

Proposed Amended 2020-2021 Budget

Attached is a proposed 2020-2021 Amended Budget. The amended budget is necessary given the decision to be mostly online this fall, the 10% reduction in gross tuition, loss of auxiliary revenues, and the anticipated reduction in enrollment of 260 students. As a reminder, the following changes were approved with the June budget (which assumed enrollment would drop 95 students) compared to what was originally proposed in February.

June Approved Budget

● Reduced Life Cycle Funding	\$1,300,000
● Reduced Catering/Food	300,000
● Reduced Computer life cycle/software	40,000
● Reduced Library Acquisitions	80,000
● Reduced Off Campus Program Fees	750,000
● 5% Officer Salary Reductions	85,000
● Eliminated 23 staff positions	1,518,000
● No salary increases (except promotions)	813,000
● Did not fill 7 faculty positions	452,000
Total Savings	\$5,457,000

September Proposed Amended Budget

● Balance of E&G Life Cycle Contribution*	\$305,000
● Travel/Food (including athletics and debate)	1,990,000
● Additional Computer Life cycle	152,000
● Additional Library Acquisitions	85,000
● Additional OCS Fees	1,900,000
● Suspend Retirement Contribution	\$2,800,000
● Staff Voluntary Furloughs	141,000
● Faculty Voluntary Furloughs	129,000
● Cancelling SSRA Courses	94,000
● Tiered Salary Reductions	1,604,000
Total	\$9,200,000

*An additional \$1 million was reduced from the auxiliaries budget

Approach to Budget Reductions

In identifying budget reductions, the Cabinet focused first on non-personnel expenses: life cycle, travel, food etc. Half of these additional reductions are non-personnel. The Cabinet knew we could not avoid impacting our people given close to two-thirds of the budget is for compensation and benefits, and made the decision that the first step would be to suspend the retirement contribution in August, which the trustees approved. The Cabinet then gave the opportunity to all staff to volunteer for partial furloughs of 1, 2 or 5 days a week and for faculty to volunteer for class reductions. Employees asked for this opportunity to give them flexibility in supporting children at home or other family needs. The Cabinet then waited until the first week of classes to better understand enrollment before making the decision to implement the tiered salary reductions. The Cabinet made these decisions after getting input from the faculty and staff on both the President's Budget Advisory Committee and the Compensation/Benefits Committee. The Cabinet chose the tiered salary reductions over mandatory furloughs because it provided comparable savings and better reflected the values of the Whitman community. We recognize some staff have less work to do this fall but are redeploying them as best we can to assist in other areas. We believe this approach also gives us the best opportunity to be successful in reopening in the spring if we believe we can safely do so.

Tiered Salary Reductions

The Cabinet selected a tiered salary reduction model. Similar to how federal income taxes work, every employee received the same reduction on each income tier, starting with 0% on the first \$35,000, and up to 14% above \$125,000. Those with the lowest salaries under \$35,000 did not receive a salary reduction. The highest paid employees received the highest reductions between 10% and 12%. This tiered approach smoothes reductions to avoid an employee at the bottom of one tier dropping below an employee at the top of the tier below.

Less than \$35K:	0%	66 employees - \$0 in savings
\$35K - \$55k:	6%	176 employees - \$70k in savings
\$55k - \$70k:	8%	93 employees - \$125k in savings
\$70k - \$90k:	10%	102 employees - \$256k in savings
\$90k - \$125k:	12%	83 employees - \$401k in savings
More than \$125k:	14%	36 employees - \$402k in savings

556 total employees, salary savings (no OPE) \$1,255,000

Examples:

	\$35,000	\$50,000	\$75,000	\$100,000	\$150,000
% Reduction	0%	1.8%	3.87%	5.6%	8.07%

Summary Observations

Even with the \$9.2 million in budget reductions, close to a \$1 million deficit is forecasted. The Cabinet believes additional reductions at this time would be too disruptive and damaging to morale. The suspension of the retirement plan contribution and tiered salary cuts have hurt morale already. While the forecasted deficit is highly dependent on whether the college returns to in person learning in the spring, the reserves set aside from last year should cover most enrollment scenarios.

Some of the reductions made in June such as changing the hours of operations for the library and health center and eliminating 23 staff positions are sustainable. But the Cabinet recognizes most of the reductions made are not sustainable long term. Whitman needs to contribute to the retirement plan, have

competitive salaries and be able to fund life cycle programs, Off Campus Studies Programs, travel etc. It is reasonable to expect it to take several years to grow enrollments back to pre Covid levels, especially considering recent trends of declining yields and rising financial aid costs. Thus, the Cabinet is developing a process to identify additional long term structural changes to reduce costs and grow revenues. Such changes will allow us to restore non-sustainable reductions sooner and hopefully free up funds to invest in strengthening college programs.

Action Item: Recommend approval of the September Amended Budget to the Trustees

Whitman College Budget Model

	19/20 Approved	% Total	20/21 February Proposed	% Total	20/21 June Adopted	% Total	20/21 September Amended	% Total
CURRENT FUND REVENUES								
ASSUMPTIONS								
Tuition Charge	53,420		55,560		55,560		50,000	
Annual Full-Time Paid Equivalent Students	1,540		1,545		1,450		1,287	
Tuition Charge Increase	4.00%		4.00%		4.00%		4.00%	
Tuition Discount Rate	40.81%		45.54%		47.48%		45.51%	
Endowment Payout Rate	5.00%		5.00%		5.00%		5.00%	
Assumed Endowment Growth	10.10% Actual		3.98% Actual		3.98% Actual		3.98% Actual	
Room Rate Change	3.00%		1.00%		1.00%		1.00%	
Board Rate Change	3.00%		3.00%		3.00%		3.00%	
TUITION & FEES	82,266,800		85,840,200		80,589,140		64,350,000	
UNRESTRICTED INSTITUTIONAL AID	(24,280,196)	72.3%	(29,293,768)	74.9%	(28,461,899)	74.4%	(19,487,504)	66.5%
RESTRICTED INSTITUTIONAL AID	(9,290,584)	27.7%	(9,798,816)	25.1%	(9,798,816)	25.6%	(9,798,816)	33.5%
SUBTOTAL INSTITUTIONAL AID	(33,570,780)		(39,092,584)		(38,260,715)		(29,286,320)	
NET TUITION REVENUE	48,696,020	61%	46,747,616	59%	42,328,425	57%	35,063,680	55%
INSTRUCTIONAL FEES	402,391	1%	402,391	1%	376,236	1%	376,236	1%
ANNUAL FUND GIFTS	1,850,000	2%	2,300,000	3%	2,300,000	3%	2,300,000	4%
FEDERAL FINANCIAL AID	330,000	0%	330,000	0%	330,000	0%	330,000	1%
ENDOWMENT INCOME	25,467,600	32%	26,655,061	34%	26,645,061	36%	26,645,061	42%
INVESTMENT INCOME	400,000	1%	500,000	1%	200,000	0%	200,000	0%
MISCELLANEOUS INCOME	150,000	0%	150,000	0%	150,000	0%	150,000	0%
ASWC INCOME	584,217	1%	601,742	1%	562,629	1%	562,629	1%
SPONSORED PROGRAMS	425,000	1%	425,000	1%	425,000	1%	425,000	1%
AUXILIARY TRANSFER	940,000	1%	940,000	1%	940,000	1%	-2,225,799	-3%
SUBTOTAL EDUCATION & GENERAL	79,245,228	100%	79,051,810	100%	74,257,351	100%	63,826,807	100%
RESIDENCE HALLS	4,779,000	40%	4,827,000	36%	4,440,840	39%	304,000	26%
FOOD SERVICE	5,407,500	46%	5,569,725	41%	5,124,147	46%	0	0%
BOOKSTORE	939,363	8%	940,400	8%	937,260	8%	564,000	48%
OTHER AUXILIARY	761,467	6%	762,852	6%	758,656	7%	300,000	26%
SUBTOTAL AUXILIARY	11,887,330	100%	12,099,977	100%	11,260,902	100%	1,168,000	100%
TOTAL CURRENT FUND REVENUES	91,132,558		91,151,787		85,518,253		64,994,807	

Whitman College Budget Model

	19/20 Approved	% Total	20/21 February Proposed	% Total	20/21 June Adopted	% Total	20/21 September Amended	% Total
CURRENT FUND EXPENSES								
ASSUMPTIONS								
Faculty Salary Change	3.50%		2.00%		0.00%		Tiered reductions	
Staff Salary Change	4.50%		2.00%		0.00%		Tiered reductions	
Fringe Benefit Rate - OPE	39.00%		37.00%		37.50%		28.50%	
INSTRUCTION	30,027,541	40%	30,124,077	39%	28,357,428	39%	24,842,563	39%
ACADEMIC SUPPORT	9,917,272	13%	10,011,938	13%	9,513,959	13%	8,833,074	14%
SPONSORED PROGRAMS	430,933	1%	441,691	1%	441,691	1%	441,691	1%
STUDENT SERVICES	11,243,911	15%	11,611,524	15%	10,766,710	15%	9,023,111	14%
INSTITUTIONAL SUPPORT	13,981,114	18%	13,780,103	18%	13,272,433	18%	10,637,580	17%
PHYSICAL PLANT	10,137,457	13%	10,128,478	13%	9,890,148	14%	9,490,787	15%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	75,918,228	100%	76,277,811	100%	72,422,369	100%	63,448,807	100%
RESIDENCE HALLS	4,019,000	36%	3,919,000	35%	3,532,840	34%	304,000	26%
FOOD SERVICE	5,317,500	48%	5,479,725	49%	5,034,147	49%	0	0%
BOOKSTORE	934,363	8%	935,400	8%	932,260	9%	564,000	48%
OTHER AUXILIARY	761,467	7%	762,852	7%	758,656	7%	300,000	26%
SUBTOTAL AUXILIARY	11,032,330	100%	11,096,977	100%	10,257,902	100%	1,168,000	100%
SUBTOTAL OPERATING EXPENSES	86,950,558		87,374,787		82,680,271		64,616,806	
CAMPUS REPLACEMENT RESERVE	1,647,000	66%	1,605,000	62%	305,000	23%	0	0%
AUXILIARY REPLACEMENT RESERVE	855,000	34%	1,003,000	38%	1,003,000	77%	0	0%
SUBTOTAL REPLACEMENT RESERVE	2,502,000	100%	2,608,000	100%	1,308,000	100%	0	0%
ENROLLMENT CONTINGENCY	1,680,000		1,169,000		1,529,983		1,348,983	
TOTAL CURRENT FUND EXPENSES	91,132,558		91,151,787		85,518,254		65,965,789	
NET SURPLUSES / (DEFICITS)	0		0		0		(970,983)	