

BUDGET ADVISORY COMMITTEE

NOVEMBER 19, 2010

2011 - 2012 PROPOSED BUDGET

Following are the budget parameters for the proposed 2011-2012 budget:

	<u>2010/2011</u>	<u>Proposed 2011/2012</u>
Budgeted Enrollment (10 students = \$243,000)	1455	1475
Enrollment Contingency	25 FTE \$600,800	44 FTE \$1,080,000
Tuition Increase (1% increase = \$331,000)	5%	4.5%
Tuition Discount (excluding Federal support) (.50% = \$296,000)	37.5%	39.5%
Private Gifts & Grants	\$1,150,000	\$1,150,000
Endowment Payout	4.4% \$15,175,000	4.8% \$16,458,000
Investment Income	\$150,000	\$100,000
Life Cycle Contributions	\$2,610,000	\$2,729,000
Salary Pool for Faculty (1% increase = \$191,000)	2%	.5%
Salary Pool for Staff (1% increase = \$170,000)	2%	.5%
Fringe Benefit Rate (.50% increase = \$131,000)	37%	39%
Room Increase (1% increase = \$36,000)	5%	5%
Board Increase (1% increase = \$39,000)	5%	4%

BUDGET DEVELOPMENT PROCESS

The budget development 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 as well as proposed changes to the strategic plan (the progress report and revised strategic plan were included in the November committee packet). The updated strategic plan is used as a guiding document by budget officers as they work with their departments to reallocate existing funds and propose budget changes. Every administrative and academic department develops budget proposals in September. All identify opportunities for new efficiencies, reallocate existing funds, and use department surpluses (if any) to fund one-time initiatives. Budget officers review and prioritize all budget proposals. The faculty Committee of Division Chairs reviews and prioritizes all budget proposals from academic programs.

In October, the president's budget advisory committee begins meeting. The committee is chaired by the College treasurer and includes faculty, staff and students. The first meetings are educational. Committee members learn how the budget works, key issues and budget modeling. Each budget officer presents their budget requests to the committee and the committee asks questions of the officers. The committee then provides feedback to the administration on proposed initiatives and key parameters such as tuition increases and salary pools.

This year trustee chair Jim Robart, in response to increased budget concerns, formed a budget working group of three trustees (Brad McMurchie, Dean Nichols and John Stanton) to work with Treasurer, Peter Harvey and Dean of Admission and Financial Aid, Tony Cabasco in developing the budget.

The proposed budget for 2011-2012 reflects the input of the on-campus committee and the trustee budget working group and is consistent with the planning assumptions presented to the trustees in November.

HIGHLIGHTS OF THE BUDGET

REVENUE

Enrollment

The proposed budget is based on a forecast of 1475 FTE enrollment, an increase of twenty students. This represents our best estimate for actual enrollment next year. The admission office will be targeting a first year class of 405 students in the fall (390 first year and 15 transfers). This is a reduction from recent class sizes of 420 - 440 to help alleviate enrollment pressures in the classroom.

The enrollment contingency is proposed to increase from 25 FTE to 44 FTE raising the contingency from \$600,000 to \$1,080,000. Staff believes this increased contingency is necessary given recent challenges in estimating financial aid and fringe benefit costs.

Tuition Increase and Discount Rate

Tuition is proposed to increase 4.5%, down slightly from the 5% increase this year. The discount rate is proposed to increase from the current budgeted rate of 37.5% to 39.5%. The proposed rate is down from the forecasted rate of 40.9% for the current year. Steps proposed to lower the discount rate are included in Tony Cabasco’s report. The budget also increases the fee for students studying off campus from \$250 per semester to \$500 per semester. It makes sense to increase this fee now to help offset the high costs of this program. Additional increases should be considered in subsequent years.

As noted in the report from the budget working group, the College needs to do a better job of monitoring predicting overall financial aid expenditures and corresponding net tuition revenue. In the future, the administration will be reviewing the financial aid expenditures for the incoming class before making final awards for returning students in June. In order to assess what adjustments might be necessary in June, the College will track the revenue and financial aid budgets separately between first year and returning students.

	<u>First Year</u>	<u>Returning</u>	<u>Total</u>
FTE Students	405	1,070	1,475
Gross Revenue	16,272,900	42,992,600	59,265,500
Financial Aid	5,370,057	18,039,816	23,409,873
Net Tuition Revenue	10,902,843	24,952,784	35,855,627
Discount Rate	33.0%	42.0%	39.5%

It should be recognized that even with this more rigorous approach to managing financial aid to meet our net tuition revenue goals, there are variables the College cannot control. The number of admitted students who pay deposits in May but actually show up in September fluctuates (summer melt). The number of students going on and returning from leaves of absence, off-campus studies, also fluctuates. These changes not only affect enrollment, but can have a significant impact on financial aid and discount rate depending on the level of need. Thus, it remains vital the College maintain an appropriate contingency in the budget each year.

Endowment Payout Rate

The endowment payout rate is increasing from 4.4% to 4.8% consistent with the flexible payout model approved by the trustees in 2008. The payout rate on new gifts will be at the full 4.8% for gifts held by the College for a full year. Previously, the payout was phased in over the trailing twelve quarter average. This change was approved by the trustees November 5, 2010.

Auxiliary Transfer

The income transferred from auxiliaries to support the education & general budget is increasing by \$60,000. This is a little larger than usual in recognition of the fact that auxiliaries have accrued substantial surpluses in recent years due to increased enrollment.

EXPENSES

Salary Pool

Faculty and staff salary pools are proposed to increase .5%. The administration had hoped to have a higher pool, but it was not possible given the limited progress made in reducing fringe benefits and the discount rate in one year.

Fringe Benefits

The fringe benefits rate is proposed to increase from the current budgeted rate of 37.5% to 39%. The 39% proposed rate is down from the current forecasted rate of over 40% due to an actuarial review confirming the College contribution to the grandfathered retiree medical plan can be reduced from the current level of \$382,000 to \$130,000.

Life Cycle Contributions

The life cycle contribution is increasing from \$2,610,000 to \$2,729,000. The contribution equals .95% (down from the previous rate of 1.14%) of the replacement value of the physical plant. The new funding level was approved by the buildings and grounds committee and trustees at the November, 2010 meeting. The slightly reduced percentage contribution level is believed to be sustainable over the long-term and is proposed in lieu of the previous approach of reducing the contribution by \$500,000 to address budget challenges.

Debt Service

Debt service is increasing \$344,000. This increase is part of the scheduled phase in of the College's 2008 bond issuance used to fund the Sherwood Center, Olin Hall, Maxey Hall and Harper Joy Theatre projects. Total debt service is \$3,011,000 or 4.6% of the total operating budget. There will be one additional year of phasing-in the debt service at an increase of approximately \$160,000.

Budget Reallocating and Budget Enhancements

Departments and budget officers reviewed existing budgets for opportunities to make cuts and reallocate resources to fund top priorities. Everyone fully understands the constraints on the operating budget and most operating budgets remained flat. Approximately \$135,000 in existing budgets was cut. An additional \$112,000 was reallocated within existing budgets to fund higher priorities for a total of cuts and reallocations of \$247,000. Operating budgets (excluding life cycle contribution and debt

service) are increasing \$152,000 net of these cuts and reallocations. Following are the highlights of budget changes:

Primary Budget Increases

• New Financial Analyst position for Financial Aid and Admissions	\$50,000
• Fill vacant Associate Dean of Faculty through national search	40,000
• Academic support (Maintenance Contracts, Supplies, Recruiting)	78,000
• Administrative support (student wages, Service Contracts etc.)	47,000
• New custodian position	23,000
• Fringe benefits on new salaries	<u>49,000</u>
Subtotal	\$287,000

Budget Cuts (\$135,000)

Net Increase \$ 152,000

Budget Reallocations

In addition to the budget cuts, \$112,000 was reallocated within existing budgets to fund higher priorities:

- Reduced president’s contingency to upgrade president’s office staff positions
- Reallocated position in Student Engagement Center to create a new position to focus more on career counseling and hire a new director to better integrate internships and community service programs with the academic program
- Reassigned development travel funds to launch new program designed to cultivate young alumni into major gift donors

• **One-Time Requests funded with Department Surpluses**

Campaign video	\$100,000
Consultant review of annual fund program	18,000
Data analyzer software (for prioritizing development prospects)	25,000
New server and operating system for campus card system	124,000

Highlights of Priorities Funded With Gifts and Endowments

Continuation of two assistant coaches for one year	\$ 50,000
Purchase of confocal microscope	549,000
WISE Program (outreach to middle school students)	22,000
Faculty Research in Chemistry Grant	35,000
Assessment of Student Learning Grant	25,000
W Club funds to support varsity athletics	200,000
Sustaining Innovation Endowment	200,000

Evans Distinguished Lecturer in Music Endowment	200,000
Jackson International Scholarship Endowment	240,000
Pitts Endowment for Support of Off-Campus Studies & Library	275,000
Varsity Athletics Endowment	350,000

Future Initiatives

In addition to the immediate steps taken to balance the budget next year, following are the ongoing initiatives being explored:

- Home based tuition model for Off-Campus Studies
- Continued work with faculty and staff fringe benefits committees to reduce fringe benefits costs
- Outsourcing of college bookstore
- Outsourcing additional college print reproduction services
- Elimination of lunch service at Baker Faculty Center

Conclusion

This budget focuses primarily on the realities of addressing rising debt service, financial aid and fringe benefits costs. The College is taking steps to address the rising financial aid and fringe benefits costs, but it will take several years to fully realize the savings from these steps. After addressing these three primary issues, there is very little money available for other new initiatives. In addition to a .5% salary pool, the College is increasing operating budgets overall by just \$152,000. Most budgets are unchanged. Yet, due to a combination of budget cuts and reallocations and new gifts and endowments the College will still make progress in improving our overall programs and facilities in significant ways over the next year. The renovated Harper Joy Theater (funded with gifts and debt service) will greatly enhance our theater program. New equipment will be purchased for the sciences. New endowments will enable the College to continue to innovate and enhance the learning opportunities for our students. Reorganization will enhance the career and internship opportunities for our students and recent graduates as well as better link our out of classroom experiences with the academic program. Key investments are being made to support the capital campaign.

Whitman College Budget Report

	2009/10 Approved Budget	% Total	2010/11 Approved Budget	% Total	2011/12 Requested Budget	% Total
CURRENT FUND SOURCES						
Full-time equivalent students	1,445		1,455		1,475	
Annual tuition charge	36,620		38,450		40,180	
Annual tuition increase	5.00%		5.00%		4.50%	
Discount rate	37.00%		37.50%		39.50%	
TUITION & FEES	52,915,900		55,944,750		59,265,500	
LESS UNRESTRICTED FINANCIAL AID	13,970,600		15,456,208		17,477,152	
LESS RESTRICTED FINANCIAL AID	<u>5,608,283</u>		<u>5,523,073</u>		<u>5,932,721</u>	
SUBTOTAL INSTITUTIONAL AID	<u>19,578,883</u>		<u>20,979,281</u>		<u>23,409,873</u>	
NET TUITION REVENUE	33,337,017	64%	34,965,469	65%	35,855,627	64%
INSTRUCTIONAL FEES	267,068	1%	267,068	0%	379,616	1%
PRIVATE GIFTS & GRANTS	1,150,000	2%	1,150,000	2%	1,150,000	2%
FEDERAL FINANCIAL AID	365,000	1%	365,000	1%	340,000	1%
ENDOWMENT INCOME	15,175,000	29%	15,175,000	28%	16,457,962	29%
INVESTMENT INCOME	150,000	0%	150,000	0%	100,000	0%
MISCELLANEOUS INCOME	257,000	0%	257,000	0%	266,000	0%
ASWC FEES	445,424	1%	458,786	1%	462,400	1%
SPONSORED PROGRAMS	273,451	1%	250,000	0%	250,000	0%
AUXILIARY TRANSFER	<u>922,140</u>	<u>2%</u>	<u>931,361</u>	<u>2%</u>	<u>991,339</u>	<u>2%</u>
SUBTOTAL EDUCATION & GENERAL	<u>52,342,100</u>	<u>100%</u>	<u>53,969,684</u>	<u>100%</u>	<u>56,252,944</u>	<u>100%</u>
RESIDENCE HALLS	3,473,644	38%	3,647,326	39%	3,829,693	39%
FOOD SERVICE	3,716,307	41%	3,902,122	41%	4,058,207	42%
STUDENT CENTER	1,232,471	14%	1,232,471	13%	1,232,471	13%
OTHER AUXILIARY	<u>677,751</u>	<u>7%</u>	<u>683,350</u>	<u>7%</u>	<u>630,995</u>	<u>6%</u>
SUBTOTAL AUXILIARY	<u>9,100,173</u>	<u>100%</u>	<u>9,465,269</u>	<u>100%</u>	<u>9,751,366</u>	<u>100%</u>
TOTAL CURRENT FUND SOURCES	<u>61,442,273</u>		<u>63,434,953</u>		<u>66,004,310</u>	

Whitman College Budget Report

	2009/10 Approved Budget	% Total	2010/11 Approved Budget	% Total	2011/12 Requested Budget	% Total
CURRENT FUND USES						
Faculty salary change	0.0%		2.0%		0.5%	
Staff salary change	0.0%		2.0%		0.5%	
Fringe benefit rate - OPE	37.0%		37.0%		39.0%	
INSTRUCTION	20,031,897	40%	20,525,680	40%	21,138,800	40%
ACADEMIC SUPPORT	7,038,700	14%	7,089,811	14%	7,160,334	14%
SPONSORED PROGRAMS	273,451	1%	250,000	0%	250,000	0%
STUDENT SERVICES	6,644,653	13%	6,796,502	13%	7,009,087	13%
INSTITUTIONAL SUPPORT	8,885,400	18%	9,308,849	18%	9,532,085	18%
PHYSICAL PLANT	6,641,984	13%	7,120,363	14%	7,692,939	15%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	183,750	0%
SUBTOTAL EDUCATION & GENERAL	<u>49,696,085</u>	<u>100%</u>	<u>51,271,205</u>	<u>100%</u>	<u>52,966,995</u>	<u>100%</u>
RESIDENCE HALLS	3,023,644	35%	3,185,326	36%	3,364,693	36%
FOOD SERVICE	3,690,307	43%	3,877,570	43%	4,025,906	44%
STUDENT CENTER	1,206,721	14%	1,206,721	13%	1,206,721	13%
OTHER AUXILIARY	677,751	8%	683,350	8%	630,995	7%
SUBTOTAL AUXILIARY	<u>8,598,423</u>	<u>100%</u>	<u>8,952,967</u>	<u>100%</u>	<u>9,228,315</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>58,294,508</u>		<u>60,224,172</u>		<u>62,195,310</u>	
CAMPUS REPLACEMENT RESERVE	2,069,250	80%	2,097,698	80%	2,205,949	81%
AUXILIARY REPLACEMENT RESERVE	501,750	20%	512,302	20%	523,051	19%
SUBTOTAL REPLACEMENT RESERVE	<u>2,571,000</u>	<u>100%</u>	<u>2,610,000</u>	<u>100%</u>	<u>2,729,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>576,765</u>		<u>600,781</u>		<u>1,080,000</u>	
TOTAL CURRENT FUND USES	<u>61,442,273</u>		<u>63,434,953</u>		<u>66,004,310</u>	
NET SOURCES / (USES)	<u>0</u>		<u>0</u>		<u>0</u>	