

BUDGET ADVISORY COMMITTEE

FEBRUARY 14, 2014

**The following proposed 2014-2015 budget was approved by
The Board of Trustees at their February 7, 2014 meeting.**

2014 - 2015 PROPOSED BUDGET

BUDGET REVIEW COMMITTEE

Peter Harvey

Treasurer

February 6, 2014

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

The proposed budget for 2014-2015 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 2014-2015 budget:

	<u>2013-2014</u>	<u>2014-2015</u>
Budgeted Enrollment (10 students = \$293,000)	1554	1540
Target first year & transfer students	415 FTE	415 FTE
Enrollment Contingency	\$1,351,000	\$1,325,000
Tuition Increase (1% = \$409,000)	3.25%	3.0%
Tuition Discount (Excluding Federal Support) (.50% = \$332,000)	34.0%	34.0%
Target first year & transfer discount rate	34.0%	34.0%
Endowment Payout	5.0% \$18,530,000	5.0% \$20,038,000
Investment Income	\$50,000	\$50,000
Private Gifts and Grants	\$1,150,000	\$1,150,000
Life Cycle Contributions	\$2,483,000	\$2,583,000
Salary Pool for Faculty (1% = \$207,000)	4.0%	3.0%
Salary Pool for Staff (1% = (\$200,000)	4.0%	3.0%
Fringe Benefit Rate (.50% = \$160,000)	37.75%	37.0%
Room Increase (1% = (\$41,000)	3.25%	3.0%
Board Increase (1% = \$44,000)	3.25%	3.0%

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 1540 including off-campus studies students. The 1540 enrollment is a slight drop from the current budget number of 1554 to help ease enrollment pressures.

The enrollment contingency is proposed to be \$1,325,000, down \$25,000 from this year. The budget also continues the \$500,000 capital projects fund for renovations not eligible for life cycle funding. Any unused balance will be set aside in a reserve for future capital projects. The Building and Grounds Committee will be evaluating proposed projects.

Tuition Increase and Discount Rate

The proposed budget includes a tuition increase of 3.0%, down from the 3.25% increase this year. This is the lowest increase in tuition in over ten years. The 3.0% increase exceeds the unadjusted Consumer Price Index on all items of 1.2% (for the 12 months ending November, 2013). The proposed discount rate is our best estimate of 34.0% for the year. Staff is targeting a 34.0% discount rate for first year and transfer students. Staff is concerned this target is achievable. The College's consultant estimates a rate of 35.0% - 36.0%. Staff will target the 34.0%, and are comfortable with the overall rate budgeted at 34.0% even if the first-year rate is above target because the graduating senior class has a high discount rate.

One of the most difficult decisions every college has to make each year is how much to raise tuition. It is always a challenge to balance keeping education as affordable as possible with providing resources to invest 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, similar to conversations by the trustees and overseers, they considered several issues:

- The applicant pool has declined for several years, and there is a growing concern about the demand for private liberal arts education.
- Many 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 5.0% below the median of our comparison panel. Members of the committee noted Whitman raised tuition 3.25% this year and the median increase for our peer schools was 3.9%.

After considering all the above factors, the administration concluded a 3.0% tuition increase and a 3.0% salary pool was appropriate for this year. It is financially viable given savings generated through our lower fringe benefits rate. It should be noted the majority of the on-campus committee recommended an increase of 3.5% to 4.0% given the concerns about falling behind our peer colleges.

The following five-year history of tuition, first-year discount rates, and salary pools is a helpful reminder of recent trends on these key budget variables:

	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
Gross tuition increase	5.0%	5.0%	4.5%	4.0%	3.25%
First-year discount rate	37.8%	39.4%	31.4%	32.5%	37.21%
Salary pool	0.0%	2.0%	1.5%	3.0%	4.0%

Endowment Payout Rate

The proposed budget calls for an endowment payout rate of 5.0%. The increase in endowment support to operations is approximately \$1.5M, of which \$200,000 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. Miscellaneous income is reduced by \$40,000 to reflect the waiver of the application fee for students who apply before December 1st.

EXPENSES

Salary Pool

Faculty and staff salary pools increase 3.0% in the proposed budget. Approximately one-half of the pool will be distributed using traditional merit criteria. The other half will be used to address promotions, market and compression issues for faculty, and to make targeted equity adjustments for critical staff positions.

Fringe Benefits

The fringe benefits rate is reducing from 37.75% to 37.0%. The reduction is due to declining tuition remission expenses due to change in policy and no increase in medical premiums in 2014.

Life Cycle Contributions

The life cycle contribution increases from \$2,483,000 to \$2,583,000; the contribution rate remains the same at .80% of the replacement value of the physical plant.

Reallocations

Budget officers reduced current budgets by \$145,000 to help fund higher priority items.

Budget Enhancements

Following are the highlights of budget enhancements to make progress on key priorities of the president (faculty and staff compensation and strengthen admissions, strengthen the academic program, and funding recent admissions initiatives) as well as address other operating needs for the College:

Instruction and Academic Support

- New tenure track position in Mathematics (statistics)

Salaries	64,000
Fringe benefits	23,700
Subtotal	<u>\$87,700</u>

- Fund additional student faculty collaborative research projects \$25,000

- Penrose Library electronic subscriptions and databases \$34,500

- Academic department operating budget increases (student wages, lab supplies, travel, field trips) \$39,300

- Other academic support programs (off-campus studies field course, writing center, faculty performance assessment, pre-major advising) \$47,900

- Science equipment maintenance \$25,000

- New Debate director

Salaries	66,900
Fringe benefits	24,700
Subtotal	<u>\$91,600</u>

Total instruction and academic support: \$351,000

Student Services

- Operating support to replace Parents Fund gifts for student internships 25,000

- Student Engagement Center program support 13,500

- New therapist in Counseling Center

Salary	55,000
Fringe benefits	20,300
Subtotal	<u>75,300</u>

- Other Counseling Center operations 13,600

- Title IX training and sexual misconduct prevention 10,000

- Other student services support 25,000

- ASWC Power and Privilege Symposium 5,000

Total student services \$167,400

***Admissions and financial aid management**

• CRM software support	50,000
• Other program support	<u>19,000</u>
Total admissions and financial aid management	\$69,000

Communications

• Program operating support	\$12,000
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Development and Alumni Relations

• Operating support for reunions, alumni office, and annual fund office	\$46,200
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Other Support

• Athletics	
Start women's lacrosse varsity team	
Salary	50,000
Fringe benefits	18,500
Operating budget	10,000
Swim team operating budget	<u>5,000</u>
Subtotal	\$83,500

• Information Technology	
Operating support (license agreements, student wages)	53,200
Technology life cycle replacement reserves	26,300
Security initiatives	<u>15,000</u>
Subtotal	\$94,500

• Plant facilities support	
Utilities	85,000
Operating supplies, service contracts and insurance	<u>46,000</u>
Subtotal	\$131,000

• Human resources	
Human resources professional development and recruitment	\$10,000

• Governing boards support and president's office	\$12,000
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Total other support	\$331,000
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Total budget enhancements	\$976,600
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Highlights of one-time items being funded with surpluses and gifts (this year and next year)

• Visiting professor of computer science (gifts 2014-15; endowment thereafter)	200,000
• Title IX training and diversity workshops (surplus)	17,000
• Debate and Title IX outside consultant review (surplus)	142,000
• Transition support for debate program (surplus)	118,000
• Online course evaluation software (surplus)	22,000
• Digital library collection enhancement (surplus)	15,000
• Internet security consultant (surplus)	18,000
• Internet security protection devices and training (surplus)	30,000
• Business intelligence and analysis software (surplus)	14,000
• Security department vehicle (surplus)	10,000
• Whitman mobile website (gifts and surplus)	30,000
• Whitman online community software (surplus)	25,000

Conclusion

The 2014-2015 proposed budget continues the trend over the last several years of gradually lowering the rate of tuition increase. The proposed 3.0% increase is the lowest increase in over ten years.

The budget allows the College to make progress on top priorities of President Bridges:

- Compensation for faculty and staff
- Strengthening the academic program
- Funding for key admission initiatives

The budget maintains needed flexibility for future years (\$1.3M enrollment contingency and \$700,000 Off-Campus Studies contingency) to respond to changing market conditions or, if not needed, invest in future key priorities.

Whitman College Budget Report

	2012/13	2013/14	2014/15	
	Approved Budget	Approved Budget	Proposed Budget	% Total
CURRENT FUND SOURCES				
Full-time equivalent students	1,475	1,554	1,540	
Annual tuition charge	41,790	43,150	44,440	
Annual tuition increase	4.00%	3.25%	3.00%	
Discount rate	37.00%	34.00%	34.00%	
TUITION & FEES	61,640,250	67,055,100	68,457,154	
LESS UNRESTRICTED FINANCIAL AID	(17,283,820)	(16,235,912)	(16,396,459)	
LESS RESTRICTED FINANCIAL AID	(5,523,073)	(6,567,205)	(6,906,356)	
SUBTOTAL INSTITUTIONAL AID	(22,806,893)	(22,803,117)	(23,302,815)	
NET TUITION REVENUE	38,833,357	44,251,983	45,154,339	65%
INSTRUCTIONAL FEES	379,616	379,616	379,616	1%
PRIVATE GIFTS & GRANTS	1,150,000	1,150,000	1,150,000	2%
FEDERAL FINANCIAL AID	340,000	340,000	340,000	0%
ENDOWMENT INCOME	17,474,612	18,529,998	20,037,684	29%
INVESTMENT INCOME	50,000	50,000	50,000	0%
MISCELLANEOUS INCOME	266,000	266,000	226,000	0%
ASWC FEES	484,965	499,514	511,000	1%
SPONSORED PROGRAMS	410,000	410,000	310,000	0%
AUXILIARY TRANSFER	1,001,440	1,001,000	1,001,000	1%
SUBTOTAL EDUCATION & GENERAL	60,389,990	66,878,111	69,159,639	100%
RESIDENCE HALLS	3,968,000	4,097,000	4,200,000	40%
FOOD SERVICE	4,220,000	4,368,000	4,500,000	43%
BOOKSTORE	1,245,000	1,187,000	1,190,000	11%
OTHER AUXILIARY	660,000	668,000	675,000	6%
SUBTOTAL AUXILIARY	10,093,000	10,320,000	10,565,000	100%
TOTAL CURRENT FUND SOURCES	70,482,990	77,198,111	79,724,639	100%

Whitman College Budget Report

	2012/13 Approved Budget	% Total	2013/14 Approved Budget	% Total	2014/15 Proposed Budget	% Total
CURRENT FUND USES						
Faculty salary change		3.0%				
Staff salary change		3.0%		4.0%		3.0%
Fringe benefit rate - OPE		39.0%		37.8%		37.0%
INSTRUCTION						
ACADEMIC SUPPORT	22,302,382	39%	25,873,447	41%	26,874,559	41%
SPONSORED PROGRAMS	7,822,095	14%	8,698,520	14%	8,968,501	14%
STUDENT SERVICES	410,000	1%	410,000	1%	310,000	0%
INSTITUTIONAL SUPPORT	7,578,662	13%	8,171,375	13%	8,852,480	14%
PHYSICAL PLANT	10,151,240	18%	10,680,040	17%	11,039,738	17%
FEDERAL FINANCIAL AID	8,603,246	15%	8,862,391	14%	8,875,361	14%
	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	57,047,625	100%	62,875,773	100%	65,100,639	100%
RESIDENCE HALLS						
FOOD SERVICE	3,499,000	37%	3,628,000	37%	3,715,000	37%
BOOKSTORE	4,157,257	44%	4,305,000	44%	4,431,000	44%
OTHER AUXILIARY	1,240,000	13%	1,177,000	12%	1,185,000	12%
	660,000	7%	668,000	7%	675,000	7%
SUBTOTAL AUXILIARY	9,556,257	100%	9,778,000	100%	10,006,000	100%
SUBTOTAL OPERATING EXPENSES	66,603,882		72,653,773		75,106,639	
CAMPUS REPLACEMENT RESERVE						
AUXILIARY REPLACEMENT RESERVE	2,289,257	81%	1,941,000	78%	2,024,000	78%
	536,743	19%	542,000	22%	559,000	22%
SUBTOTAL REPLACEMENT RESERVE	2,826,000	100%	2,483,000	100%	2,583,000	100%
ENROLLMENT CONTINGENCY						
OCS RESERVE	1,053,108		1,351,012		1,325,000	
TOTAL CURRENT FUND USES	70,482,990		77,198,111		79,724,639	
NET SOURCES / (USES)	0		0		0	