HBS concluded fiscal 2008 with an unrestricted reserves balance of $79 million—up $14 million from last year and well within the School’s long-term target. Reserves are one of the resources used by HBS to finance capital projects, and building our reserves balance will be a key strategic objective for fiscal 2009 as we pursue the School’s comprehensive campus plan in the coming years.

The growth in reserves in fiscal 2008 was largely a result of greater use of endowment appreciation to fund the School’s operations. During the year, HBS received $26 million as its share of a University-wide strategic decapitalization from the endowment, made possible by the Harvard endowment’s strong investment returns in recent years. These funds were used in accordance with the donors’ intent to advance the School’s long-term initiatives, allowing us to place more reliance on cash from operations to fund ongoing activities and capital projects.

A LOOK FORWARD

As foreshadowed by the quarter that ended in June 2008, the past three months have been difficult for the economy and severely challenging for the capital markets. Nonetheless, through the first quarter of fiscal 2009, demand for HBS executive programs has remained surprisingly strong. Harvard Business Publishing is holding its own, and the School’s other sources of revenue have continued to perform well. Given the exposure of the HBS business model to the economic environment, however, our operational and financial plans for fiscal 2009 are grounded in caution and geared toward flexibility.

The School’s fiscal 2009 operating budget calls for revenue growth to slow from 11.4 percent this past year to 6.4 percent, reflecting conservative top-line forecasts for Executive Education and HBP. Total expenses, meanwhile, are expected to rise by 8.7 percent. Although total cash flow should be sufficient to balance the budget and add modestly to the School’s reserves, we expect to be somewhat constrained, as compared with last year, in our ability to rely on cash from operations to fund strategic priorities. As in fiscal 2008, these priorities are to enhance MBA student diversity, enrich the MBA experience, attract outstanding faculty, and expand the School’s global research and teaching activities.

In the MBA Program, fiscal 2009 will be another year of curricular innovation. This year the successful Immersion Experience Program will expand from six offerings to nine. At the same time, in connection with the University-wide calendar initiative, the School will be developing initial January term programming for the 2009–2010 academic year.

The planned increase in MBA tuition for fiscal 2009 is 4.5 percent—the smallest on a percentage basis in many years—while fellowship awards are expected to rise more than 23 percent. This growth reflects, in part, the School’s first merit-based fellowship award to address the growing need for management and leadership skills in the life sciences professions.