



**Smithsonian Institution**

*Smithsonian Institution Archives*

## **Proceedings of the Board of Regents Meeting held on May 9, 1988**

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dividends. In applying this approach, it is the Institution's policy to provide, as being available for current expenditures, an amount taking into consideration such factors as, but not limited to:

(1) 4-1/2% of the five-year average of the market value of each fund adjusted for gifts and transfers during this period,

(2) current dividend and interest yield,

(3) support needs for bureaus and scientists, and

(4) inflationary factors as measured by the Consumer Price Index.

In recent years, there has been a steady increase in the monies available for current expenditures, referred to as the pay-out per share. Each fund within the consolidated Endowment Fund is allocated so many shares and receives the applicable pay-out total.

[3 column table]

Fiscal Year | Percentage Applied | Per Share Pay-Out

1985 | 3 1/2 unrestricted & 4 1/2 restricted | 5.50/7.41

1986 | 5 all funds | 8.27

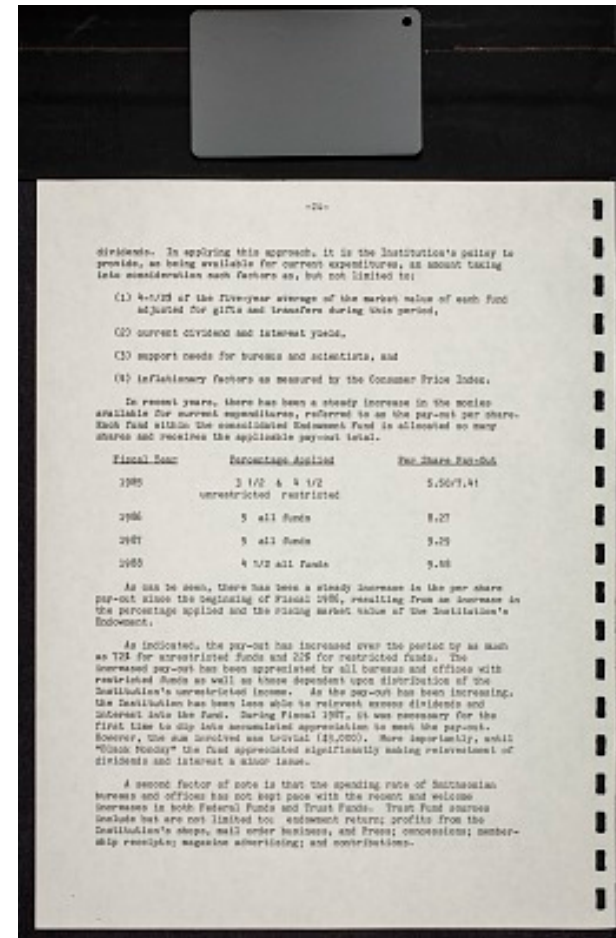
1987 | 5 all funds | 9.29

1988 | 4 1/2 all funds | 9.48

As can be seen, there has been a steady increase in the per share pay-out since the beginning of Fiscal 1986, resulting from an increase in the percentage applied and the rising market value of the Institution's Endowment.

As indicated, the pay-out has increased over the period by as much as 72% for unrestricted funds and 22% for restricted funds. The increased pay-out has been appreciated by all bureaus and offices with restricted funds as well as those dependent upon distribution of the Institution's unrestricted income. As the pay-out has been increasing, the Institution has been less able to reinvest excess dividends and interest into the fund. During Fiscal 1987, it was necessary for the first time to dip into accumulated appreciation to meet the pay-out. However, the sum involved was trivial (\$3,000). More importantly, until "Black Monday" the fund appreciated significantly making reinvestment of dividends and interest a minor issue.

A second factor of note is that the spending rate of Smithsonian bureaus and offices has not kept pace with the recent and welcome increases in both Federal Funds and Trust Funds. Trust Fund sources include but are not limited to: endowment return; profits from the Institution's shops, mail order business, and Press; concessions; membership receipts; magazine advertising; and contributions.



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