Including faculty and administrative staff, total employee salaries and benefits expense has risen at a compound annual rate of 8.8 percent over the past five years. This figure disproportionately reflects fiscal 2008 results, as the School’s total compensation expense grew by $27 million, or 15.1 percent, from the prior year, to $206 million, and represented 48.6 percent of total operating expenses. The major cost drivers this year were the faculty and staff FTE increases, annual employee compensation increases across the School, and one-time expensing of both historic vacation liability and faculty early retirement incentives.

HBS tightly controls administrative staff levels, adding staff positions only when they are critical to achieving the School’s teaching and research objectives. In fiscal 2008, administrative FTEs increased by 37 to a total of 1,146, from 1,109 FTEs at the end of fiscal 2007. Although the operational footprint of the School has expanded significantly in the past five years, the number of administrative FTEs has grown at a compound annual rate of only 1.5 percent.

Fellowships
MBA and Doctoral fellowship spending, or financial aid, is treated as an expense line item on the School’s Statement of Activity and Cash Flows. However, increasing financial aid support for students is a long-standing strategic objective at HBS.

The generosity of the School’s alumni and friends, coupled with strong investment returns on the HBS endowment, have significantly increased the size of the School’s endowed financial aid funds in the past five years. Total MBA and Doctoral fellowship spending has risen at a compound annual rate of 13.2 percent during this period. In fiscal 2008, the School’s total financial aid expense grew by $4 million, or 18.2 percent, from the prior year, to $26 million.

Since fiscal 2003, the average two-year MBA fellowship award has grown from $21,500 for the Class of 2004 to $45,000 for the Class of 2009. HBS will continue seeking ways to assist MBA students in reducing their debt at graduation, thus broadening their career opportunities in both the private and the public sectors.

Publishing and Printing
Publishing and printing expense includes HBP production costs as well as a small amount of spending to produce the School’s other printed materials and publications. Primarily reflecting higher costs for printing and paper, marketing, and author royalties at HBP, publishing and printing expenses rose by $2 million to $53 million in fiscal 2008.