

Dear Colleagues,

We were pleased to speak with so many faculty and staff members at last Thursday's forum about Dartmouth's budget. For those who could not attend, we'd like to outline briefly what was discussed. President Wright will also discuss this issue in his annual report on the state of the College on Monday. We want to engage all employees as we seek responses to the financial challenges posed by the world economic crisis.

The situation in the financial markets and in the broader economy as well has wide spread consequences, certainly for individuals but also for institutions. While Dartmouth is nearing the end of a successful campaign and saw significant growth in its endowment through the 2007 fiscal year, we are now in a period where we will need to be especially prudent in planning how we use our resources. We are fortunate. Thanks to the generosity of our alumni and friends we have built a strong base on which to operate. We are certain that we will emerge from this period with the quality of the Dartmouth educational experience intact. However we are not immune to what is taking place in the economy. Therefore we want to provide you with some background on our budget, on why the financial downturn will have an impact on it, and why we need to start careful planning for the future.

Dartmouth's operating budget is based on our revenues. One of the largest sources of revenue is the distribution from the endowment, about 36 percent for the current fiscal year. Other sources of income include tuition and gifts to the Dartmouth College Fund. Because of current market conditions, we do not project significant growth in revenues this year, or in upcoming years.

In recent years, the Trustees agreed to change the way money from the endowment is distributed in order to strengthen support for three major College priorities: faculty recruitment and retention, expansion of financial aid, and facilities. Of course, the aggressive endowment distribution increased the College's reliance on the endowment as a source of revenue.

While our endowment grew by over \$1 billion dollars in the period between July 2004 and June 2007, during the last fiscal year endowment distributions exceeded the sum of endowment earnings and gifts, and we expect the same for fiscal year 2009.

Thinking strategically, we have lowered our expectations for endowment performance for the fiscal year ending in June 2009. In fact, during the first quarter (July through September), our endowment return was approximately -6 percent. As a result, we are re-examining budgets across campus to make adjustments in the current year's revenue projections.

We are also planning for a similar situation for fiscal year 2010. While no one can predict the future of financial markets with any certainty, it appears quite likely that the ramifications of the current situation will affect our budgets negatively for the next few years.

We are working with deans and vice presidents across the campus to engage divisions and departments in reducing expenses. One approach to this is to reduce compensation expenses through attrition; to this end we have already implemented a review process for open positions. We plan to encourage the development of contingency plans to help assess how budgets can be reduced now and next year.

In addition, we are examining plans for capital projects to assure that we have viable financial plans in place for each facility before initiating construction. Construction is largely funded through restricted gifts, but we expect a delay in a number of projects.

We want to be clear about one thing, which was a concern raised prior to the Employee Forum: there is no plan for layoffs at this time. We will continue to closely monitor budgets. We are concerned for and want to protect Dartmouth's existing employees. We encourage you to consider how responsibilities can be reorganized, whether tasks can be eliminated or modified, and whether we can reset expectations.

We will work closely with the College Budget Committee, the Faculty Committee on Priorities, the Student Budget Advisory Committee, and other groups to engage the campus community in contributing to solutions to these financial challenges. While we do not fully understand the depth of the financial crisis or the extent that ultimately it will impact College revenue, we want to begin planning now.

Please share your suggestions and questions. You can send email to: [financial.administration@dartmouth.edu](mailto:financial.administration@dartmouth.edu). Suggestions and comments can be submitted anonymously online at [www.dartmouth.edu/~finance/forum.html](http://www.dartmouth.edu/~finance/forum.html). Suggestion boxes are located at the Baker Library information desk and at the Collis information desk.

We welcome your active participation. Though this may be a difficult process, Dartmouth will be better for it as we engage our employees who contribute so much to the College every day.

Thank you.

Barry Scherr, Provost  
Adam Keller, Executive Vice President for Finance and Administration