This essay shares its title with a series of talks the University Senate has sponsored this year exploring how private research universities are financed and the increasing difficulties of this model. The basic problem has been illustrated in many different graphs such as the one on the following page, which shows that the cost of education at private colleges has been rising at a much faster rate than the cost of living and even medical costs.

As a scientist looking at that plot, I see no reason to think that in the future the three lines will get closer together. Therefore I have two basic questions: 1) If such trends are sustainable, how are they sustainable? 2) If such trends are not sustainable, what are the consequences for private research universities like Emory?

On the one hand, it is difficult to imagine how such trends could continue, yet private research universities continue to receive many more applications from qualified students than can be admitted. After all, it was difficult to imagine how house prices could keep rising, yet they did (until they didn’t). On the other hand, if rising tuition costs are not sustainable, major changes will have to take place, even at universities like Emory. And if that is the case, faculty must understand the factors leading to that change so that we can play a constructive and imaginative role in finding solutions. Otherwise, if we faculty choose to sit on the sidelines, university administrations will be forced to act on their own.

In trying to understand the financing of higher education, I believe it is important to hear from people who understand the particular context of private research universities—hence the Senate-sponsored lecture series this year. We have been fortunate in finding these speakers. All of the talks are archived on the Senate web site (http://senate.emory.edu/) and are well worth viewing.
In October, Ron Ehrenberg of Cornell’s Higher Education Research Institute answered the title of his seminar (“Is the Golden Age of Private Research Universities Over?”) with a “Yes.” Having studied the financing of higher education for many decades, he gave a cogent analysis of what is happening to our financial models and why. His 2000 book (Tuition Rising: Why College Costs So Much) is still amazingly relevant and covers most of the issues we face today, even that of online courses. He indicated that economic and political forces are likely to limit our ability to sustain tuition increases in the future as we have had in past decades. In addition, financial aid budgets have increased so dramatically that the percentage going to the most needy students is usually much less than almost all of our peer institutions imagine. As just one example, he gave a fact that we faculty like to refer to as administrative bloat. He pointed out the various reasons that costs, and tuition along with them, keep increasing, and it became clear there are no easy fixes. He ended up with some possible solutions to the cost problems but had to admit that his suggestions perhaps did not seem robust enough to fix the problems we face.

In December, Robert Zemsky of the Learning Alliance in Higher Education at the University of Pennsylvania gave a talk focused much more on university costs and the reasons for their rise. The higher education market is a federalized one where universities have considerable latitude in how they operate. But the rationale for such a market is fading away rapidly. In the U.S., making it even more difficult for low SES students to afford college. I believe the issue of financial aid is only going to get more difficult. Given the steadily increasing price of graduate and professional education, there is increasing need for financial aid in those schools as well, and there is currently little capacity for such aid.

In my view, faculty have much more “power” with shared responsibility, but that means we must take greater responsibility for our decisions. What are the lessons from this series of talks? I think there has not yet been enough time for proper reflection, but faculty need to understand the problems we face at Emory in financing what we do, then we need to be part of crafting solutions. The way forward will not be easy. Since I arrived at Emory in 1984, I have observed the creation of many new departments and programs in the college, with no opposition from faculty. As we saw last fall, however, eliminating existing academic programs is extraordinarily difficult and painful. As faculty, we talk (justifiably in many cases) about administrative bloat. Can we really expect that eliminating administrative activities will be easier than eliminating academic programs? If we were to accept the idea that tuition could no longer

told them] it costs you about $1.5 million a year extra to be maintaining the Mac platform in parallel. Let’s say that’s ten faculty positions, or pick your number; it depends on your college or department. What do you think of that trade off? They said, Well, it depends on which department those faculty members come out of. It’s a little bit of that “every man for himself” mentality that comes through in some circumstances that we need to work through. At the end of the day, it’s the organizational dynamics that are going to make or break the success. The mechanics of what to do—build shared services, streamline your management infrastructure, build scale capability, outsource non-core businesses and activities—all that stuff is really straightforward. Getting people to agree to do it, to support doing it, to sustain doing it over time, is really hard. It requires changing the culture, changing the mindset, changing the way you actually manage yourselves.

The talk in March by Sandy Baum of the George Washington University Graduate School of Education and Human Development (“Financial Aid: Moral Imperative, Competitive Tool, or Unsustainable Burden?”) was revealing in many ways. Emory is one of a small and decreasing number of institutions with a need-blind admissions/meeting all needs financial aid policy. Compared to all other types of higher education institutions, private research universities have the lowest percentage of students from low-income families. One marker of low-income status for students is those who receive federal Pell grants. The percentage of Emory undergraduates who receive Pell grants (22 percent) is higher than almost all of our peer institutions. It also means that we are working as intended. Is that good or bad? That is, are we to be applauded for admitting so many deserving students who otherwise could not afford to attend, or are we spending so much in financial aid that we are sacrificing the quality of our teaching and research? Baum noted that the socioeconomic status (SES) of a student makes a large difference in the likelihood of graduating from college, as does the type of institution a low SES student attends. Thus it is not true that an excellent student of low SES who attends Emory would be equally likely to graduate if he or she attended another type of institution. An additional factor increasing both the need for and the cost of financial aid is the growing income disparity in the U.S., making it even more difficult for low SES students to afford college. I believe the issue of financial aid is only going to get more difficult. Given the steadily increasing price of graduate and professional education, there is increasing need for financial aid in those schools as well, and there is currently little capacity for such aid.

In my view, faculty have much more “power” with shared responsibility, but that means we must take greater responsibility for our decisions. What are the lessons from this series of talks? I think there has not yet been enough time for proper reflection, but faculty need to understand the problems we face at Emory in financing what we do, then we need to be part of crafting solutions. The way forward will not be easy. Since I arrived at Emory in 1984, I have observed the creation of many new departments and programs in the college, with no opposition from faculty. As we saw last fall, however, eliminating existing academic programs is extraordinarily difficult and painful. As faculty, we talk (justifiably in many cases) about administrative bloat. Can we really expect that eliminating administrative activities will be easier than eliminating academic programs? If we were to accept the idea that tuition could no longer
The Liberal Arts Research University

Spring 2013

In 2013

Investing to claim Emory’s identity

Claire Sterk
Provost and Executive Vice President for Academic Affairs, Charles Howard Carder Professor of Public Health

Emory is defined from many perspectives and on many fronts for instance, by its strong liberal arts programs within a distinguished research university, its outstanding professional schools, its large health system, and its vitality as a member of the metro Atlanta community. In all of these areas, when we make financial decisions, we must be aware that those decisions shape and fine-tune the identity of the university. This essay will explore claiming one aspect of Emory’s identity in particular—Emory as a liberal arts research university.

The question, What defines Emory? resonates especially at this moment in Emory’s developmental trajectory. In a way, we are experiencing “growing pains.” Emory’s 1995 invited membership to the Association of American Universities (AAU)—a highly respected group of sixty-two North American research universities—represented a major milestone. At the time of the announcement, the AAU president cited Emory’s “major contributions to the advancement of the nation’s research base and to the education of the nation’s next generation of scientists, scholars, and teachers.” But we must bear in mind that this happened less than two decades ago. Only five other institutions have been admitted to the AAU subsequently.

With this recent history in mind, it is important that we recognize the strengths that make us thrive, such as our remarkable interdisciplinary research and teaching, our translational research, our literary assets, and the residential experience for our students. Nevertheless, much room for improvement remains. But rather than aspire to be “more like” other great institutions, why not invest our energies and resources in response to that question—what defines Emory?

In a world where institutional rankings hold sway, it is natural to want to respond to that question by focusing on external perceptions of Emory, both in the realm of higher education and in the broader social context. I would argue, however, that we must also focus on our internal understanding of ourselves and our aspirations. A strength that we can embrace as central to who we are is our powerful identity as a liberal arts research university. That is, Emory is not just an excellent liberal arts core in a research university, but a research university infused throughout with the liberal arts. Thus, I believe, fundamentally defines Emory and makes us an exceptionally university.

The liberal arts mission

A liberal arts education is intended to instill critical and creative thinking skills, excellence in written and oral communication, quantitative and informational literacy, knowledge of human cultures and diversity, a commitment to the common good and social justice, engagement on both local and global scales, ethical reasoning and action, and the ability to integrate and apply learning.

This list of foundational aspects of the liberal arts, though incomplete, nevertheless highlights key components. And in the setting of a research university the impact of those components intensifies. Through teaching, learning, research, discovery, care delivery, service, institution-building, and public scholarship, we benefit from one another’s knowledge, expertise, perspective and insight, innovation and creativity. Our understanding of human cultures and the natural world is deepened in an environment of original research and scientific discovery. Our grasp of integrated and applied learning is strengthened in professional contexts such as law, business, and the health sciences. What if we were to declare that those opportunities are the hallmark of Emory’s identity? That the goals of the liberal arts infuse the entire academic experience of this outstanding institution?

Almost everyone involved in those endeavors at Emory cataloged in the above paragraph already benefits from the fact that we are a research university with the liberal arts at the center. Many of those discipline-transcending qualities we consider key to a liberal arts training are already integral to the curricula of our graduate and professional programs. Here undergraduate students have opportunities to work closely with scholars and researchers who define and transform their fields. Rather than the image of a “core” surrounded by “circles,” I thus envision the relationship between the liberal arts and graduate and professional programs not as distinct, but as interdependent, mutually enhancing, and expansive for the entire educational endeavor.

Not that multi-disciplinary and cross-school endeavors are effortless or seamless. There still remain structural barriers to cross-listed courses, dual degree programs, joint faculty appointments, and university-wide courses and programs. Such obstacles may stand in the way of creative collaborations and the development and distribution of knowledge, even when all parties would benefit. Again, we have the opportunity to ask, how can we strategically invest our resources to bolster such efforts as part of what defines Emory? As the work of the Commission on the Liberal Arts continues this spring, we as a community have the opportunity to deepen and refine our notions of how our own identity as a liberal arts research university might become richer—and in so doing, have an impact on higher education in general.

Shared responsibility

It is challenging to balance the multitude of requests and proposals for growing and shaping Emory. They inevitably exceed our resources. The members of the Ways and Means Committee—which shepherds budget management in support of institutional priorities (see the box below)—must be strategic and creative, while operating within the framework of our mission, aspirations, and resources. The great challenge is to make decisions based on input from all key stakeholders and to identify our unique path for advancement, while we also recognize the lessons of the past and the need to preserve what is outstanding. In other words, to name for ourselves what we aspire for Emory to be, grounded in its trajectory to this point.

Going forward, it is difficult to imagine having any of these conversations without the meaningful participation of all who are Emory. A recent example of such engagement is the faculty’s renewed interest in their role and responsibility for determining our collective plans and priorities. There is a growing conversation about a greater structural role for faculty governance in appointment, tenure, and promotion processes, perhaps with a university-level voting body. Another initiative includes shared governing those for our Faculty Handbook, a document that defines the reciprocal relationship between the faculty and the university—what it means and what we can expect from one another. Collectively, we need to continue to ask how our investments—of time, energy, and other resources—ensure that the academic mission finds expression in fiscal processes. At the same time, we need to give voice to defining Emory’s identity, including input from faculty, students, staff, administrators, alumni, board members, and others. These efforts will help us better serve students, become a more robust incubator of original research and innovative ideas, and improve the human condition of our world.

EMORY WAYS AND MEANS COMMITTEE

Claire Sterk, Provost and Executive Vice President for Academic Affairs (Chair)
Wright Caughman, Executive Vice President for Health Affairs
Michael Mandl, Executive Vice President for Finance and Administration
Charlotte Johnson, Senior Vice Provost for Administration
Edith Murphree, Vice President for Finance
Ronnie Jowers, Chief Financial Officer; Woodruff Health Sciences Center
Human Decisions Toward Collective Aspirations

Emory's operating budget and institutional priorities

In one sense, an operating budget can be viewed as a snapshot. It should be much more. The measure and placement of resources are expressions of strength and weakness; growth, opportunities, and challenges; and institutional culture. The annual process of developing a budget can reveal collective aspirations and priorities as well as entrenchment and lack of will. If the process is engaging, open, and transparent, the power to determine much of the institution’s ambitions, resources available for priorities, and the required trade-offs lies with the faculty and deans. It is not the process alone, however, but also the human decision-making within it that shapes an institution.

“Responsibility Centered Management”

Emory University is not at either end of the financial management spectrum, from fully centralized to fully decentralized, in American higher education. At one end, there is the centralized collection and allocation of resources. All revenue flows to the central administration, which then issues expenditures to the schools and other units. Princeton University largely operates this way. At the other end of the spectrum, each school within a university receives all and only the revenue it generates itself and is fully responsible for all of its expenses, including allocated costs—no intervention or investment beyond the revenue generated by the school, no cross-subsidies. Harvard University is often cited as the classic decentralized, “every-tub-on-its-own-bottom” example.

And then there is everything in between. Many of these models get lumped together as “Responsibility Centered Management” (RCM), generally a system that lends greater control of resource allocation decisions to deans and schools but also maintains a central pool to be invested in and managed, “every-tub-on-its-own-bottom” example. For decades, Emory has employed a variant of RCM. While the process has evolved somewhat over the years, the following is a summary of how it currently works. The schools keep all revenues generated by their own activities: tuition, school-based endowment earnings, philanthropic support, sponsored research, clinical income, and so forth. Some additional revenue generated outside of the schools gets allocated to them and to other non-school based initiatives. The schools are also responsible for all their direct expenditures—such as faculty and staff salaries, program costs, financial aid, supplies, and technology—and a proportionate share of indirect expenditures captured outside of the school. These include libraries, information technology, human resources, research administration, academic affairs, finance, campus life, general counsel, development and alumni affairs, campus police, facilities, and utilities.

The idea with those “indirect costs” is to charge each school an amount that reflects its use or proportionate share of those services and support costs. While the principles and methodologies for allocating such costs generally remain consistent from year to year, the proportions are rebalanced annually as size and use shift. For example, all else being equal, if one school grows its research more than the rest of the university, it will be responsible for a greater share of the research support costs in future years. To calculate each school’s annual proportion of these central activities, the University Budget Office (part of the Office of the Provost, led by Senior Vice Provost for Administration Charlotte Johnson) applies a set of cost allocation metrics to the “cost pool,” the totals across all pools, then allocates to the schools based on the pre-determined metrics. This step is not the end but rather the start of a conversation between the Ways and Means Committee (WAM) and the deans of each school. The final level of expenditures is discussed and reviewed through several rounds before being built into the schools’ annual budgets.

While educational and research costs have traditionally required subsidization, the cost allocation system is not used to establish or manipulate cross subsidizations between schools. If an allocation statistic indicates a 20 percent share of a cost pool by school x, then 20 percent is what school x pays for. There are always some differences of opinion about the metric, level of expenditures outside of the schools, and/or resultant shares, but the process is always open, transparent, and iterative.

Human decision-making

The most substantive decision-making does not reside in cost allocations, although that process is important. Since there are never enough resources to meet all needs and desires, the real and most challenging judgments enter into the process when schools and central units must determine whether to offer new programs, how to generate additional resources, the appropriate expenditure level for a particular area, whether a reallocation of resources should take place, and what trade-offs should be made. Each school goes about this in different ways, some successful and some less so. In my view, our ambitions and aspirations for enhancing excellence should always exceed the current resource envelope; otherwise, wouldn’t we be aiming too low for Emory?

“Responsibility Centered Management” thrives when ownership—both academic and financial—is embraced at the school and faculty level, and when people, programs, and decisions are closely aligned.

The hard work of making decisions and trade-offs will therefore always be present. We might as well take collective responsibility for it. To be sure, while I serve as the executive vice president for finance and administration—with responsibility for campus services (campus planning, facilities management, parking, and police), finance/treasury, human resources, information technology, internal audit, business process improvement, and investment management—I am not the university’s chief budget officer. That role is designated to the chief academic officer—the provost and executive vice president for academic affairs.

I think it is important symbolically and substantively for the provost to chair WAM, which she does (see box on page 3). The resource planning and decisions that take place via WAM represent a close partnership among its members. We communicate and work well together, with Emory’s mission, vision, challenges, opportunities, and priorities as guides. Most importantly, we trust and respect each other—enabling tough discussions and differences in points of view. These same characteristics exist in the resource allocation process of the most successful units.

In an RCM model, the majority of the resources are in the hands of the schools out of the 2013 all-funds budget, approximately 87 percent of the direct expenditures originate in the schools and other revenue-generating units, and 13 percent represents allocated costs from central
Business Practice Improvement
Working toward a more efficient and effective university

O
n a recent trip for an academic conference, an Emory professor purchased a $25 flash drive in order to transfer some documents he had saved on his computer to a colleague. During the trip, this professor misplaced the receipt for the flash drive. After returning from the trip, he enlisted his assistant to file his expense report. His expenses were submitted but then rejected because there was no receipt for the $25 flash drive. The administrative assistant called the store where the flash drive was purchased and attempted to obtain a copy of the receipt, but unfortunately a reprint was not available. After some back and forth, it was determined that a missing receipt affidavit (from the example at the beginning of this article), are always required) that were made with the new corporate card. Faculty and staff had noted multiple occasions in which reimbursements were denied because itemized receipts were not provided. This was a big source of frustration, prompting hours of exchange between central and department personnel that translated into expenses that were often greater than the amount processed for reimbursement. From both a financial and customer service standpoint, the documentation policies were arduous.

Examples of Business Practice Improvement Changes

Travel & Expense: Recently, new and simplified policies around receipts and documentation that will save time and paper have been implemented. Many of these changes, such as the removal of the lost receipt affidavit (from the example at the beginning of this article), are based on faculty feedback. Beginning February 14, 2013, receipts were no longer required for purchases less than $75 (airfare, hotel, and rental car are always required) that were made with the new corporate card. Faculty and staff had noted multiple occasions in which reimbursements were denied because itemized receipts were not provided. This was a big source of frustration, prompting hours of exchange between central and department personnel that translated into expenses that were often greater than the amount processed for reimbursement. From both a financial and customer service standpoint, the documentation policies were arduous.

By working collaboratively with faculty and staff across campus, it is BPI’s goal to significantly improve the service, performance, satisfaction, and cost-effectiveness of the work required to support the mission of a top-tier, vibrant research university. For more information about Business Practice Improvement visit http://bpi.emory.edu.
Emory University: All Funds Revenues Budget

**Emory College of Arts and Sciences**

- Tuition 79.4%
- Endowment and Trust Income 5.7%
- Gifts and Contributions 1.6%
- Grants and Contracts 9.3%
- Indirect Cost Recoveries 2.3%
- Student Fees 0.6%

**Goizueta Business School**

- Tuition 80.3%
- Endowment and Trust Income 8.4%
- Gifts and Contributions 3.6%
- Other Revenue 0.3%

**Laney Graduate School**

- Tuition 49.9%
- Endowment and Trust Income 6.8%
- Grants and Contracts 0.2%
- Indirect Cost Recoveries 0.1%
- Student Fees 8.5%

**School of Law**

- Tuition 84.6%
- Endowment and Trust Income 9.0%
- Gifts and Contributions 3.2%
- Grants and Contracts 2.1%
- Student Fees 0.5%

**Candler School of Theology**

- Tuition 39.4%
- Endowment and Trust Income 37.0%
- Gifts and Contributions 13.5%
- Indirect Cost Recoveries 0.4%
- Other Revenue 2.8%

**Yerkes National Primate Research Center**

- Tuition 75.8%
- Gifts and Contributions 0.1%
- Indirect Cost Recoveries 24.1%

- Other Revenue 0.4%
Source: University Budget Office. The central support reflected in these charts represents only a portion of central support provided to the schools for their unrestricted operating budgets. All schools and Yerkes receive additional program support from other central or Woodruff Health Sciences Center funds. Examples of these other funds include the Emily and Ernest Woodruff Fund, the Woodruff Medical Center Endowment, and the Strategic Plan Fund.
Faculty and staff alike have dedicated considerable time and creative energy to chart and implement a strategic plan, which should put the school on a clear path to recovery by growing tuition revenue.

Jan Love
Dean and Professor of Christianity and World Politics, Candler School of Theology

The Academic Exchange: What are Candler’s traditional funding sources?

Jan Love: The two big legs we stand on are tuition and endowment income. When the financial crisis hit in 2008, Candler was almost 40 percent dependent on endowment income. We removed about one million dollars from our operating budget. It was a huge hit, and we’ve been trying to climb back from that crisis ever since; we’re doing a pretty good job. The endowment is recovering, but tuition income from some streams has declined somewhat. The consequence is that we have decreased our operating budget twice since 2008.

AE: How have you weathered the financial downturn?

JL: Our approved operating budget for fiscal 2013 is a little more than $17 million. Of that, the amount of money we spend on running Candler itself is a little more than $12 million. The other $5 million goes to run the university, the “allocated costs.” Faculty and staff alike have dedicated considerable time and creative energy to chart and implement a strategic plan, which should put the school on a clear path to recovery by growing tuition revenue.

We’ve also been successful in fundraising. Our goal for Campaign Emory was $60 million. We reached that one year early and ultimately reached $65 million. We’ve had a long history of being successful in fundraising, but in this climate, to exceed your goal by so much is something we feel very good about.

AE: What alternate sources of funding are you pursuing?

JL: We’re working hard to increase tuition by developing new degree programs. Candler is different than most schools of theology because it overwhelmingly concentrates faculty, time, and energy on one degree—the Master of Divinity. In recent years, 75 to 80 percent of our students have been in that program. With that market flat, it’s hard to grow that degree program; all of our competitors are in the same circumstance, and we’re trying to attract the same pool of students. We’re creating two new degrees, the Master of Arts in Religious Leadership and the Doctor of Ministry. We’re also creating a third new program, a dual Master of Social Work degree, with the University of Georgia. These will diversify our degree base and make us less vulnerable to market swings.

AE: Have you sought less conventional sources of revenue?

JL: We’ve spent a lot of time and energy on continuing education and we are open to more possibilities of ways in which people can get the benefit of an Emory Law education without spending three consecutive years in Gambrell Hall.

Robert Schapiro
Dean and Asa Griggs Candler Professor of Law, Emory Law School

The Academic Exchange: Have you noticed changes to revenue streams in the law school after the economic downturn of 2008 and more recently?

Robert Schapiro: The changes to the economic climate have affected the law school in several ways. The key sources of revenue include tuition from students and income from the endowment. These economic times have put a lot of pressure on our students and their families. These circumstances have led us to keep tuition increases as low as possible and to offer a great deal of scholarship support for our students to try to lower their debt loads and to try to ensure that they are able to have a variety of options for what they do when they graduate—and to make sure we continue to attract a diverse and outstanding group of students. The decline in the endowment following 2008 also reduced our income from that source. Another way in which the economic downturn has affected the law school is how we are helping students thrive in the world after graduation. We are making sure we are adapting the school to changing economic circumstances. We are making sure our curriculum is well-matched to the needs of our students and changes in the legal profession.

Additionally, we are helping our students while they’re in law school to make sure they are able to pursue their chosen path in the law and make a seamless transition into a career as they graduate. Our alumni have been very helpful to us in that regard, keeping us informed about what’s going on in the legal profession and helping our students make that transition. Given the challenges in the legal job market, we are trying to emphasize more than ever the importance for students of figuring out what is their chosen path in the law and how best to present themselves to future employers.
leveling learning as a revenue source. While that has been a great experi-
ment in how to deliver more opportunities for community and alumni
engagement, it hasn’t brought in the income we’d hoped for. We’ve also
spent a lot of energy with online learning. The new Doctor of Ministry
program will be online. That doesn’t make its delivery cheaper, but it
distinguishes it in the market. No other school in our peer group or in
our caliber of school offers this degree online.

AE: How much influence do faculty have on the budgeting
process and establishing funding priorities?

JL: I consult closely with senior staff about budget development, and I
have a very strong ethic of more transparency rather than less. I also
share the budget with Candler’s Personnel and Academic Policy Com-
mittee and our Strategic Planning Committee. We receive many requests
and suggestions about how to increase revenue, reactions about whether
we can afford this or that, or recommendations to consider shifting our
emphasis here or there. That’s a wonderful role that those committees
play, and it helps us chart a course well into the future.

AE: What are your strategies for hiring right now?

JL: We have to pay attention to several things. One is that we’ve had se-
veral retirements since I joined here, and the demographics of our faculty
suggest we’re going to have a wave of retirements. That leaves holes in
the curriculum. When someone really distinguished retires, such as Brooks
Holifield, then it matters a great deal how we replenish the stature of our
faculty. There are strategic calculations about whether you hire mid-
career people who have already made a name but are in their late forties
or fifties, or if you hire entry-level people and groom them to stay here
for a long time. We’ve used both strategies to good effect.

AE: What are you looking forward to at Candler?

JL: We’re building a new building, which is made possible by a generous
gift, the healthy reserves we’ve built up, and some help from the univer-
sity. It will be constructed where Bishop’s Hall is now and will extend
nearly to Cannon Chapel. Bishop’s Hall will be torn down this spring.
Construction-related work has been ongoing for quite some time.

RS: One way we have addressed the changing times is making sure our
curriculum is in tune with the needs of our students and the changing
shape of the legal profession. One of the key ways we have done that is
through our Center for Professional Development and Career Strategy.
For the different areas of legal specialty, the center identifies curricular
paths, facilitates Student Practice Societies, and brings alumni to campus
to talk to students about their careers. The goal is to help the students
gain an understanding of the different possibilities for careers and to
have contacts and mentors in the legal profession.

The changes also helped us make sure we are focused on emphasizing
our strengths and on devoting resources to our key priorities, includ-
ing the education of our students, our signature academic programs, our
important public interest projects, our commitment to diversity, and our
goal of keeping a legal education accessible and affordable.

AE: Has the current economic climate led you to change
how you are prioritizing budgetary matters?

RS: In general, our budget process hasn’t changed dramatically, though
we are alert to different priorities in light of changing circumstances. We
are devoting more resources to scholarship support for our students. We
are devoting more resources to career advice and to our Center for Pro-
fessional Development and Career Strategy. We are devoting more
resources to our experiential programs, which include our clinics,
externships, and our transactional law, trial techniques, and intellectual
property programs. We are trying to make sure we are devoting our
resources to key areas of importance, given the changes going on
around us.

RS: Whenever we think about our programs, we think about how to
advance our core purpose, how to advance our scholarly, teaching, and
service missions. We continue to ask ourselves what is the best way to
do that. We see there is great interest in the U.S. legal system around the
world, so we have begun to focus more on programs that may appeal to
international students. This includes our LLM [Master of Laws] program,
a one-year program that we have had for a long time, but in which we
see increasing interest. We have also seen interest in more specialized
programs. For example, we are creating an MCI [Master in Comparative
Law] program in partnership with a university in Shanghai, to train Chi-
nese prosecutors and defense lawyers. Another program we have started
is the JM [Juris Master] program, for those who don’t wish to be practic-

ing lawyers but are working professionals who want more knowledge
about the law. We are open to more possibilities of ways in which people
can get the benefit of an Emory Law education without spending three
consecutive years in Gambrell Hall.

AE: What alternative forms or creative ways of generating
revenue have you considered?

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are devoting more resources to scholarship support for our students. We
are devoting more resources to career advice and to our Center for Pro-
fessional Development and Career Strategy. We are devoting more
resources to our experiential programs, which include our clinics,
externships, and our transactional law, trial techniques, and intellectual
property programs. We are trying to make sure we are devoting our
resources to key areas of importance, given the changes going on
around us.

RS: Whenever we think about our programs, we think about how to
advance our core purpose, how to advance our scholarly, teaching, and
service missions. We continue to ask ourselves what is the best way to
do that. We see there is great interest in the U.S. legal system around the
world, so we have begun to focus more on programs that may appeal to
international students. This includes our LLM [Master of Laws] program,
a one-year program that we have had for a long time, but in which we
see increasing interest. We have also seen interest in more specialized
programs. For example, we are creating an MCI [Master in Comparative
Law] program in partnership with a university in Shanghai, to train Chi-
nese prosecutors and defense lawyers. Another program we have started
is the JM [Juris Master] program, for those who don’t wish to be practic-

ing lawyers but are working professionals who want more knowledge
about the law. We are open to more possibilities of ways in which people
can get the benefit of an Emory Law education without spending three
consecutive years in Gambrell Hall.

AE: What alternative forms or creative ways of generating
revenue have you considered?

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Access and Excellence

Need-blind admission, student quality, and diversity at Emory College

In order to design the system in which the admission and financial aid processes work together at Emory College—or at any college, for that matter—the university has had to make some important decisions. In the year that I’ve been at Emory, working within the Office of the Provost and its Enrollment Services division, and working with the leadership of Emory College, the team in the Office of Admission, and Dean Bentley and his team in the Office of Financial Aid, I have found the university to be thoughtful and principled in constructing the way the financial aid program supports enrollment goals for Emory College. We focus on admitting the best students who apply, and we fund them. We focus on the need of families, while being more aggressive with funding the small number of students who stand out for their potential and have many choices for where they’ll enroll. We are humane when working with students from families with the least means. We also expect families to treat an Emory education as an investment and to be willing to make some sacrifice to pay for it.

Financial aid is offered in this way because an Emory education is a special opportunity for a young person, and the university has the obligation to ensure that promising students from all backdrops have the chance to benefit from this experience. Given that the cost of attendance at most of the nation’s leading private universities, including Emory, now exceeds median household income in the United States, by definition most parents are not able to pay what it costs to study here out of current income (Emory’s billed costs for fiscal 2012 were $52,792, $30 more than the median U.S. household income in 2011). If the enrolling class is to have some socioeconomic diversity, it is important to offer assistance to some students in meeting Emory’s costs. Individual judgments about this assistance, made by Dean Bentley and his colleagues, are sensitive to the resources of families: those who have the least ability to pay receive the largest amount of financial aid, which typically consists of several kinds of assistance (see below).

For most of the best-prepared students, of course, regardless of family wealth, the question is not whether they will go to college, but where. Emory competes in a market for talented students—all our competitors assist some students in meeting costs—so financial aid is not solely related to access and diversity, but also to the quality of the student population. Without some form of financial aid to make Emory accessible to a broad spectrum of families, we would enroll a far weaker and less diverse student population than we do. In this sense, financial aid is an investment in the quality of our student population.

It’s for all these reasons—access, excellence, and the wide distribution of wealth in this country and around the world—that Emory structures its admission process and offers financial aid the way it does. Let me be more specific about how admission and financial aid work together at Emory to enroll the best possible freshman class each year. What are the principles that have guided the design of our admission and aid programs?

The current Emory College process is built on two significant principles: that admission decisions for U.S. citizens and Permanent Residents are made in a “need-blind” fashion, and that Emory will meet the full calculated need of admitted students who apply for financial aid. Emory is unusual in making these two commitments in the national context—fewer than fifty colleges and universities do, but they happen to include chief competitors: all eight Ivy League institutions, the University of Chicago, Duke, Georgetown, MIT, Northwestern, Notre Dame, Rice, Stanford, Vanderbilt, and the University of Virginia, for example. What these policies mean from an admission standpoint is that readers of applications for Emory College freshman admission do not have access to, and do not consider, the wealth of the family of an applicant when making admission decisions. Emory focuses in its selection process on identifying students who are best positioned to benefit from an Emory education and to contribute in some way to the diversity and vibrancy of the university community, period. These policies often resonate with the students, parents, and school staff we meet, who see the full price of private colleges like Emory and wonder if such schools are out of reach for them. The admitted class is then handed to colleagues in the Office of Financial Aid, where a need analysis is conducted, and a financial aid award that meets the demonstrated need of the student is generated (provided, of course, that student and his or her parents have supplied Emory with required financial forms and documents). Managing financial aid costs in this policy environment can be a challenge, but Emory is careful to model aid costs, and to prepare for and budget around classes expected to enroll each year. Tuition revenue, excluding financial aid, has been increasing for Emory College, allowing it to continue to make investments in excellence in research, teaching, and student life.

How are Emory’s financial aid resources allocated? At present Emory College allocates the vast majority of its aid resources on the basis of financial need of our families, although the college does maintain a merit-based program (less than 10 percent of all grants and scholarships are awarded without respect to financial need through a variety of initiatives, such as the Emory Scholars program). For need-based programs, ability to pay is determined through a standard need analysis that takes into account all of a family’s financial assets. Financial need is met through a combination of federal, state, and Emory resources, and need-based aid is awarded to supplement, but not replace, a family’s ability to pay for college. Our goal is to make enrollment at Emory a possibility for all admitted students, regardless of family wealth.

Starting with fall 2009 enrollment and as part of Emory’s 2005–2015 Strategic Plan, the university launched the Emory Advantage program for families with total incomes below $100,000. Families in this income range have reduced loan expectations and therefore receive more aid in the form of grants. Students with family incomes below $50,000, in fact, are not expected to borrow at all in the financial aid Emory offers them. Note that relative to the total aid program here the size of Emory Advantage is small, accounting for about 4 percent of Emory’s aid expenditure. But Emory Advantage does reiterate the university’s commitment to the principle that family wealth should not be a barrier to admission or enrollment, and the university’s track record of success in enrolling students from lower-income families demonstrates that we are following through on that commitment.

Where does financial aid fit among priorities? How should Emory College balance its commitment to student quality and diversity via financial aid with its commitment to invest in excellence in research and teaching? Through its policies, Emory can control the size of its aid budget. There is significant demand for an Emory education, and Emory College could enroll a 1,350-student class using less financial aid. But there would be an immediate cost to doing so—to student quality and diversity: a strong financial aid program has the effect of increasing the size, diversity, and quality of the applicant pool, of the admitted class of students considering Emory, and, in turn, of our new freshman class arriving each fall.

Emory College’s continued careful management of financial aid resources is an important matter, given the way student aid provides crucial support to fundamental admission, enrollment, and institutional goals, such as the quality and diversity of our students; to public perceptions of our values and of the nature of our university community; and even to enthusiasm of Emory alumni and friends for the university. While we stand today on a firm policy foundation, we’ve seen some of the questions Emory, and indeed all colleges and universities, will wrestle with in the years ahead.

John Latting
Assistant Vice Provost for Undergraduate Enrollment and Dean of Admission
The Cost and Value of Research

Direct and indirect returns for the university and society

O
n March 1, 2013, President Obama issued an order canceling $85 billion in spending across the federal government for fiscal year 2013, which ends on September 30. For research, this sequester translates into a 5 percent reduction in federal grants, which last year totaled $351 million to Emory. Emory will lose an estimated $17.5 million in research funding, with additional impact on federal work-study and Supplemental Educational Opportunity Grants. But this may be just the beginning. Without a congressional agreement to stop the sequester, the federal government will need to cut $1.2 trillion in the next decade, and our loss of research grants and support will magnify many fold.

This is a chilling message to our country, our institution, and our mission. Sustained federal funding to support innovative research has been a cornerstone of our national success and our success as a university. As a member of the Association of American Universities (AAU), an association of 62 leading public and private research universities in the United States and Canada, we are dedicated to “high quality programs of academic research and scholarship and undergradu- ate, graduate, and professional education in a number of fields, with the general recognition that “a university is outstanding”—and its reputation built—“by reason of the excellence of its research and education programs,” programs that are often interwoven and inextricably linked.

The federal budget crisis, continued declines in real purchasing power of research dollars, sequestration, declines in the return on endow- ments, pressures on other revenue streams, and competing unit priori- ties threaten to cut support and derail Emory’s research mission. In this difficult environment it is important to rearticulate both the cost and the immense return on investment of research for Emory and our country. Research is the foundation and fundamental driver of the creation of new knowledge. Research requires investment, ongoing operational costs, continual strategic thinking, and a firm appreciation of its value. Excellence in research is a pillar of Emory’s mission and a stated stra- tegic goal of all units. Indirect cost recovery from grant awards does not cover all the costs of funded research (the gap is 25 to 36 percent). Additional institutional dollars support unfunded research, scholarship, and education. The increasing stress to find these institutional dol- lars to support research can lead, as we see with Washington’s extreme partisanship, to short-sighted decisions. Critical to this discussion is an understanding our investment in research and the direct and indirect re- turns on this investment for our university and our community through the following multipliers of value.

1. Intellectual Capital and Institutional Distinction. The very real and most valuable assets generated by research and scholarship are the creation and growth of intellectual capital (such as outstanding faculty, graduates, students, and trainees), national and international prestige, and Emory’s distinction as a global “destination” institution. Our in- stitutional commitment to research now places Emory in an elite status among academic institutions and is a major criterion of external rank- ings. After a remarkable climb over more than three decades, Emory ranks among the top 20 U.S. universities and among the world’s top 50 research universities, has more than 8,000 documents in the Web of Science database, and has 1.8 million citations with an institutional “h” index of 370 (meaning that 370 Emory publications have been cited more than 370 times). Research is the major force behind quality faculty recruitment and retention, and excellence in research is the major at- traction for the brightest and best students and trainees to our education programs. Research provides the foundation for our future by creating the environment for the education and training of the next generation of scholars, investigators, and other academic leaders.

2. Economic Impact. Now let’s turn to the research dollars generated. The value of research funding extends beyond the ability to foster new discoveries. Research funds ripple through the economy. The more than $500 million in 2010, 2011, and 2012 in total research awards to Emory creates a dynamic economic engine for our community, city, region, and state. The funds related to research provide direct faculty, student, trainees, staff, and other salaries. Every research dollar has roughly a 2.0 multiplier (2.21 for Georgia) on local and state economies. Nineteen or more high-paying jobs are generated per $1 million in research funding.

One component of research dollars, indirect cost recovery (IDC), may be the most misunderstood of institutional research funds. IDC is not a revenue stream but is cost recovery from sponsors for support of the research work performed. IDC dollars are not generated until direct research expenditures occur. IDC consists of two pools: facilities and ad- ministration. Emory’s current IDC rate of 56 percent on campus–spon- sored federal laboratory research provides reimbursement of facilities costs for buildings, equipment, interest, operations, maintenance, library, and utility costs. These reimbursements represent 30 percent of the 56 percent, while reimbursements that support administrative infrastruc- ture and regulatory compliance are capped at 26 percent. More than $125 million per year in IDC were awarded Emory in 2010, 2011, and 2012 based on funded research, but again, these dollars do not cover the costs of supporting this research. After the remarkable increases in research dollars and IDC sustained for more than two decades at Emory, we now face a decline in IDC awards and recovery for expenditures. Maximizing the use of these dollars through greater efficiencies in research adminis- tration and infrastructure is key to navigating these challenging waters. Nevertheless, IDC is vital to the research mission and contributes to the multipliers of research economic impact. But economic impact repre- sents only a component of the research value iceberg.

3. Clinical Competitive Advantage. As the driver of innovation and new knowledge, research is a clear competitive advantage for Emory Healthcare and our affiliates. Our clinical service mission is also inter- woven and linked to our research mission. The NIH designation of Win- ship Cancer Institute by the National Cancer Institute is one example. Partnerships with Grady, the Atlanta Veterans Affairs Medical Center, and Children’s Health Care of Atlanta are others. Also, our ability to ne- gotiate the best clinical reimbursements is based on Emory’s distinction as a place of cutting edge innovation, new discovery, and quality.

4. Philanthropy. Research success is a major foundation for philan- thropic support and vice-versa. Of the $1.69 billion raised in the recent Campaign Emory, some 28 percent was direct individual or founda- tional support for research. This does not include philanthropy for new research buildings, endowed chairs, or fellowships. For example, Atlantans Sarah and Jim Kennedy and their family foundations gave $5 million to Emory for innovative projects to address Alzheimer’s disease. It is no surprise that the top American research universities hold most of the top 20 endowments.

5. Direct Institutional Investment. Emory has attracted significant direct investment by state and local governments and local and national foundations due to our strong research enterprise. The Georgia Research Alliance (GRA) has invested well over $250 million in Emory since 1991 because of excellence in research and to build impactful programs for Georgia, bringing fourteen GRA Eminent Scholars to our campus. The Bill and Melinda Gates Foundation has invested more than $55 million in Emory’s work in global health.

6. Intellectual Property and Translational Research. Emory research discoveries lead to commercial applications, drug and device development, and new startup companies that improve and save lives. Emory has 1,325 active technologies and 306 active licenses and has received $820 million in license revenue since 2000. Emory is ranked the fourth largest contributor in the nation to the discovery of new

Nineteen or more high-paying jobs are generated per $1 million in research funding.

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www.emory.edu/acad_exchange

Spring 2013 The Academic Exchange
A faculty counselor’s experience serving the Investment Committee of the Emory Board of Trustees

In 2012, Emory’s total endowment was $5.46 billion, ranking it sixteenth among all universities.

The Emory Office of Investment Management is led by Mary Cahill, vice president of investments and chief investment officer, who oversees investments of all endowment, trust, operating, and employee benefit funds for the university. Prior to joining Emory, Ms. Cahill was the deputy chief investment officer of Xerox Corporation, where she managed assets in excess of $12 billion. She has thirty years of investment experience. Her team includes operations managers, investment analysts, risk analysts, and project officers. They work in collaboration with investment managers and advisory firms from across the globe that provide investment expertise specific to their local markets.

The university’s investment portfolio structure is designed to optimize value based on the foundation of a policy asset allocation.

In accordance with investment best practices, assets are pooled to optimize investment growth and reduce volatility. Emory Investment Management uses a thoughtful, results-driven approach to investing to produce value and control risk. Partnerships with skilled investment management firms across the globe and in diversified markets are structured to add value or preserve capital in a variety of market environments. The team manages more than one hundred portfolio manager relationships.

The Investment Committee of the Board of Trustees approves asset allocation policy. The committee has approved an approach that structures the investment portfolio in a balanced manner to reduce exposure and risk in any particular sector or market, while enhancing performance growth. Asset allocation is based on long-term studies conducted internally. Policy benchmarks are set based on target allocations, and Emory Investment Management manages the process whereby the portfolio is rebalanced to policy targets. The team is also permitted to make tactical shifts in the actual portfolio weights in an attempt to capitalize on shorter-term investment opportunities. In order to meet today’s needs while protecting tomorrow’s resources, the Board of Trustees establishes and oversees a spending rate formula that defines how distributions are made. The objective of the spending policy is to strike an appropriate balance among the following objectives:

1. To ensure the purchasing power of the revenue stream;
2. To ensure that the endowment assets do not decline over the long term;
3. To provide current programs with a generally predictable and stable stream of revenue;
4. To reduce the lagging effects of market variability.

The university’s current spending formula applies a spending rate (4.75 percent) to a twelve-month market value average of endowment assets. The Board of Trustees Finance Committee reviews the spending formula annually. This spending policy is similar to those at most peer institutions.

The committee meets quarterly. Under the leadership of Mr. Henrikson, Ms. Cahill conducts the proceedings, which are attended by board members, senior investment office staff, and other members of the Emory leadership team. The meetings last about three hours and consist of reviewing the concerns and opportunities in the current environment, and both global and local financial conditions. This discussion is followed by a presentation on the investment portfolio’s performance. The attendees robustly challenge and discuss both the broader (global and philosophical) and the granular investment decisions and results.

There are few responsibilities at a university more important than managing its endowment. Emory is fortunate to have one of the larger endowments among American universities. In 2012, Emory’s total endowment was $5.46 billion, ranking it sixteenth among all universities and thirteenth excluding endowments that are system-wide for state universities encompassing multiple campuses. After getting to know the committee members and the organization, I can comfortably attest that Emory is in good hands. The committee members and staff take their responsibility very seriously and are genuinely concerned about the university and its faculty’s needs. Mr. Henrikson, despite his extraordinarily busy schedule, invited me to join him for a breakfast while he was in Atlanta to facilitate an introduction of the goals and functioning of the investment committee, as well as providing me the opportunity to air any faculty issues. Ms. Cahill, similarly, invited me to visit the investment office to meet her team members and provide me an overview. This certainly shows the interest that both the trustees and the investment office have for faculty concerns.

The investment and protection of Emory’s endowment to ensure its sustainability and expansion of the university mission is a daunting task—especially in the current global financial environment. On behalf of the Emory faculty, I am honored to serve on this committee and feel we are fortunate to have not only this endowment but the extraordinary team that works tirelessly to protect it and make its best use in the university and faculty’s interest.

A.

n appointed faculty counselor serves each committee of the Emory University Board of Trustees. Last year, I was fortunate to be invited to serve as a faculty counselor to the Investment Committee. While I was exhilarated by the appointment, I felt sure there must be some mistake or catch. I am a cardiologist and a clinical researcher; I know very little about investments. Nonetheless, I determined to do my best, and I also received some expert advice from a senior member of the Emory Healthcare leadership team. When I told him about my angst, he leaned over and gave sage advice: “I recommend that you just listen and don’t talk.” Having been on the committee for some time now, I can attest that this approach works! I am honored to present to the Emory faculty, the community that I serve, a brief report regarding the investment committee.

To begin, a little historical context. In July 1914, Asa Candler donated $1 million and later gave another gift of 75 acres of land that led to the establishment of the university. Over time, additional gifts of land and buildings from the Candler family and others enabled the university to expand. By 1926, the endowment was valued at $2.9 million, and it continued to grow to $56.6 million by 1965. In 1979, Robert and George Woodruff transferred the Emil and Ernest Woodruff Fund to the university. At that time valued at $1.05 million, the fund was the largest single gift ever donated to an educational institution in the United States. Today, the endowment is part of a diversified, risk-controlled portfolio of long-term investments worth more than $5 billion.

Emory’s investment mission is to maximize the probability that the endowment returns over the long term are sufficient to maintain purchasing power after spending and inflation, and to add purchasing power via excess returns. The investment philosophy encompasses the following:

1. Teams markedly outperform individuals over time. Collaboration is imperative.
2. Intellectual curiosity, a passion for the work, and the need to dig deep for answers is part of the DNA of each team member.
3. A balance between patient investing and a sense of urgency is required.
4. Price matters. We are value investors.
5. Do not be overconfident about investing or driven by concern over missing an opportunity. Follow a sound and disciplined process.

C. Robert Henrikson, former president and chief executive officer of MetLife and Metropolitan Life Insurance Company, chairs the committee. Other members of the committee are also highly accomplished businessmen with vast experience in managing leading companies in various industries. They bring diverse experience to the committee that Emory is very fortunate to have.

Utmost Responsibility with High Stakes

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The Productive Student

Who makes the university? The answer isn’t as obvious as it seems

In my last book, *How the University Works*, I looked at some of the “innovative” employment practices of higher education. Many such innovations aren’t anything to be proud of, such as outsourcing service workers and perma-temping the faculty. Among the most troubling patterns is the steady conversion of full-time adult positions to low-wage “financial aid.” At many U.S. institutions, the student workforce includes carpenters, drivers, guards, childcare workers, janitors, gardeners, art restorers, tech support, tutors, medics, graders, cooks, and dishwashers. Employers large and small cluster near college campuses in order to take advantage of the vast low-wage transient workforce represented by students.

Marc Bousquet
Associate Professor of English

The question of student debt has penetrated public awareness, but in many ways student labor remains a larger problem. Nationally, about one in five undergraduates don’t work for wages. The remaining eighty percent do, however, for an average of thirty hours a week. Most credible studies agree that a modest amount of paid work while in school is associated with higher grades, at least for those who come to campus with higher ability. However, over-working—which is usually described as working more than fifteen or at most twenty hours a week—negatively affects learning, persistence to degree, and time to degree. Students who over-work miss out on extracurricular life and are over-represented in the ranks of drop-outs, the hyper-indebted, and the disaffected.

At any one time more than 14 million undergraduates are in the U.S. workforce—a figure larger than the official count of the unemployed. It’s hard to imagine a federal jobs program that would not involve moving a significant portion of this work out of student lives and back into the realm of adult employment.

And that figure is just for paid work—it excludes the tens of millions of unpaid and donated hours that students devote every year, to nonprofits and business employers alike, in service learning, internship programs, and civic engagement.

This astonishing workplace productivity by students, both paid and donated, is just the tip of the iceberg. What makes a great university like Emory? Surely the labor of the faculty matters, and the staff as well, from librarians to groundskeepers. All of us who work here contribute something. Sometimes what we contribute, however, isn’t something we did on Emory’s payroll, as in the case of a scholar, painter, or novelist who achieved fame before working here.

Isn’t the same also true for students? Don’t they contribute to Emory both on and off the payroll?

At universities with reputations for athletic excellence, for example, the extracurricular accomplishments and sacrifices of student athletes are readily understood as contributions to the campus brand. Most analysts agree that the prestige capital is more significant than any direct revenue generated by athletics. In fact nearly all athletics programs operate at a loss but are viewed by administrators as a cheap-at-the-price investment in the school’s intangibles, such as its reputation and the development potential of its endowment.

Athletics are just one, classical form of the ways students donate to the campus brand. School newspapers are another. So are singing groups, dance troupes, and theatrical productions. Indeed, all of the myriad student extracurricular activities make a contribution, from sororities and religious organizations to student government. Any participation builds the brand. It is true that some forms of participation can be destructive of community or corrosive to its prestige. Nonetheless, the reality is that even organizations protesting administrative decisions can add to the campus’s appeal (“free speech and free spirits survive here”).

At schools like Emory, students donate to campus prestige capital with their postgraduate achievements. They likewise contribute value with accomplishments before they even arrive, in the form of their test scores, high-school rank, and arts prizes and athletic victories.

Blogging and Facebook time adds value. At certain kinds of schools, value to the brand is added by the time spent by students in gyms and tanning salons, photographing each other at parties, and publishing and circulating those photos. Party schools’ reputational capital is generally earned: They don’t get their reputations—which, make no mistake, have value in their own way—without the dedicated efforts of tens of thousands of students over time. (Even at non-partying schools, the importance of the healthy, leisured-yet-studious physical image of students is so important that, where such imagery is not generated spontaneously by student life, it has to be manufactured for marketing purposes.)

At any one time more than 14 million undergraduates are in the U.S. workforce—a figure larger than the official count of the unemployed.

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Looking at the intense value-adding productivity of student time, even the time not spent obviously working, raises some interesting questions about how we manage the massive resources of modern American higher education. Are we fairly attending to the needs of undergraduate students when we allocate resources via models that over-emphasize certain kinds of easily measured revenue productivity, such as grants in certain disciplines or professional-school tuition? Understanding students as productive, both as campus employees and as enmeshed in a campus gift economy, also raises questions about the dominant “quality” models of students primarily as consumers or revenue sources.

The justification for the student-as-consumer approach to quality management is, broadly speaking, a variant on the old saw that the customer is king, and there are certainly many ways this philosophy has benefited students and increased student power. But at too many institutions, it has too often increased the power of students according to their spending power, giving full-pay students admissions benefits and better food, better accommodations, and so forth. In some ways, the quality management of student as consumer has returned many institutions of higher education to the nineteenth century, in which the scholarship students shined the shoes of the full-paying leisure class.

By understanding that students are producers as well as consumers, we are asking for a better accounting of the gifts of time and talent made by so many. If we more completely honored students’ full productivity, perhaps we’d do a better job of honoring other campus producers as well, and more effectively raise questions about the rationale for outsourcing and perma-temping.

Taking student productivity seriously isn’t just a moral standpoint; it’s a practical economic question. With students in the workforce working too much to succeed at their studies and outnumbering the official count of the unemployed, it’s clear that a program to reduce student over-work could create millions of jobs, not incidentally improving many institutions’ relationship with their communities.

Taking student productivity seriously might also mean looking at classwork as labor time. We might ask tough questions about the billions of hours annually burned on writing papers designed to be read only by one person. How could that writing time be made more productive? What if we asked that more student writing be made to circulate in the world? Recognizing the full scope of students’ contributions to the campus and world that we have is one key to collaborating with them to build the campus and world we’d like to have.

The Cost and Value of Research

Drugs and vaccines by research institutions including federally funded universities, research hospitals, and federal laboratories, according to a 2011 report in the New England Journal of Medicine. Drugs for HIV/AIDS discovered at Emory, with the help of federal funding, are used by more than 90 percent of U.S. patients under treatment and by thousands more around the world. The licensure of the HIV/AIDS drug FTC alone brought $540 million to Emory as a single success of intellectual property and served as a major resource for the development of Emory’s strategic themes. GeoVax, Inc., which was founded by Emory, has produced a leading HIV/AIDS vaccine candidate. Biomedical discoveries at Emory and Georgia Tech have resulted in 78 startup companies and the introduction of more than 64 new products into the development pipeline. The potential for return from intellectual property is robust at Emory, with an excellent product pipeline based on key discoveries generated by research.

Although it is under financial seige, research remains the foundation of excellent scholarship and the fundamental driver of the creation of new knowledge, which distinguishes the really great from the good universities. As a critical competitive advantage of Emory University and Emory Healthcare, research must be zealously defended. It is an economic engine that gives our nation a competitive advantage through global leadership and ultimately improves the human condition. The six multipliers of the value of research noted above illustrate both our past successes and the great promise of research for the betterment of our community, the U.S., and global communities.

Shaping Emory’s Future

rise faster than cost of living, what implications would that have on our budgets? Looking at school budgets reveals no parts that would be expected to rise at a lower rate than cost of living. As faculty, would we be content in the long term with raises that would only mirror increases in cost of living? The hope is that we could achieve significant savings from administrative reorganization, but even that would represent one-time savings: once a lower level of administrative costs was (hopefully) achieved, that lower level would then tend to rise at least at the level of cost of living. We also should not forget the faculty and staff resistance to administrative restructuring that Denneen mentioned. As president of the Senate this year, I have tried to shift our thinking about governance from “shared governance” to “shared responsibility.” In my view, faculty have much more “power” with shared responsibility, but that means we must take greater responsibility for our decisions. If we say that some proposed action in order to achieve a balanced budget should not be carried out, then what is the alternative? If the “best” alternative, getting more money, is less and less likely to be possible and generally not within our purview, then what do we do? With shared responsibility, we don’t have the option to “just say no,” but we have to be part of crafting a credible, realistic solution. For the real problems that we will face in financing our teaching and research missions at Emory, I don’t know what the best answers will be. I do believe that the collective minds of our faculty should give a better answer than we would otherwise have, but I also think that difficult decisions will have to be made if we want to become a better place for teaching and research rather than to just try to maintain what we have.
administrative and academic support units. Even when you count all those costs as a percentage of only the unrestricted operating budget (for example, excluding grants and contracts), non-school-based allocated and support costs represent less than 25 percent of the budget.

With the vast proportion of resources in the schools, all these individual budgets are brought together with those of the other units to form the overall university budget. Deans are charged with allocating resources within their school, and WAM works with the deans to fund institutional critical needs and priorities. The deans are also invited to attend the budget review sessions for the administrative units. We work carefully with the deans through multiple iterations to produce a budget proposal that ultimately goes to the Board of Trustees for approval. These are candid, open discussions. The committee listens to school-based plans, responds to assumptions, gives feedback, and tests the administrative cost allocations against each of the schools’ revenue outlooks. On that front, one goal of WAM is to keep administrative and infrastructure cost growth below the revenue growth in the schools.

Given the magnitude of resources that reside in the schools, it is important that budget planning be active, innovative, energized, and entrepreneurial. I believe budget planning and associated decision-making is most effective when it involves the faculty, with clearly articulated principles to guide discussions and decision-making. If faculty and their school leadership are engaged in ongoing and frank conversations about opportunities and challenges, then they become part of the process of determining priorities and aspirations and aware of the reality of trade-offs. And when faculty share responsibility for the process and its outcomes, the schools are more likely to excel—especially in periods of both evolutionary and punctuated change, such as those we see today in economic, social, and technological spheres.

Support from the center

One responsibility of WAM is to allocate non-school-based revenues, such as investment income from non-school-based endowments or strategic initiative funds (which received a large influx years ago from the central portion of the Emtriva HIV therapeutic monetization). How do we distribute these resources among the schools? The answer should be, of course, according to academic priorities and institutional needs. But it should also be informed by the opportunities available to each school and discernment of their success in seizing opportunities, as well as the constraints that might be beyond a school’s control.

For example, currently the vast majority of the ongoing annual central funds subsidize the activities of the arts and sciences—they are allocated to Emory College and the Laney Graduate School. This has always been the case, but in response to the economic downturn in 2009, when revenues from these central sources declined as a result of endowment losses and near zero interest rates, we re-directed income from several other areas and further concentrated it in the graduate school and college (with a small amount to Oxford as well). Despite this concentration, all of the schools saw declines in support due to the downturn. The reduction in interest rates alone reduced the investment income into these sources by close to $15 million—an amount yet to be recovered in the annual budget as interest rates remain near historic lows.

At the same time, all the schools have experienced increased demand for financial aid. In the case of Emory College, our commitment to need-blind admissions and meeting institutionally defined need have increasingly burdened the school’s tuition-driven operating budget. A student’s ability to pay for an Emory education is not considered when admission decisions are made, and two out of three undergraduate students receive some financial assistance, including loans (please see Assistant Vice Provost of Undergraduate Enrollment and Dean of Admission John Latting’s essay on page 10). Nonetheless, Emory, along with most of the other top twenty universities, has valued need-blind admissions as a core component of building the best educational experience. In the last eighteen months, WAM worked to bring a broader institutional plan to stabilize the effect of financial aid on the college budget. The multi-pronged solution included the admissions and financial aid offices working with the deans’ and provost’s offices. It also included fundraising success by the President, which led to a significant increase in endowment for scholarships. We also directed proceeds from the ground lease associated with the Emory Point development into a financial aid endowment for the college. Financial aid will remain among our highest fundraising priorities for the next several years. This is just one illustration of how multiple parts of the university can come together to address challenges from the external environment.

Semi-permeable boundaries

Another strength built in to Emory’s version of RCM is transparency. While there may be honest differences of opinion, there are no hidden “taxes,” and the cost allocation process is not used for cross-subsidizations. Our version of RCM aligns incentive and responsibility with the schools, rather than just with the central administration, but it also supports efforts that reside outside the school—to partner with the schools in addressing some of the more vexing challenges and to develop cross-school or cross-unit initiatives.

When faculty share responsibility for the budget process and its outcomes, the schools are more likely to excel.

While not an “every-tub-on-its-own-bottom” structure, our system respects boundaries between the schools to foster a level of financial responsibility and positive incentive, and to afford some protection from avoidable risk incurred by decisions in other schools. Those boundaries can also be a weakness, however, because they can discourage cross-school initiatives. For instance, without creative collaboration, a programmatically wise investment might not move forward for one school’s worry about not getting revenue associated with it. There are multiple ways to remove such barriers, but they require non-formulaic approaches and partnerships. One approach is to seed such collaborations so that they can grow and later thrive on their own momentum. An example is the early support for cross-school programming in the Global Health Institute: initial funds were used to attract external program and research funding and to make faculty hires that were then phased into the school budgets over time.

New funding paradigms

Partnership and non-formulaic thinking are needed now more than ever. It is no secret that the traditional revenue streams for higher education—such as net tuition, federal research dollars, and clinical revenue to support biomedical research—are not growing as they have over the last several decades. What do we do? I think there are several exciting possibilities. One is the potential for technology and innovation to increase our capacity to educate more students—some on campus, some online, some through hybrid means. We are just beginning to see how that potential might play out at Emory with the new Semester Online consortium and Coursera. There is also something in these approaches to both enhance the value and potentially reduce the cost of on-campus programs, thus freeing up resources for new investment.

Another area holding promise is intellectual property, including drug discovery. Emory researchers are making tremendous strides in understanding human disease. As more of their work leads to new revenue from therapeutic or other forms of innovation, additional resources become available for core purpose. A third area is further development and strength of philanthropic dollars. Currently, the Emory endowment is unevenly represented around the university, and a significant majority of it is restricted to school or purpose. New philanthropic funds supporting the work of faculty and new academic programs will be tremendously important as we go forward.

These and other opportunities will only succeed with the creativity, engagement, and energy of the faculty. Institutional leadership can help, but in a real sense of the phrase, “Responsibility Centered Management” thrives when ownership—both academic and financial—is embraced at the school and faculty level, and when people, programs, and decisions are closely aligned. Let’s work together to fully thrive. 

www.emory.edu/acad_exchange
Endnotes
Reconsidering Financial Aid Policies

Sandy Baum
Professor Emerita of Economics, Skidmore College, from her talk, “Financial Aid: Moral Imperative or Unsustainable Burden?” March 5, 2013, sponsored by the University Senate

Financial aid is a tool that has multiple purposes and is being used strategically to meet the goals of educational institutions. And it’s a problem. Basic public policy says if you have a lot of goals and not enough tools, then you’re going to run into problems. And that’s really what’s going on now—that we’re using one tool to meet all these frequently conflicting goals. You can’t talk about financial aid in isolation. . . . The reason that you need so much financial aid is because you have this high tuition, and one reason tuition is so high is because there’s a lot of money going to financial aid, and that’s a problem. You can’t actually talk about whether tuition is too high without thinking about how much students are actually paying, because so many students are not paying that high price. . . . And financial aid is not separate from admissions. When we talk about financial aid policies, we tend to think about, Is it need based? Is it merit based? When you talk about need-blind admissions, you think, Are we admitting students without regard to their financial circumstances? Or do we say, We don’t have that much money to give out, so we’ve got to have some students who can pay the bill?

Geometric Expansion in Higher Education

Robert Zemsky
Robert W. Woodruff Professor and Chair of the Learning Alliance for Higher Education at the University of Pennsylvania, from his talk, “A Faculty Encamped Just North of Armageddon,” December 4, 2012, sponsored by the University Senate

If the knowledge base is expanding geometrically, certainly the course catalogue ought to expand geometrically as well, right? And it does. There is almost no defense against admitting any new course to the curriculum. We do it regularly. We do it over and over again. . . . What underlies the propensity [to expand] in part, is that we’ve turned ourselves into independent contractors. We like to teach what we know best. In a radically expanding knowledge base, we actually know less and less of the knowledge base, so we spend more time teaching the slice we know.

The Changing Face of Higher Education

Ronald G. Ehrenberg
Irving M. Ives Professor of Industrial and Labor Relations and Economics, Cornell University, from his talk, “Is the Golden Age of Private Research Universities Over?”, October 23, 2012, sponsored by the University Senate

At many private universities, a large fraction of the undergraduate teaching is already done by non-tenure track faculty, which some research, including my own, suggests may have an adverse effect on student outcomes. We need to figure out ways to use technology, simultaneously reduce instructional cost, and improve educational outcomes, especially in large introductory classes. And although MOOCs (massive open online courses) are in vogue now, and Emory has jumped on the bandwagon, we really don’t know what their effects are likely to be. However, there has been very careful work done by the National Center for Academic Transformation and the Carnegie Mellon University Open Learning Initiative, both of which suggest that introductory classes in a wide variety of subject matter areas can be redesigned with the use of technology to promote active learning, enhance course persistence, and reduce costs. The question is, why haven’t these things caught on very, very quickly? One answer is that such a movement is often not supported by faculty, especially senior faculty like me, who either do not want to put the time into completely restructuring how they offer classes—it’s very convenient for me to keep doing things the way I have been doing them in the past and leave it to younger people to bear the brunt of the changes—or the faculty also worry that the savings achieved will result in smaller departmental size and fewer colleagues. And the answer is they probably will, but that may be necessary.