



THE 2006 REPORT OF CHANCELLOR MARK A. NORDENBERG
UNIVERSITY OF PITTSBURGH

SAFEGUARDING OUR
INSTITUTIONAL TREASURE



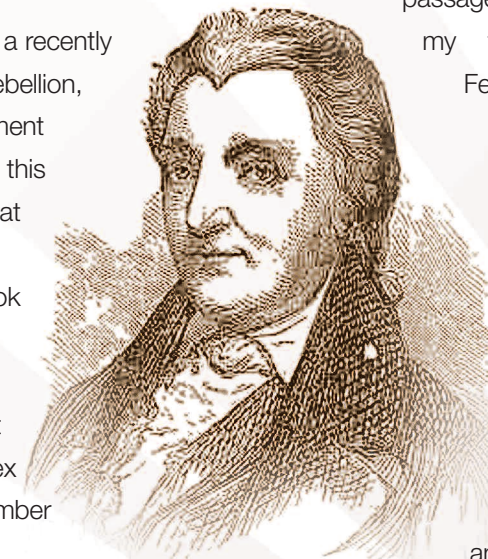


A restored log cabin situated on the University of Pittsburgh's Oakland campus symbolizes Pitt's humble origins as the Pittsburgh Academy, chartered in 1787.

This is the printed version of the report delivered by Chancellor Mark A. Nordenberg at the June 23, 2006, annual meeting of the University of Pittsburgh Board of Trustees.

Good morning, everyone. As always, it is great to be with you, and I want to begin by thanking you for all that you have done, and continue to do, to help advance the University of Pittsburgh, on so many fronts and in so many different ways.

Just a few weeks ago, I purchased a recently published history of the Whiskey Rebellion, a key event in the political development of our country and also in the life of this region. When I randomly opened that volume, the first thing I saw was a reference to *Modern Chivalry*, a book written by our University's founder, Hugh Henry Brackenridge, and a book widely regarded to be the first American novel. I turned to the index and quickly concluded from the number of listings next to his name that Mr. Brackenridge, in addition to everything else he had done, must have played a significant role in this event. That should not have surprised me, because he was one of the leading citizens of the region, but I had not known about this particular part of his life, and reading about it was interesting. Thinking that some of you may be similarly interested in the Whiskey Rebellion and in our founder, we have placed copies of the book around the table with your Board materials.



Hugh Henry Brackenridge

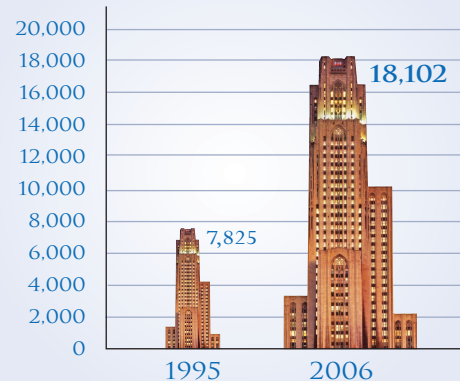
I raise this now because reading that volume also added some perspective to my thinking about this annual meeting. Most of us almost view the Whiskey Rebellion as “ancient” American history, and the 1790s were a long time ago. However, to put that in more directly relevant context, our founder was dragged into the middle of that fray several years after he secured passage of the legislation chartering the academy that would become our University. Next February, in fact, we will celebrate Pitt's 220th birthday.

For understandable reasons, because this is a complex place, we frequently think of our stewardship responsibilities in more complicated terms. But at the heart of the matter, we have been entrusted with an institutional treasure—a University whose life spans two complete centuries and parts of two others; a University that has provided exceptional educational opportunities to hundreds of thousands of students over the course of its proud history; a University that has claimed a place as an internationally respected center of pioneering research; and a University whose activities sit near the heart of the collective hopes of its home communities. Our mission is to safeguard that treasure and add to its quality, strength, and impact. 🍷

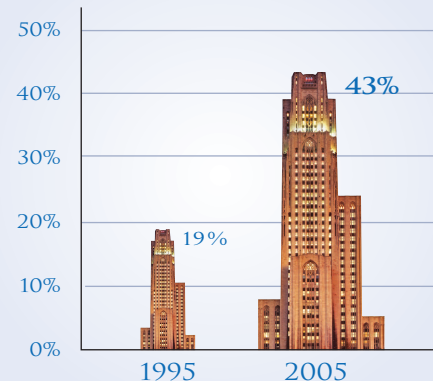
EXTRAORDINARY

PROGRESS

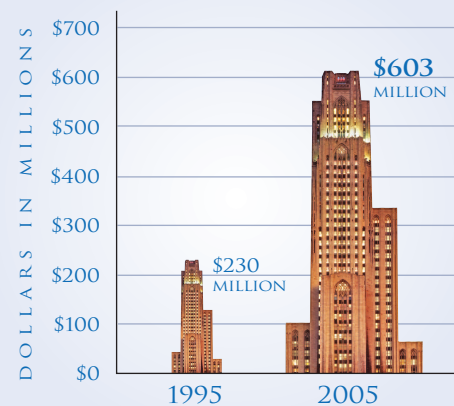
► FRESHMAN APPLICATIONS
PITTSBURGH CAMPUS



► FRESHMEN IN TOP 10%
OF HIGH SCHOOL CLASS



► RESEARCH FUNDING



F

Fueled by a determined effort from the entire University community—committed faculty and staff, hardworking students, loyal alumni, and devoted friends, as well as

Trustees—that job is getting done. We see our progress in the trend lines charting changes in our own performance over time—with far higher numbers of applicants seeking admission, with better-qualified students enrolling, and with dramatically elevated levels of research support, just to give three key examples.

We also see progress in the positions we now occupy in the comparative rankings developed by others.

- As recently as 1997, we were not even listed among the top public national universities in the *U.S. News & World Report* annual ranking. In 1998, we debuted at 48. Last year, we rose to 19th—a clear sign of momentum, even if we do not fully embrace the weighting of factors in this particular assessment.

- In *The Top American Research Universities*, a report issued annually by the Lombardi Program on Measuring University Performance at the University of Florida, we are tied—with Ohio State, Penn State, and Virginia—for a ranking of 11th among the top public research universities in the country and are in striking distance of the only universities we trail—Berkeley, UCLA, Michigan, North Carolina, Wisconsin, Florida, Illinois, Minnesota, Texas, and Washington—which is very good company.

- In purely objective terms, we now rank 12th among all national universities, public and private, in the National Science Foundation's rankings of federal science and engineering research and development obligations.
- And we rank seventh nationally among all universities in levels of funding attracted from the National Institutes of Health.

Moving beyond the numbers, examples of progress and recognition from the past year have been inspiring.

In fact, we already have celebrated a number of key triumphs.

Certainly among the most significant from those earlier

months were the dedication of our third biomedical

science tower, a \$200 million facility that has redefined the “state of the art”; the presentation by the

president to Professor Thomas Starzl, our organ

transplant pioneer, of the National Medal of

Science; and the selection of Pitt

senior Justin Chalker as a 2006 Rhodes

Scholar. The concluding weeks of the

academic year also have been a time of

achievement and impact.



Thomas Starzl



Justin Chalker (A&S '06)

On the facilities front, having opened our new biomedical science tower in the fall, we devoted

the weeks of winter and spring to filling it. Research teams

moved in and began pressing forward with their work.

In late April, we formally dedicated the new labs of the

Pittsburgh Institute for Neurodegenerative Diseases, which

focuses on such illnesses as Alzheimer's disease and

Parkinson's disease. Our special guests were the

members of the Scaife family and the leaders

of their foundations, which had contributed

\$10 million to support that particular initiative.





Two weeks ago, we opened the beautiful new Schenley Plaza park, which has been called “Oakland’s town square.” It might also be called “Oakland’s great connector,” because it provides attractive, inviting physical connections between the magnificent collections of our Hillman Library and the Carnegie Library; between the artistic richness of the Stephen Foster Memorial, including the Charity Randall and Henry Heymann Theatres, and the Frick Fine Arts Building; and between the Nationality Rooms of the Cathedral of Learning, the exhibits of the Carnegie Museums, and the natural beauty of the Phipps Conservatory and Botanical Gardens. And, of course, this park also will be a main stop on the footpaths linking Pitt and Carnegie Mellon University.

The carousel at Schenley Plaza

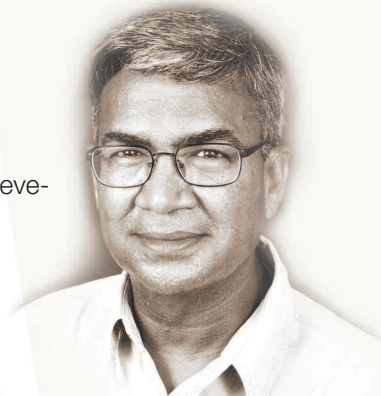


As we move into the weeks of summer, we are watching construction crews put the finishing touches on our newest hilltop residence hall. Ten years ago, the most urgent request coming to Pitt, both from city government and from neighboring residents, was to provide more campus housing for undergraduate students. By the time the fall term begins, we will have added 1,700 new residence hall spaces, increasing our capacity by more than one-third since 1995, with more such construction on the way.

Panther Hall, Pitt’s newest residence hall



Switching to high levels of faculty achievement, let me offer just two very recent examples. Anil Gupta, Distinguished Professor of Philosophy, was elected to the American Academy of Arts and Sciences—joining Dr. Starzl and five other members of our faculty, four of them also philosophers. Graham Hatfull, the Eberly Family Professor and chair of the Department of Biological Sciences, led efforts that attracted a \$2.1 million Howard Hughes Medical Institute (HHMI) grant to support undergraduate research projects and outreach initiatives in the biological sciences. Professor Hatfull earlier had received both a \$1 million HHMI grant—leading him to be called a Hughes “Million-Dollar Professor”—and a \$500,000 renewal to support programs that engage our undergraduate students in research. This is a particular Pitt strength that distinguishes our undergraduate experience from those offered at most other universities.



Anil Gupta (FAS '73, '77)



Graham Hatfull

In terms of student achievement, we added to last fall's Rhodes Scholarship win with great springtime news. Margaret Bennewitz and Tanya Keenan won Barry M. Goldwater Scholarships, Adam Iddriss won a Harry S. Truman Scholarship, and Clayton Magill won a Winston Churchill Foundation Scholarship. Year after year, our University Honors College students successfully compete with the top students from the very best colleges and universities in the country. This year's Goldwater, Truman, and Churchill Scholars, by the way, all came from Pennsylvania, reflecting the exceptional job we are doing in developing homegrown talent, an important part of our mission as a state-related university.



Margaret Bennewitz
(ENGR '07)

Tanya Keenan
(A&S '08)

Adam Iddriss
(ENGR '07)

Clayton Magill
(A&S '06)



Not all of the recognition won by our students was individual. Earlier this month, a team of students from our College of Business Administration won the Honda Fit Marketing Challenge, a national competition centered on the development of a marketing strategy for this new Honda model.

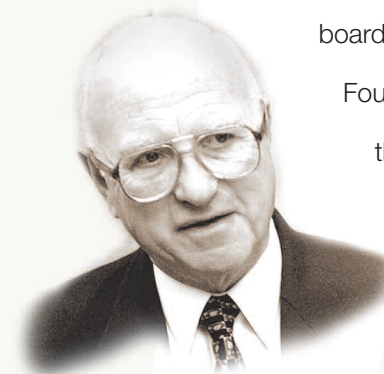
And not all of our student victories were won by undergraduates. A team of law students, for example, won a hard-fought battle resulting in Medicare and Medicaid coverage for pancreas-only transplants. That three-and-one-half year legal struggle was supported by faculty from the Thomas E. Starzl Transplantation Institute and was

led by School of Law Professor Stella Smetanka, who also is a Pitt graduate. In fact, Stella was a student in the very first class I taught at the Pitt law school.



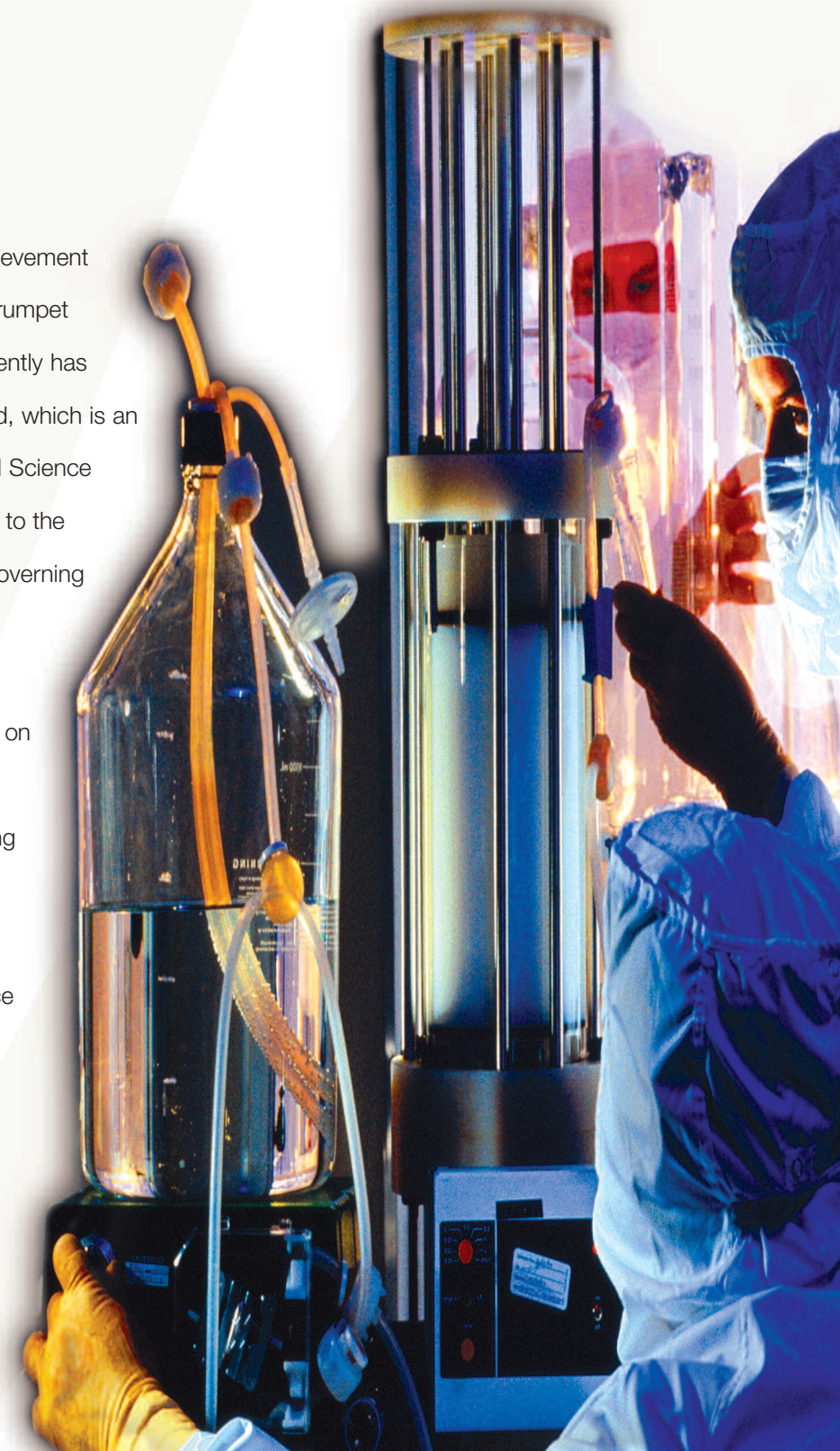
Stella Smetanka (LAW '80)

There is one other example of high achievement by a former Pitt student that I want to trumpet today. Your fellow Board member Steve Beering recently has been named the Chair of the National Science Board, which is an extraordinarily prestigious appointment. The National Science Board serves both as national science policy advisor to the president and Congress and as the governing board for the National Science

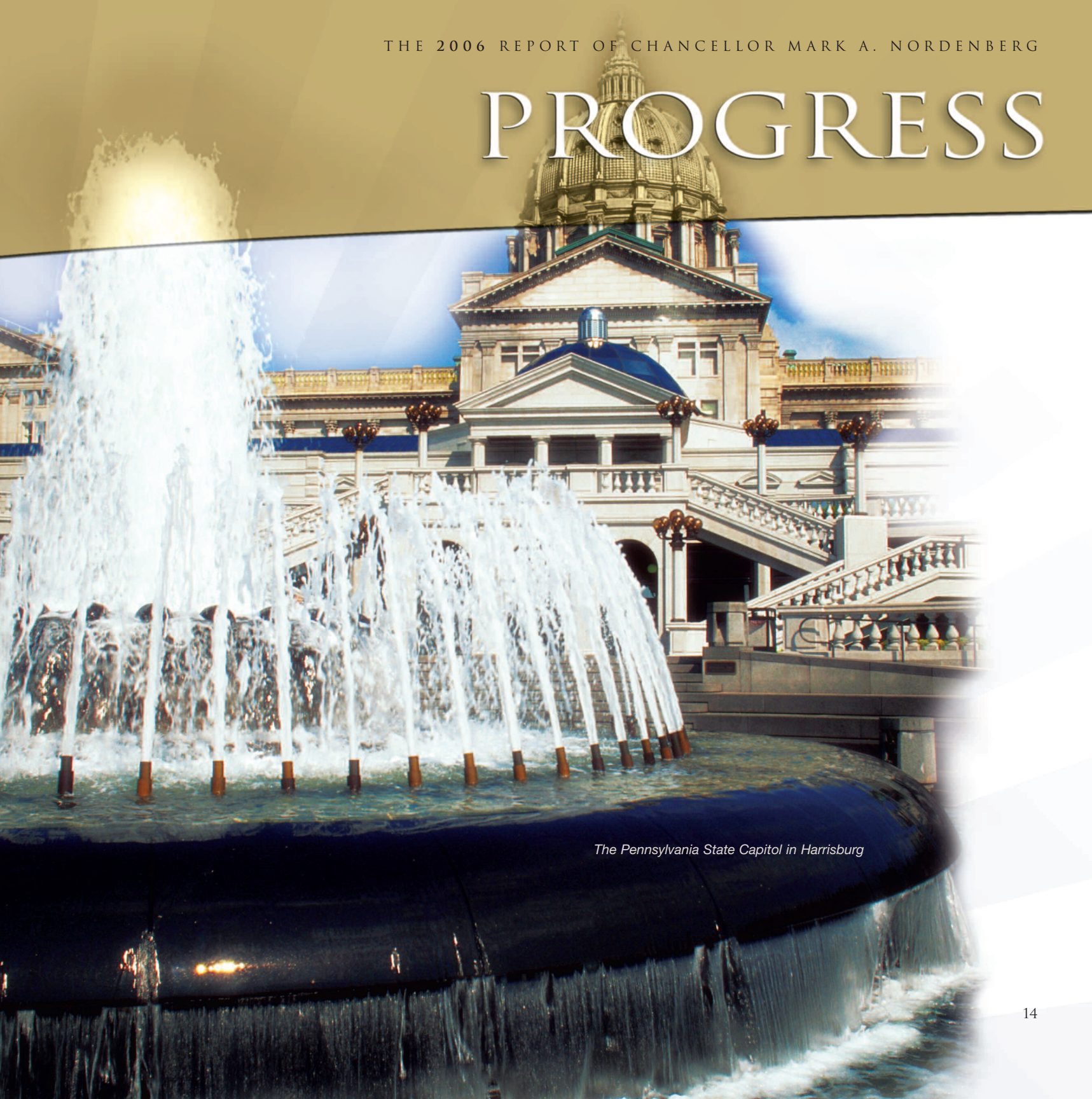


Steve Beering (CAS '54, MED '58)

Foundation. The first sentence in the biography of Steve posted on the board's official Web site states, "Steven C. Beering received BS and MD degrees and an honorary Doctor of Science degree from the University of Pittsburgh." That brief biography also goes on to identify Steve as a Pitt Trustee—and how proud we are to claim him as a member of this group! 🎓



PROGRESS



The Pennsylvania State Capitol in Harrisburg

NOTWITHSTANDING CHALLENGES



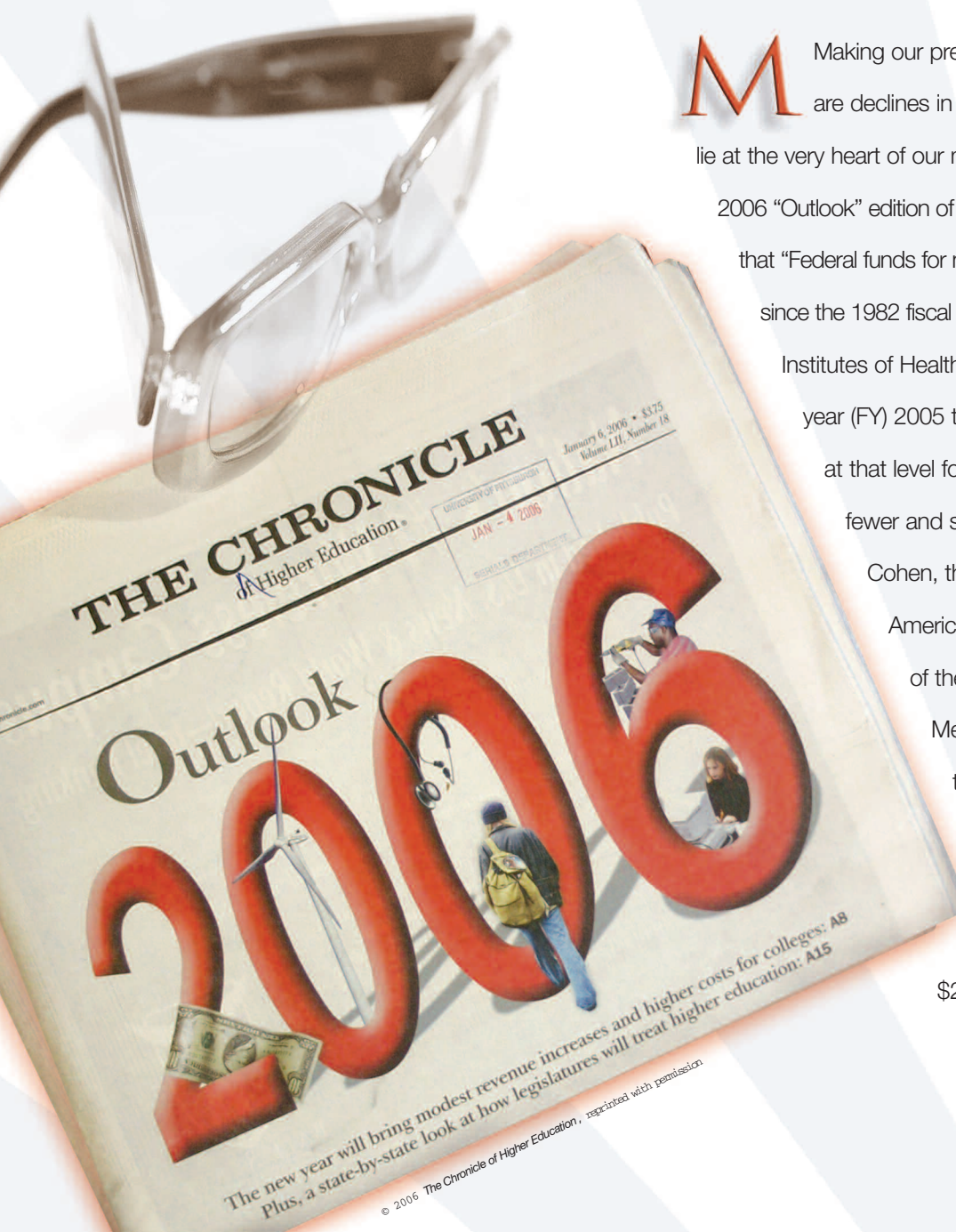
Our recent record of institutional progress is all the more satisfying because it has been built in a time of real fiscal challenge. For the past 40 years, we have been a

state-related university, and state support has played an important role in fueling our advancement. Over much of that period, however, Pennsylvania has lagged behind competitor states in supporting its public research universities, and the early years of this decade brought even worse news—appropriation cuts and freezes.

This past January, the *Chronicle of Higher Education* reported that, during the last fiscal year, state spending on higher education rebounded dramatically in most parts of the country. Unfortunately, Pennsylvania did not keep pace. Instead, according to the *Chronicle's* survey, state support for higher education increased by an average of 6 percent nationally, while

Pennsylvania's increase was only 1.6 percent, placing us 39th among the 50 states. Prospects for the upcoming fiscal year were said to be encouraging in other states, but the projection for Pennsylvania was simply and grimly labeled “not good.”


The governor's budget proposal, released in February, recommended a 4 percent increase for our education and general appropriation, which would be our most generous boost in years, and we are grateful for that. Still, that 4 percent would lag measurably behind last year's national increase of 6 percent; that 4 percent increase would apply only to our education and general appropriation and would be offset by recommended reductions to other line items, taking the total proposed appropriation increase down to 3.3 percent; and the purchasing power of our appropriation would remain several million dollars lower than it was just a few years ago.



Making our present circumstances even more difficult are declines in federal support targeting two areas that lie at the very heart of our mission: student aid and research. The 2006 “Outlook” edition of the *Chronicle of Higher Education* reported that “Federal funds for nonmilitary research will fall for the first time since the 1982 fiscal year” The budget of the National Institutes of Health (NIH) was cut by \$66 million from fiscal year (FY) 2005 to FY 2006 and is proposed to be frozen at that level for FY 2007, meaning that there will be fewer and smaller grants. According to Jordan Cohen, the president of the Association of American Medical Colleges and a member of the Board of Visitors of our School of Medicine, “The recommendation to freeze the NIH budget marks the fourth year in a row that funding has fallen below the rate of inflation. In constant dollars, this means the NIH has lost nearly \$2 billion in buying power since FY 2003.”

Put another way, and as calculated by Senior Vice Chancellor for the Health Sciences Arthur Levine, if the NIH budget remains flat through 2010, it will have lost 20 percent of its purchasing power, and if it remains flat through 2012, it will have lost 26 percent of its purchasing power. However, even those stark numbers do not capture the full impact of these trend lines on universities like Pitt. Because certain other elements of the NIH budget cannot be reduced as easily, cuts to research and training grants are likely to be even more severe. Just last month, in fact, the NIH proposed capping reimbursements to universities for graduate students and postdoctoral researchers in an attempt to deal with its own budgetary challenges. Even with those changes, which would hurt Pitt and other universities, the number of graduate students supported by such grants would have to be reduced by 200 next year and by even larger numbers in succeeding years.





In terms of federal student aid, the news is equally sobering. Here the *Chronicle* reported that, last December, Congress cut \$12.7 billion from government-backed student loan programs “to help slow the growth of federal spending over the next five years.” The *Chronicle* went on to state that “[t]he cuts, which are the largest in the loan programs’ histories, account for one-third of a \$40-billion deficit-reduction package that lawmakers in both chambers approved just days before ... the holidays. To achieve those savings, the bill would slash government subsidies to private lenders, raise interest rates for students and parents, and require borrowers to pay a 1-percent fee to agencies that guarantee loans.” Proposed budget reductions

for fiscal year 2007 would cut an additional \$3.5 billion from the budget of the U.S. Department of Education, eliminating several student-aid and college-preparation programs.

These cuts, on both fronts, have a magnified impact at Pitt. Because we are so strong in biomedical research, cuts to the NIH budget have a disproportionate effect on us. And because we continue to enroll large numbers of students of modest means, cuts to federal financial aid programs also have a disproportionate impact on Pitt and on the families we serve.

Just last month, the *Chronicle of Higher Education* published a special report entitled “Elite Colleges Lag in Serving the Needy: The Institutions with the Most Money Do a Poor Job of Reaching the Students with the Least.” The study used the percentage of a university’s student body eligible for

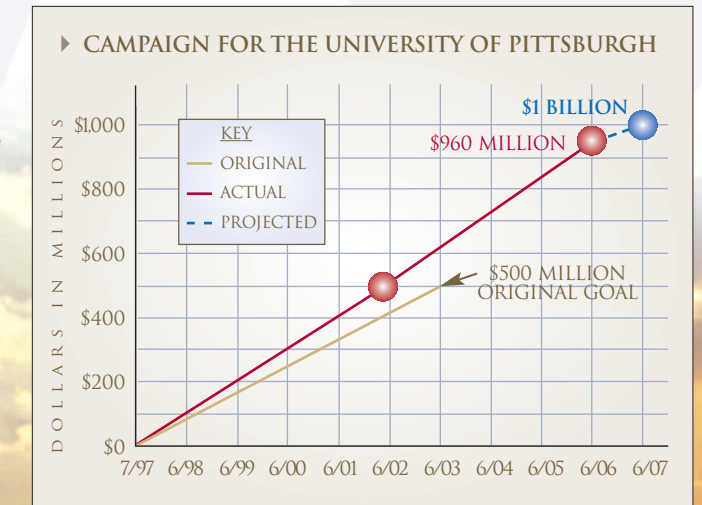
Pell Grants—which are limited to families with annual incomes of less than \$40,000—as its measure of accessibility. Pitt ranked seventh among the 22 public Association of American Universities institutions listed in this survey. And, to return to the real theme of the article, no private AAU university enrolled as high a percentage of Pell Grant-eligible students as Pitt did, and many of the private universities that are considered to be truly elite trailed very far behind.

As we make our way across this increasingly inhospitable fiscal landscape, one trend line in particular stands as a shining beacon of hope. This University has become markedly more effective in its fundraising.

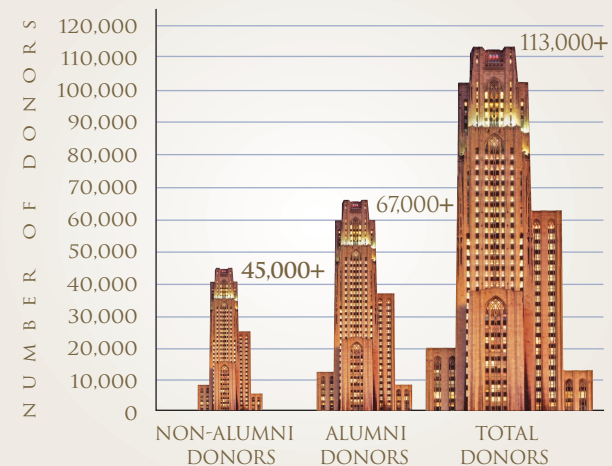
- In 1995, we attracted \$39 million in total voluntary support.

Last year, we attracted \$103 million in total voluntary support, and we expect to reach \$110 million this year, which would be an increase of 182 percent over 1995.

- Our capital campaign continues to exceed our most optimistic expectations. We launched this campaign with a \$500 million goal, when professional advisors were telling us that we were not positioned to launch any campaign. Despite that counsel, we moved ahead, achieved that first goal early, and doubled it to \$1 billion. Today, I am very pleased to advise you that we have raised \$960 million, that we also will reach the billion-dollar mark early, and that our momentum is still building.



► CAPITAL CAMPAIGN DONORS



- This is a campaign that has benefited from the extraordinary generosity of donors capable of making very large gifts, attracting 193 donations of \$1 million or more. It also is a campaign that has generated broad-based support, with gifts from more than 113,000 donors.

- Included among those 113,000 donors are 67,000 alumni. The Pitt Alumni Association has been a dedicated partner in this campaign, just as it has been in so many of the other institutional initiatives that have helped propel our University forward. The generous outpouring of support from our graduates back to their alma mater has been one of the very heartening features of this campaign.

- At the same time, if you do the math, you can see that this campaign also has been supported by more than 45,000 donors who are not Pitt alumni. To be able to attract support from such a large number of donors, not motivated by alumni loyalty but who believe in Pitt enough to invest in us, also is inspiring.



ALUMNI
ASSOCIATION

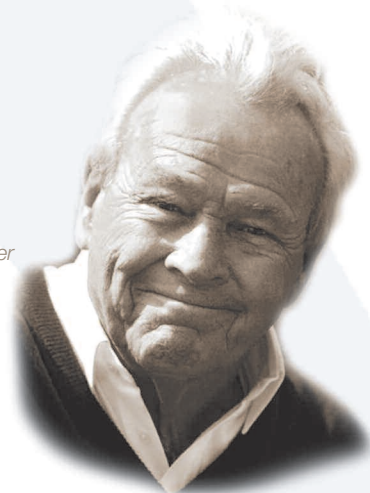
- This is a campaign that has taken our fundraising efforts in critical new directions. First, when we launched this campaign, individual giving accounted for only 24 percent of the support we were attracting annually. In each of the last two years, individuals accounted for more than 41 percent of our support. We knew that attracting ever-higher levels of individual support would be critical to our success and have worked successfully to move the campaign in that direction.

- In addition, gifts from outside the Pittsburgh region have accounted for more than 55 percent of our campaign total. We made outreach a priority and that, too, has worked. In fact, just as our research has become an engine for annually importing large sums of money into this region, so has our capital campaign.





Tom (ENGR '64, '66, '71)
and Sandy Usher



Arnold Palmer



Carol (SLIS '68) and Monto Ho

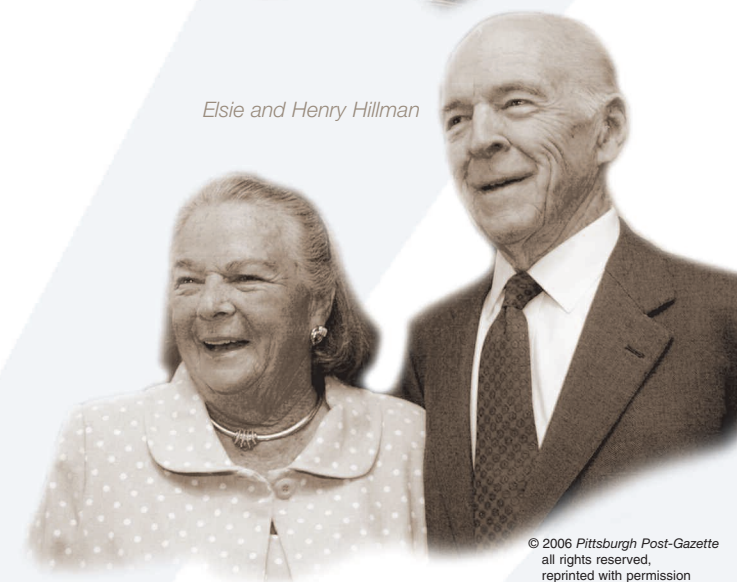
- Most important, though, this is a campaign that has made an enormous difference in Pitt's quality, starting with our ability to attract, support, and retain some of the most talented and committed people in the world, and I include in that description faculty, staff, and students. To highlight some particularly telling examples, the campaign already has produced more than 350 new scholarships and fellowships and 66 new chairs and professorships—forms of support that are absolutely critical if we are going to compete with the country's very best universities. Just in the last few weeks, we celebrated major gifts from Tom and Sandy Usher to endow a chair in melanoma research; from the legendary Arnold Palmer to endow a chair in cancer prevention; and from Monto Ho, one of our most distinguished faculty members, and his wife Carol to endow a chair in infectious diseases and microbiology.

- This also is a campaign that has positioned us to initiate and sustain programs of quality and of impact. Let me, again, give just a few telling examples. The multiple, and extraordinarily generous, gifts from John Swanson to create and advance the John A. Swanson Institute for Technical Excellence have created a platform for us to do things no other University can do in education, research, and economic development. The creation, by Henry and Elsie Hillman, of the Hillman Fellows Program for Innovative Cancer Research provided early stage support for 23 novel, high-priority projects in this last year alone. The funding, by LaVonne and Glen Johnson, of the Johnson Institute for Responsible Leadership will help ensure that ethics and accountability remain visible and perpetual priorities in the programs of the Graduate School of Public and International Affairs. And the most recent gift from John and Gertrude Petersen, two of our most generous benefactors, will support University-wide initiatives in nanoscience—and we were very pleased when the global trade publication *Small Times* recently ranked our microscale and nanoscale research programs second in the country.

John Swanson (ENGR '66)



Elsie and Henry Hillman



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John (BUS '51) and Gertrude Petersen

Petersen Events Center

- Obviously, this also is a campaign that has permitted us to construct and renovate facilities that support our aspirations. As I have said to some of you in the past, this campus now is home to the best place in the country to do biomedical research and the best place in the country to watch a basketball game.

And those two compelling examples are just the beginning of the story. In the past decade, we launched and completed more than \$1 billion in facilities projects. That construction, renovation, and restoration—here in Oakland and on each of our other four campuses—have dramatically elevated the “Pitt environment” in the arts, in instruction, in research, in recreation, in student life, in campus living, and in virtually every other area in which the people of the University are engaged.

Biomedical Science Tower 3

B But as far as we have come, we all know that much more remains to be done in our never-ending quest to secure an adequate resource base. We know it from the general trend lines, already discussed, evidencing the fact that these continue to be days of declining public support for higher education. We know it when we are dreaming about, or planning for, an even better Pitt. Certainly, it is not uncommon to find ourselves saying, “If only we had the resources to do that.” And when we look around, if we look closely enough, we also know it from the things that are still missing, even though we already have come so far together.



- In terms of some of the talented, committed people we were discussing just a few moments ago, let me start with our Rhodes Scholar, our Truman Scholar, our Churchill Scholar, and our two Goldwater Scholars. All of them received some form of direct University of Pittsburgh-funded aid—most typically, Chancellor's Scholarships or Honors College Scholarships. But not one of those students, as talented and deserving as they are, drew support from an endowed scholarship fund.
- Or switch back to Professor Gupta, the philosopher recently elected to the American Academy of Arts and Sciences. He has been designated a Distinguished Professor by the University. However, as distinguished as he is, he does not hold an endowed chair. Philosophy may be the top-ranked discipline University-wide at Pitt. In fact, when the National Research Council last assessed the comparative strength of doctoral programs by discipline, both our philosophy department and our history and philosophy of science department were ranked among the country's top five. Despite that fact, and even though Professor Gupta and four philosopher colleagues are members

- of the American Academy of Arts and Sciences, those two departments combined have only two endowed chairs.
- Or turning to program support, with all it has accomplished in elevating the quality of undergraduate education, think about what it would mean to our University—and to our high-achieving students—if our University Honors College was endowed, as so many are at other major universities. And that is just one very visible example.
 - Or, as you wander our campuses, think about what we will need to do to preserve our architectural treasures and to bring existing buildings up to modern functional standards, as well as constructing the new buildings that may be essential to the successful pursuit of our dreams. As we all know, facilities' needs never are permanently satisfied—and if those needs are neglected, huge deferred maintenance problems result.





Of course, we also know that more needs to be done because we are watching the competition.

During the last 10 years, we have moved this University even

higher in the ranks of the country's very finest universities—

which means that we are competing more directly with stronger,

better-funded institutions. And those universities are not standing

still themselves—in fundraising or on any other front.

Four weeks ago, the *New York Times* published an article reporting that Columbia University was about

to move forward with a \$4 billion capital campaign, which

the *Times* said would be the largest in higher education

history. And there was more. That same article also reported

that the University of Virginia soon would announce a

\$3 billion campaign and that New York University

already was in the midst of a \$2.5 billion campaign.

Some of the quotes included in the article were as telling as the dollar amounts. The president of George

Washington University said, “Money is the mother's milk of academic

quality. . . . Everybody needs more all the time.” The dean of the Curry

School of Education at the University of Virginia added, “The right way

to think about campaigns is that these kinds of schools are going to

be in one forever.”

Perhaps because it has been so satisfying to defy the odds by keeping what had been

viewed as a foolishly aggressive initiative on track, ahead

of schedule, and in search of even more ambitious goals, our fundraising efforts to date seem to have breezed by.

It seems like yesterday that we first were discussing campaign options during a Board retreat in Scaife Hall;

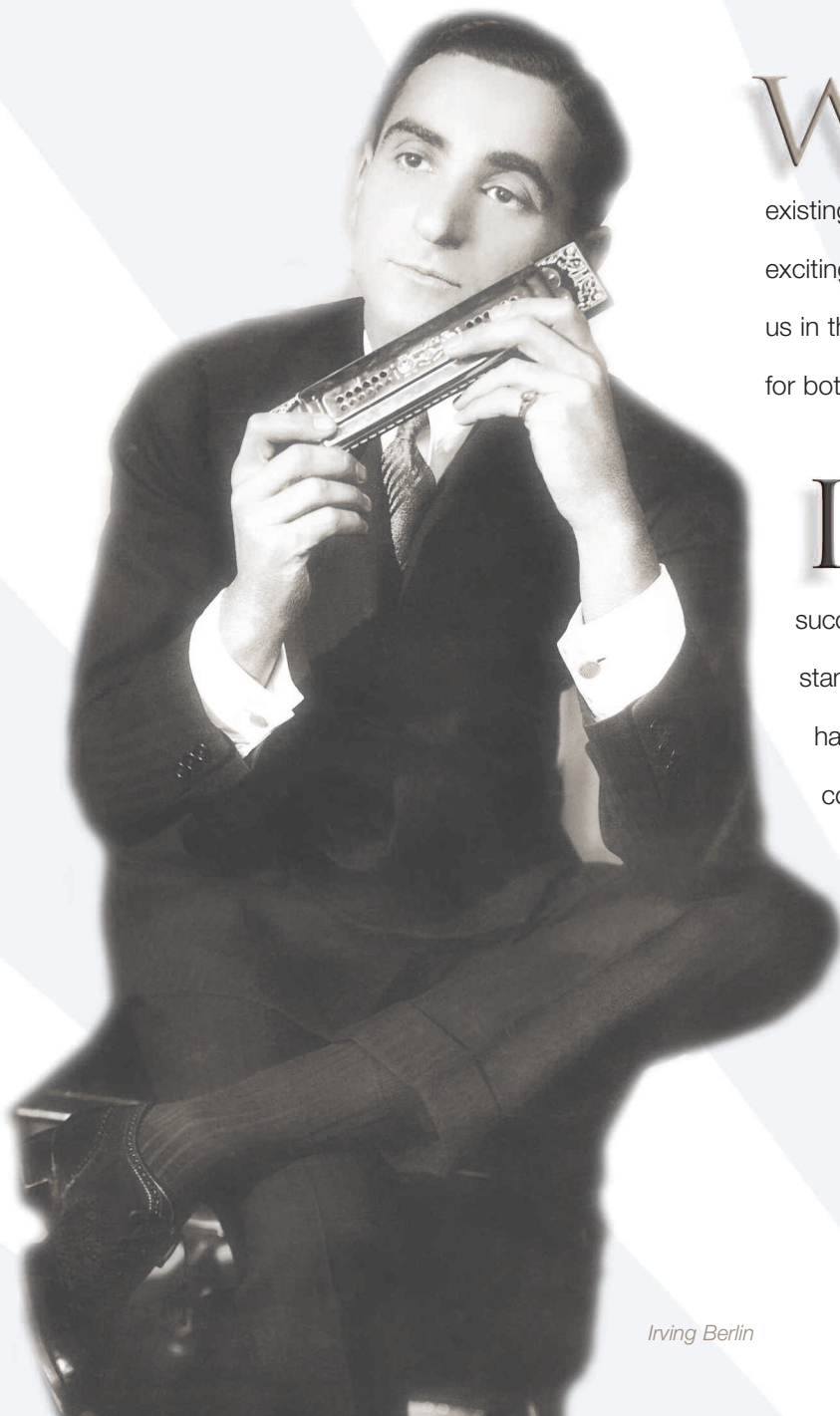
and it seems like yesterday that we gathered in the Carnegie Music Hall during Discovery Weekend to

publicly announce our \$500 million goal; and it seems

like yesterday that this Board passed a resolution

doubling that goal to \$1 billion. And here we are, on the

verge of reaching that much larger goal early as well.

*Irving Berlin*

We never have indulged ourselves by taking much time to celebrate. Instead, we all know that even our existing needs have not yet been fully met and that an array of exciting new opportunities and serious new challenges will greet us in the years ahead. Obviously, we need to be “resource ready” for both.

Irving Berlin, one of history’s most famous and prolific composer-lyricists, once said, “The toughest thing about success is that you’ve got to keep being a success.” We understand that challenge—including the fact that past successes have brought with them both higher expectations and stiffer competition—and we welcome it. In fact, we fully realize that it is our shared good fortune to have reached a point where sustaining success is our pressing challenge.

In February of 2000, just a little more than six years ago, this Board publicly declared, “By aggressively supporting the advancement of Pitt’s academic mission, we will clearly and consistently demonstrate that this is one of the finest and most productive universities in the world.” We already have traveled a fair distance on that never-ending journey. I look forward to our continuing efforts to support the people, develop the programs, and marshal the resources that will make us ever more successful in our pursuit of that noble goal. 🌐



UNIVERSITY OF PITTSBURGH

DISCOVERING A WORLD OF POSSIBILITIES



& BUILDING OUR FUTURE TOGETHER

Following the chancellor's report, the University of Pittsburgh Board of Trustees passed a resolution authorizing the University to extend Pitt's Discover a World of Possibilities fundraising campaign—doubling its goal from \$1 billion to \$2 billion. Excerpts from the resolution follow.

WHEREAS, this campaign has added substantially to the academic strength and stature of the University by providing support for talented and deserving students, committed and high-achieving faculty members, programs of quality and impact, and facilities that are essential to the achievement of our institutional goals, and

WHEREAS, the University of Pittsburgh is faced with constrained governmental funding for student financial aid, research, programs, and facilities and must continue to attract private gifts and grants to support its important mission, and

WHEREAS, the Board of Trustees remains firmly committed to its statement of aspiration, publicly adopted in February of 2002: "By aggressively supporting the advancement of Pitt's academic mission, we will clearly and consistently demonstrate that this is one of the finest and most productive universities in the world," now therefore be it

RESOLVED, that the members of the Board of Trustees do hereby authorize and dedicate themselves to an extension of the capital campaign, with an increased goal of Two Billion Dollars, to be used to support the people and programs of the University of Pittsburgh in ways that further enhance its strength and quality, increase its impact, and add to its already proud legacy.



University of Pittsburgh

Leader in Education

Pioneer in Research

Partner in Regional Development

