curriculums that “lack coherence and connections to the work that’s actually done in the field”; clinical programs devoted to mere shadowing of practitioners, whether they are successful or not; “watered-down” dissertations with little connection to practice; and other failings. Those deficiencies are particularly disturbing, Levine said, “given the enormous changes that need to happen” in response to changed demographics, the growth in student populations, new skills required for students to compete economically, and the rapid evolution of technology. “We need administrators who aren’t simply managers of [existing] schools,” he said, “but who can create new schools.”

In that light, he said, the Ed.L.D. venture could be “a very useful model” for the entire country. He cited the multi-disciplinary curriculum as “unique and critical to the kinds of leadership training required today.” He also pointed to the substantive third-year placement “in organizations known for their accomplishments” in school reform, and with “incomparable” attention to the quality and rigor of the experience. Throughout the program’s design, he discerned a focus on real problems, he said, an approach that “makes so much more sense” than generating more “watered-down dissertations.”

The first cohort of 25 students is being recruited this fall, to enroll in 2010. They will do so tuition-free, and with stipends for living expenses, thanks to the gift for fellowships from the Wallace Foundation, among others. (McCartney cited a $1-million fellowship fund given by former Harvard Overseer Paul Buttenwieser and his wife, Catherine.)

Elmore and Spence imagine that the applicants will have at least several years of experience working in the “education sector,” broadly defined, who have demonstrated leadership in effecting some significant change or reform, and who come from diverse backgrounds and interests. Spence recalled students pursuing narrower professional degrees for whom the Ed.L.D. “suddenly answers their questions” about how to “genuinely prepare for the task of transforming large educational organizations, as much as humanly possible.”

A final check on the program’s design and aspirations is its executive director, lecturer on education Elizabeth City—herself a former teacher, principal, instructional coach, and doctoral student at HGSE. Now she is an evangelist with a mission: to build from 25 Ed.L.D.s per year, to extend to the partner organizations where they will intern and the entities they ultimately lead, and ultimately to affect other education schools. City drew on her own background and on the Ed.L.D. intellectual framework to outline everything “transformative system-level leaders need to know” to reform education today, from learning about the origin of teacher unions and the evolution of de facto segregation in urban school districts (“These things didn’t just pop up”) to effective teamwork to comprehensive performance assessments.

Until now, City said, it has been up to prospective leaders to accumulate these needed skills on their own. With the Ed.L.D., she said, “We’re trying to do the integrative work, rather than saying to the students, ‘Here, you put it together.’” They need all the help they can get, she said, given the urgent mission of “transforming American education.”

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FAS’s Progress—and Prognosis

Faculty of arts and sciences (FAS) dean Michael D. Smith invited professors and staff members to an “FAS Financial Update and Other FY ’09 Accomplishments” briefing on September 15. His early-semester presentation in effect previewed his retrospective annual report and prospective letter on the year ahead before they are formally published this autumn (check www.harvardmagazine.com for updates). Against the backdrop of the sharp decline in the value of the endowment (see “$11 Billion Less,” page 50), Smith conveyed several pieces of encouraging news, based on FAS’s success in reducing its rate of spending during recent months, while keeping attention focused on the work still needed to stabilize the faculty’s finances in the years ahead. (A video recording of the briefing can be found at http://planning.fas.harvard.edu.)

He highlighted FAS’s “core” operations: the College, the Graduate School of Arts and Sciences, and the faculty itself (which account for about three-fourths of FAS revenues and expenses), excluding separate “tubs” such as the Harvard College Library, the School of Engineering and Applied Sciences, athletics, the museums,
and so on. He also concentrated on unrestricted funds—which can be used flexibly, but where persistent deficits have threatened to hamstring FAS’s operations and ability to invest in new programs.

As a result of cost cuts (savings on utilities and from installing fewer new faculty members in laboratories) and revenue gains (stronger than anticipated unrestricted gift income and overhead-cost recoveries from sponsored research), a once-forecast $30-million deficit in the core operations’ unrestricted budget for fiscal year 2009 became a $6-million surplus.

Atop these gains, nonrecurring items enabled the faculty to boost its reserves substantially, rather than drawing them down: a valuable cushion against coming leaner years—one that might now last into fiscal year 2012, Smith estimated. Most consequentially, FAS received two unrestricted gifts (one a bequest) totaling $32 million. As he put it, the faculty helpfully managed to effect savings during its year of greatest income.

Because of the approximately $35-million operating improvement in FAS’s unrestricted core budget last year, he told his audience he had revised the outlook for both this year and 2011.

Adding the effect of approximately $75 million of cost reductions and restructuring actions identified during the past academic year and being carried out last summer and this fall (early retirements, layoffs, the reduction in hours and pay for contracted janitors, and so on), the projected deficit for the current fiscal year has been reduced dramatically. Though he did not disclose it then, Smith revealed that as of last April, FAS was facing a $130-million deficit. That now looks like a much more manageable $20-million gap—and he suggested that a balanced budget was in reach.

Applying the same savings forward into next fiscal year, ending June 30, 2011, the truly daunting operating deficit he had previously forecast—$220 million annually—now appeared, he said, to be a $110-million hole. Six faculty-led groups examining FAS’s mission, operations, and future are charged with addressing much of that remaining gap, with additional savings to be realized administratively, through improvements in information technology, for instance.

**For all the “tremendous progress” that Smith was able to report, with understandable relief, the task of shaving the faculty’s fiscal 2011 deficit remains daunting.**

But the arithmetic is relentless: fiscal year 2009’s surplus yields to a modest deficit (or perhaps even a balanced budget) this year, assuming that $110 million of changes are adhered to; but similar savings and augmented revenues cut the deficit in the year beginning nine months hence only in half. In the current fiscal year, a $110-million deficit would appear to total about one-sixth of FAS’s discretionary spending (its total budget excluding undergraduate financial aid, sponsored research, and debt service)—and an unknown but likely higher proportion of the “core” operations. Smith and his new dean for administration and finance, Leslie A. Kirwan ’79, M.P.P. ’84, who starts on November 2 after wrapping up her duties as secretary of administration and finance for the Commonwealth of Massachusetts), will be on a tight timetable. The working groups have plenty of work.

Smith nonetheless felt sufficiently encouraged on September 15 to reveal that he would authorize “alleviating measures” (amounts unspecified) to address some particularly acute concerns, including bridge funding for critical research projects; “pre-award” support for research, particularly by junior faculty members, in advance of sponsored-research grants; and development of new courses.

Looking ahead, he cited some other positive developments. Alumni have responded to appeals for gifts of unrestricted, current-use funds; Smith said he is emphasizing undergraduate aid, graduate fellowships, teaching and learning initiatives, and the undergraduate experience (including, in the long term, financing for physical renewal of the Houses). And Massachusetts has changed the state law governing “underwater” endowments (where investment losses have reduced the corpus below the initial gift amount). Such funds had been unavailable for any distribution to support operations, but once the University determines its rule for their “prudent use,” distributions may become available. Without specifying the sum, he...
indicated the annual revenue at stake for FAS could reach into eight figures—significant relative to the remaining deficit projected for this year.

Smith understandably focused on the current year and the reshaping of FAS necessary to rein in the still-large operating deficit projected for next year. Accordingly, he offered no hints about succeeding fiscal years.

Among peer institutions, Stanford and Yale have recently indicated that they will make major reductions in endowment distributions this year and next, and then both institutions project only flat distributions thereafter, extending into fiscal years 2012 or 2013 at least. Those two universities, with investment strategies and performance similar to Harvard’s, are, respectively, less and more reliant on endowment funding than Harvard as a whole, but both are much less reliant on endowment funding than FAS is (approaching 60 percent of revenue in fiscal year 2009). In a September 29 update, Princeton president Shirley M. Tilghman—who plans cuts in that institution’s endowment distribution similar in proportion to Harvard’s—raised the possibility of continuing to trim the budget in fiscal year 2012.

Harvard has not detailed its financial expectations beyond next year. President Drew Faust has said that the University aims to reduce the rate of distributions from the now-reduced endowment to a normal level within five years. Depending on external conditions and success in reducing costs internally, she has said, that could imply further reductions in the funds distributed in fiscal year 2012 and beyond.

Thus, alongside the uncertain prospects for revenue derived from the endowment, the dean and his financial staff and working groups must consider likely growth in future expenses: for financial aid and compensation, to cite just two large items. For the moment, the most threatening financial problems facing FAS have been whittled down. But as far as setting FAS on a sustainable path later in the decade, much still depends on continued momentum in fundraising, the future performance of the endowment, faculty success in winning research grants in a very competitive environment, and effective implementation of the cost reductions announced so far—and those yet to be identified.

Critical Mass, and World-Class

Cherry A. Murray, the physicist who became its dean on July 1, already knows her aspirations for Harvard’s young School of Engineering and Applied Sciences (SEAS): to reach “critical mass” in research areas that will make an impact on twenty-first-century problems, and to be recognized among peers as a world-class institution.

Though small, SEAS is already ranked first when it comes to citations per paper, and Murray judges the research areas in which it is now engaged (see graphic “an excellent, coherent set of synergistic disciplines.” Now the new dean—currently vice president of the American Physical Society and former senior vice president for physical sciences and wireless research at Bell Laboratories and then an executive at Lawrence Livermore National Laboratory—has embarked on a strategic review that by next summer will produce a 10-year hiring plan, a development plan, and a space plan to expand SEAS’s capacity and influence.

The three plans are closely connected. The school needs to hire 50 more faculty members during the next decade—roughly five per year, says Murray—in order to achieve her first goal. Task forces in each research area will define their own “critical-mass” benchmark, but to Murray it means “breaking into the top 10” among engineering schools (one recent survey ranked Harvard at 19, up from 24 a year ago), having enough people to support “an excellent undergraduate concentration,” and running a “robust research program that attracts people.” The school’s development and space plans will need to be consistent with that hiring schedule. In the short term, she says, “enhancements of space will tide us over,” but eventually the school will need to raise money for a building. Murray hopes it will be located in Cambridge to allow engineering to remain close to related Faculty of Arts and Sciences (FAS) departments, facilitating collaboration and the development of new undergraduate and graduate programs.

The planning process charges eight task forces with answering a range of questions: Should Harvard have an undergraduate or graduate concentration in this area in 10 years? What sort of knowledge should all students have acquired by the time they graduate? Given Harvard’s resources, what is SEAS’s niche? What gaps need to be filled? What synergies exist with other areas?

Synergies are critical to the school’s success even now. “If you add up all the faculty who self-identify with each research area, the total number, 130, is much larger than the actual full-time-equivalent number of our faculty, which is about 70,” Murray points out. “For example, applied chemistry, bioengineering, and computer science are completely synergistic.” To ensure the continuity of this approach, she plans “adjacency hiring” that will balance the disciplines (which