

BUDGET ADVISORY COMMITTEE

OCTOBER 2, 2015

MEMORIAL 324 – 2:00 P.M.

TO: Budget Advisory Committee Members

FROM: Peter Harvey, Chair

DATE: September 28, 2015

Thank you for serving on Whitman's Budget Advisory Committee. Your participation is very important in helping the president and cabinet (officers) develop recommendations regarding budget priorities to the Board of Trustees.

Our work as a committee this year will continue in much the same fashion as it has in recent years, but there will be one change in the process at the request of President Murray. In the past, each officer of the College has presented their top priorities for their respective areas. President Murray has asked that the cabinet also present what they believe the top priorities are for the College as a whole. This will occur at our November 20, 2015 meeting.

I look forward to our meeting on Friday.

Regards,

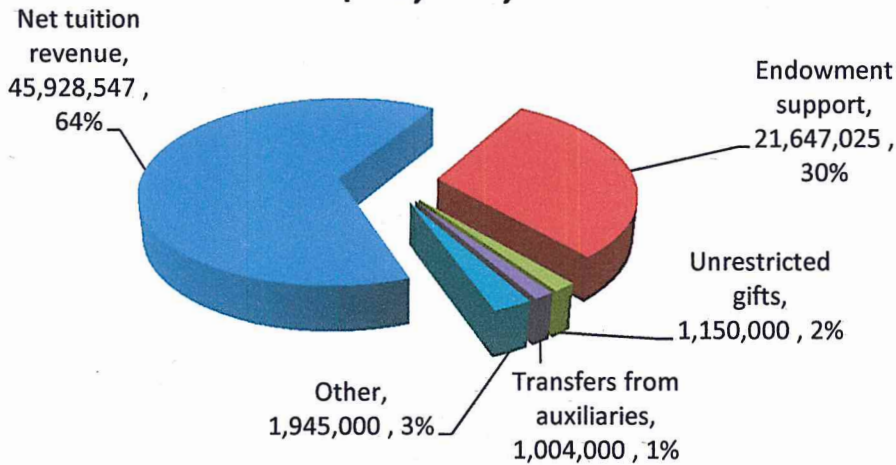


Peter Harvey

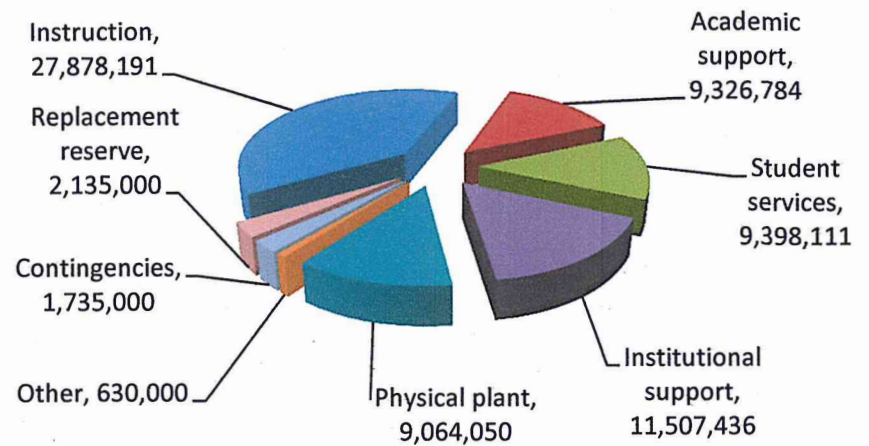
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Whitman College
2015-2016 Education and General budget

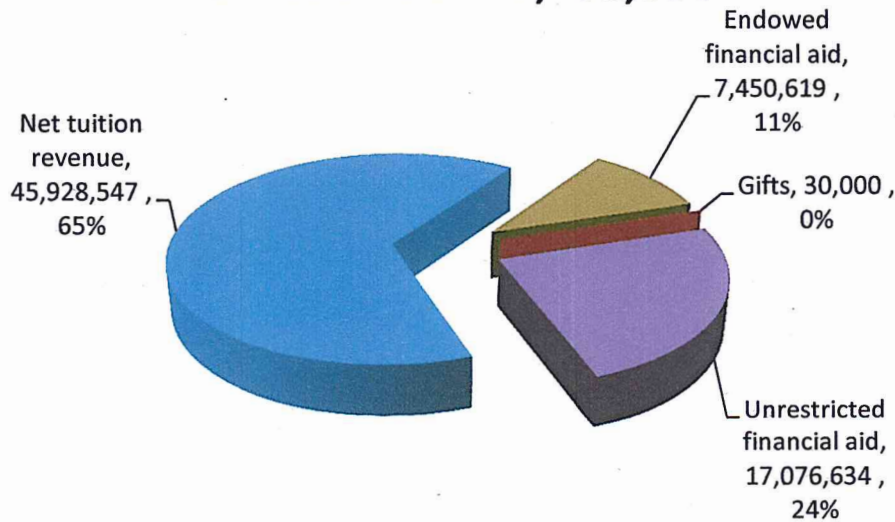
Total E & G budget - Sources
\$71,674,572



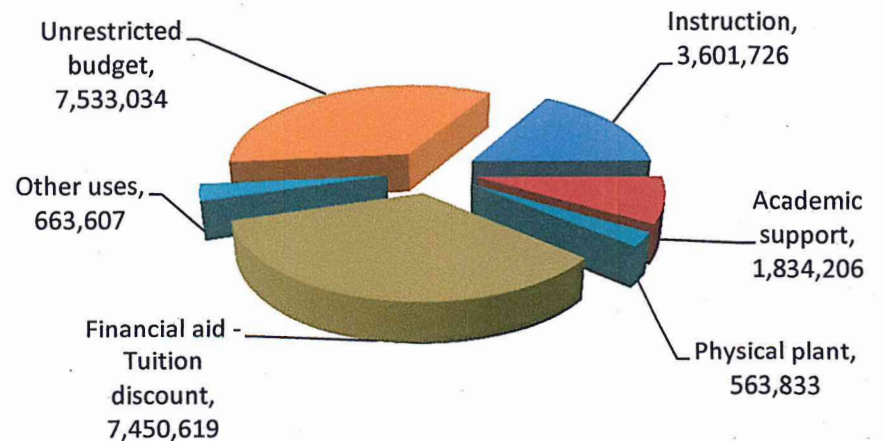
Total E & G budget - Uses
\$71,674,572



Gross tuition 70,485,800



Endowment support - Uses
\$21,647,025



WHITMAN COLLEGE

CURRENT FUND/FUND SOURCES	2015/2016 APPROVED BUDGET	%Total
Full-time equivalent students	1,540	
Annual tuition charge	45,770	
Annual tuition increase	3.00%	
Discount rate	34.80%	
Tuition & Fees	70,485,800	
Less Unrestricted Financial Aid	17,076,634	
Less Restricted Financial Aid	7,480,619	
Subtotal Institutional Aid	24,557,253	
Net Tuition	45,928,547	64%
Instructional Fees	380,000	1%
Private Gifts & Grants	1,150,000	2%
Federal Financial Aid	340,000	0%
Endowment Income	21,647,025	30%
Investment Income	25,000	0%
Miscellaneous Income	230,000	0%
ASWC Fees	520,000	1%
Sponsored Programs	450,000	1%
Transfer Income from Auxiliary	1,004,000	1%
Subtotal Operating Budget	71,674,572	100%
Residence Halls	4,326,000	40%
Food Service	4,635,000	43%
Student Center	1,191,082	11%
Other Auxiliary	682,970	6%
Subtotal Auxiliary	10,835,052	100%
Total Revenue	82,509,624	

WHITMAN COLLEGE

CURRENT FUND/FUND USES	2015/2016 APPROVED BUDGET	%Total
Faculty salary change	3.0%	
Staff salary change	3.5%	
Fringe benefit rate - OPE	36.0%	
Instruction	27,878,191	41%
Academic Support	9,326,784	14%
Sponsored Programs	450,000	1%
Student Services	9,398,111	14%
Institutional Support	11,507,436	17%
Physical Plant	9,064,050	13%
Federal Financial Aid	180,000	0%
Subtotal Operating Budget	67,804,572	100%
Residence Halls	3,826,000	37%
Food Service	4,564,000	44%
Student Center	1,186,082	12%
Other Auxiliary	682,970	7%
Subtotal Auxiliary	10,259,052	100%
Total Operating Expense	78,063,624	
Campus Replacement Reserve	2,135,000	
Auxiliary Replacement Reserve	576,000	
Subtotal Replacement Reserve	2,711,000	
Enrollment Contingency	1,235,000	
OCS Reserve	500,000	
Total Expense	82,509,624	
Net Balance	0	

WHITMAN COLLEGE BUDGET TERMS AND PROCESS

FUND SOURCES

Net Tuition

The tuition charge increased 3.0 percent for the 2015-2016 academic year. The annual charge is \$45,770. Restricted financial aid is funded by gifts and endowment. Unrestricted financial aid is funded from the operating budget. We show these line items as tuition discount so we may better focus on net tuition income, which is the key issue for budget planning. The College's institutional aid as a percentage of tuition (what we call our discount rate) has been between 35 percent and 40 percent in recent years; this last school year it was 33.8 percent. The rate has come down in part due to the new Off-Campus Studies fee model. Our Dean of Admission and Financial Aid uses several different strategies to manage the discount rate while at the same time recruit a strong and diverse academic class. This is one of the largest challenges facing private higher education.

Instruction Fees

Instructional fees include lab fees for certain art and science classes, private music lessons, P.E. fees for such activities as skiing, etc.

Private Gifts and Grants

These are current unrestricted annual fund gifts which are used to support the operating budget. Whitman relies on such gifts to a far lesser degree than most colleges.

Federal Financial Aid

A portion of these funds are for Federal Supplemental Educational Opportunity Grants to students and a portion pays for part of the costs of Federal Work-Study compensation for students working on campus and in the community.

Endowment Income

There are three components to endowment income: 1) income from funds managed by the College; 2) income from funds held in outside trusts; and, 3) farm income.

The calculation of endowment payout for 2015-2016 is based on the following policy set by the Trustees: 5.0 percent of the average for twelve quarters. The

first quarter for the payout is September 30, 2011 and the last is June 30, 2014. Farm income is based on a six-year rolling average of net income. Total endowment payout for the current year is \$21,647,025.

Investment Income

Investment income is the interest earned on available balances.

Miscellaneous Income

Miscellaneous income is composed of such items as vending machine income, application fees, classroom rental fees, etc.

ASWC Income

ASWC income includes fees paid by students for the student government as well as student government investment income.

Sponsored Programs

Sponsored programs are typically funded by private grants for research and other efforts, using a combination of college personnel, equipment and students to carry out the various projects.

Transfer Income from Auxiliary

Auxiliaries (residence life, food service, the bookstore, and summer conferences) pay this income to the general operating budget in order to defray their share of general support services provided by the College such as payroll, personnel, business office, insurance, etc.

Residence Hall and Food Service

Self-explanatory

Bookstore

Self-explanatory

Other Auxiliary

This includes summer programs and rental houses and equipment.

FUND USES

Instruction

These costs include faculty salaries and other direct costs for supplies and services which support teaching.

Academic Support

These are costs which support the instructional process but are not central to teaching. Examples include the Library, Instructional Media, Theatre, Art Gallery, Museum, etc.

Sponsored Programs

These are costs incurred in fulfilling the terms set by the grantor.

Student Services

These are costs to help students succeed in their academic mission. Student services offer co-curricular programs outside of the classroom. Examples of Student Services include the Health Center, Counseling Center, Admission Office, Financial Aid Office, Intercultural Center, and the Outing Program.

Institutional Support

These are administrative costs incurred to carry out the day-to-day operations of the College: the Office of the President, Human Resources, Business Office, Technology Services, Security, Development, Alumni, etc.

Physical Plant

These are the costs of managing the physical plant of the College such as Maintenance, Custodial Services and Grounds.

Federal Financial Aid

These are the costs of the Federal Supplemental Educational Opportunity Grants to Whitman students.

Residence Hall and Food Service

Self-explanatory

Bookstore

Self-explanatory

Other Auxiliary

This includes summer programs and rental houses and equipment.

Campus and Auxiliary Replacement Reserves

Funded from the operational budget, replacement reserves are set aside each year to fund a life cycle reserve. The Buildings and Grounds Committee developed a facilities spending plan to eliminate deferred maintenance and fund future life cycle replacement needs. Deferred maintenance was eliminated in the 1997-1998 year. The reserve is used to fund projects identified by the Life Cycle Committee each year. Currently, the College is reserving .80 percent of the estimated replacement value of campus buildings, building components and other infrastructure. The contribution to the reserve is reviewed annually by the Buildings and Grounds Committee.

OTHER

Faculty and Staff Salary Pools

Faculty and staff pools are each given an overall percentage increase to the respective budget bases as approved by the Trustees. Raises at the individual level in both pools are primarily based on merit. Faculty achieving an increase in rank is given an automatic percentage increase in pay. However, rank increases are based on merit so it is fair to say the faculty pool is merit based. Increases to staff are based on merit with a small portion held out for equity adjustments. Equity increases are requested by department heads for positions suffering from compression, or significantly lagging survey indicators, and are tracked and approved centrally by the Office of Human Resources.

OPE or Fringe Benefits

OPE is assessed upon all employing departments at an annual rate approved by the Trustees. The rate is management's best estimate to the costs per dollar of salary or wages for the contributions Whitman makes for fringe benefits. The largest costs are medical, retirement, social security/Medicare, and tuition benefits. At the end of the budget year the actual experience or cost incurred will differ from the overall rate charged, and such differences are charged or swept to a reserve account.

Budget Process

The budget process begins with an executive staff retreat over the summer. General goals are set and the strategic plan is updated. Using the direction provided at the retreat, the College develops a budget model to forecast operating budgets for multiple years. The model shows various scenarios for revenues and expenses associated with strategic initiatives and a sensitivity analysis of the key budget drivers (tuition, financial aid, enrollment, and salary pools).

Beginning in September, the cabinet members work with their departments to develop and prioritize budget requests and reallocations.

Beginning in October, the Budget Advisory Committee (BAC) begin meeting. The BAC is comprised of students, faculty, staff and one trustee. The BAC brings input from their respective constituencies and helps prioritize budget requests as well as provide input on key budget elements such as tuition increases and salary pools.

With input from the BAC, the president and the cabinet recommend budget planning parameter ranges to the governing board budget committee in November. Using these ranges, and with further input from the BAC, the President and CFO work with the rest of the cabinet members to balance the budget, adjusting both revenues and expenses. A proposed budget is presented to the Budget Review Committee and Trustees in February. The approved budget is then reviewed with the Budget Advisory Committee.

Comparison Groups

Panel of 13

The members of this group were chosen because they are liberal arts institutions much like Whitman College. The group contains institutions which range in various rankings both above and below Whitman. The members of the group are periodically reviewed to ensure they remain an appropriate comparison group.

Carleton College
Colby College
Colorado College
Davidson College

Dickinson College
Franklin & Marshall
Kenyon College
Macalester College

Occidental College
Reed College
Rhodes College
Union College (NY)
Whitman College

Quasi-Endowment

For those not familiar with the term, “quasi-endowment” is funding set aside by Trustee vote to function as endowment. Budget surpluses, certain trust maturities and bequests which do not have any donor restrictions are the usual source of these funds. Quasi-endowment has the same payout to support operations as true-endowment. True-endowment involves contributions which are directed by the donor to be set up as endowments; that is a legal restriction the College must honor for as long as the endowment exists. By contrast, Trustees can vote to use quasi-endowment funds for other purposes, such as to fund a building or some budget initiative.

2015 Panel of 13 Benchmarking Report

Institution	US News ¹ Rank	Undergraduate ¹ Academic Reputation Index		2015-2016 ² Tuition		2015-2016 ³ Est Net Tuition		Percent ² Tuition Increase from 2014-2015		Tuition ³ Discount Rate		Endowment ⁴ Per Student		Accept ¹ Rate 2013		SAT 25th ¹ to 75th Percentile	
Carleton College	8		91		48,987		31,126		3.2%		36.46%		391,862		23%		1320 - 1510
Colby College	19		85		47,060		31,676		3.7%		32.69%		406,940		28%		1230 - 1430
Colorado College	25		81		48,576		32,915		5.6%		32.24%		337,656		18%		1260 - 1420
Davidson College	9		89		46,966		21,600		3.5%		54.01%		363,167		22%		1230 - 1440
Dickinson College	40		74		49,014		31,070		2.8%		36.61%		167,342		48%		1190 - 1370
Franklin & Marshall	40		74		50,300		32,584		3.9%		35.22%		149,232		39%		1220 - 1390
Kenyon College	25		81		47,220		31,496		3.8%		33.30%		124,434		25%		1230 - 1420
Macalester College	23		82		48,666		24,513		3.6%		49.63%		373,218		36%		1270 - 1465
Occidental College	43		73		48,690		28,747		3.7%		40.96%		191,826		42%		1210 - 1390
Reed College	93		58		49,640		30,712		4.5%		38.13%		394,068		49%		1280 - 1430
Rhodes College	51		69		42,914		21,204		4.0%		50.59%		166,872		60%		1220 - 1380
Union College (NY)	38		75		49,542		29,844		3.4%		39.76%		183,868		41%		1210 - 1400
Whitman College	40	T-8	74	T-8	45,770	12	30,066	8	3.0%	12	34.31%	10	331,924	7	41%	T-8	1200 - 1430 ^{12/T-4}
Average	35		77		47,950		29,043		3.7%		39.53%		275,570		36%		1236 - 1421
Median	38		75		48,666		30,712		3.7%		36.61%		331,924		39%		1230 - 1420
Whitman College	40		74		45,770		30,066		3.0%		34.31%		331,924		41%		1200 - 1430
Percent difference from median	-5%		-1%		-6%		-2%		-24%		-7%		0%		-5%		-3% 1%

1) U.S. News & World Report, 2015 issue based off academic year 2013/2014 data. (Rank - 100 highest)

2) Verified with each institution.

3) Tuition discount rate from June 30, 2014 financial statements is applied to 2015/2016 actual tuition to estimate 2015/2016 net tuition.

4) NACUBO Endowment Study 2014 based off June 30, 2014 endowment values.

2015 Tuition Pricing History
Panel of 13

Panel of 13	2012/2013	2013/2014 % Inc	2013/2014	2014/2015 % Inc	2014/2015	2015/2016 % Inc	2015/2016	3-YR Cum. % Inc	3-YR Avg. % Inc
Carleton College	44,184	3.9%	45,900	3.4%	47,460	3.2%	48,987	10.9%	3.6%
Colby College	42,460	3.3%	43,840	3.5%	45,360	3.7%	47,060	10.8%	3.6%
Colorado College	41,332	6.0%	43,812	5.0%	46,000	5.6%	48,576	17.5%	5.8%
Davidson	40,809	5.0%	42,849	5.9%	45,377	3.5%	46,966	15.1%	5.0%
Dickinson	44,551	3.5%	46,094	3.5%	47,692	2.8%	49,014	10.0%	3.3%
Franklin & Marshall	44,260	4.3%	46,185	4.8%	48,414	3.9%	50,300	13.6%	4.5%
Kenyon	42,780	2.6%	43,900	3.6%	45,500	3.8%	47,220	10.4%	3.5%
Macalester	43,472	3.9%	45,167	4.0%	46,974	3.6%	48,666	11.9%	4.0%
Occidental College	43,490	3.9%	45,190	3.9%	46,952	3.7%	48,690	12.0%	4.0%
Reed College	44,200	3.5%	45,750	3.8%	47,500	4.5%	49,640	12.3%	4.1%
Rhodes	37,782	4.5%	39,484	4.5%	41,262	4.0%	42,914	13.6%	4.5%
Union	44,748	3.5%	46,314	3.5%	47,913	3.4%	49,542	10.7%	3.6%
Whitman	41,790	3.3%	43,150	3.0%	44,440	3.0%	45,770	9.5%	3.2%
Average	42,758	3.9%	44,433	4.0%	46,219	3.7%	47,950	12.2%	4.1%
Median	43,472	3.9%	45,167	3.8%	46,952	3.7%	48,666	11.9%	4.0%
Whitman	41,790	3.3%	43,150	3.0%	44,440	3.0%	45,770	9.5%	3.2%
Percent difference from median	-4%	-19%	-5%	-28%	-6%	-24%	-6%	-25%	-25%

2015 Room and Board - Panel of 13

Panel of 13: Institution	Room 2015-2016	Board 2015-2016	Total 2015-2016	Room 2014-2015	Board 2014-2015	Total 2014-2015
Carleton College	6,663	6,120	12,783	6,468	5,898	12,366
Colby College	7,535	7,135	14,670	7,270	6,870	14,140
Colorado College	6,547	4,668	11,215	6,176	4,576	10,752
Davidson	6,694	6,459	13,153	6,499	5,808	12,307
Dickinson	6,373	5,986	12,359	6,162	5,810	11,972
Franklin & Marshall	7,550	5,220	12,770	7,330	4,955	12,285
Kenyon	5,240	6,720	11,960	5,030	6,530	11,560
Macalester	5,810	5,064	10,874	5,608	4,888	10,496
Occidental College	7,936	6,300	14,236	7,615	5,835	13,450
Reed College	6,570	6,020	12,590	6,330	5,870	12,200
Rhodes	6,099	4,647	10,746	5,863	4,465	10,328
Union	6,723	5,538	12,261	6,501	5,355	11,856
Whitman College	5,348	6,216	11,564	5,192	6,036	11,228
Average	6,545	5,853	12,399	6,311	5,607	11,918
Median	6,570	6,020	12,359	6,330	5,810	11,972
Whitman College	5,348	6,216	11,564	5,192	6,036	11,228
Percent difference from Median	-23%	3%	-7%	-22%	4%	-7%