

**BUDGET ADVISORY COMMITTEE**

**FINAL BUDGET**

## 2012 - 2013 PROPOSED BUDGET

Following are the budget parameters for the proposed 2012-2013 budget:

	<u>2011/2012</u>	<u>Proposed 2012/2013</u>
Budgeted Enrollment (10 students = \$263,000)	1475	1475
Target first year class	405	400
Enrollment Contingency	44 FTE \$1,080,000	40 FTE \$1,053,000
Tuition Increase (1% increase = \$362,000)	4.5%	4%
Tuition Discount (excluding Federal support) (.50% = \$300,000)	39.5%	37.0%
Target first year and transfer discount rate	33%	34%
Private Gifts & Grants	\$1,150,000	\$1,150,000
Endowment Payout	4.8% \$16,458,000	5.1% \$17,500,000
Investment Income	\$100,000	\$50,000
Life Cycle Contributions	\$2,729,000	\$2,826,000
Salary Pool for Faculty (1% increase = \$201,000)	.5%	3%
Salary Pool for Staff (1% increase = \$185,000)	.5%	3%
Fringe Benefit Rate (.50% increase = \$139,000)	39%	39%
Room Increase (1% increase = \$36,000)	5%	4%
Board Increase (1% increase = \$40,000)	4%	4%

## **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 2012-2013 reflects the recommendations of the on-campus committee and is consistent with the planning assumptions approved by the trustees in November.

## **HIGHLIGHTS OF THE BUDGET**

### **REVENUE**

#### **Enrollment**

The proposed budget assumes a new class of 400 first-year and transfer students. This is down from a target of 405 for the current year to help manage enrollment pressures due to larger than anticipated classes the last few years (431 - 2008; 421 - 2009; 440 - 2010; 421 - 2011). Staff estimates actual enrollment to be between 1490-1500, but expects enrollments to decline to the 1460-1475 range over the next few years if the College continues to recruit new classes between 400 and 415 students.

The enrollment contingency is proposed to be the equivalent of 40 FTE net tuition revenue or \$1,053,000. The amount is down slightly from the current year, but represents 1.5% contingency of the total operating budget of \$70M.

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

The proposed budget includes a tuition increase of 4%, down slightly from the 4.5% increase this year (the lowest increase in over five years). The 4% increase slightly exceeds the unadjusted Consumer Price Index on all items of 3.4% (for the 12 months ending November, 2011). The proposed discount rate stands at our best estimate of 37% for the year. This estimated rate is substantially lower than the current budgeted amount of 39.5% and down a little from our forecasted rate for the current year of 37.5% to 38%. The substantial progress in reducing the discount rate is due to the successful implementation of need-aware admissions and adhering to policy for returning students. A second class with a lower discount rate helps to lower the overall rate next year.

The College will continue to track financial aid separately between first year and returning students and review the status of the financial aid budget with the Trustee Executive Committee in June before releasing financial aid offers to returning students. However, some factors beyond control of the College affect the final amount of financial aid Whitman awards even with this more rigorous approach to managing aid to meet net tuition revenue goals. The number of admitted students who pay deposits in May, but actually show up in September, fluctuates each year (summer melt). The number of students going on and returning from leaves of absence and Off-Campus Studies also fluctuates. These changes not only affect enrollment, but may have a significant impact on financial aid and discount rate. Thus, the College must maintain an appropriate contingency in the budget each year.

### **Endowment Payout Rate**

The proposed budget calls for an increase in endowment payout rate from 4.8% to 5.1%. The flexible payout rate model approved by the trustees in 2008 called for the payout rate to increase in 2012-2013 to 5.4%. However, actual investment returns and gifts to the endowment have been greater than the flexible payout rate model assumed, enabling the College to decrease the modeled payout rate substantially. The increase in endowment support to operations is approximately \$1M, of which \$425,000 is from new endowments coming online next year. The College plans to return to a 5% payout rate in fiscal year 2013-2014, which is well ahead of the original schedule of 2018-2019.

### **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 is reduced from \$100,000 to \$50,000 to reflect low short-term interest rates.

## EXPENSES

### **Salary Pool**

Faculty and staff salary pools will increase 3% in the budget. Increasing compensation after several years of low increases represents a top priority for the College. The increase in the salary pools, exclusive of proposed new positions, totals \$782,000. This amount augments the 2% mid-year increase of \$519,000.

### **Fringe Benefits**

We forecast that the fringe benefits rate will remain the same at 39% of salaries. The increase in the benefits budget due to the increased salary pool (2% + 3%) is \$507,000. The rate would have increased if the College had not made changes to the medical benefits. The contribution to the retiree medical program declines as the College approaches the point where Whitman has fully funded the projected liability of this benefit. The changes to the tuition exchange program will also help to reduce the rate in the future.

### **Life Cycle Contributions**

The proposed life cycle contribution increases from \$2,729,000 to \$2,826,000. The contribution rate remains .95% of the replacement value of the physical plant.

### **Debt Service**

Debt service in the proposed budget will increase by \$160,000. This represents the last increase to phase-in the debt service associated with bonds issued in 2008 which support the Sherwood Center, Fouts Center for Visual Arts, Olin Hall, Maxey Hall and Harper Joy Theatre projects. Total debt service constitutes \$3,171,000 or 4.5% of the total operating budget.

### **Budget Enhancements**

In addition to the increases in salary pools and corresponding fringe benefits, life cycle program, and debt service, the College increased other operating budgets by approximately \$1,100,000. In addition the budget includes \$520,000 toward a one-time capital project to create two new science research labs and offices for the new tenure-track line faculty in biology and chemistry. Close to \$700,000 of other requests were not approved either by the budget officers or the president. Many requests were denied either because they were not considered a high enough priority or the College could fund them with existing departmental surpluses. Following are the highlights of budget enhancements:

## Academic Program

- Creation of two new tenure-track lines in the Sciences

Salaries	130,000
Fringe benefits	51,000
Support costs	17,000
One-time renovations to create labs and offices	<u>520,000</u>
Subtotal	\$718,000
  - Continuation of Global Studies Initiative (funded for three years by Mellon Foundation)

Salaries for director and stipends for faculty participating in summer workshops	86,000
Fringe benefits	34,000
Support costs for symposium, publication and workshops	<u>34,000</u>
Subtotal	\$154,000
  - Increased part-time staff support in several areas to assist faculty in geology labs and field trips, biology labs, science outreach programs, and administrative support in arts, theatre, post graduate fellowships and grants, and the language learning lab.

Salaries	69,000
Fringe benefits	<u>27,000</u>
Subtotal	\$96,000
  - Increases to academic support budgets

Student wages, service contracts, supplies, and start-up costs for new faculty	\$67,000
--	----------
  - Library digital subscription costs \$26,000
  - New position in Off Campus Studies to support home fee model and expanding programs to be better linked to academic departments

Salary	35,000
Fringe benefits	<u>14,000</u>
Subtotal	\$49,000
- Total subtotal Academic Program enhancements: \$1,110,000

## Student Services

- New administrative assistant position to support Academic Resource Center and Dean of Students office

Salary	25,000
Fringe benefits	<u>10,000</u>
Subtotal	\$35,000

- Increase to full-time the Assistant Dean of Students for Student Engagement and the Stuart Religious Counselor position

Salary	28,000
Fringe benefits	<u>11,000</u>
Subtotal	\$39,000

- Continue two assistant coach positions which have been funded for several years by alumni gifts through the W Club

Salary	50,000
Fringe benefits	<u>20,000</u>
Subtotal	\$70,000

Total Student Services enhancements: \$144,000

## Other Support

- Increased support for admissions program

New Admissions Officer salary	32,000
Fringe benefits	17,000
Part-time application readers	9,000
Expand student intern program	<u>7,000</u>
Subtotal	\$65,000

- Increased support for technology services – reorganization of staffing to create a new position of Director of Learning Technologies

Salary	15,000
Fringe benefits	6,000
Increased funding for technology replacement life cycle funds and licenses and service contracts	<u>61,000</u>
Subtotal	\$82,000

- New position of online content specialist for maintaining currency of web sites

Salary	40,000
Fringe benefits	<u>16,000</u>
Subtotal	\$56,000

- New position of Director of Environmental Health and Safety

Salary	50,000
Fringe benefits	<u>20,000</u>
Subtotal	\$70,000

- Miscellaneous operating budget increases to increase student wages, supplies and maintenance expenses for plant facilities, continue administrative external reviews, and enhance supervisor training and leadership development

\$93,000

Total other support enhancement: \$366,000

#### **One-time requests funded with department surpluses or gifts**

- Continuation of financial aid consultant for one more year (surpluses) 40,000
- New server and operating system for campus and system deferred from last year (surpluses) 160,000
- New address printer for mail services (surpluses) 23,000
- Alumni annual giving survey (surpluses) 12,000
- Purchase high speed digital copy machine (surpluses) 20,000
- Special equipment for single cluster reunions (surpluses) 20,000
- Web content management implementation (surpluses) 65,000
- Web content management software (gift) 89,000
- Nielen-Anderson visiting professors in Rhetoric (gift) 50,000
- Ferrari Environmental Studies internship fund (gift) 60,000
- WISE Program (gift) 22,000



### **Highlights of new endowments received last fiscal year that support next year's budget**

- Global Studies 50,000
- Varsity Athletics 3,100,000
- Scholarship endowments 3,600,000

In addition, two endowed chairs (Deshler and Ball) were created in recent years and current faculty members now hold the chairs (Keef and Walters). In November, 2011 the trustees approved two new tenure-track line positions (biology and chemistry) funded from the reallocation of the instructional salary budget made available by the two new endowed chairs.

### **Future Initiatives**

In February of 2011, the trustees approved converting to a home tuition fee model for Off Campus Studies students effective with the class arriving on campus in the fall of 2011 and studying off campus in the 2013-2014 academic year. Currently, the College spends approximately \$1M a year in financial aid to support students studying off campus in specific approved programs.

In the new model, Whitman will charge its tuition to students studying off campus. Students will be eligible to receive financial aid such that the tuition costs for their time abroad will be approximately the same as while on campus. Students will be paying room and board costs directly to the off campus programs. The College will pay the program tuition fees from the tuition collected from these students. The College will be significantly expanding the number of approved programs and better aligning them with Whitman academic majors. In preparing to implement this program, the proposed budget includes one additional staff member to support the increased number of off campus programs.

Based on recent participation in Off-Campus Studies, the College forecasts an increase in tuition revenue of approximately \$4M and a decrease in the discount rate of about 1.5%. After funding the program fees, financial aid, and other operating expenses, the College forecasts total savings to the College of \$500,000 to \$700,000 per year. It is difficult to predict how student behavior will change under the new model, so the College will not build the anticipated savings into the budget until a better understanding of student participation is attained.

## Conclusion

The proposed budget makes significant progress on three top priorities for the College next year:

- Increased faculty and staff compensation
- Addition of two new tenure-track lines in the sciences and corresponding renovations to accommodate the positions
- Continuing the Global Studies Initiative originally funded by gifts from the Mellon Foundation

The budget also makes significant progress in enhancing support for several existing programs at the College, increasing budgets to support student employment, and providing additional support for academic programs.

The College's success in reducing the discount rate, growth in the endowment due to new gifts, improved investment returns and slowing the increase of fringe benefits costs makes this budget possible. New endowments will fund the two new tenure-track positions and unrestricted endowment income will fund the continuation of the Global Studies Initiative.

If the College wishes to continue to make major investments in new initiatives and to strengthen existing programs, we will need to continue to find ways to gain efficiencies, effectively manage expense increases, and grow revenue from gifts and endowments.

# Whitman College Budget Report

	2010/11 Approved Budget	% Total	2011/12 Approved Budget	% Total	2012/13 Proposed Budget	% Total
<b>CURRENT FUND SOURCES</b>						
Full-time equivalent students	1,455		1,475		1,475	
Annual tuition charge	38,450		40,180		41,790	
Annual tuition increase	5.00%		4.50%		4.00%	
Discount rate	37.50%		39.50%		37.00%	
<b>TUITION &amp; FEES</b>	<b>55,944,750</b>		<b>59,265,500</b>		<b>61,640,250</b>	
LESS UNRESTRICTED FINANCIAL AID	15,456,208		17,477,152		16,698,601	
LESS RESTRICTED FINANCIAL AID	5,523,073		5,932,721		6,108,292	
<b>SUBTOTAL INSTITUTIONAL AID</b>	<b>20,979,281</b>		<b>23,409,873</b>		<b>22,806,893</b>	
<b>NET TUITION REVENUE</b>	<b>34,965,469</b>	<b>65%</b>	<b>35,855,627</b>	<b>64%</b>	<b>38,833,357</b>	<b>64%</b>
INSTRUCTIONAL FEES	267,068	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	365,000	1%	340,000	1%	340,000	1%
ENDOWMENT INCOME	15,175,000	28%	16,457,962	29%	17,474,612	29%
INVESTMENT INCOME	150,000	0%	100,000	0%	50,000	0%
MISCELLANEOUS INCOME	257,000	0%	266,000	0%	266,000	0%
ASWC FEES	458,786	1%	470,840	1%	484,965	1%
SPONSORED PROGRAMS	250,000	0%	250,000	0%	410,000	1%
AUXILIARY TRANSFER	931,361	2%	991,339	2%	1,001,440	2%
<b>SUBTOTAL EDUCATION &amp; GENERAL</b>	<b>53,969,684</b>	<b>100%</b>	<b>56,261,384</b>	<b>100%</b>	<b>60,389,990</b>	<b>100%</b>
RESIDENCE HALLS	3,647,326	39%	3,829,693	39%	3,968,000	39%
FOOD SERVICE	3,902,122	41%	4,058,207	42%	4,220,000	42%
BOOKSTORE	1,232,471	13%	1,232,471	13%	1,245,000	12%
OTHER AUXILIARY	683,350	7%	630,995	6%	660,000	7%
<b>SUBTOTAL AUXILIARY</b>	<b>9,465,269</b>	<b>100%</b>	<b>9,751,366</b>	<b>100%</b>	<b>10,093,000</b>	<b>100%</b>
<b>TOTAL CURRENT FUND SOURCES</b>	<b>63,434,953</b>		<b>66,012,750</b>		<b>70,482,990</b>	

# Whitman College Budget Report

	2010/11 Approved Budget	% Total	2011/12 Approved Budget	% Total	2012/13 Proposed Budget	% Total
<b>CURRENT FUND USES</b>						
Faculty salary change		2.0%		0.5%		3.0%
Staff salary change		2.0%		0.5%		3.0%
Fringe benefit rate - OPE		37.0%		39.0%		39.0%
INSTRUCTION	20,525,680	40%	21,043,283	40%	22,302,382	39%
ACADEMIC SUPPORT	7,089,811	14%	7,252,468	14%	7,822,095	14%
SPONSORED PROGRAMS	250,000	0%	250,000	0%	410,000	1%
STUDENT SERVICES	6,796,502	13%	7,013,818	13%	7,578,662	13%
INSTITUTIONAL SUPPORT	9,308,849	18%	9,540,808	18%	10,151,240	18%
PHYSICAL PLANT	7,120,363	14%	7,691,308	15%	8,603,246	15%
FEDERAL FINANCIAL AID	180,000	0%	183,750	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>51,271,205</u>	<u>100%</u>	<u>52,975,435</u>	<u>100%</u>	<u>57,047,625</u>	<u>100%</u>
RESIDENCE HALLS	3,185,326	36%	3,364,693	36%	3,499,000	37%
FOOD SERVICE	3,877,570	43%	4,025,906	44%	4,157,257	44%
BOOKSTORE	1,206,721	13%	1,206,721	13%	1,240,000	13%
OTHER AUXILIARY	683,350	8%	630,995	7%	660,000	7%
SUBTOTAL AUXILIARY	<u>8,952,967</u>	<u>100%</u>	<u>9,228,315</u>	<u>100%</u>	<u>9,556,257</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>60,224,172</u>		<u>62,203,750</u>		<u>66,603,882</u>	
CAMPUS REPLACEMENT RESERVE	2,097,698	80%	2,205,949	81%	2,289,257	81%
AUXILIARY REPLACEMENT RESERVE	512,302	20%	523,051	19%	536,743	19%
SUBTOTAL REPLACEMENT RESERVE	<u>2,610,000</u>	<u>100%</u>	<u>2,729,000</u>	<u>100%</u>	<u>2,826,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	600,781		1,080,000		1,053,108	
TOTAL CURRENT FUND USES	<u>63,434,953</u>		<u>66,012,750</u>		<u>70,482,990</u>	
NET SOURCES / (USES)	<u>0</u>		<u>0</u>		<u>0</u>	