Stanford counts cost of overhead scandal

- President Donald Kennedy resigns
- Cuts loom in programmes and staff

Washington

THE biggest news out of embattled Stanford University last week was that president Donald Kennedy announced he will retire at the end of the coming academic year. Kennedy said he had become too closely associated with the problem of inflated overhead costs at Stanford to be an effective part of the solution.

But even as Stanford was coming to grips with Kennedy's resignation, another consequence of the indirect costs fiasco was beginning to take shape — one that will affect the university's future much more dramatically than the loss of any one individual. Faced with a major decline in revenue, brought on in large part by cuts in its indirect costs rate, the Stanford administration has said it will get rid of those programmes that are least valuable to the university.

Understandably, faculty and staff morale has slumped, as university employees wait for the axe to fall. The administration, however, is trying to make the best of a bad situation by taking this opportunity to restructure the university — perhaps in a major way. "They're asking what they'd do if they started from scratch," says dean of research Robert Byers. It is a time for soul-searching at this major research university, and five years from now Stanford could be a very different institution.

The funding crisis has been coming for several years, and many of its roots lie in an ambitious building programme Stanford undertook in the 1980s. As expenses increased, the indirect costs rate charged by the university on federal grants also rose until it became one of the highest in the country at more than 70 per cent. Many inside and outside the university have claimed that Stanford tried consciously to charge as much as possible to indirect costs — a practice that led eventually to such well-publicized excesses as the inclusion of flowers for a wedding reception and depreciation on a yacht on the overhead bill.

These abuses (and less colourful ones from other universities) were aired in a series of hearings of a House of Representatives subcommittee chaired by John Dingell (Democrat, Michigan). The upshot was that Stanford returned some \$1.3 million that it had overcharged the federal government for indirect costs, and the federal government trimmed Stanford's indirect cost rate back to 55.5 per cent, pending new negotiations.

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Citing the stain on Stanford's reputation that the indirect costs furore produced, Kennedy resigned. "It is very difficult, I have concluded, for a person identified with a problem to be the spokesman for its solution," he said.

Many of the faculty applauded his decision, and the belief was widespread that although Kennedy had done a fine job in the 1980s, his effectiveness is now mostly gone. "Kennedy served this insti-

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Kennedy — too close to the problem.

tution well in many ways," said one researcher, "but he got himself identified with a number of problems and his presence became divisive on campus. I think he should have [resigned] earlier."

Kennedy is leaving Stanford to face a large deficit, created mostly by the shrinkage in indirect funds. To balance the books, the university will have to cut about 10 per cent from its operating budget of approximately \$400 million a year. That comes on top of \$22 million in permanent cuts it took from the administration and support portion of its operating budget over the past year.

The additional \$40 million the university must carve out of its operating budget will make it necessary to get rid of entire programmes. "This is not going to be an exercise where we're going to do across-the-board cuts," says Robert Freelen, vice president for public affairs. "To preserve Stanford's quality, we will have to make judgments about size and quality" of individual programmes.

At this point, no one knows where the cuts will come, although a tentative schedule for the cuts has been set — \$20 million in the 1992–93 academic year, followed by \$14 million and \$6 million in the next two years. The administration has asked each department to decide

what should stay and what should go if the department were to be trimmed by varying amounts up to 20 per cent.

Although Byers says this effort "is not focused on the cuts, it's focused on setting priorities", the faculty is still nervous. "The wolf is at the door, but he hasn't actually had a meal," is the way one researcher describes it.

The cuts could be debilitating, says Bob Simoni of the biological sciences department. His department has been asked to plan for a cutback of 6 per cent on operating budget, he says, but half of those expenses are for salaries, which cannot be cut, so the department must figure out how to survive with a loss of 12 per cent from its non-salary budget.

Among some faculty members, there is a feeling of resentment that the administration, which got the university into its present mess by bumping up Stanford's indirect cost rate during the 1980s, is now asking for cuts in research programmes. These researchers want Stanford's administration — which some portray as a bloated bureaucracy — to take the brunt of any cuts. But, as Theodore Geballe of the applied physics department points out, administrative cuts can make up only a part of the savings required to balance Stanford's budget — cuts in faculty positions are inevitable. Byers adds that, contrary to the grumbling of some faculty members, the administrative side is indeed scheduled to take a greater percentage of the cuts than the faculty.

One result of the financial crunch has already become manifest: Stanford's ambitious growth plans have ground to a halt. A planned \$250 million programme to redevelop the university's Near West Campus, a 41-acre science and engineering region, has been scaled down considerably and postponed. Administration officials say that the west campus plan is not dead, but no one is predicting when it will get restarted.

To cope with its financial crisis as best as possible, Stanford is making the cuts a part of a restructuring of the entire university. "Nothing is sacred," Byers says. Not only will some programmes be abandoned entirely, but the organization of others could be shuffled to create new departments that cross traditional boundaries. The university has formed several committees from both the faculty and the board of trustees to make recommendations about the future shape of the school, and their initial recommendations will be offered over the coming month.

"We're preparing the university for the next century," Byers says. "It's an exciting time." Exciting perhaps, but some faculty members would gladly settle for a little less excitement and a little more stability.

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