

JOHN HARVARD'S JOURNAL



IN THE HOLE. Construction continued apace in early February on the foundations of Harvard's first science complex in Allston, a roughly 1-million-square-foot, billion-dollar facility slated to house the Harvard Stem Cell Institute (HSCI), bioengineering initiatives, and the University-wide department of systems biology. Workers have been waterproofing the exterior cement walls and erecting the below-grade portions of the structural steel beams and columns for the first of four buildings planned for the site.

Yet a carefully worded University statement in January said that an "assessment of the project and the environment in which it is being developed" continues, a reference to the unfolding financial crisis (right). Emphasizing that "scientific excellence is first and foremost about people and programs," University spokesperson Lauren Marshall said that even though "changed financial realities have dictated thorough review" of all capital planning, Harvard's "commitment to interdisciplinary science will be sustained...."

The University's institutional master plan for Allston, originally expected by the end of 2008, has also been delayed at least in part by pecuniary considerations. Such plans must specify both near- and longer-term construction commitments, implying the need for predictable funding. Marshall emphasized that "Harvard's long-term commitment to Allston hasn't diminished....The master planning process continues. We are rigorously evaluating our options and consulting with key stakeholders...." The University, she says, "is carefully considering a range of capital planning scenarios, but no final decisions have been made."





The Fiscal Crunch

WITH NO RELIEF since the University's early-December announcement that the endowment's value had declined sharply (see "Harder Times," January-February, page 47), Harvard faces significant spending reductions—likely to affect both employees and perhaps even high-priority capital projects (see left). Budgets were scheduled for review in February. Announcements about cost-cutting measures made after this issue went to press will be reported at www.harvard-magazine.com (see the "University Financial Crisis" section).

During the winter, further details about the University's financial challenges emerged (all reported in much greater detail at the website):

- Faculty of Arts and Sciences (FAS) administrators assume its endowment will shrink to its 2004-2005 value—about \$11

billion. This would be in line with the projected decline in the endowment overall, from \$36.2 billion last June to about \$24 billion at the end of this fiscal year, reflecting a 30 percent loss in asset values on top of the \$1.4 billion distributed to pay for current operations.

FAS's budget has grown from \$812 million to \$1.2 billion during the past four fiscal years; the share funded by endowment distributions has risen from 35 percent a decade ago to 56 percent now. And with debt doubling to \$1.1 billion since

2004-2005 (largely reflecting an \$800-million investment in laboratories), debt service has nearly tripled to \$85 million.

Dean Michael D. Smith distributed briefing materials detailing these figures on December 5. In a faculty meeting on December 9, he said that—given an existing deficit; certain increases in financial aid; rising personnel costs from recent faculty appointments; added expenses for new facilities now operating; and further increases in debt service—FAS faces a \$100-million shortfall in the fiscal year

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