Later today the presidential portrait of Thomas H. Jackson will be officially presented to the University in a ceremony on the Great Stairs in Rush Rhees Library. SLIDE 1. This is a significant occasion. Tom Jackson’s presidency was a pivotal one in the history of the University of Rochester. When he began, there had been qualitative declines, particularly in the College of Arts and Sciences and the Medical Center. Through outstanding leadership choices and strategic planning, Tom not only reversed these declines but “reasserted the greatness of the University of Rochester.” I hope all of you will join me and Tom for the opportunity to celebrate a job well done and to remind all of us that great universities inevitably build on their historical strengths and achievements.

Each year, typically in the fall semester, it has been the custom for the president of the University of Rochester to report on the State of the University. This past October I instead delivered an address titled “Envisioning the Future: A Framework for Strategic Planning.”

Let me today deliver this year’s State of the University address. I do so sharing the upbeat mood that I know many of you feel. This enthusiasm is not based solely on subjective belief. On January 5, 2007, Moody’s Investor Service, one of this nation’s leading bond rating agencies, published a new rating for our University. SLIDE 2. The Moody’s rating revised the outlook for the University from stable to positive and stated in part: “The positive outlook is primarily driven by continued improvements in the University’s student market (in particular for undergraduate
students), growing operating income at the hospital, and a reinvigorated focus on development efforts. . .”

Moody’s characterized as our strengths:

- Large and diversified student base (8,019 full-time equivalent students) with highly reputable graduate programs and continued healthy growth in net tuition per student ($17,018 in fall 2005); initial signs of strengthening most directly demonstrated by a dramatic jump in yield on admitted students to [21.5%] in fall 2006 from [18.5%] in fall 2005;
- Long history of balanced operating performance for the University as a whole;
- Healthy financial resources;
- Potential for significant expansion in fundraising success as relatively new senior leadership team focuses on development infrastructure.

Moody’s also recognized that we have challenges:

- Relatively heavy reliance on healthcare operations;
- Highly competitive environment for students;
- Capital spending requirement is likely to remain substantial.

There is much else to our University, but Moody’s positive evaluation and recognition of “initial signs of strengthening” is an encouraging and accurate description.

In the College of Arts, Sciences and Engineering, undergraduate applications have grown from 8,682 in 2002 to a record 11,316 in 2006. SLIDE 3. Selectivity concomitantly has improved from 56 percent in 2002 to 45 percent in 2006.
At the Eastman School, graduate applications have risen by 38 percent in five years. SLIDE 4. This has allowed Eastman to improve selectivity over that period and simultaneously increase yield.

The School of Medicine and Dentistry also has seen a rise in applications, enabling greater selectivity. SLIDE 5. The quality of our medical school graduates was clearly demonstrated by our most recent graduating class’s performance on the National Residency Match Program – the best in 20 years.

The tremendous popularity of the new accelerated programs in the School of Nursing has been a major contributor to that school’s recent success, and is an important component of the School’s efforts to address a nationwide nursing shortage. SLIDE 6.

At the Simon School, application declines in the early part of this decade are beginning to reverse. SLIDE 7. The School enjoyed a 14 percent increase in applications to the full-time MBA program last year.

The Warner School student body is also growing, with applications to the master’s program increasing from 180 in 2002 to an all-time high of 319 in 2006. SLIDE 8.

A separate measure of the health of a University involves net changes in faculty size. SLIDE 9. In the last year, the University hired 166 instructional faculty, for a net addition of 27 to our faculty ranks. We have good reason to anticipate further significant progress with respect to the faculty. A major aspect of our emphasis on advancement will be the creation of new endowed professorships. On January 19, we celebrated the selection of Dr. Ching W. Tang to fill the new Doris Johns Cherry Professorship.
SLIDE 10. Dr. Tang is known internationally for his work on organic solar cells and organic light emitting diodes or OLED.

On May 1, 2007, we will celebrate the selection of School of Nursing Dean Pat Chiverton to hold the Pamela Klainer Endowed Professorship in Nursing Entrepreneurship. Pat is in her seventh year as dean of the School of Nursing. She has overseen the steady increase in the school’s ranking in NIH funding to 12th in the nation, as well as a remarkably successful capital campaign that resulted in a beautiful 20,000 square foot addition to the School of Nursing. Several other fully endowed professorships have been funded since 2006. SLIDE 11.

I am delighted today to report that we have just received a new $3 million gift from E. Gerald Corrigan. Jerry Corrigan is a former chief executive officer of the Federal Reserve Bank of New York and a participating managing partner at Goldman Sachs. He is the husband of Cathy Minehan, a member of our Board of Trustees and chair of the Board’s Executive Committee and herself currently president of the Federal Reserve Bank of Boston. Half of Jerry Corrigan’s gift will establish the Corrigan-Minehan Professorship in Political Science to support a scholar who epitomizes the research and teaching excellence of the late William F. Riker. The other half will broaden the existing Corrigan-Minehan scholarship fund.

We are just warming up in terms of building a modern advancement infrastructure at the University of Rochester. It is not a fast, nor an easy, process, but with Jim Thompson’s leadership, we are doing it right. SLIDE 12. Since his arrival in 2005, Jim has hired 15 senior staff members into the Advancement organization. For example, we hired Peter Briechle in April 2006 from Cornell University. He is now our Senior Director of Research and Prospect Management. James Conway, our new Associate Vice President for Advancement Services came to us from Northwestern
University in June 2006. Stephanie Katz left Harvard University in December 2006 to be the Senior Director of the George Eastman Society.

The initial results of this multiyear effort are favorable. During the first six months of the 2005-2006 academic year, the University raised $31.5 million. SLIDE 13. In the first six months of this academic year, we raised $48.7 million, an increase of 55 percent. In reviewing development data, I usually focus on a core number which excludes bequests. For the University as a whole, we saw impressive growth in that core number from $26.5 million in 2005-2006 to $42.8 million in 2006-2007, or 62 percent. If we subtract a very large gift from Robert Goergen, our total for the year minus bequests and that gift is $32.9 million, which would be an increase of 24 percent. Notably the number of gifts received to date is up 13 percent compared to last year and the number of pledges is up 60 percent. We are very early in a long process of building a world class advancement operation at the University of Rochester, but these are impressive initial steps.

The University of Rochester Medical Center has had a particularly strong year. The School of Medicine and Dentistry increased total research support to over $230 million and NIH funding to $147 million for federal fiscal year 2006. The School’s Orthopaedics and Dentistry departments now lead their peers in NIH funding, and Biostatistics, Neurology, Community and Preventive Medicine, and Neurosurgery rank in the top ten.

On the clinical side, Strong Memorial and Highland Hospital continue to experience steady growth in patient care services. Strong’s Liver Transplant Program, for example, is now among the three largest programs in the country.

If we look at the University in aggregate, the recent past has been a period of impressive achievements. SLIDE 14. We all took
pride in the approval last June by the Food and Drug Administration (FDA) and Centers for Disease Control and Prevention (CDC) of the world’s first vaccine against cervical cancer, which is now being used to safeguard women against this deadly disease. The vaccine was based, in part, on work done here by virologists Richard Reichman, Robert Rose, and William Bonnez. FDA approval of the vaccine was one of three University of Rochester achievements recognized in Discover magazine’s Top 100 Science Stories of 2006, ranked number 27 on that list. At number 44 is Neurology Professor Steven Goldman’s discovery that brain cells derived from human embryonic stem cells dramatically improve the condition of rats with Parkinson’s-like symptoms. At number 87 is Optics Professor Robert Boyd’s discovery that he could send light backwards.

In August, the University was one of 25 universities named a “New Ivy” in the 2007 Kaplan/Newsweek How to Get into College Guide.

In October, the School of Medicine and Dentistry, with Dean David Guzick as principal investigator, was named as one of 12 academic health centers to receive a $40 million grant to establish a Clinical and Translational Science Institute.

On October 5, The Times of London ranked Rochester 21st among U.S. universities, compared to 29th the prior year.

There have been many other recent highlights. SLIDE 15.

Let me particularly praise Mike Neer. SLIDE 16. For 31 years Mike has been the coach of our men’s basketball team. Mike is the region’s winningest Division III men’s coach. During his time, he has led Rochester to the national championship game three times. On January 5, Mike earned his 500th career victory.
Mike has been an inspiring leader not only for the men’s basketball team, but for all of us at the University of Rochester.

Let me also praise Zvi Zeitlin who on January 21 delivered a bravura performance at Kilbourn Hall to celebrate his 40th year teaching violin at the Eastman School of Music. SLIDE 17. Zvi remarked that Rossini only wept three times in his life. Once when one of his operas failed. A second time when a truffled turkey slipped out of his hands into the River Seine. And third when he heard Paganini play. Rossini might have wept a fourth time had he been with us last Sunday when Zvi Zeitlin played.

Lynne Davidson, Deputy to the President and Vice Provost for Faculty Development and Diversity, has effectively started our faculty development and diversity initiatives. SLIDE 18. She has assembled a team of faculty diversity officers representing each school in the University. This group has begun to implement the 31 recommendations of the Task Force on Faculty Diversity and Inclusiveness. By the end of this semester, working with Lynne, this committee, and the provost, I look forward to reporting to the Faculty Senate and our Board of Trustees on baseline data and progress on program implementation as part of an annual report on faculty diversity and inclusiveness.

I am delighted that Jesse Jackson, Sr., will be our Martin Luther King speaker at 4:00 p.m., on January 26 in Strong Auditorium. SLIDE 19.

Provost Chuck Phelps, Dean of the School of Medicine and Dentistry David Guzick, and College Dean of Research and Graduate Studies Paul Slattery have begun to function as the Technology Transfer and Commercialization Policy Committee, implementing key recommendations of the report by the Steering Committee on Technology Transfer and Corporate Alliances.
On January 8, 2007, I appointed Brad Berk and Ron Paprocki to co-chair a Task Force on Employee Health Insurance Plans and to make recommendations to me by April 30, 2007. We are proud at the University of Rochester that we have long provided quality health insurance options, often at very low cost to all who work here. In recent years, health insurance costs have increased at an extraordinary rate, dramatically outpacing all other major cost components in the University budget. Each relevant employee constituency is represented on the Task Force. Our aim is to have an inclusive and thoughtful process that ultimately makes recommendations about how we can achieve a financially sustainable system of health insurance that continues to offer our employees competitive health insurance options.

By the end of this semester, my senior leadership team should be complete. There are two highly significant searches currently being conducted. In the next few weeks, finalists will be interviewed for the position of Dean of the Eastman School of Music. Later this semester, I look forward to the selection of a successor to Chuck Phelps, who has been our wonderful provost for the past 13 years.

As I have emphasized in many contexts, 2006-2007 and 2007-2008 are the years of strategic planning. SLIDE 20. In December 2006, four schools made presentations to the Strategic Planning Advisory Committee of the Board of Trustees. Each of these presentations was impressive, but they were at different levels of completeness. Peter Lennie began as Dean of the Faculty of Arts, Sciences, and Engineering in July of 2006. He has made marvelous progress pulling together the elements of what will be an impressive plan in a conceptual presentation. I anticipate that the College will present a draft strategic plan to the Strategic Planning Advisory Committee sometime this summer. Interim Dean Jamal Rossi also made a highly informative presentation about the Eastman School of Music. After a permanent Dean is
selected, the Eastman School will also move toward a more finished plan. The Simon and Warner school plans were considerably further along.

On March 7, the Medical Center will make a second presentation to the Strategic Planning Advisory Committee, the first under the leadership of Brad Berk.

On March 8 and 9, the full Board will hear strategic planning presentations by Advancement, Communications, the Board of Trustees Subcommittee on Master Facilities, and the Interschool Interdisciplinary Task Force chaired by Chuck Phelps. Each of these presentations will help us better understand the infrastructure within which our schools operate.

Advancement will address the multiyear strategy, staff buildout, and budgets that will make it possible for us to move effectively toward the largest capital campaign in our history and a significant and sustainable increase in annual giving. This year, key milestones in this process include the successful move into the River Road complex, SLIDE 21, significant progress in implementing the new OASIS information technology system, and steps to be completed by late 2007 toward a new George Eastman Society to recognize donors who contribute over $1,500 per year. Last year I was delighted to report that our Board of Trustees had approximately tripled their annual giving from $325,000 in 2005 to $1.1 million in 2006. I am even more delighted to report that virtually all of the Board members have now made five year pledges and become charter members of the George Eastman Society.

Earlier this year, Bill Murphy began the process of working with the greater University community on our graphic identity. This process involves designing a logo that will be the basis for a complete graphic identity program. A second set of logo
candidates will be ready for the community’s reaction in March. When a final design has been chosen, Bill’s staff will craft a set of graphic standards, including logo, typography and colors, that will bring a new coherence to the University’s publications, signage, and Web presence. SLIDE 22.

The University has a significant number of facilities projects recently or soon to be completed. These include the Loretta Ford Wing of the School of Nursing, SLIDE 23, dedicated last April 28, the Robert B. Goergen Hall for Biomedical Engineering and Optics, SLIDE 24, which will be dedicated on May 17, 2007, and the Cardiovascular Research Institute, located on Bailey Road, SLIDE 25, which will be completed later in 2007.

In recent months, we have begun several other projects, including the James P. Wilmot Cancer Center, SLIDE 26, as well as progress towards a new University Data Center, SLIDE 27, to be located at 300 Science Parkway, and a new University Health Service facility to be located on River Campus.

Late in December 2006, a final closing occurred for the hotel project in Brooks Landing. SLIDE 28. There are few images I enjoy more than driving down Wilson Boulevard and realizing that this construction site soon will lead to much further construction that will benefit both the 19th Ward and the University.

Early in 2006, I asked the University Board of Trustees Facilities Committee to begin a more comprehensive review of facilities planning. That Committee’s chair, Roger Friedlander, is now working with Ron Paprocki on a systematic master facilities plan that potentially will serve the University for decades. This University has been the beneficiary of effective facilities planning. SLIDE 29. In 1927, a plan was developed for the River Campus that was followed for close to 80 years.
What we have not had was a systematic plan that ties together our Medical Center, the River Campus, the Eastman School of Music, the Memorial Art Gallery, and contiguous retail and rental properties. This type of plan is important both because it will better enable us to make thoughtful facilities choices and because it highlights the interrelationship between the various parts of the University and increasingly with our surrounding community.

The Board of Trustees Facilities Committee has taken the lead in hiring Adam Gross of Ayres Saint Gross, one of this nation’s leading University planners, and is beginning to develop a university campus master plan. SLIDE 30. This is a highly inclusive process, as the committee works with key stakeholders in each division to understand strategic plans, challenges and opportunities. There are many steps to go before the University Board adopts a University campus master plan. Great facilities plans, in effect, are intelligent articulations of choices. The campus master planning process is intended to work hand in glove with the strategic planning process over the next two years. In October 2007, I have asked that the Facilities Committee make a further presentation to the Board of Trustees.

Later this semester, the University will publish a report on the University and the Community. I look forward to addressing this topic in more detail after this report is published. I continue to be impressed by the extent to which each academic division of our University has worked to support the greater Rochester community.

In sum, our University today is in the early phases of addressing new approaches to advancement, communications, diversity, technology transfer, strategic planning, and facilities planning. We are building on our strengths in academic and clinical programs. Make no mistake. We have far to go and, in a
sense, our work will never be done. But we are moving systematically in a positive direction.

I will be delighted to answer any questions.