
August 2020 Budget Update

Attached is the 2020-2021 proposed budget that was presented to the trustees at the February 2020 meeting. The trustees approved the tuition and fees changes as well as life cycle projects, but the balance of the budget was deferred until June due to growing uncertainty about making our enrollment goals.

Also attached is a summary of changes to the February proposed budget which were approved in June in response to the impact of the pandemic. The June budget assumed the college would resume in-person learning in the fall.

The last document summarizes additional changes to the budget in response to the college's decision to continue with remote learning in the fall due to the pandemic. The trustees approved suspending contributions into the retirement plan effective with August paychecks. An amended budget will be presented to the trustees in September after fall enrollment numbers are known.

2020 - 2021 Proposed Budget

***Action Item:* Recommend approval of 2020 - 2021 budget**

BUDGET BUILDING PROCESS

The budget building process begins in the summer with a retreat of the president's cabinet. The cabinet focused on strategies to reallocate existing resources to support rising financial aid needs of our incoming students. The cabinet also looked for ways to continue to make progress on our strategic priorities in financially constrained times.

In the fall all administrative and academic departments are asked to identify opportunities to reallocate existing resources as well as make request for new funding. President Murray and CFO Harvey held a budget forum in October to brief all faculty and staff on key issues. An anonymous electronic suggestion box was set up for budget saving ideas. Cabinet officers then reviewed and prioritized all requests. The cabinet ranked requests and reviewed them with the President's Budget Advisory Committee, which is comprised of representatives from Whitman staff, faculty, and students. The committee then provided input on the requests and key variables of the budget such as tuition increases, financial aid, and salary pools.

The proposed budget for 2020-2021 is recommended by the president's cabinet and reflects the input of the on-campus budget advisory committee. The budget is consistent with the planning assumptions approved by the Resources Committee and the trustees in November.

Following are the key budget parameters for the proposed 2020-2021 budget:

| | <u>2019-2020</u> | <u>Proposed 2020-2021</u> |
|--|----------------------|---------------------------|
| Budgeted Enrollment (10 students = \$288,000) | 1540 | 1545 |
| Target first year & transfer students | 425 FTE | 435 FTE |
| Enrollment Contingency (2.5% of NTR) | \$1,680,000 | \$1,169,000 |
| Tuition Increase (1% = \$442,000) | 4.0% | 4.0% |
| Tuition Discount (Excluding Federal Support) (.50% = \$428,000) | 40.81% | 45.54% |
| Target first year & transfer discount rate (.50% = \$114,000) | 43.50% | 47.0% |
| Gross Tuition per student | \$53,420 | \$55,560 |
| Budgeted net tuition per student | \$31,621 | \$30,258 |
| Endowment Payout | 5.0% \$25,467,600 | 5.0% \$26,655,000 |
| Annual Fund Gifts | \$1,850,000 | \$2,300,000 |
| Life Cycle Contributions | (.59%) \$2,502,000 | (.59%) \$2,608,000 |
| Merit Salary Pool for Faculty (1% = \$236,000) | 3.0% | 1.5% |
| Promotion Salary Pool for Faculty | .5% | .5% |
| Merit Salary Pool for Staff (1% = \$255,000) | 3.0% | 1.5% |
| Equity/promotion salary pool for staff | 1.5% | .5% |
| Fringe Benefit Rate (.50% = \$184,000) | 39.0% | 37.0% |
| Room Increase (1% = \$48,000) | 3.0% | 1.0% |
| Board Increase (1% = \$54,000) | 3.0% | 3.0% |
| Reallocations & growing non-student revenue | \$903,700 | \$2,366,000 |

Reallocations and growing non-tuition revenue

At the November meeting the college was forecasting a \$1.1 million budget deficit even after making some preliminary reallocations. That shortfall has been eliminated, and a few investments are being made in our strategic priorities. The key steps towards getting to a balanced budget (including steps taken prior to the November forecast) are:

| | |
|--|-------------|
| Lower fringe benefits rate from 39% to 37% | \$728,000 |
| Increase annual fund gifts | 450,000 |
| Increase investment income | 100,000 |
| Reduce enrollment contingency to 2.5% target | 511,000 |
| Increase residence life support to budget | 148,000 |
| Reallocate 3 staff positions (including OPE) | 148,000 |
| Operating budget reallocations | 281,000 |
| | <hr/> |
| | \$2,366,000 |

Of the 3 staff positions reallocated, the savings from two of the positions were combined with some increased operating budget to create new higher priority positions. One events manager position was eliminated and their duties were assigned to other staff. Operating budget reallocations include reduction to utilities budgets due to conversion to LED light bulbs reducing consumption, reducing operating budgets affiliated with reductions of underutilized endowments, and other miscellaneous cuts. In addition, the college will be implementing a number of suggestions made by faculty and staff such as reducing food provided at meetings, better promoting purchasing contracts, and tightening up travel guidelines.

PROPOSED BUDGET INCREASES

| | Net increase |
|---|---------------------|
| Additional student wages | \$30,000 |
| Reallocate administrative assistant position to assistant athletic director | 39,000 |
| Reallocate administrative assistant to alumni volunteer coordinator | 10,000 |
| New half-time executive assistant to VP of Diversity and Inclusion | 20,000 |
| New half-time case manager in counselling center | 23,000 |
| Increased hours for LGBTQIA advisory | 14,000 |
| Increased hours for studio music instruction | 12,000 |
| Half-time assistant in academic resource center | 20,000 |
| | <hr/> |
| Total Salary Increases | \$168,000 |
| OPE 37% | 51,000 |
| | <hr/> |
| | \$219,000 |

New expenses are minimal and focus on helping students and improving retention efforts with some additional support for the capital campaign.

HIGHLIGHTS OF PROPOSED BUDGET

Tuition Increase and Discount Rate

The proposed budget includes a 4% tuition increase and targets a 47.0% first-year and transfer student discount rate. It is anticipated this tuition increase will be consistent with or slightly higher than that of the panel of 19 peer schools. Last year the median increase was 3.7%. This is consistent with the tuition pricing strategy presented last year: raise tuition at the high end of the range of peer schools and direct the additional funds to scholarships in support of the college's access goals. The cabinet believes this strategy is still appropriate at this time, but recognizes it is likely not sustainable long term. The admission and financial aid team are attempting to lower the incoming discount rate from 49% to 47%. The incoming discount rate would have been 47% this fall if the college had not gone to the waitlist.

Enrollment and Contingencies

The proposed budget raises the targeted first-year and transfer students class by 10 FTE to offset the recent declines in retention. If the college can hit this target consistently, total enrollment should fluctuate between 1550 and 1570 FTE. The budget is based off 1545 FTE to be slightly conservative.

The enrollment contingency is set at 2.5% of net tuition revenue or \$1,169,000. The contingency was higher this year knowing it would be lowered next year to help fund rising financial aid expenses. The college continues to maintain a \$2.2 million enrollment reserve in addition to the operating budget contingency.

Endowment Payout

The proposed budget continues the endowment payout rate of 5% of a trailing three-year average. This formula is consistent with the majority of our peers. The Investment Committee reviewed the payout rate last year and concluded it was still appropriate.

Other Revenue Sources

Annual fund gifts are increasing \$450,000 as part of the fundraising strategy of growing annual fund gifts to support current scholarship. Investment income is increasing \$100,000 based on current interest rates on operating cash.

Board charges are increasing 3% and room charges are increasing 1%. The board increase is needed for rising minimum wages in Washington and to cover rising food costs.

Salary Pools

The cabinet recommends a 1.5% merit pool for both faculty and staff and an equity/promotion pool of 0.5% for faculty and staff. These increases are consistent with current inflation, but will not allow progress against market salaries.

ADDITIONAL INITIATIVES FUNDED THROUGH GIFTS AND NEW ENDOWMENTS

Creating Computational Chemistry Lab

The college received a \$1 million gift to convert an existing classroom into a computational chemistry lab. The lab will include 24 high-end computers and a network of servers for performing chemistry computations. The gift also funds an information technology staff position to support the lab for two years, which the college hopes to build into the budget thereafter.

Enhancing Internal Communications

The college received a \$250,000 gift to enhance internal communications by promoting the initiatives of the strategic plan to students, faculty, and staff to enhance awareness of these programs and to help build a stronger sense of community. Part of the gift will fund a new staff position in communications for two years to lead these efforts. The balance of the gift will be used to support programming and initiatives developed by the new staff position. The college will evaluate the effectiveness of this position and whether it should be continued beyond two years.

Community Engagement

The college has received a \$900,000 grant from the Mellon Foundation. Whitman is the lead college in administering this grant within the Northwest Five Consortium. The grant will allow us to develop and implement community engagement initiatives that add to our curricula, guide our students in exploring issues of local and regional relevance alongside community partners, establish and strengthen the place of the humanities in the Northwest, and improve faculty competencies around community-based and inclusive pedagogies.

Creation of STEM Hub

Whitman used \$230,000 of indirect costs received from federal grants to build a STEM hub in the Hall of Science. The STEM hub is a gathering space for promoting inclusion of all students in the sciences. A variety of programs are offered by faculty and staff from the Academic Resource Center and the Student Engagement Center to help students excel in the sciences and prepare for their lives after Whitman.

Life After Whitman

The Parents Fund has a goal of raising \$150,000 to fund paid student internships.

Support for Athletics

The W Club has goals of raising \$150,000 in support of team travel/operations and \$100,000 in support of assistant coaches. The W Club is also raising funds to endow the assistant coaches positions.

Other New Endowments

The proposed endowment income includes several new scholarship endowments adding \$275,000 in support of financial aid, \$26,000 in support of faculty salaries, and \$27,000 in support of the student engagement center.

CONCLUSION

The financial aid budget is increasing by almost \$6 million to support our strategic priority of improving access and affordability and to respond to changing market conditions. This has resulted in the college needing to reallocate existing resources and put most new resources toward supporting financial aid. The cabinet is pleased to be able to propose a 2% salary pool to support our excellent faculty and staff.

While there is little operating money for other new initiatives, new gifts in the campaign are allowing the college to launch some new and innovative programs. The success of the capital campaign is critical for the college to be able to strengthen our programs and meet our strategic plan goals.

**Whitman College
Budget Report**

February 2020 Draft

| | 2018/19 | | | 2019/2020 | | |
|-----------------------------------|--------------------|-------------------|----------------|--------------------|-------------------|----------------|
| | Approved Budget | 12/31/2018 YTD | YTD Percent | Approved Budget | 12/31/2019 YTD | YTD Percent |
| CURRENT FUND SOURCES | | | | | | |
| Full-time equivalent students | 1,504 | 1,533 | | 1,540 | 1,585 | |
| Annual tuition charge | 51,370 | | | 53,420 | | |
| Annual tuition increase | 4.00% | | | 4.00% | | |
| Discount rate | 39.90% | 40.50% | | 40.81% | 42.90% | |
| TUITION & FEES | 77,281,006 | 39,383,604 | 51% | 82,266,800 | 42,330,685 | 51% |
| LESS UNRESTRICTED FINANCIAL AID | (22,229,830) | (11,369,784) | | (24,280,196) | (12,921,873) | |
| LESS RESTRICTED FINANCIAL AID | (8,604,630) | (4,597,399) | | (9,290,584) | (5,227,538) | |
| SUBTOTAL INSTITUTIONAL AID | (30,834,460) | (15,967,183) | 52% | (33,570,780) | (18,149,411) | 54% |
| NET TUITION REVENUE | 46,446,546 | 23,416,421 | 50% | 48,696,020 | 24,181,274 | 50% |
| INSTRUCTIONAL FEES | 402,391 | 316,537 | 79% | 402,391 | 347,966 | 86% |
| ANNUAL FUND GIFTS | 1,650,000 | 1,126,863 | 68% | 1,850,000 | 1,420,277 | 77% |
| FEDERAL FINANCIAL AID | 330,000 | 326,089 | 99% | 330,000 | 163,089 | 49% |
| ENDOWMENT INCOME | 24,447,951 | 12,223,976 | 50% | 25,467,600 | 12,734,797 | 50% |
| INVESTMENT INCOME | 200,000 | 386,374 | 193% | 400,000 | 364,627 | 91% |
| MISCELLANEOUS INCOME | 230,000 | 82,667 | 36% | 150,000 | 79,580 | 53% |
| ASWC FEES | 567,200 | 279,841 | 49% | 584,217 | 307,310 | 53% |
| SPONSORED PROGRAMS | 425,000 | 576,560 | 136% | 425,000 | 305,167 | 72% |
| AUXILIARY TRANSFER | 1,029,000 | 514,500 | 50% | 940,000 | 470,000 | 50% |
| SUBTOTAL EDUCATION & GENERAL | 75,728,088 | 39,249,828 | 52% | 79,245,228 | 40,374,087 | 51% |
| RESIDENCE HALLS | 4,640,000 | 2,482,955 | 54% | 4,779,000 | 2,726,719 | 57% |
| FOOD SERVICE | 5,250,000 | 2,906,918 | 55% | 5,407,500 | 3,218,437 | 60% |
| BOOKSTORE | 1,020,000 | 567,673 | 56% | 939,363 | 559,033 | 60% |
| OTHER AUXILIARY | 750,000 | 626,857 | 84% | 761,467 | 590,393 | 78% |
| SUBTOTAL AUXILIARY | 11,660,000 | 6,584,403 | 56% | 11,887,330 | 7,094,582 | 60% |
| TOTAL CURRENT FUND SOURCES | 87,388,088 | 45,834,231 | 52% | 91,132,558 | 47,468,669 | 52% |

**Whitman College
Budget Report**

February 2020 Draft

| | 2018/19 | | | 2019/2020 | | |
|-------------------------------|--------------------|-------------------|----------------|--------------------|-------------------|----------------|
| | Approved Budget | 12/31/2018 YTD | YTD Percent | Approved Budget | 12/31/2019 YTD | YTD Percent |
| CURRENT FUND USES | | | | | | |
| Faculty salary change | | 2.25% | | | 3.50% | |
| Staff salary change | | 2.25% | | | 4.50% | |
| Fringe benefit rate - OPE | | 39.00% | | | 39.00% | |
| INSTRUCTION | 29,380,018 | 16,006,698 | 54% | 30,027,541 | 15,801,374 | 53% |
| ACADEMIC SUPPORT | 9,615,440 | 4,396,683 | 46% | 9,917,272 | 5,062,152 | 51% |
| SPONSORED PROGRAMS | 430,816 | 576,560 | 134% | 430,933 | 305,167 | 71% |
| STUDENT SERVICES | 10,483,880 | 5,464,902 | 52% | 11,243,911 | 6,519,469 | 58% |
| INSTITUTIONAL SUPPORT | 12,692,608 | 6,695,197 | 53% | 13,981,114 | 6,978,844 | 50% |
| PHYSICAL PLANT | 9,978,966 | 4,650,769 | 47% | 10,137,457 | 4,901,990 | 48% |
| FEDERAL FINANCIAL AID | 180,000 | 115,130 | 64% | 180,000 | 115,129 | 64% |
| SUBTOTAL EDUCATION & GENERAL | <u>72,761,728</u> | <u>37,905,939</u> | 52% | <u>75,918,228</u> | <u>39,684,125</u> | 52% |
| RESIDENCE HALLS | 3,900,000 | 1,613,148 | 41% | 4,019,000 | 1,698,487 | 42% |
| FOOD SERVICE | 5,164,510 | 2,256,548 | 44% | 5,317,500 | 3,229,595 | 61% |
| BOOKSTORE | 1,014,850 | 583,961 | 58% | 934,363 | 540,299 | 58% |
| OTHER AUXILIARY | 750,000 | 565,749 | 75% | 761,467 | 622,170 | 82% |
| SUBTOTAL AUXILIARY | <u>10,829,360</u> | <u>5,019,406</u> | 46% | <u>11,032,330</u> | <u>6,090,551</u> | 55% |
| SUBTOTAL OPERATING EXPENSES | <u>83,591,088</u> | <u>42,925,345</u> | 51% | <u>86,950,558</u> | <u>45,774,676</u> | 53% |
| CAMPUS REPLACEMENT RESERVE | 1,631,360 | 815,680 | 50% | 1,647,000 | 823,500 | 50% |
| AUXILIARY REPLACEMENT RESERVE | 830,640 | 415,320 | 50% | 855,000 | 427,500 | 50% |
| SUBTOTAL REPLACEMENT RESERVE | <u>2,462,000</u> | <u>1,231,000</u> | 50% | <u>2,502,000</u> | <u>1,251,000</u> | 50% |
| ENROLLMENT CONTINGENCY | <u>1,335,000</u> | | | <u>1,680,000</u> | | |
| TOTAL CURRENT FUND USES | <u>87,388,088</u> | <u>44,156,345</u> | 51% | <u>91,132,558</u> | <u>47,025,676</u> | 52% |
| NET SOURCES / (USES) | <u>0</u> | <u>1,677,886</u> | | <u>0</u> | <u>442,993</u> | |

Approved June Budget (c/t February Proposed)

Assumptions:

- Down 95 Students
- 52% Incoming Discount Rate (c/t 47%)
- 1% increase Returning Students Discount Rate
- Forecast \$4.4 Million Revenue Shortfall
- Forecast Significant Increase in Covid19 expenses

Approved Budget Changes:

| | |
|---|----------------------|
| Life Cycle Funding (1/2) | (\$1,300,000) |
| Catering/Food | (300,000) |
| Computer Life Cycle | (100,000) |
| SPSS Software | (40,000) |
| Library Acquisitions | (80,000) |
| Off Campus Studies Program Fees | (750,000) |
| 5% Officer Salary Reductions | (85,000) |
| No Salary Increases (except promotions) | (813,000) |
| Staff Positions | (1,518,000) |
| Faculty Vacancies | (452,000) |
| Total | (\$5,457,000) |

Financial Projections for Mostly On-Line Learning

Assumptions:

10% Reduction in Gross Tuition

Down 300 additional students

55% Incoming Discount Rate

1% Increase Returning Students Discount Rate

Projected \$10.6 Million Shortfall in Net Tuition Revenue and
Lost support from Residence Life and Food Service

Operating Budget Reductions:

| | | |
|---------------------------------|----|----------------------|
| Balance Life Cycle Contribution | \$ | (1,300,000) |
| Additional catering/food | | (310,000) |
| Varsity Athletics non personnel | | (701,000) |
| Travel | | (1,000,000) |
| Debate non-personnel | | (45,000) |
| Additional Computer Life Cycle | | (152,000) |
| Additional Library Acquisitions | | (85,000) |
| Additional OCS Fees | | (1,900,000) |
| Suspend Retirement Contribution | | <u>(3,200,000)</u> |
| Total | | (\$8,693,000) |