

2021 - 2022 Proposed Budget

***Action Item:* Recommend approval of 2021 - 2022 budget**

BUDGET BUILDING PROCESS

The budget building process was modified this year to incorporate the financial sustainability review process and the realities of the financial challenges facing Whitman. After the FSR recommendations were approved by the Trustees, the cabinet advised all departments to expect no budget increases and to continue to look for opportunities to reduce discretionary budgets. Departments were given the opportunity to bring forward requests if they felt there was no alternative to funding them or if they were consistent with supporting our strategic priorities or opportunities identified in the FSR process to invest in strengthening the college.

The proposed budget for 2021-2022 is recommended by the president's cabinet and reflects the input of the on-campus budget advisory committee. The budget includes all FSR changes approved by the Trustees. In addition the budget reinstates most of the temporary reductions made this year including:

- Reinstating all salary reductions
- Reinstating 10% retirement contribution
- Reinstating travel and food budgets except \$287,000 of reductions identified by the Cabinet after the FSR process was completed.

Following are the other key parameters of the proposed budget:

Following are the key budget parameters for the proposed 2021-2022 budget:

	<u>2020-2021</u>	<u>Proposed 2021-2022</u>
Budgeted Enrollment (10 students = \$288,000)	1287	1438
Target first year & transfer students	320 FTE	425 FTE
Enrollment Contingency (2.5% of NTR)	\$1,349,000	\$1,031,000
Tuition Increase (1% = \$442,000)	-10.0%	11.0%
Tuition Discount (Excluding Federal Support) (.50% = \$428,000)	45.51%	48.42%
Target first year & transfer discount rate (.50% = \$114,000)	48.30%	50.00%
Gross Tuition per student	\$50,000	\$55,560
Budgeted net tuition per student	\$27,245	\$28,657
Endowment Payout	5.0% \$26,645,000	5.0% \$27,388,000
Annual Fund Gifts	\$2,300,000	\$2,500,000
Life Cycle Contributions	\$0	(.49%) \$2,237,000
Merit Salary Pool for Faculty (1% = \$236,000)	Tiered Reductions	Restored Reductions
Promotion Salary Pool for Faculty	\$50,000	\$50,000
Merit Salary Pool for Staff (1% = \$255,000)	Tiered Reductions	Restored Reductions
Equity/promotion salary pool for staff	0%	\$50,000
Fringe Benefit Rate (.50% = \$184,000)	28.5%	37.0%
Room Increase (1% = \$48,000)	0.0%	0%
Board Increase (1% = \$54,000)	0.0%	0%
Reallocations & growing non-student revenue	\$14,657,000	\$4,203,000

Reallocations and growing non-tuition revenue

The following FSR changes were approved by the trustees:

Academic Staffing (faculty lines)	\$891,000
Life Cycle Program (reducing funding rate from .59% to .49%)	456,000
Administrative Staffing (staff lines)	413,000
Language Assistants	159,000
Maximize restricted endowments	363,000
Sabbatical leave policy change	355,000
Off Campus Studies Fees	351,000
Financial Aid for off-campus housing	300,000
Suspend Crossroads program	81,000
Reduction in RA staff	69,000
Faculty professional development	58,000
Fouts LED upgrade	46,000
Course overloads reduction	40,000
Reduce Athletics travel	26,000
Athletics Purchasing	18,000
Grow Annual Fund	200,000
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	\$3,826,000

Since the FSR changes were approved, the Cabinet has identified the following additional savings:

Misc discretionary budget reductions	\$287,000
Additional projected sabbatical savings	90,000
Grand Total of savings and growing non-tuition revenue	\$4,203,000

PROPOSED BUDGET INCREASES

	Net increase
Additional student wages to support SEC programs and wellness programs	\$23,000
Liability insurance increase	62,000
Property insurance increase	126,000
Total Increases	\$168,000

OTHER HIGHLIGHTS OF PROPOSED BUDGET

Tuition Increase and Discount Rate

The proposed budget restores tuition to what it would have been this year if the college had not gone to remote learning in the fall and reduced tuition by 10%. The budget assumes a 50% incoming discount rate. At the writing of this report, it appears we will be a little over the target

discount rate, but also likely over the target incoming class size and it is anticipated we will meet our net tuition revenue goal. Josh Jensen will share the most current numbers at the meeting. It is worth noting that financial aid is growing over \$9 million from this year in part because of increased enrollment, but also due to once again offering financial aid support for room and board charges in the need based financial aid packages.

Enrollment and Contingencies

The proposed budget targets a first-year and transfer students class of 425 students. Early indicators suggest we are on track to exceed that goal. The target includes the roughly 50 students who deferred from this year.

The enrollment contingency is set at 2.5% of net tuition revenue or \$1,031,000. 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 two years ago and concluded it was still appropriate.

Other Revenue Sources

Annual fund gifts are increasing \$200,000 as part of the fundraising strategy of growing annual fund gifts to support current scholarship. Investment income is decreasing as a result of the decline in interest rates over the past year.

Room and Board charges are both proposed to not increase from this year to help returning students struggling with the affordability of Whitman in these uncertain economic times.

Salary Pools

This year's salary reductions are being restored for all employees but there is no increase beyond that. The retirement contribution of 10% is also being restored.

CONCLUSION

The difficult Financial Sustainability Review Process has accomplished its goal of eliminating a \$3.5 million projected deficit for next year and freeing up some additional funds in subsequent years to be able to make investments in strengthening the college as envisioned in the FSR process.