

**BUDGET ADVISORY COMMITTEE**

**FEBRUARY 13, 2015**

**THE FOLLOWING PROPOSED 2015-2016 BUDGET WAS  
APPROVED BY THE BOARD OF TRUSTEES  
AT THEIR FEBRUARY 6, 2015 MEETING**

# 2015 – 2016 PROPOSED BUDGET

## BUDGET REVIEW COMMITTEE

Peter Harvey

Treasurer

February 5, 2015

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### BUDGET BUILDING PROCESS

The budget building process begins in the summer with a retreat of the president's council. Each budget officer provides a progress report on their areas of the College's strategic plan along with proposed changes to the strategic plan (the progress report and revised strategic plan were included in the November committee packet). Budget officers use the updated strategic plan to guide work with their departments in reallocating existing funds and to propose budget changes. Administrative and academic departments develop budget proposals in September. Budget officers ask their departments to seek opportunities for new efficiencies, to reallocate existing funds wherever possible, and to use department surpluses (if any) to fund one-time initiatives. Budget officers then review budget proposals from their respective departments and rank them in order of priority. The faculty Committee of Division Chairs reviews and ranks all budget proposals from academic programs.

In October, the President's Budget Advisory Committee begins meeting. The committee includes faculty, staff, students, and a trustee. The College Treasurer chairs the committee. The first meetings are educational. Committee members learn how the budget works, review benchmark data, and review the budget model. At a subsequent meeting each budget officer presents his/her budget requests to the committee and the committee asks questions of the officers. The committee then provides feedback on proposed initiatives and key parameters such as tuition increases and salary pools.

The proposed budget for 2015-2016 reflects the input of the on-campus committee and is consistent with the planning assumptions approved by the trustees in November.

**FOLLOWING ARE THE KEY BUDGET PARAMETERS FOR THE PROPOSED 2015-2016 BUDGET:**

	<u>2014-2015</u>	<u>2015-2016</u>
Budgeted Enrollment (10 students = \$298,000)	1540 FTE	1540 FTE
Target first year & transfer students	415 FTE	420 FTE
Enrollment Contingency	\$1,325,000	\$1,235,000
Off-Campus Studies Reserve	\$710,000	\$500,000
Tuition Increase (1% = \$414,000)	3.0%	3.0%
Tuition Discount (Excluding Federal Support) (.50% = \$342,000)	34.0%	34.8%
Target first year & transfer discount rate	34.0%	35.5%
Endowment Payout	5.0%	5.0%
	\$20,038,000	\$21,647,000
Investment Income	\$50,000	\$25,000
Private Gifts and Grants	\$1,150,000	\$1,150,000
Life Cycle Contributions	\$2,583,000	\$2,711,000
Salary Pool for Faculty (1% = \$215,000)	3.0%	3.0%
Salary Pool for Staff (1% = \$207,000)	3.0%	3.5%
Fringe Benefit Rate (.50% =\$162,000)	37.0%	36.0%
Room Increase (1% = \$42,000)	3.0%	3.0%
Board Increase (1% = \$45,000)	3.0%	3.0%

## HIGHLIGHTS OF THE PROPOSED BUDGET

### REVENUE

#### **Enrollment and Contingencies**

The proposed budget assumes a new class of 420 first-year and transfer students. Staff estimates total enrollment to continue to be 1540 including off-campus studies students. The first-year class target is increasing 5 FTE to offset an anticipated smaller spring semester first-year class.

The enrollment contingency is proposed to be \$1,235,000, down \$90,000 from this year. The Off-Campus Studies (OCS) contingency is dropping from \$710,000 to \$500,000. If participation in OCS remains consistent next year (the third year of the new funding model) staff will recommend eliminating the contingency over the next few years. If participation in OCS proves to be more expensive, staff will recommend reallocating a portion of the OCS contingency to the operating budget. In addition, staff believes the OCS contingency could be combined with the enrollment contingency and the total be lowered to \$1M in the future, but recommends waiting to make these adjustments until the next strategic plan is developed. Any reductions in contingencies should be reallocated to fund future strategic priorities.

The budget also continues the \$500,000 capital projects fund for renovations not eligible for life cycle funding. Any unused balance will be set aside in a reserve for future capital projects. The Buildings and Grounds Committee will be evaluating proposed projects.

#### **Tuition Increase and Discount Rate**

The proposed budget includes a tuition increase of 3.0%, consistent with the increase for this year. The 3% increase is consistent with the Higher Education Price Index as of June 30, 2014, which was also 3%, but exceeds the Consumer Price Index as of June 30, 2014, which was 2.0% as of June 30, 2014. The Consumer Price Index has dropped to 1.3% as of November 30, 2014. The proposed discount rate is our best estimate of 34.8% for the year. Staff is targeting a 35.5% discount rate for first year and transfer students. The higher first year discount rate will be used to reduce gapping as much as possible for the first year class per the separate report in the committee packet. The increase in the first year discount rate is increasing the overall discount rate .30%. The overall discount rate is also rising because we are graduating a senior class who had a very low entering first year discount rate of 31.4%

One of the most difficult decisions every college has to make each year is how much to raise tuition. It is always a challenge to balance keeping education as affordable as possible with investing in our most important asset (salaries and benefits for our people) and other strategic priorities. There is no correct answer to the question of tuition increases and there are many different opinions among our governing board members, faculty, staff and students.

As the on-campus budget advisory committee wrestled with the question this year, similar to conversations by the trustees and overseers, they considered several issues:

- Many were concerned the College would raise tuition at a significantly lower rate than our competition, which would put us at a competitive disadvantage if continued over multiple years, particularly since our tuition is already 6.0% below the median of our comparison panel. Members of the committee noted Whitman’s tuition increases have lagged the panel of 13 each of the last two years. It is reasonable to expect peer schools to continue to raise tuition 3.5% - 4.0% as they have in recent years.
- Members of the committee strongly encouraged a higher tuition increase be used to fund higher salary pools and continuing targeted equity adjustments.

After considering all the above factors, the administration concluded a 3.0% tuition increase and a 3.5% staff salary pool was appropriate for this year. The faculty salary pool is only 3.0% because .5% will be reallocated from savings associated with faculty retirements. The salary pool being a little higher than the tuition increase is financially viable given savings generated through our lower fringe benefits rate.

The following five-year history of tuition, first-year discount rates, salary pools, and fringe benefits rates is a helpful reminder of recent trends on these key budget variables:

	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>2014/2015</u>
Gross tuition increase	5.0%	4.5%	4.0%	3.25%	3.0%
First-year discount rate	39.4%	31.4%	32.5%	37.21%	34.15%
Salary pool	2.0%	1.5%	3.0%	4.0%	3.0%
Fringe benefits rate	39.9%	39.5%	39.0%	36.8%	35.7%

**Endowment Payout Rate**

The proposed budget calls for an endowment payout rate of 5.0%. The increase in endowment support to operations is approximately \$1.6M, of which \$200,000 is from new endowments coming online next year thanks to the *Now Is the Time Campaign* and transfers of unrestricted funds to quasi-endowment approved by the trustees.

**Other Revenue Sources**

Private gifts and grant support remains unchanged in the proposed budget. While it is likely there will be surplus unrestricted gifts, staff recommends surpluses be directed to the endowment rather than current operations.

## EXPENSES

### Salary Pool

Faculty and staff salary pools increase 3.0% and 3.5% respectively in the proposed budget. An additional .50% will be reallocated from the savings from faculty retirements to the full-time faculty pool. Approximately two-thirds of the pool will be distributed using traditional merit criteria. The other third will be used to address promotions, market and compression issues for faculty, and to make targeted equity adjustments for critical staff positions.

### Fringe Benefits

The fringe benefits rate is reducing from 37.0% to 36.0%. The reduction is due to declining tuition remission expenses due to change in policy and no increase in medical premiums in 2014 and a slight decrease in medical premiums in 2015.

### Life Cycle Contributions

The life cycle contribution increases from \$2,583,000 to \$2,711,000; the contribution rate remains the same at .80% of the replacement value of the physical plant.

### Budget Enhancements

Following are the highlights of budget enhancements to make progress on key priorities of the college as well as fund increases needed in operating budgets:

#### **Instruction and Academic Support**

•New health professions advisor	
Salary	50,000
Fringe benefits	<u>18,000</u>
	Subtotal \$68,000
•Increased hours for academic administrative assistants	
Salaries	9,700
Fringe benefits	<u>3,500</u>
	Subtotal \$13,200
•Increases to academic departments (student wages, travel, maintenance contracts and supplies)	62,000
•Library digital subscriptions and acquisitions budget	29,000
•Student stipends for collaborative research	34,000
Total instruction and academic support:	\$206,200

## Student Services

• Assistant Director Intercultural Center	
Salary	50,000
Fringe benefits	18,000
	Subtotal \$68,000
• Support for diversity and first generation student programs and internships	39,000
• Operating increases for student services budgets	30,000
• Part-time staff hours for international student advisors and Academic Resource Center	
Salary	20,000
Fringe benefits	7,000
	Subtotal \$27,000
Total student services	\$164,000

## Athletics

• Assistant coach in baseball	
Salary	25,000
Fringe benefits	9,000
	Subtotal \$34,000
• Administrative support part-time position	
Salary	21,000
Fringe benefits	7,500
	Subtotal \$28,500
• Golf teams travel and recruitment	20,000

## Admission and Financial Aid

• Travel, prospect recruitment, financial aid and software	44,500
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## Development and Alumni Relations

• Travel, donor recognition, reunion activities	32,500
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## Technology Services

• Computer Science and math lab technical support position	
Salary	53,000
Fringe benefits	<u>19,000</u>
	Subtotal \$72,000
• Computer Science labs life cycle budgets	20,000
• Student wages, service contracts, life cycle budgets	66,000
Total technology services	\$158,000

## Communications

• PR and advertising	50,000
• Other operating support	31,500
Total communications	\$81,500

## Other Expenses

• Title IX legal counsel, outside investigators and training programs	80,000
• Physical plant utilities, insurance and operating expenses	87,000

## Highlights of one-time items being funded with surpluses and gifts (this year and next year):

• Internships for students (gifts)	200,000
• Varsity athletic operations support (gifts over two years)	300,000
• Varsity athletic coaching interns (gifts)	118,000
• Science renovations (summer 2015) (gifts)	530,000
• Creation of two new computer science labs (summer 2015)	415,000
• Campaign closing video and events (gifts)	130,000
• Development consultants to assess donor capacity & operations (surplus)	65,000
• Consultant to assist HR/payroll automation (surplus)	12,000
• Title IX outside investigators (surplus)	60,000
• Title IX legal assistance (surplus)	32,000
• Title IX training (surplus)	10,000
• Purchased new tractor for physical plant (surplus)	16,000
• Renovated Writing Center (surplus)	20,000
• Upgraded NMR science equipment (surplus)	20,000
• Van for Student Engagement Center (surplus)	20,000



## Conclusion

The proposed budget makes progress on key priorities outlined by President Bridges at the November meeting:

- Progress on faculty and staff compensation.
- Selectively filling a few key new positions.
- Supporting the work in the office of communications.
- Supporting the new Associate Dean for Diversity and Intercultural Affairs.
- Supporting the new computer science initiative.
- Advancing support for student internships and research assistantships.

In addition, the budget launches a pilot program to enhance need-based financial aid for incoming students as a result of the committee's discussions in November and the recommendations of the financial aid working group.

The 2015-2016 proposed budget continues a trend of recent years of raising tuition at a rate that is expected to be below our peer schools. It is hoped this will continue to position Whitman College as a great value amongst elite liberal arts colleges. It should be noted, some people fear Whitman will not have the resources needed to continue investing in upgrading our people and programs. This will be an ongoing conversation and a key element to be considered as the College develops its next strategic plan and tuition pricing strategy.

In the meantime, the College remains strong financially, has significantly grown the endowment during the *Now Is the Time Campaign*, strengthened many key areas of the College in recent years, and has flexibility in operating contingencies to help fund new priorities in the future.

## Whitman College Budget Report

	2013/14 Approved Budget	% Total	2014/15 Approved Budget	% Total	2015/16 Proposed Budget	% Total
<b>CURRENT FUND SOURCES</b>						
Full-time equivalent students	1,554		1,540		1,540	
Annual tuition charge	43,150		44,440		45,770	
Annual tuition increase	3.25%		3.00%		3.00%	
Discount rate	34.00%		34.00%		34.80%	
<b>TUITION &amp; FEES</b>	<b>67,055,100</b>		<b>68,457,154</b>		<b>70,485,800</b>	
LESS UNRESTRICTED FINANCIAL AID	(16,235,912)		(16,396,459)		(17,650,897)	
LESS RESTRICTED FINANCIAL AID	<u>(6,567,205)</u>		<u>(6,906,356)</u>		<u>(6,906,356)</u>	
SUBTOTAL INSTITUTIONAL AID	<u>(22,803,117)</u>		<u>(23,302,815)</u>		<u>(24,557,253)</u>	
NET TUITION REVENUE	44,251,983	66%	45,154,339	65%	45,928,547	64%
INSTRUCTIONAL FEES	379,616	1%	379,616	1%	380,000	1%
PRIVATE GIFTS & GRANTS	1,150,000	2%	1,150,000	2%	1,150,000	2%
FEDERAL FINANCIAL AID	340,000	1%	340,000	0%	340,000	0%
ENDOWMENT INCOME	18,529,998	28%	20,037,684	29%	21,647,025	30%
INVESTMENT INCOME	50,000	0%	50,000	0%	25,000	0%
MISCELLANEOUS INCOME	266,000	0%	226,000	0%	230,000	0%
ASWC FEES	499,514	1%	511,000	1%	520,000	1%
SPONSORED PROGRAMS	410,000	1%	310,000	0%	450,000	1%
AUXILIARY TRANSFER	1,001,000	1%	1,001,000	1%	1,004,000	1%
SUBTOTAL EDUCATION & GENERAL	<u>66,878,111</u>	<u>100%</u>	<u>69,159,639</u>	<u>100%</u>	<u>71,674,572</u>	<u>100%</u>
RESIDENCE HALLS	4,097,000	40%	4,200,000	40%	4,326,000	40%
FOOD SERVICE	4,368,000	42%	4,500,000	43%	4,635,000	43%
BOOKSTORE	1,187,000	12%	1,190,000	11%	1,191,082	11%
OTHER AUXILIARY	668,000	6%	675,000	6%	682,970	6%
SUBTOTAL AUXILIARY	<u>10,320,000</u>	<u>100%</u>	<u>10,565,000</u>	<u>100%</u>	<u>10,835,052</u>	<u>100%</u>
TOTAL CURRENT FUND SOURCES	<u>77,198,111</u>		<u>79,724,639</u>		<u>82,509,624</u>	

## Whitman College Budget Report

	2013/14 Approved Budget	% Total	2014/15 Approved Budget	% Total	2015/16 Proposed Budget	% Total
<b>CURRENT FUND USES</b>						
Faculty salary change		4.0%		3.0%		3.0%
Staff salary change		4.0%		3.0%		3.5%
Fringe benefit rate - OPE		37.8%		37.0%		36.0%
<b>INSTRUCTION</b>	25,873,447	41%	26,874,559	41%	27,878,191	41%
ACADEMIC SUPPORT	8,698,520	14%	8,968,501	14%	9,326,784	14%
SPONSORED PROGRAMS	410,000	1%	310,000	0%	450,000	1%
STUDENT SERVICES	8,171,375	13%	8,852,480	14%	9,398,111	14%
INSTITUTIONAL SUPPORT	10,680,040	17%	11,039,738	17%	11,507,436	17%
PHYSICAL PLANT	8,862,391	14%	8,875,361	14%	9,064,050	13%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>62,875,773</u>	<u>100%</u>	<u>65,100,639</u>	<u>100%</u>	<u>67,804,572</u>	<u>100%</u>
<b>RESIDENCE HALLS</b>	3,628,000	37%	3,715,000	37%	3,826,000	37%
FOOD SERVICE	4,305,000	44%	4,431,000	44%	4,564,000	44%
BOOKSTORE	1,177,000	12%	1,185,000	12%	1,186,082	12%
OTHER AUXILIARY	668,000	7%	675,000	7%	682,970	7%
SUBTOTAL AUXILIARY	<u>9,778,000</u>	<u>100%</u>	<u>10,006,000</u>	<u>100%</u>	<u>10,259,052</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>72,653,773</u>		<u>75,106,639</u>		<u>78,063,624</u>	
<b>CAMPUS REPLACEMENT RESERVE</b>	1,941,000	78%	2,024,000	78%	2,135,000	79%
AUXILIARY REPLACEMENT RESERVE	542,000	22%	559,000	22%	576,000	21%
SUBTOTAL REPLACEMENT RESERVE	<u>2,483,000</u>	<u>100%</u>	<u>2,583,000</u>	<u>100%</u>	<u>2,711,000</u>	<u>100%</u>
<b>ENROLLMENT CONTINGENCY</b>	1,351,012		1,325,000		1,235,000	
OCS CONTINGENCY	710,326		710,000		500,000	
<b>TOTAL CURRENT FUND USES</b>	<u>77,198,111</u>		<u>79,724,639</u>		<u>82,509,624</u>	
<b>NET SOURCES / (USES)</b>	<u>0</u>		<u>0</u>		<u>0</u>	