Utilization Policy

Dartmouth's endowment utilization policy balances support of the current generation of students and faculty with the need to preserve the College’s endowment for future generations. While peer institutions have various endowment management policies, Dartmouth’s is a common one, and all such policies embody the same goal of balancing current use with long-term preservation. Dartmouth's utilization policy provides that an annual amount of current and accumulated endowment investment return will be distributed from each individual endowment fund which can be utilized by the College for operations. The amount of endowment return actually utilized for operations in any given fiscal year must be spent in accordance with donor restrictions, if applicable, or with Board approved directives.

To fund the annual distribution as approved by Dartmouth's Board of Trustees, current yield and investment appreciation may be expended; surplus appreciation is retained in the endowment. In the event a fund has insufficient appreciation to reach the formula amount in a given year, distribution is capped at current yield plus available appreciation. While such a limitation exists in the near-term with newly established funds, it is expected that over the long-term, positive investment performance should allow the fund to experience real growth.

Distribution Policies

Dartmouth's distribution formula is designed to moderate the potential volatility of endowment distributions during periods of large positive and negative investment returns. The general guideline for this smoothing formula uses the prior year's distribution amount as the main factor of the distribution. More specifically, approximately 70% of it is based on the prior year's distribution times an inflation factor, and the remaining 30% is based on the 4 quarter average calendar year market value times the long term payout goal: Dartmouth's is 5%. This type of formula helps manage volatility in budgeting, but it also takes into account changes in the market value of the endowment.

Total Program Cost Distribution Policy – Effective July 1, 1998

Endowments are expected to contribute to, if not underwrite entirely, the total costs of the programs such funds support. Most of the annual endowment distribution offsets direct program costs incurred. The balance is reserved to defray associated program costs (such as space and support) which make up a significant portion of a program’s total cost and represent the many dimensions of underlying support essential for any program to succeed.

Beginning with the implementation of this policy July 1, 1998, 14.3 percent of the annual distribution was used to defray associated program costs. Effective July 1, 2011, this allocation was adjusted to 19.1 percent for support of associated program costs, and 80.9 percent for direct program costs.

The policies described above may be revised from time to time by the Trustees of Dartmouth College.
Disclosure in Donor Gift Agreements

Statements of Understanding for new restricted endowments are required to have the following disclosure:

As with other endowment funds, the College’s Office of Finance & Administration will oversee this fund in accordance with the endowment management, distribution, and utilization policies established by the Trustees. These policies govern the investment of endowment funds and the distribution and utilization of endowment earnings to defray the direct and associated costs of programs designated for support by donors. These policies may be revised from time to time by the Trustees. A summary of current policies is available from the Development or Finance Office upon request.

There is a small subset of gifts, such as bequests, that establish endowments where the College either has no Statement of Understanding, or the documents that establish the fund do not contain the above disclosure. These funds are treated the same way as funds that were established prior the College’s adoption of the Total Program Cost Distribution policy. Endowments established prior to July 1, 1998 are subject to the Total Program Cost Distribution unless expressly advised that associated costs cannot be charged.

Effective Date: 6/13/13

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Responsible office: Endowment Administration

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