

To: Budget Advisory Committee Members
FROM: Peter Harvey, Chair
DATE: September 29, 2014
RE: Changes in Process this Year

I look forward to working with all of you in developing the 2015 – 2016 college budget. Thank you for agreeing to serve on this committee.

After last year's work was completed, I met with each of the constituent groups on the committee (students, faculty and staff) to receive your feedback on the process and solicit suggestions for improving our work together. Following are the highlights of the feedback and changes we are making to the process this year.

General Observations:

Most people felt the process was valuable and encouraged the work of the committee to continue. Several people expressed disappointment in some specific budget decisions made.

Specific Feedback:

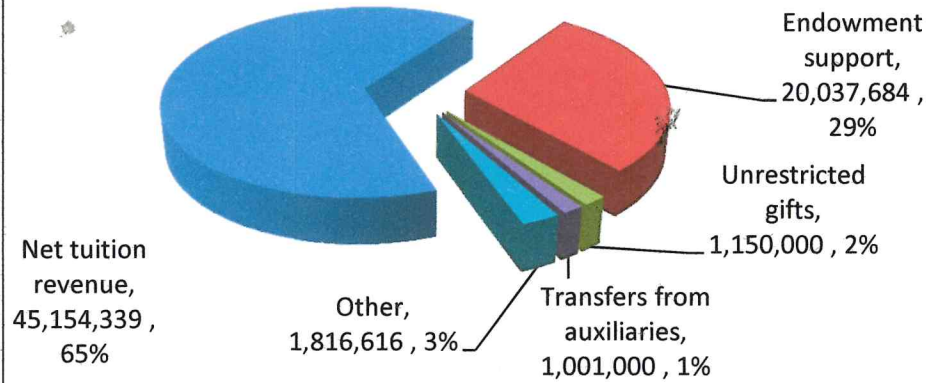
- 1) Members recommended the College develop a long-range tuition pricing strategy. The trustees are beginning the process of reviewing the tuition pricing strategy with Sandy Baum, a national expert in this area, discussing tuition pricing in a joint session of trustees, faculty and some staff.
- 2) Members requested the current size of discretionary budgets be provided for any budget requesting a substantial increase. This information will be provided.
- 3) Members requested faculty leadership be consulted prior to accepting gifts which create new faculty positions. This process has begun.
- 4) Members of the committee asked to expand the ranking of priorities by the committee from an "A, B, C," scale to an "A, B, C, F," scale with "F" indicating committee members believe the initiative should not be funded regardless of resources available.

- 5) Members requested admission staff discuss in more detail the modeling of different tuition increases and changes in financial aid practices. Tony Cabasco will attend the second meeting to review these issues.
- 6) Members requested more clarification be provided on what is confidential during the process. This will be discussed in the first meeting.

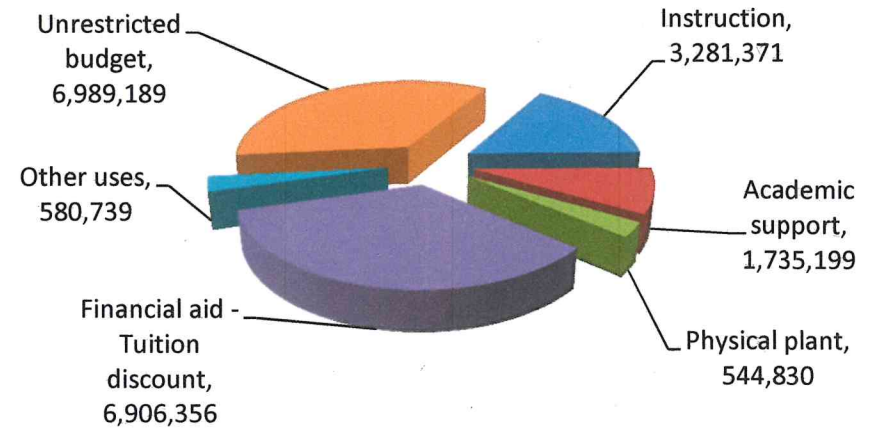
Thanks to returning committee members for providing this feedback. We believe it can be effectively incorporated into the process.

Whitman College
2014-2015 Education and General budget

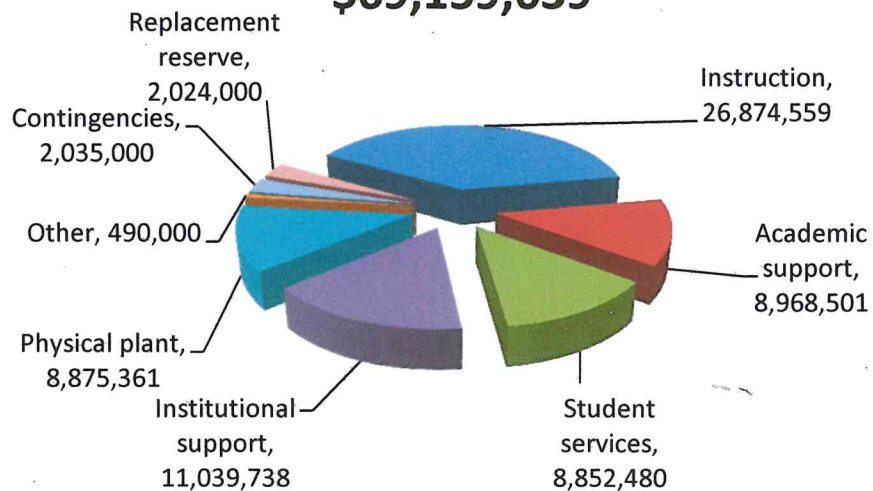
Total E & G budget - Sources
\$69,159,639



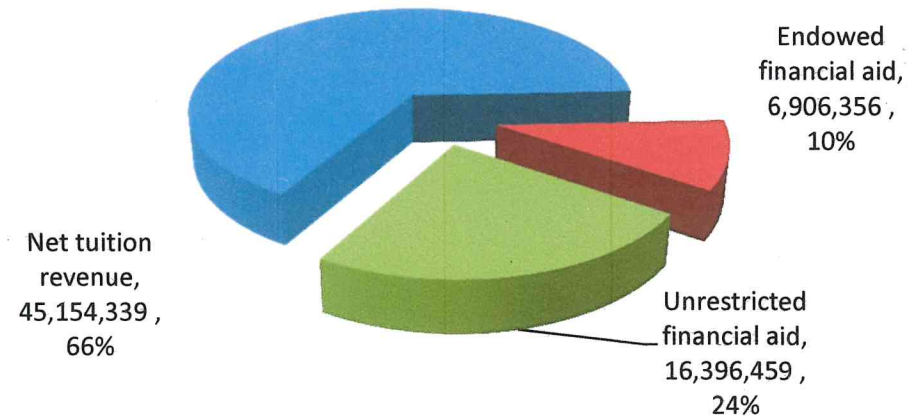
Endowment support - Uses
\$20,037,684



Total E & G budget - Uses
\$69,159,639



Gross tuition 68,457,154



WHITMAN COLLEGE

CURRENT FUND/FUND SOURCES	2014/2015 APPROVED BUDGET	%Total
Tuition & Fees	68,457,154	
Less Unrestricted Financial Aid	16,396,459	
Less Restricted Financial Aid	6,906,356	
Subtotal Institutional Aid	23,302,815	
Net Tuition	45,154,339	65%
Instructional Fees	379,616	1%
Private Gifts & Grants	1,150,000	2%
Federal Financial Aid	340,000	0%
Endowment Income	20,037,684	29%
Investment Income	50,000	0%
Miscellaneous Income	226,000	0%
ASWC Fees	511,000	1%
Sponsored Programs	310,000	0%
Transfer Income from Auxiliary	1,001,000	1%
Subtotal Operating Budget	69,159,639	100%
Residence Halls	4,200,000	40%
Food Service	4,500,000	43%
Student Center	1,190,000	11%
Other Auxiliary	675,000	6%
Subtotal Auxiliary	10,565,000	100%
Total Revenue	79,724,639	

WHITMAN COLLEGE

CURRENT FUND/FUND USES	2014/2015 APPROVED BUDGET	%Total
Instruction	26,874,559	41%
Academic Support	8,968,501	14%
Sponsored Programs	310,000	0%
Student Services	8,852,480	14%
Institutional Support	11,039,738	17%
Physical Plant	8,875,361	14%
Federal Financial Aid	180,000	0%
Subtotal Operating Budget	65,100,639	100%
Residence Halls	3,715,000	37%
Food Service	4,431,000	44%
Student Center	1,185,000	12%
Other Auxiliary	675,000	7%
Subtotal Auxiliary	10,006,000	100%
Total Operating Expense	75,106,639	
Campus Replacement Reserve	2,024,000	
Auxiliary Replacement Reserve	559,000	
Subtotal Replacement Reserve	2,583,000	
Enrollment Contingency	1,325,000	
OCS Reserve	710,000	
Total Expense	79,724,639	
Net Balance	0	

WHITMAN COLLEGE BUDGET TERMS AND PROCESS

FUND SOURCES

Net Tuition

The tuition charge increased 3.0 percent for the 2014-2015 academic year. The annual charge is \$44,440. 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 34.5 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 2014-2015 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, 2010 and the last is June 30, 2013. Farm income is based on a six-year rolling average of net income. Total endowment payout for the current year is \$20,037,684.

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 budget officers 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 CFO 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 budget officers 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.

2014 Panel of 13 Benchmarking Report

Institution	US News ¹ Rank	Undergraduate ¹ Academic Reputation Index		2014-2015 ² Tuition		2014-2015 ³ Est Net Tuition		Percent ² Tuition Increase from 2013-2014		Tuition ³ Discount Rate		Endowment ⁴ Per Student		Accept ¹ Rate 2013		SAT 25th ¹ to 75th Percentile	
Carleton College	8		90		47,460		30,317		3.4%		36.12%		344,246		21%		1340 - 1520
Colby College	15		85		45,360		30,164		3.5%		33.50%		348,895		26%		1260 - 1430
Colorado College	27		80		46,000		30,838		5.0%		32.96%		300,196		22%		1220 - 1430
Davidson College	11		88		45,377		20,878		5.9%		53.99%		315,440		26%		1230 - 1440
Dickinson College	37		74		47,692		30,232		3.5%		36.61%		153,041		45%		1190 - 1365
Franklin & Marshall	37		74		48,414		32,036		4.8%		33.83%		131,424		36%		1220 - 1410
Kenyon College	30		79		45,500		29,120		3.6%		36.00%		115,045		38%		1230 - 1410
Macalester College	24		81		46,974		23,050		4.0%		50.93%		335,373		34%		1240 - 1460
Occidental College	44		72		46,952		27,533		3.9%		41.36%		164,409		42%		1210 - 1400
Reed College	77		59		47,500		30,600		3.8%		35.58%		341,848		49%		1280 - 1470
Rhodes College	54		67		41,262		20,511		4.5%		50.29%		156,412		58%		1220 - 1380
Union College (NY)	41		73		47,913		28,398		3.5%		40.73%		159,122		37%		1220 - 1400
Whitman College	37	T-7	74	T-7	44,440 ¹²		28,650 ⁸		3.0% ¹³		35.53% ⁹		292,887 ⁷		57% ¹³		1220 - 1422 ^{T-7/7}
Average	34		77		46,219		27,871		4.0%		39.80%		242,949		38%		1237 - 1426
Median	37		74		46,952		29,120		3.8%		36.12%		292,887		37%		1220 - 1422
Whitman College Percent difference from median	37		74		44,440		28,650		3.0%		35.53%		292,887		57%		1220 - 1422
	0%		0%		-6%		-2%		-28%		-2%		0%		-35%		0% 0%

1) U.S. News & World Report, 2014 issue based off academic year 2012/2013 data. (Rank - 100 highest)

2) Verified with each institution.

3) Tuition discount rate from June 30, 2013 financial statements is applied to 2014/2015 actual tuition to estimate 2014/2015 net tuition.

4) NACUBO Endowment Study 2013 based off June 30, 2013 endowment values.

2014 Tuition Pricing History Panel of 13

Panel of 13	2011/2012	2012/2013 % Inc	2012/2013	2013/2014 % Inc	2013/2014	2014/2015 % Inc	2014/2015	3-YR Cum. % Inc	3-YR Avg. % Inc
Carleton College	42,690	3.5%	44,184	3.9%	45,900	3.4%	47,460	11.2%	3.7%
Colby College	41,020	3.5%	42,460	3.3%	43,840	3.5%	45,360	10.6%	3.5%
Colorado College	39,550	4.5%	41,332	6.0%	43,812	5.0%	46,000	16.3%	5.4%
Davidson	38,481	6.0%	40,809	5.0%	42,849	5.9%	45,377	17.9%	6.0%
Dickinson	42,610	4.6%	44,551	3.5%	46,094	3.5%	47,692	11.9%	4.0%
Franklin & Marshall	42,510	4.1%	44,260	4.3%	46,185	4.8%	48,414	13.9%	4.6%
Kenyon	41,090	4.1%	42,780	2.6%	43,900	3.6%	45,500	10.7%	3.6%
Macalester	41,800	4.0%	43,472	3.9%	45,167	4.0%	46,974	12.4%	4.1%
Occidental College	41,860	3.9%	43,490	3.9%	45,190	3.9%	46,952	12.2%	4.1%
Reed College	42,540	3.9%	44,200	3.5%	45,750	3.8%	47,500	11.7%	3.9%
Rhodes	36,154	4.5%	37,782	4.5%	39,484	4.5%	41,262	14.1%	4.7%
Union	43,131	3.7%	44,748	3.5%	46,314	3.5%	47,913	11.1%	3.7%
Whitman	40,180	4.0%	41,790	3.3%	43,150	3.0%	44,440	10.6%	3.5%
Average	41,047	4.2%	42,758	3.9%	44,433	4.0%	46,219	12.7%	4.2%
Median	41,800	4.0%	43,472	3.9%	45,167	3.8%	46,952	11.9%	3.9%
Whitman	40,180	4.0%	41,790	3.3%	43,150	3.0%	44,440	10.6%	3.5%
Percent difference from median	-4%	0%	-4%	-19%	-5%	-28%	-6%	-12%	-10%