

constrained: Faust noted that donors will be “harder pressed,” that sponsored-research funding is subject to “the intensified stress on the federal budget,” and that tuition increases will be “moderate” given “economic strain” on households.

How will Harvard respond? The Corporation will determine exactly what budgets it will authorize (and thus how it will spread cutbacks in endowment distributions over time). That decision, usually made around Thanksgiving, has been deferred pending information about the ultimate value of the endowment, and data from the schools and the central administration about savings they might effect. As is its custom, the Corporation

would not comment; Faust and Forst did note their expectation that “we will be spending a higher percentage of the endowment next year than we have in the recent past.” But she cautioned that the magnitude of the investment losses is clearly too large to cushion against the prospect of significant budget cuts.

Smith told his faculty that Faust had asked deans to reduce budgeted spending by a percent for this fiscal year (more than \$10 million for FAS—not simple to effect with half the year already gone). In a November 24 e-mail, he placed “all staff changes and searches on hold”; urged canceling of “any open [professorial] search if the priority...changes” or the applicant

quality “is not truly extraordinary”; and solicited recommendations for cuts, to be channeled through a “Priorities Committee” that will operate through March.

Informally, University guidance suggests that recommended wage and salary increases for the next fiscal year will be zero, compared to the 3 percent to 4 percent adjustments recently.

With wages and salaries totaling \$1.3 billion in fiscal year 2008, and more now, each percentage increase



THE ENDOWMENT: EACH SCHOOL'S STAKE

Harvard's endowment, valued at \$36.9 billion as of last June 30, in fact belongs to the separate schools and other academic departments. The large chart shows the share of the endowment owned by each (the Faculty of Arts and Sciences loomed largest, at \$15.7 billion—nearly 43 percent of the total). Of crucial importance is each school's dependence on distributions from the endowment for its operating budget, shown in the inset chart. Source: *Harvard University Financial Report, Fiscal Year 2008*.

