discussion of key ongoing business of the University, as well as identifies areas of interest to the faculty that should be elevated for discussion within the charge of the UPC. During the academic year, we have ten scheduled meetings. While much of the agenda for the year is set ahead of time, e.g., current issues related to governance, financial information, etc., we leave slots open for topical issues as they arise, e.g., UIC Review, 2030 Report, etc.

Below are the highlights of our activities this year.

Highlights of 2020-21 activities:

1. Response to the Pandemic

Given the ongoing issues created by the global pandemic, most of our time this year was spent on Duke’s response to this crisis, especially on the financial constraints that it imposed on Duke.

When the pandemic hit in the spring of 2019, the administration initiated a series of moves to weather the storm. The main interventions were:

- Elimination of merit pool for all University employees.
- Hiring freeze.
- Non-salary spending controls.
- Temporary salary reductions for highly paid staff.
- Mandatory budget reductions in centrally allocated units.
- Suspension of employer retirement plan contributions. Duke contributes 8.9% of salary up to \$66,950 and 13.2% of salary between \$66,950 and \$285,000.

- Once Duke resumes its employer retirement contributions, it will lower its contribution rate to 8.9% of salary up to \$66,950 and 10.2% of salary between \$66,950 and \$285,000. Note that the annual (and recurring) savings associated with this change are in excess of \$13 million. This decision was subsequently suspended (see below).

As we approach the end of the current fiscal year, several things have become clearer. First, the expected revenue losses from tuition are significantly lower than what were expected last year. And second, the returns from the endowment and philanthropy have exceeded expectations and shown an increase. While the impressive growth rate in the financial markets may suggest a windfall to Duke that can be put to immediate use, it is important to keep two sobering things in mind: (1) even though DUMAC's returns are expected to be high for this fiscal year, it does not significantly affect our spending rate, which is based on a multi-year rolling average, and (2) the overall financial shortfall facing the university is still staggering. While some of the COVID-related losses are expected to ease over time, the University still has to contend with structural deficits that precede the pandemic.

Finally, an important adjustment this year was the administration's decision not to implement the reduced retirement contribution rate (reference above) that was part of the original plan. Part of this is because this reduction was not well-communicated to the community, but also because of the slight improvement in Duke's financial position. The current plan is to do a thorough analysis of Duke's benefit plans at a later point in time.

2. Undergraduate Experience and Need-Based Financial Aid

In 2019, President Price charged the Next Generation Living Learning Experience (NGLLE) task force to identify the best aspects of our residential experience and to reimagine a fresh approach that would retain what makes it distinctly Duke. The task force has come up with a creative set of recommendations that are beginning to be rolled out. In particular, the quad system proposed by the task force can serve as a student's home and foundational community throughout the student's four years at Duke and is likely to foster meaningful relationships between students and faculty.

Funding undergraduate financial aid continues to be a challenge. This issue has been highlighted for several years and it does not look like it will go away in the near future. We noted this concern last year and we are noting it again this year. While a commitment to need-blind financial aid is critical to our ability to attract the most talented and diverse student body, managing this commitment represents a major challenge for the university. As reported last year, from 2011-2020, Duke's total institutional commitment to aid has grown from \$109.4 million to \$184.7 million, a 69% increase. Over the same period, tuition has increased from \$40,665 to 55,380, a 36% increase. Going forward, there are two areas of concern that will need to be addressed. First, without a significant increase in funds dedicated to financial aid, how long can Duke sustain its commitment to need-blind admissions and financial aid? And second, the manner in which the financial aid package is determined ends up creating a donut hole for middle class families – they make too much to qualify for aid but not enough to pay the full cost of attendance. In

many cases, these students choose to go to state schools, so Duke ends up with two disproportionately large segments of students – those who receive a significant amount of aid and those who pay the full cost of attendance. The segment that receives modest amounts of aid ends up being much smaller.

3. **Other Items**

- The 2030 Committees met through the summer and fall of 2020 identify areas where Duke could improve. These areas ranged from research collaboration and educational innovation to financial structures and faculty engagement. This work will now move to the next phase and focus on targeted areas identified by the committee.
- In October 2020, Provost Sally Kornbluth launched an ad hoc faculty Interdisciplinary Priorities Committee (IPC) to undertake a focused review of Duke’s 11 university-wide institutes, initiatives and centers known as “the UICs.” Part of this review was to understand the appropriate level of funding for each UIC, explore whether UIC’s could be reconfigured or merged, think about what UICs should look like over the next decade and develop a system whereby they can be evaluated on a regular basis.

As we approach the end of this pandemic year, we are impressed by what Duke has managed to do. In particular, we acknowledge the outstanding guidance and planning by the administration and the willingness of students, faculty and staff to adapt to the situation. This year has given us a great deal of confidence in our system.

Respectfully Submitted,

Debu Purohit
Ford Motor Company Professor of Business Administration
Fuqua School of Business
16 April 2021

University Priorities Committee

Term: 3 years

Faculty

Debu Purohit, Chair, (Fuqua School of Business), 2021
Lisa Keister (Sociology/ECAC representative), 2021
Stefan Zauscher (Pratt), 2021
Adriane Lentz-Smith (History), 2021
Joseph Blocher (Law School), 2021
Elizabeth Albright (Nicholas School of the Environment), 2022
John Aldrich (Political Science), 2022
Laura Lieber (Religious Studies), 2022
Anne West (Neurobiology), 2022
Tom Ferraro (English), APC Chair

Ex Officio Members (with voting rights)

Vince Price, President
Sally Kornbluth, Provost
Kyle Cavanaugh, Vice President, Administration
Jennifer Francis, Executive Vice Provost
Linda Franzoni, Associate Dean, Undergraduate Education
Scott Gibson, Executive Vice Dean, Administration, School of Medicine
Kerry Haynie, Academic Council Chair
Tallman Trask, Executive Vice President (through November 2020)
Tim Walsh, Vice President, Finance (through October 2020)
Daniel Ennis, Executive Vice President (from October 2020)
Rachel Satterfield, Interim Vice President for Finance (from October 2020)
Gene Washington, Chancellor for Health Affairs

Deans

Ravi Bellamkonda (Pratt School of Engineering), 2021
Judith Kelley (Sanford School of Public Policy), 2021

Students

Jay Lusk, Graduate and Professional Student Council, 2021
Tommy Hessell, Duke Student Government, 2021

Budget and Finance Subcommittee

Debu Purohit, Chair
Sally Kornbluth, ex officio
Tallman Trask, ex officio