

The Campaign Context

CONTEMPORARY university fundraising drives collect stupendous sums: the Stanford Challenge attracted \$6.23 billion; the University of Southern California has set a \$6-billion goal. Given Harvard's place in American higher education, a similar sum is likely to headline coverage of The Harvard Campaign at its public unveiling on September 21. But the academic aims for which the campaign seeks support, and the changing context in which it is conducted, matter far more to Harvard's future. In summer conversations, President Drew Faust and Provost Alan M. Garber provided a broad overview of their capital-campaign goals. Dan Shore, vice president for finance and chief financial officer, put it in the context of forces reshaping research universities (see "Financial Focus").

The campaign aims to make Harvard "stronger in every way," Faust said: intellectually, in facilities, and financially. The latter objective, she noted, sounds obvious but is not: gifts can initiate but not fully pay for new programs that require additional University funds. Such demands can compete with the core goals: strengthening Harvard's capacity to attract superb students and scholars and support their learning, teaching, and research; and selectively pursuing new priorities. In this sense, Faust emphasized, the campaign is carefully balanced. That reflects continuing costs from Harvard's robust expansion during the past dozen years (in expensive laboratories and other facilities, the professorial ranks, and financial aid); the long period since the University Campaign concluded in 1999 (many peers have

conducted two or more fund drives in the interim); and newly challenging economic circumstances (the \$11-billion decline in the endowment's value in fiscal year 2009, uneven investment results since, and now reduced federal research support).

University-wide, Faust emphasized four broad themes:

- Access and talent. "What we are," she said, "is going to depend in no small part on *who* we are." Hence, a strong campaign focus on financial aid and on faculty resources.
- Interdisciplinary scholarship and learning. Faust pointed to "the changing nature of knowledge and the integration of knowledge across fields"—a University



Drew Faust

focus, atop schools' priorities, to enable inquiry across disciplinary boundaries.

- Internationalization. She pointed as well to the importance of "enabling Harvard to be global"—to take advantage of a more open world by bringing people to campus to study and conduct research, and enabling students and professors to work world-wide.

- The digital world. "New digital opportunities in higher education," she said, impel broad focus on teaching and learning, and on broader questions of privacy, data security, and so on.

How these motifs play out as specific campaign goals will unfold over time—at the September 21 launch events; during the following 18 months as the individual

Financial Focus

"About 75 percent of our revenues are from the endowment, tuition, and sponsored research," reports Dan Shore, Harvard's vice president for finance and chief financial officer. "And about 75 percent of our expenses are for people and space. The growth of revenue is challenged, and the growth in expenses is tough to manage and sticky."

Unpacking those realities provides a financial setting for The Harvard Campaign—a context Shore and Corporation member James F. Rothenberg, the University's treasurer, began to detail in their preface to the annual financial report, published last autumn (see "Sober Finances," January-February, page 47). They wrote about the challenges of volatile capital markets for an institution dependent on its endowment and with a "disproportionately fixed cost structure." They pointed to University reliance on federal funding, especially for biomedical research, "when the government's projected deficits and accumulated debt create enormous pressure to reduce such discretionary dollars." And they noted the costs of daily and deferred campus maintenance.

"The campaign is incredibly important," Shore said in an early-July conversation—in part because even absent new resources

during the prior decade (when fundraising had to be deferred), "There are things we didn't feel we could wait to do." One example is financial aid. Since the undergraduate-aid initiative was liberalized in 2007 through the academic year just begun, spending on such scholarships has risen about 90 percent—an increase of nearly \$90 million in the Faculty of Arts and Sciences' (FAS) annual budget. According to FAS, in the wake of the augmented aid, greater family need during the recession, and the depreciation of its endowment, just 46 percent of current College scholarship funding is underpinned by dedicated endowments. That makes it challenging to sustain aid, and sops up much of the available *unrestricted* funding (from tuition and current-use gifts)—limiting FAS's ability to invest in new priorities, or to replace lost federal research funding. University-wide, according to Shore, scholarships are a core value, but with aid only about 50 percent endowed, Harvard needs to raise a *lot* of money to secure them.

Similarly, FAS has begun House renewal, undertaking multimillion-dollar refurbishments of Old Quincy and Leverett's McKinlock Hall, and proceeding with Dunster House's roof, chimneys, and windows ahead of interior renovation—all under way this summer, using FAS funds and some recent gifts.

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schools begin their own fundraising efforts; and throughout the anticipated five-year public Harvard Campaign itself, Faust indicated. Some priorities will become more concrete as academic leadership coalesces around desired aims; she pointed to the 2012 creation of edX, Harvard's online-learning partnership with MIT, as an example of a significant effort that did not exist two years earlier, when campaign planning was already well under way.

But a few concrete objectives can be discerned now. Beyond financial aid, priorities that loom large, Provost Garber said, include a flagship intellectual goal and its associated building needs: securing sufficient endowment and other funds to support the School of Engineering and Applied Sciences (SEAS, formally established as a school within the Faculty of Arts and Sciences [FAS] in 2007) and its planned expansion; and providing the large new facilities it re-

quires for teaching and its burgeoning interdisciplinary, applied research in association with other Harvard schools. That facility will be the foundation for future Harvard growth in Allston. Another major goal is the comprehensive renewal of the College's residential Houses—a \$1-billion-plus program already under way. (Other, substantial building plans include more investment in common spaces, like the renewed Science Center plaza (page 47), and especially the Allston construction and renovation envisioned for Harvard Business School [HBS] and the athletic facilities, detailed in the University's regulatory filing with Boston authorities on July 26, covering 1.4 million square feet of projects



Alan M. Garber

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during the next decade, much of it tied to campaign support—see “Allston Advances,” page 57.)

Faust sketched some of the inherently cross-school programs the campaign will attempt to support—many pursuing new intellectual opportunities where research and teaching can have “a real impact on the world”—in fields such as global health; energy and the environment; stem-cell science; and neuroscience. Presumably, elaborating such programs will also help specify how Harvard wishes to define its global footprint.

Harvard will also “foreground” pedagogy and learning, Faust said, building on diverse elements such as the Harvard Initiative on Learning and Teaching and

So the campaign must backstop these very large programs; enable Harvard to pursue what Shore called an “amazing set of opportunities”; and guard against looming problems. The importance of flexible funding has if anything risen since that 2012 financial report, simply to sustain the current research enterprise. Given the new federal budget “sequester” and continuing challenges to research grants, he said starkly, “a different social contract” between government and universities is in prospect, raising the challenge of defending “why universities are sufficiently important to justify the investment governments make in us and with us.” He described the situation as “an acute industry challenge” for higher education. Harvard's planning, he noted, also assumes less robust capital markets and endowment returns than in recent decades. (Such concerns, raised for all of higher education by debt-rating agencies in the past year, were reinforced in an *Inside Higher Ed* summer survey of university chief financial officers: only small minorities expressed confidence in their schools' financial models during the next half-decade.)



Dan Shore

STEPHANIE MITCHELL/HARVARD NEWS OFFICE

All these factors are at work at Harvard Medical School (HMS). Following a \$29-million operating deficit in fiscal 2012, administrators anticipate reporting a roughly \$40-million deficit in the year ended June 30. That reflects declines in sponsored-research funding generally; routine increases in salaries and costs for supplies; and investments in new programs (like the systems therapeutics initiative; see “Systematic Drug Discovery,” July-August, page 54). In response, HMS's Next initiative has identified possible savings within the school's administrative and operating expenses (which make up about one-quarter of its \$625-million budget overall), and the school is seeking opportunities to realize new revenues from scientific discoveries.

Writ large, the same forces and responses are evident across Harvard. Even as fundraising proceeds, Shore said, it will “have to be accompanied by other things: changes that not all members of the community will find exciting” (from shared services to changes in employee benefits). In the financial realm, for example, Harvard sold its Watertown Arsenal real estate this spring, realizing \$168 million, part of a con-

tinuing program to reduce debt, Shore said—and continues to examine other assets. An April debt refinancing will yield annual savings of \$10 million or so during the bonds' remaining couple of decades until maturity.

In the meantime, planning disciplines adopted since the roller-coaster circumstances of the prior decade have better equipped Harvard “to operate as a truly integrated academic institution and administrative apparatus,” Shore said, from capital planning and annual and longer-term budgeting to coordinated reporting to, and decisionmaking by, the expanded Corporation and its new financial committees. Launching new programs, he said, has become “a much more challenging question”—a productive state of affairs, he maintained, given financial constraints and the sheer costs of operating a research university. Compared to a decade ago, “We're *much* better able to focus the campaign's targets on the things that are most important to us.”

“The campaign by itself, however successful, won't solve some of those problems,” Shore said, referring to the changed external climate. But it matters especially now, he said, because even as all universities cope with large uncertainties, “The campaign is a way we can feel emboldened” to “take our destiny in our own hands.”

edX. This encompasses “hands-on learning” of a sort the University has not previously embraced, she noted, via the “making” aspects of cognition in at least two realms: engineering and applied sciences (tying into the priority given to SEAS) and the arts (aspirations detailed in a 2008 task-force report Faust commissioned early in her presidency; implementation has been slowed by the financial crisis and recession). Comparable interest appears in HBS’s experience-oriented first-year FIELD course, which complements the traditional case-based pedagogy, and in the Harvard Innovation Lab, used by students from many schools. (Discussing work on teaching across the University, HBS dean Nitin Nohria recently said, “I’ve been struck by how much of the experimentation does have this quality of making learning more visceral, team-based, and action-oriented.”)

As the emergence of applied-sciences and arts initiatives suggests, priority-setting for the campaign has itself been a protracted undertaking. Garber said the schools’ academic plans played the most important role, as refined through meetings of the council of deans (who identified common and cross-school wants) and the work of such existing entities as the University Committee on the Arts (an outgrowth of the 2008 report) and the University Science and Engineering Committee (dating to 2007).

Their recommendations were refined using criteria developed by Reid professor of law (and former acting dean) Howell Jackson to identify goals of *University* significance (whether multiple schools were involved, potential intellectual impact, and so on). That helped Garber when he assumed his post in 2011 and, Faust joked, “became the repository of people’s aspirations” for campaign funding. Of late, he and colleagues have determined which initiatives have leadership in place, how they fit with or augment existing programs, and so on. A group of supporters who helped test the feasibility of funding ideas has morphed into the campaign executive committee. The result will be the first truly all-University campaign, with every school participating.

Individual school objectives—how many existing professorships to try to endow and where to try to establish new ones, for instance, or discipline-specific-

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Blake’s Whales

Zoological artwork by Agassiz student James Henry Blake is on display at the MCZ.

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ic substantive goals—will roll out in turn (FAS, the Harvard School of Public Health, and the Radcliffe Institute are on deck for late October). Faust mentioned as examples the undergraduate concentration in architecture and design and a proposed program in theater and dance performance, both with teaching connections well beyond the College.

As the effort gears up, Faust and Garber both stressed the reinforcement of community among alumni—and not just for the hoped-for, tangible benefits of wide, successful philanthropic par-

ticipation. During the planning process, Faust said, it became clear that this is a “particularly salient moment for higher education,” a time to think through Harvard’s priorities as higher education itself changes—intellectually, and under pressure from external economic and social forces—and to help define directions for the academy at large. “Rallying the community on behalf of higher education”—as she put it—during a period of uncertainty, or even doubt, in the larger society would in itself be an important accomplishment.

The E-mail Investigation

THREE SEARCHES of Harvard College resident deans’ e-mail accounts last September—prompted by unauthorized disclosure of Administrative Board communications during an investigation of widespread misconduct on a final exam—“were undertaken in good faith” by people who “believed that they were acting in compliance with applicable e-mail privacy policies.” So found an outside review conducted by attorney Michael B. Keating, LL.B. ’65, as requested by President Drew Faust last April, after further e-mail searches were reported (see “E-mail Imbroglia,” May-June, page 46). Ke-

ating found no intentional violation of any requirement that resident deans be notified of the searches (a point of ambiguity in University policies—they were *not* notified), and stated, “[T]here is no evidence that any of the individuals involved read the content of any e-mails that were identified as a result of these searches.”

Keating’s report was delivered to Faust and a subcommittee of Corporation members on July 15, reviewed by the entire Corporation later that week, and made public on July 22. The detailed narrative covers the brief period within which all the e-mail account searches took place and the targets of those searches, which extended