VIEWS
Dartmouth Executive Vice President Adam M. Keller
“The College Budget”
Nov. 11, 2008

VIEWS FROM THE GREEN: I’m Susan Knapp with Dartmouth’s Office of Public Affairs and I’m talking with Adam Keller, the Executive Vice President for Finance and Administration, here at Dartmouth.

ADAM KELLER: Hello, Sue.

VIEWS: We are talking today about the financial crisis that the country and the world seems to be in and how that is impacting Dartmouth.

AK: I’m glad to be here Sue. And that certainly does have a major impact on the College right now.

VIEWS: So…how serious is this situation?

AK: Well, it’s important for the College and very serious in part because the College has become increasingly dependent on our endowment as a source of operating revenue. This is good news because as a College we have become wealthier; we have become healthier financially, and we have become able to commit our resources to more endeavors than we had in the past.

VIEWS: So…it’s a matter of perhaps dipping into principal rather than living on the returns.

AK: Well, I wouldn’t exactly call it that. But I think if we looked at the College budget, we see that more than a third of the College budget is supported by income from our endowment. We made a conscious decision a couple of years ago, in conjunction with the Trustees, to expand our spending level from the endowment. We did this because we think of the assets of the College more broadly than just the assets of the endowment. We think of all the academic assets that we have, the faculty, as well as our reputation. The thought was that there were some things that we could do that could improve the College that was worth spending some more endowment.

VIEWS: So…how is the financial crisis impacting our endowment?

AK: What’s happened is that we spend our endowment at about 6% a year. That’s a fairly high level among our peers, and we see the endowment decreasing in value for the first quarter of the year … it went down about 6% … and in the month of October at least 6% again, and possibly more when we value all of illiquid assets. So, as a result, we have less endowment to be spending and we have to adjust the operating expenses in our budget to reflect our revenues.
**VIEWS:** And this is not just something that Dartmouth is facing. This is something that all organizations: non-profit, for profit. This is happening all over the country and people are looking at their budgets.

**AK:** Yeah, I think we are one of many. I think that the schools that are well-endowed will have a larger impact on their budgets. But I don’t think our impact is anything like the state schools, which are impacted more by cuts in state spending than anything else.

**VIEWS:** So…what’s the plan? How are we planning?

**AK:** Well, I think a part of the problem is that there is some uncertainty. If someone could come and tell us when this fiscal crisis would end and what it would like in the end, we would be a lot more confident that we are moving ahead. But we can’t stop; we have to start now. So, we starting by broad communication on campus, by doing a lot of modeling about what are endowment is going to… how it’s going to perform, and additionally by thinking hard about what programs need to be changed and what we need to do, and involving people all across the campus in that.

**VIEWS:** So, this is pretty serious. You’re looking at some major budget adjustments?

**AK:** Well, I think our modeling says we would be comfortable if we targeted something like a 10% reduction in the College budget over the next two years. So, that’s a reduction of about $40 million excluding the professional schools. The professional schools face the same problems as the main College budget, but they’re working on themselves with slightly different targets.

**VIEWS:** So, we are looking at budget cuts across the board?

**AK:** Yeah, I think we have approached this by asking the Deans and the Vice Presidents of different divisions to come in and prepare contingency plans that might reflect 5%, 10%, or 15% reductions over the next two years. And we don’t want to take those as across-the-board increases, but rather target preserving the things, which are most important, the highest priorities of the school and taking larger cuts where there is less impact.

**VIEWS:** So not touching financial aid?

**AK:** I think financial aid – the commitment we have made over the last year – is one which will not be reduced. We our committed to need-blind admissions and to eliminating loans for students and to providing all international students access to full-need scholarships.

**VIEWS:** So how do you reduce the budget by 10%?

**AK:** Well, I think there are going to be a couple things that we can expect to see. I think there will be program reductions and there may be some program eliminations and I can’t tell you what those would be because that’s why we have the Deans and Vice Presidents involved. But not only could there be some eliminations of program, but we should expect to see some reductions in service levels. I think we can almost count on that. And
the idea here is to continue to protect the academic experience, and the intellectual climate on campus, and have as little impact on that we possibly can.

VIEWS: And what about construction projects?

AK: We are looking at every construction project, whether it’s a project that we have already started or one which is still in planning, with a renewed fervor. So that there are some projects which will proceed: the Life Sciences building has already started, and we looked at what the costs would be to abort that project right now, and decided we would move forward with it. So, we have really said there are some projects that we are going ahead with; there are projects that we are pausing on, to take anywhere from a two-to-six week review of them; and there are ones that we are actually deferring and not moving ahead with.

VIEWS: Such as?

AK: Ah...we are not going to move ahead with replacement of the Thayer Dining Hall, and we are not moving ahead with a parking lot which was planned for slightly off campus.

VIEWS: Not to say that those things won’t ever happen. There just not in the immediate future.

AK: That’s right. I think they are things that aren’t fully financed, and things which aren’t essential for right now. It doesn’t mean that, for me, that we let up on our commitment either to improve social and dining space for students or make the College a more ambulatory campus and get cars off campus. It’s just not something that we are going to do today.

VIEWS: And, what’s the time frame on all this? I mean, you said that we don’t know when this financial crisis will be over or will ease, or will turn around. But when do the budget implications start?

AK: Well, we are looking at things that we can do for this current year’s budget, because we expect to run a deficit if nothing changes. We have asked all the Vice Presidents and Deans to come in with spending under their budget. But the primary focus is really looking at the 2010-2011 budgets, and we are accelerating the planning process for those budgets so we can have recommendations from the Deans and Vice Presidents before the end of the calendar year that we can review fairly closely, and try to make some decisions about those in January and February.

VIEWS: So, this is pretty serious. You’re thinking a couple years out. That’s amazing.

AK: Yeah...I don’t think this is something we want to just repeat over and over again. But rather if we are committed to making reductions, we should have a plan for those and start them as soon as we possibly can.

VIEWS: And if we are committed to having a balanced budget …
AK: Absolutely, we are committed to having a balanced budget and to having a flow of revenues [and] expense are in line into the future.

VIEWS: Final thoughts?

AK: It’s a hard time for Dartmouth. It’s a hard time because it will affect some programs. It’s an even harder time because it will affect some people here. It’s likely that we will have fewer staff positions at Dartmouth next year than we have this year, and that is going to be hard on some people. We also expect to see some real reductions in programs which we think are important to the campus, and for some people who have committed themselves to improving those programs, that will be hard for them as well. So, I think there is both an institutional toll and a personal toll. And yet, in the end, I think if we can be judicious about the reductions that we make [and] be communicative about the process and what we’ve gone through, we could come out with a strong foundation for the future. And one where we are poised to make great progress.

VIEWS: Thanks for coming in today.

AK: Thank you.