The aggregate new spending, $130 million per year by 2010, would be reduced by about $61 million, Hoxby explained, through anticipated higher distributions from the endowment authorized by the Corporation (see page 70), and an assumed increase in federal reimbursement for those overhead costs. As FAS reserves are spent, by 2008, Hoxby said, sustainable new sources of revenue must be found.

That left it to Olshan professor of economics John Y. Campbell to explain the financing program. Beyond the $69 million net deficit from the items Hoxby outlined, the projected budget assumes a $30-million gap from continuing operations. Campbell cited further factors—inflated utilities costs and a prudent contingency for unforeseen events and additional investments or programs—bringing FAS’s need for extra revenue to a range of $108 million to $122 million in 2010. Campbell then reviewed a four-tier plan to obtain those funds through:

- FAS actions, yielding $15 million to $20 million per year. In a separate conversation, he described such measures as examining restricted funds to see how they could best be used, exploring new fees, or redirecting current revenue streams.
- Increased endowment distributions. Campbell said the Corporation was reassessing whether its payout policies were too conservative, in light of recent investment gains; a liberalized distribution would yield $36 million more annually to FAS, beyond the figure Hoxby described (the 2005 distribution was about $300 million). In addition, the faculty would receive Corporation permission for a discretionary “decapitalization” (spending from appreciation) of its unrestricted endowment, yielding another $24 million per year. Because this reduces future assets and therefore distributable revenue, Campbell said tapping such funds could not be indefinite and would have to be succeeded by gift income.
- Expanded support from the central administration, worth $18 million to $23 million per year. Campbell cited funds for facilities and infrastructure and for graduate-student fellowships. The largess reflects, in part, appreciation in the value of central endowment funds.
- Fundraising, expected to contribute $15 million to $19 million annually. That goal, Campbell said, reflects growth driven by FAS solicitations, in advance of any Harvard capital campaign.

Faculty members questioned several aspects of the plan. In light of Stanford’s recent $1.1-billion campaign for undergraduate education, was FAS fundraising too timid, asked Rabb professor of anthropology Arthur Kleinman. Dean William C. Kirby said the fundraising goal assumed success beyond an already projected 9 percent annual growth in donor support through 2010. President Lawrence H. Summers said the forthcoming campaign would seek more for FAS than Stanford’s effort. The annual goal was the expected income from new endowment gifts of $300 million or more. This is “a period of extraordinary investment” in faculty growth and buildings, he said, justifying expanded central support and extraordinary measures such as the decapitalization.

Gurney professor of English literature and professor of comparative literature James Engell wondered whether the need for new funds in 2010 would persist in following years. When Hoxby said that it would, he asked if the committee members were confident about their assumptions. Hoxby reiterated the need for successful fundraising and recovery of overhead costs. Campbell said capital gifts would yield future income, decreasing the need to draw down endowment. Kirby said the faculty was fortunate to be able to take on its “historic investment” and had a 10-year plan to cover costs and replace and replenish its income.

Separate conversations provided further details about the risks and costs associated with FAS’s plans. One, of course, is “what happens to the endowment and financial markets in general,”