

**BUDGET ADVISORY COMIITTEE**

**FEBRUARY 15, 2013**

**The following proposed 2013-2014 budget was approved by the Board of Trustees at their February 8, 2013 meeting.**

# 2013 – 2014 PROPOSED BUDGET

## BUDGET REVIEW COMMITTEE

Peter Harvey

Treasurer

February 7, 2013

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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 to the president on proposed initiatives and key parameters such as tuition increases and salary pools.

The proposed budget for 2013-2014 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 2013-2014 budget:

	<u>2012-2013</u>	<u>Proposed 2013-2014</u> <u>After OCS</u>
Budgeted Enrollment (Forecast: 1475 - 1490) (10 students = \$279,000)	1475	1554
Target first year & transfer students	400 FTE	415 FTE
Enrollment Contingency	40 FTE \$1,053,000	47.5 FTE \$1,351,000
Tuition Increase (1% = \$387,000)	4.0%	3.25%
Tuition Discount (Excluding Federal Support) (Forecast: 35.3 - 35.9%) (.50% = \$307,000)	37.0%	34.0%
Target first year & transfer discount rate	34%	34%
Endowment Payout	5.1% \$17,475,000	5.0% \$18,530,000
Investment Income	\$50,000	\$50,000
Private Gifts and Grants	\$1,150,000	\$1,150,000
Life Cycle Contributions	\$2,826,000	\$2,483,000
Salary Pool for Faculty (1% = \$198,000)	3.0%	4.0%
Salary Pool for Staff (1% = \$190,000)	3.0%	4.0%
Fringe Benefit Rate (.50% - \$150,000)	39%	37.75%
Room Increase (1% = \$41,000)	4%	3.25%
Board Increase (1% = \$44,000)	4%	3.25%

## HIGHLIGHTS OF THE BUDGET

### REVENUE

#### Enrollment and Contingency

The proposed budget assumes a new class of 415 first-year and transfer students. Staff estimates total enrollment to be 1465 for on campus students and 1554 including office campus studies students. The 1465 on campus enrollment is a slight drop from the current budget number of 1475 to help ease enrollment pressures.

The enrollment contingency is proposed to be the equivalent of 47.5 FTE net tuition revenue or \$1,351,000. This represents an increase of \$298,000 or 7.5 FTE over the current year. The budget also continues the \$500,000 capital projects fund which was added last year to pay for science renovations.

#### Tuition Increase and Discount Rate

The proposed budget includes a tuition increase of 3.25%, down from the 4.0% increase this year. This is the lowest increase in tuition in over ten years. The 3.25% increase exceeds the unadjusted Consumer Price Index on all items of 1.8% (for the 12 months ending November, 2012). The proposed discount rate is our best estimate of 34% for the year. This estimated rate is substantially lower than the current budgeted amount of 37.0%. The substantial progress in reducing the discount rate is due to the successful implementation of need-aware admissions, adhering to policy for returning students and the change in the Off Campus Studies fee model.

The toughest decision every college has to make is how much to raise tuition. It is always a challenge to balance keeping education as affordable as possible with having the resources to make needed investments in salaries for our most important asset (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, they considered several issues:

- It was critical to have relatively high salary pools. They were mostly comfortable with salary pools being somewhat greater than tuition increases given the fringe benefits rate was going down, but recognized this was not sustainable over multiple years.
- Some 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 below the median of our comparison panel. Some members of the committee argued Whitman should raise tuition 4% again given that was the average increase of the peer schools this year.

After considering all the above factors, the administration concluded a 3.25% tuition increase and a 4% salary pool was appropriate for this year. It is financially viable given savings generated through lower discount rate, lower fringe benefits rate and reduced life cycle funding. The College budgeted conservatively in the past few years so this helps to catch up for recent years where salary pools were significantly under tuition increases as shown in the table below.

Five-year history of tuition, first-year discount rates, and salary pools:

	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>
Gross tuition increase	6.8%	5.0%	5.0%	4.5%	4.0%
First-year discount rate	35.5%	37.8%	39.4%	31.4%	32.5%
Salary pool	6.0%	0.0%	2.0%	1.5%	3.0%

### Endowment Payout Rate

The proposed budget calls for an endowment payout rate of 5.0% down from 5.1% this year. The increase in endowment support to operations is approximately \$1M, of which \$455,000 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 to best support campaign goals. Investment income and miscellaneous income remain unchanged.

## EXPENSES

### Salary Pool

Faculty and staff salary pools increase 4% in the proposed budget. Approximately one-half of the pool will be distributed using traditional merit criteria. The other half will be used to make targeted equity adjustments for critical staff positions to reflect current markets and to address market and compression issues in the faculty.

### Fringe Benefits

The fringe benefits rate is reducing from 39% to 37.75%. The reduction is due to several factors: declining tuition remission expenses due to change in policy; no increase in medical and dental premiums in 2013; and, the larger salary pool to spread costs across.

### Life Cycle Contributions

The life cycle contribution reduces from \$2,826,000 (.95% of replacement value of physical plant) to \$2,483,000 (.80% of the replacement value of the physical plant). The reduction was recommended by the Buildings and Grounds Committee and approved by the trustees in November. It is a reflection of many years of actual costs being less than forecasted and corresponding adjustments to the model.

## **Budget Enhancements**

Following are the highlights of budget enhancements to strengthen the academic programs, make progress on the key priorities of the president (faculty and staff compensation, strengthen admissions and grow the applicant pool, strengthen the student engagement center, and strengthen the communications and marketing efforts of the College) as well as address other operating needs for the College:

### **Instruction and Academic Support**

- Provide ongoing funding for conversion of eight adjunct positions to tenure track. (Note funding source is unrestricted endowment income from unrestricted gifts designated to endowment by trustees. Mellon grant will phase out over next several years. Unused funds will be transferred back to quasi-endowment while current Mellon funds are available).

Salaries	168,000
Fringe benefits	63,000
Support costs	40,000

Subtotal \$271,000

- Fund additional student faculty collaborative research projects \$ 60,000

- Support for Penrose Memorial Library

Salary for new instruction and resource librarian	42,000
Fringe benefits	16,000
Increased costs for electronic subscriptions and databases	53,000
Collection enhancement for new tenure track faculty	10,000

Subtotal \$121,000

- Increases to academic department operating budgets

Student wages, service contracts, supplies	42,000
Maintenance contracts for new science equipment	42,000
Small equipment replacement, life cycle fund for the humanities	25,000

Subtotal \$109,000

- Administrative and operating support for academic program

Off Campus Studies support (travel and insurance)	80,000
Salary to increase associate dean to full-time	55,000
Salaries for .5 FTE admin assistant and .5 FTE research analyst positions in provost and dean of faculty office	38,000
Increase hours for part-time staff	6,000
Fringe benefits	37,000
Operating support for faculty recruitment, travel, PDF office support, and Sheehan Gallery	25,000

Subtotal \$241,000

Total instruction and academic support: \$802,000

## Admissions and financial aid management

• Addition of technology fellow to focus on technology and social media recruitment strategies	
Salary	28,000
Fringe benefits	11,000
• Expand student search (buying more names)	30,000
• Expand counselor visit program	14,000
• Enhance travel budget	40,000
• New publications	15,000
• Increase student intern support	7,000
• Financial aid consultant - ongoing	40,000
Total admissions and financial aid management	<u>\$185,000</u>

## Student Engagement Center

• Salary for new assistant director	45,000
• Salary for technology fellow to promote social media interaction with students and alumni	28,000
• Salary for increased hours of support staff	7,000
• Fringe benefits for new salaries	31,000
• Additional student internships (some linked to admission offers as experiment)	60,000
• Programming funds	10,000
Total Student Engagement Center	<u>\$181,000</u>

## Communications

• Salary for new digital communications director	65,000
• Fringe benefits	25,000
• Operating budget for promoting national reputation	50,000
• Miscellaneous operating support	4,000
Total for Communications	<u>\$144,000</u>

## Technology Services

• Creating new smart classrooms	28,000
• Increased technology replacement fund for new equipment & infrastructure	38,000
• Increase for software licensing and service contracts	65,000
• Student wage budgets	9,000
Total Technology Services	<u>\$140,000</u>

## Other Support

• Athletics	
Salary for assistant coach	25,000
OPE	9,000
Increased conference dues and athletic insurance	8,000
	Subtotal <u>\$42,000</u>
• Support for student services	
Services for student wages and programming funds	33,000
• Support for business office and human resources (audit fees and staff recruitment)	19,000
• Plant facilities support	
Fitness center equipment replacement reserve	20,000
Utilities	32,000
Maintenance and custodial costs	50,000
Grounds	21,000
Part-time labor	6,000
New sustainability coordinator	28,000
Fringe benefits	13,000
	Subtotal <u>\$170,000</u>
Total other support	<u>\$264,000</u>
Total budget enhancements:	\$1,716,000

## Highlights of one-time requests funded with surpluses and gifts

• Strategies to grow applicant pool over two years (net tuition surplus 2011-12)	198,000
• William O. Douglas professor of constitutional law (gifts)	65,000
• Computers for annual fund phonathon (surplus)	14,000
• Campaign special events (surplus)	25,000
• Completion of web content management system (surplus)	15,000
• Title IX consultant and training (surplus)	18,000
• ADA accessible van (used) for health center (surplus)	13,000
• Point of sale software system for bookstore (surplus)	37,000
• Upgrade Datatel database to SQL (surplus)	20,000
• Digital scanning of registrar's student records	23,000
• Renovation of math computer lab	22,000
• Upgrade music classroom to be "smart room"	17,000
• Create new office in Hall of Music	17,000



## Conclusion

The proposed budget makes significant progress on President Bridges' top priorities:

- Compensation for faculty and staff
- Strengthening admissions and growing the applicant pool
- Enhancing the student engagement center
- Strengthening college communication efforts

At the same time, the tuition increase of 3.25% is down substantially from recent years. The financial position of the College is greatly enhanced due to our collective efforts to reduce the discount rate and the fringe benefit rate. In addition, new endowment support from gifts and transfers to the endowment provides additional flexibility and fully funds the eight new Mellon positions converted to tenure track. The proposed budget gives Whitman needed flexibility in future years to respond to changing market conditions and/or invest in future key priorities by increasing the enrollment contingency and continuing the capital projects fund.

# Whitman College Budget Report

	2011/12 Approved Budget	% Total	2012/13 Approved Budget	% Total	2013/14 Proposed Budget	% Total
<b>CURRENT FUND SOURCES</b>						
Full-time equivalent students	1,475		1,475		1,554	
Annual tuition charge	40,180		41,790		43,150	
Annual tuition increase	4.50%		4.00%		3.25%	
Discount rate	39.50%		37.00%		34.00%	
<b>TUITION &amp; FEES</b>	<b>59,265,500</b>		<b>61,640,250</b>		<b>67,055,100</b>	
LESS UNRESTRICTED FINANCIAL AID	(17,477,152)		(17,283,820)		(16,235,912)	
LESS RESTRICTED FINANCIAL AID	(5,932,721)		(5,523,073)		(6,567,205)	
<b>SUBTOTAL INSTITUTIONAL AID</b>	<b>(23,409,873)</b>		<b>(22,806,893)</b>		<b>(22,803,117)</b>	
<b>NET TUITION REVENUE</b>	<b>35,855,627</b>	<b>65%</b>	<b>38,833,357</b>	<b>64%</b>	<b>44,251,983</b>	<b>66%</b>
INSTRUCTIONAL FEES	379,616	0%	379,616	1%	379,616	1%
PRIVATE GIFTS & GRANTS	1,150,000	2%	1,150,000	2%	1,150,000	2%
FEDERAL FINANCIAL AID	340,000	1%	340,000	1%	340,000	1%
ENDOWMENT INCOME	16,457,962	28%	17,474,612	29%	18,529,998	28%
INVESTMENT INCOME	100,000	0%	50,000	0%	50,000	0%
MISCELLANEOUS INCOME	266,000	0%	266,000	0%	266,000	0%
ASWC FEES	470,840	1%	484,965	1%	499,514	1%
SPONSORED PROGRAMS	250,000	0%	410,000	1%	410,000	1%
AUXILIARY TRANSFER	991,339	2%	1,001,440	2%	1,001,000	1%
<b>SUBTOTAL EDUCATION &amp; GENERAL</b>	<b>56,261,384</b>	<b>100%</b>	<b>60,389,990</b>	<b>100%</b>	<b>66,878,111</b>	<b>100%</b>
RESIDENCE HALLS	3,829,693	39%	3,968,000	39%	4,097,000	40%
FOOD SERVICE	4,058,207	41%	4,220,000	42%	4,368,000	42%
BOOKSTORE	1,232,471	13%	1,245,000	12%	1,187,000	12%
OTHER AUXILIARY	630,995	7%	660,000	7%	668,000	6%
<b>SUBTOTAL AUXILIARY</b>	<b>9,751,366</b>	<b>100%</b>	<b>10,093,000</b>	<b>100%</b>	<b>10,320,000</b>	<b>100%</b>
<b>TOTAL CURRENT FUND SOURCES</b>	<b>66,012,750</b>		<b>70,482,990</b>		<b>77,198,111</b>	

# Whitman College Budget Report

	2011/12 Approved Budget	% Total	2012/13 Approved Budget	% Total	2013/14 Proposed Budget	% Total
<b>CURRENT FUND USES</b>						
Faculty salary change	0.5%		3.0%		4.0%	
Staff salary change	0.5%		3.0%		4.0%	
Fringe benefit rate - OPE	39.0%		39.0%		37.8%	
INSTRUCTION	21,043,283	40%	22,302,382	39%	25,873,447	41%
ACADEMIC SUPPORT	7,252,468	14%	7,822,095	14%	8,698,520	14%
SPONSORED PROGRAMS	250,000	0%	410,000	1%	410,000	1%
STUDENT SERVICES	7,013,818	13%	7,578,662	13%	8,171,375	13%
INSTITUTIONAL SUPPORT	9,540,808	18%	10,151,240	18%	10,680,040	17%
PHYSICAL PLANT	7,691,308	14%	8,603,246	15%	8,862,391	14%
FEDERAL FINANCIAL AID	183,750	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>52,975,435</u>	<u>100%</u>	<u>57,047,625</u>	<u>100%</u>	<u>62,875,773</u>	<u>100%</u>
RESIDENCE HALLS	3,364,693	36%	3,499,000	37%	3,628,000	37%
FOOD SERVICE	4,025,906	43%	4,157,257	44%	4,305,000	44%
BOOKSTORE	1,206,721	13%	1,240,000	13%	1,177,000	12%
OTHER AUXILIARY	630,995	8%	660,000	7%	668,000	7%
SUBTOTAL AUXILIARY	<u>9,228,315</u>	<u>100%</u>	<u>9,556,257</u>	<u>100%</u>	<u>9,778,000</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>62,203,750</u>		<u>66,603,882</u>		<u>72,653,773</u>	
CAMPUS REPLACEMENT RESERVE	2,205,949	80%	2,289,257	81%	1,941,000	78%
AUXILIARY REPLACEMENT RESERVE	523,051	20%	536,743	19%	542,000	22%
SUBTOTAL REPLACEMENT RESERVE	<u>2,729,000</u>	<u>100%</u>	<u>2,826,000</u>	<u>100%</u>	<u>2,483,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>1,080,000</u>		<u>1,053,108</u>		1,351,012	
OCS RESERVE					<u>710,326</u>	
TOTAL CURRENT FUND USES	<u>66,012,750</u>		<u>70,482,990</u>		<u>77,198,111</u>	
NET SOURCES / (USES)	<u>0</u>		<u>0</u>		<u>0</u>	