

Dear Duke Alumni and Friends,

More than 3,800 of your fellow Dukies came back to campus for reunions this past weekend. With spring's bloom at its peak, the campus was stunningly beautiful, with a further glow added by Duke's thrilling recent triumph in Indianapolis. And returning alums have not been our only visitors. As you may have heard, Duke had 27,600 applicants for its 1700 undergraduate places this year, a 33% increase in the past two years alone. During April our future freshmen have been coming to campus in waves, discovering for themselves Duke's special mix of seriousness, spirit, and communal vitality.

For those of you who could not come in person, I write to catch you up on some recent developments at Duke. I'll begin by reporting on how we have weathered the economic downturn.

At this time last year, with global markets still hovering near historic lows, we were looking at a major decline in our endowment's performance. Since the economy's reversals affected so many, we experienced a drop in philanthropic support as well. Faced with this loss of income after years of prosperity and growth, we determined that we needed to return the university's budget to a smaller, sustainable base, and we devised a plan to reduce our operating budget by approximately \$125 million over the next three years.

In the planning, care was taken to preserve our core commitment to financial aid, to sustain the quality of the student experience, and to continue the hiring of outstanding faculty. But needless to say, we saw a difficult period ahead.

A year later, I am pleased to report that we have made significant progress in meeting our economic challenge. As the economy has strengthened, our endowment has returned to a positive performance and in the first nine months of the fiscal year has recovered a considerable portion of the previous year's decline, thus reducing the size of our anticipated deficit. Meanwhile, internal discipline across the university has put us well on our way to the reductions we need to achieve. In the past year we have reduced the university's staff by more than 450 positions in large part through voluntary early retirement programs, and, we hope, averted the need for large-scale, across-the-board layoffs. Last year and again in the coming year Duke faculty and staff did not receive pay raises, though we did provide a \$1,000 supplement for those employees making less than \$50,000 last year, and less than \$80,000 this year. We have also carefully reviewed our

administrative operations, thereby reducing costs, creating efficiencies, and identifying important savings in areas from technology to purchasing to energy consumption.

As a result of these steps and others, we have reduced expenses by \$60 million in the first year alone of our three-year plan. We know we have further work ahead of us, and the reductions are not without pain. But we can be proud of the maturity, practicality, and spirit of shared sacrifice the Duke community has shown in facing up to our challenge.

Meanwhile, it's important to underline that while returning to a more sustainable budget is necessary and inescapable, it is not our goal. Our goal is to keep advancing the university's mission even as we deal with budgetary realities -- and Duke has continued its remarkable forward movement even as we pull in our belts.

To mention only a few examples:

During another recession, in the early 1970s, Terry Sanford had the foresight to envision Duke as a center for training in the arts of public policy. From that beginning, Duke has become a major resource for addressing challenges from global health to national security to the environment to the welfare of children. Last fall, successful fundraising enabled the Sanford Institute to be elevated to the status of a full-fledged school. More than ever, the Sanford School of Public Policy will continue the great Duke tradition of training talented students to put knowledge in the service of society.

In January of this year, I was honored to participate in the groundbreaking for another major extension of Duke's teaching presence, this time in China. The municipality of Kunshan, located just outside of Shanghai, has one of the highest per capita incomes of any Chinese city and one of the highest concentrations of high tech industries. Kunshan has proposed to build a new center of higher education and has invited Duke to be its founding partner. They have begun construction of a 200 acre campus that will initially house programs from the Fuqua School of Business, to be followed by other Duke-led programs that build on our core strengths. One of the most ambitious engagements any American university has made to date in China, Kunshan will give Duke a major educational presence in an area with great dynamism and challenges. At least as important, it will feed back into our work in Durham, giving Duke faculty and students first-hand knowledge of a major force in the future world.

Closer to home, we continue to be committed to enhancing the quality of undergraduate experience and of campus residential life. Earlier this month we opened Mill Village, a new student center at the heart of Central Campus, that includes commons space, a gym, and the Devil's Bistro, a new cafe that has quickly become a popular restaurant for students and faculty alike. While we continue to plan for a more comprehensive development of the area between East and West Campuses, Mill Village presents an exciting new addition and speaks to a long-felt need for community spaces on Central. Last Friday we broke ground for a new residence hall on West Campus -- K4 as it is called, since it will form the fourth side of Keohane Quad. This too gives us a chance to increase the housing available to undergraduates, to create more continuity and cohesion in residential communities, and to add social and activity spaces on the way from West to Edens.

Meanwhile, Duke continues to be a major player in the revitalization of downtown Durham. Over the past few years Duke has moved over 1500 employees into spaces downtown. This has helped stimulate the renovation of large parts of the city center, and restaurants, clubs, galleries, and small businesses have been sprouting up in downtown Durham in unexpected numbers. Duke has also been working to strengthen community health care in our city, and has formed major new partnerships to ensure educational success and progress for Durham youth in danger of disconnection.

I could go on -- it is a rare day when something extraordinary does not happen at Duke -- and I do encourage you to keep in touch with your university by visiting [www.duke.edu](http://www.duke.edu) often. But I will end by repeating that the recent downturn has not produced a "down time" at Duke. The faculty and students across all our schools remain as intelligent and vibrant and creative as ever, and we are determined to continue building the best Duke we can imagine.

Thanks to everyone who cheered for our teams this year, participated in alumni activities, and provided financial support for Duke students and programs. We are grateful to you all for your continuing interest and support.

Forever Duke,

Richard H. Brodhead  
President