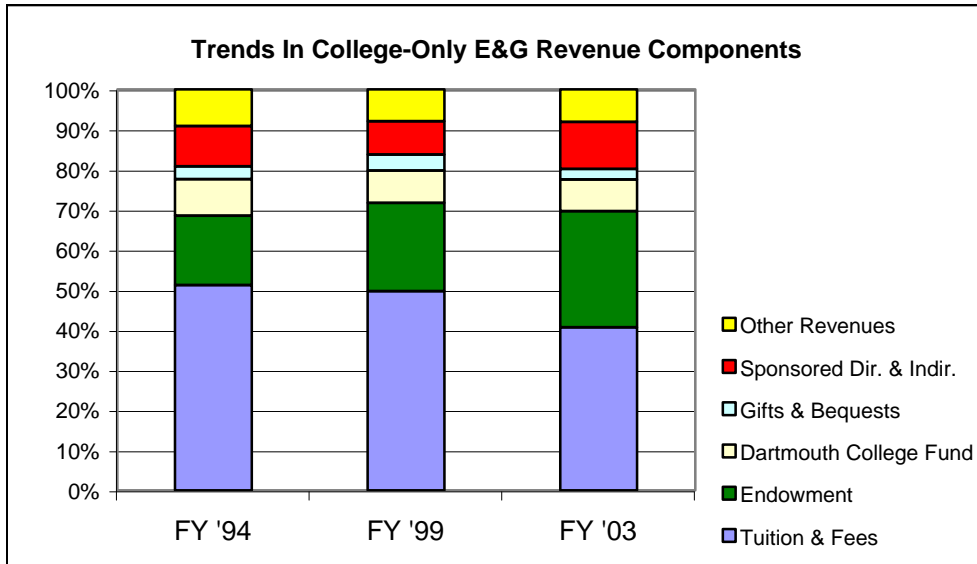
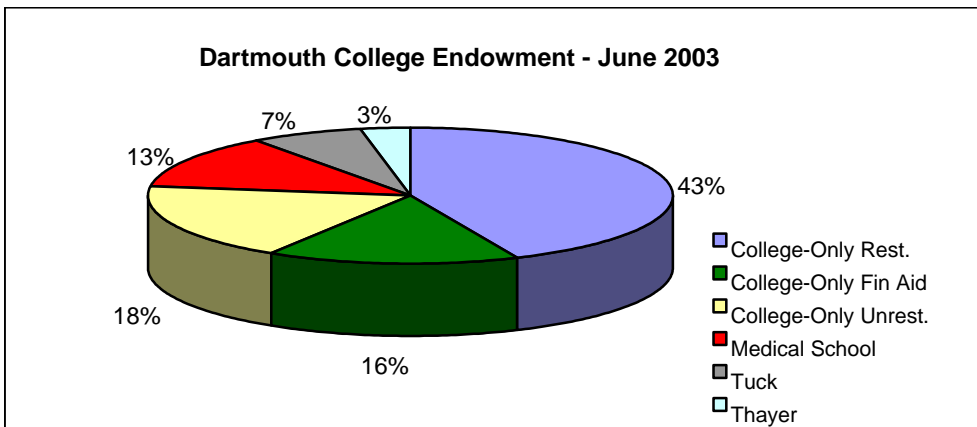


## Revenue Issues



Historically the major revenue sources for the College-only educational and general (E&G) budget are tuition, endowment income, and the Dartmouth College Fund. These three sources constitute about 80% of the total budget. However, over the past 10 years, the portion coming from tuition has declined from 54% to 41%, while endowment income's contribution has increased from 17% to 29%. Thus, we are more dependent on endowment income today than we were a decade ago.



Dartmouth's endowment is made up of more than 5,000 individual funds. About 23% of the endowment is restricted to the professional schools. Of the remainder, most is restricted to specific programs, activities and departments within the Arts and Sciences, Hop, Hood, Library, and the various academic centers. About 18% of the total is unrestricted to the College-Only budget. 16% is restricted to undergraduate financial aid.

<b>Effect of the Decline in Endowment Market Value On Operating Budget (\$'000's)</b>	
Endowment Market Value 6-30-2000	2,490,376
Endowment Market Value 6-30-2003	2,121,183
Total Decline in Market Value	369,193
Decline in College-Only Market Value	285,487
Decline in Unrestricted & Financial Aid Market Value	125,309
Lost Endowment Income to College-Only Budget =	<b>\$ 6,767</b>

Despite the positive 2% endowment return in FY 2003, market declines over the past 3 years have a direct impact on the operating budget of the College. Restricted endowments have less income available. In addition, the \$125M decline in the value of Unrestricted and Financial Aid endowments means that there will be \$6.8M less in unrestricted and fungible endowment income in the FY 2004 Operating Budget.

## Expense Issues

Dartmouth's Annual Report presents financial information for the institution as a whole, including the three professional schools. The professional schools, as "tubs on their own bottoms," are expected to manage their own financial resources to achieve balanced operating results. While the market values of their endowments have also declined, their dependence on this revenue source is less than that of the "College-Only". Thus, most of the discussion around the current financial situation necessarily centers on the College, excluding the professional schools.

Not surprisingly, compensation (salaries + fringe benefits) makes up 52% of total E&G expenses. Even seemingly small increases in compensation, such as annual salary increases or increases in health insurance rates, have a large impact on the overall expense budget.

The College has a relatively high percentage (43%) of fixed and non-discretionary operating costs. This places greater pressure on variable costs during tight financial times. The combination of the size of the faculty compensation pool and the large portion of fixed costs make it particularly difficult for the institution to be "financially nimble."

