

MEMORANDUM

TO: President's Budget Advisory Committee

FROM: Jeff Hamrick, Vice President for Finance and Administration

DATE: October 3, 2024

SUBJECT: First Fiscal Year 2025 meeting of the President's Budget Advisory Committee.

The first meeting of the President's Budget Advisory Committee (PBAC) provides an introduction to Whitman College's budget, a review of the fiscal year 2024 budget (as well as a fall 2024 forecast of fiscal year 2025 net tuition and enrollment outcomes), and a review of fiscal year 2024 budget outcomes.

Whitman College's Operating Budget

I will review the attached charts, which summarize where the college's money comes from, how expense budgets are allocated between various categories and among the vice presidents, how financial aid is funded, and the role the endowment plays in relieving the operating budget. For folks that like to see the numbers more specifically, I have also provided a two-page summary of the operating budget. Additionally, the Fiscal Year 2025 Budget Terms and Processes document provides a written narrative of the various components of the college's operating budget, for your future reference.

Fiscal Year 2024 Review

Due to the college's larger-than-budgeted first-year first-time (FYFT) class, an unprecedented effort to swap out restricted (i.e., funded) financial aid for unrestricted (i.e., unfunded) financial aid, a larger-than-budgeted number of super-seniors, and slightly better-than-budgeted return rates for continuing students, the college realized a \$2,878,030 net tuition surplus. The college therefore did not make use of the net operating revenue contingency budget of \$1,025,000. Also, in further good news, there were approximately \$880,000 million in operating surpluses from vacant employee positions and discretionary operating budgets.

Additional highlights of the fiscal year ended June 30, 2024:

- Final spring 2024 enrollment of 1,504 was substantially ahead of budgeted spring 2024 enrollment of 1409, primarily on account of the large class that matriculated in fall 2023 and the large unbudgeted number of super-seniors seen in fiscal year 2024.
- The actual overall discount rate of 52.30% was very slightly below the budgeted overall discount rate of 52.39%. This favorable discounting outcome occurred in spite of the incoming class discount rate of 61.1% being far above the budgeted rate of 53.5%. The college was (barely) able to achieve this favorable outcome on account of greater-than-planned numbers of upper-class students who enjoyed discount rates far lower than the typical FYFT or incoming transfer student.

- Net of banking fees, and given record federal funds rates, actual interest income on the college's non-endowment cash balances surged to \$2,673,391 against a \$500,000 budget
- Gifts to the college were approximately \$25 million. However, annual fund gifts fell short of their budget of \$3,000,000 by approximately \$1,113,000. However, \$354,003 was raised for Whitman Fund scholarships. These gifts were not applied in fiscal year 2024, but will be applied during fiscal year 2025.
- Fringe benefits costs were 35.4% of compensation. Fringe benefit costs were marginally less than the budgeted rate of 35.5%. Starting in fiscal year 2025, the fringe benefits rate charged back to individual departments and offices is 35.0%, which will likely begin a process of slowly drawing down the college's arguably very ample benefits reserves.
- Endowment investment returns for fiscal year 2024 were approximately 12.0% for assets overseen directly by the Investment Committee of the Board of Trustees. The total endowment return — including farms, real estate, and funds held in outside trusts — was approximately 11.5%.
- Departments had year-end discretionary (excluding salaries) surpluses of approximately \$854,000, half of which goes to each vice president's surplus account for special one-time initiatives, and half of which becomes available for trustee designation as part of their portion of the fiscal year 2024 operating surplus.
- Residence Life had a net surplus of \$432,515 and food service had a net surplus of \$172,142. The bookstore had a surplus of \$32,272. Going forward (i.e., starting in fiscal year 2025), these surpluses will not insure to the benefit of these auxiliary operations, but to the college's bottom line.

In summary, during fiscal year 2024, the college implemented the third of three phases of budget reallocations related to the Financial Sustainability Review. The overall competitive and market context remains challenging, but the college's operating outcomes were strong, primarily due to:

- greater-than-budgeted net tuition;
- greater-than-budgeted interest income (i.e., income on the college's non-endowment cash balances);
- no utilization of the net operating revenue contingency;
- compensation savings due to significant staff position vacancies throughout the year, in the presence of no offsetting staff compensation contraexpense budget.

All of these factors could not have been predicted when the fiscal year 2024 operating budget was constructed and as the college largely resumed pre-pandemic academic and operational practices. Some of the factors that drove the college's fiscal year 2024 operating surplus (e.g., better-than-planned enrollment outcomes, no need to touch the net operating revenue contingency fund, etc.) are likely to persist well into fiscal year 2025. Others (e.g., substantially greater-than-budgeted interest income, substantially greater-than-budgeted staff compensation salvage, etc.) will not.

Disposition of the Fiscal Year 2024 Operating Surplus

Fiscal year 2025 budget initiative proposals classified as one-time asks for capital budget were diverted into a separate review process, review and ranked by the President's Budget Advisory Council and the President's Cabinet, and then approved by the Board of Trustees at its February

2024 meeting. The fiscal year 2024 operating surplus allocable to the Board of Trustees — i.e., not captured by the vice presidential divisions as part of the college's 50% carryforward policy for unspent non-compensation budgets and not captured by the auxiliary units — was approximately \$5.4 million. As confidence in the value of the fiscal year 2024 operating surplus grew during the waning months of that fiscal year, and the first few months of fiscal year 2025, the President and the Vice President used it to fund the following 10 capital project priorities:

1. \$2,000,000 for the junior-senior residential village.
2. \$150,000 for the one-time costs component of the Identity Access Management project, a cybersecurity initiative.
3. \$140,000 to top off funding for the renovations needed to create the Third Space Center.
4. \$165,000 to create a gender-neutral and fully-accessible bathroom on the main floor of Olin Hall.
5. \$630,000 to accelerate LED lighting replacements, primarily in Maxey Hall.
6. \$165,000 to purchase a turtletop vehicle that can carry up to two wheelchair users, in addition to other passengers.
7. \$500,000 to create an active learning classroom for the Department of Computer Science in Olin Hall.
8. \$120,000 to correct, and render more accessible, the sidewalk leading from the Jewett Hall accessible parking space to the south main entry (Ankeny side) of Olin Hall.
9. \$400,000 to finish funding the one-time costs of the capital campaign through the end of fiscal year 2026.
10. \$50,000 to install an accessible card reader, as well as door assists, at the east entrance of Olin Hall.

These initiatives total \$4.32 million. An additional \$1 million was set aside in the Trustee Strategic Initiative Fund to reduce the amount of the fiscal year 2025 operating surplus that must be used to complete the funding for the junior-senior residential village. The trustees will be asked to confirm this designation in February 2025, along with other small- or medium-sized capital projects that would be effectively supported from the fiscal year 2025 operating surplus.

As of October 2024, the following projects are complete:

- Renovation of the Third Space Center.
- Creation of a gender-neutral and fully-accessible bathroom on the main floor of Olin Hall.
- Acceleration of LED lighting replacements, primarily in Maxey Hall.
- Purchase of a turtletop vehicle that can carry up to two wheelchair users, in addition to other passengers.
- Correction and adjustment of sidewalk leading from the Jewett Hall accessible parking space to the south main entry (Ankeny side) of Olin Hall.
- Accessible card reader and door assists at east entrance of Olin Hall.

The following projects are in process or are scheduled for completion over the course of the next year:

- The junior-senior residential village. Anticipated completion date: August 2025.
- The Identity Access Management project. Anticipated completion date: February 2025.
- Computer science active learning classroom at Olin Hall. Anticipated completion date: August 2025.
- Upward Together Capital Campaign. Anticipated completion date: July 2026.

Fiscal Year 2025 Budget, and Fall 2024 Forecast of Net Tuition Revenue

The college matriculated 419 new first-year and transfer students for the fall 2024 semester against a budget target of 435 students. Recall that in fall 2023, the college matriculated 472 new students, which was well above that year’s goal of 435 matriculants. Recent multi-year trends continue to persist in terms of the quality and the diversity of the fall 2024 matriculating cohort, which contains 28% U.S. students of color, 17% international students (from 44 countries), 21% first generation college students, and 22% who are eligible to receive a Pell grant. The incoming class boasts an impressive average high school GPA of 3.76.

The college substantially outperformed its budgeted discount rate of 61.5% for the incoming cohort of first-year first-time students and transfer students (i.e., new students); the realized discount rate for these matriculating students was 59.4%. The lower-than-expected discount rate can be attributed to increased yields among students with greater capacity to pay more, as well as the impacts of last year’s FAFSA debacle on lower-income students. (Many lower-income students are thought to have dropped out of the college enrollment process altogether.)

The following is a comparison of fall 2024 with fall 2023:

	<u>Fall 2023</u>	<u>Fall 2024</u>
FTE enrollment	1,556	1,567
Gross tuition	\$47,525,443	\$49,603,950
Financial aid	<u>(25,112,012)</u>	<u>(27,734,223)</u>
Net tuition revenue	22,413,431	21,869,727
Fall overall discount rate	52.84%	55.91%
Fall first year & transfer discount rate	61.1%	59.4%

The following is current net tuition forecast for fiscal year 2025:

	<u>Budget</u>	<u>Projected</u>
Enrollment	1,550	1,550 - 1567
Overall discount rate	57.29%	56.6%
Gross tuition	\$98,460,944	\$98,824,200
Financial aid	<u>(56,404,414)</u>	<u>(55,930,574)</u>
Net tuition	42,056,530	42,893,626
Variance		+\$837,096
Approximate 1% variance net tuition		428,000

Hence, the college is on track to generate more net tuition than the Board of Trustees approved in the college’s operating budget for fiscal year 2024. As of the fall 2024 census, the college is forecasting approximately \$42.89 million in net tuition against a budget of approximately \$42.06 million. The primary driver of this favorable variance is realization of a greater-than-budgeted number of returning students, as detailed in the table on the next page. This excess net tuition will prevent deployment of the enrollment contingency budget built into the current fund and will most likely support a healthy fiscal year 2025 operating surplus.

In general, there are many assumptions built into any forecast of net tuition: attrition throughout the fiscal year; students switching to part-time status; the number of spring matriculants; and the financial aid associated with all those students who matriculate or attrit. In recent years, the college has experienced more withdrawals than in previous years due to health and mental health issues. Fortunately, the actual number of returning students for fall 2024 was 24 greater than the college’s budget model adopted last spring, helping the college exceed its net tuition budget. The decomposition of these excess students, organized along class year, is as follows:

<u>Class Year</u>	<u>Variance</u>
Super-Seniors	+28
Seniors	+2
Juniors	-6
Sophomores	0
Matriculated Before Plan*	-2
Total	24

*A student who “matriculated before plan” is a student who has been admitted to the college, initially indicated an intention to enroll in a subsequent fiscal year, but then decided to matriculate in fiscal year 2024.

Given the many assumptions built into the forecast, it is reasonable to expect a variance up to 1% of net tuition revenue (i.e., \$428,000) in either direction. Recall that for fiscal year 2025, the college’s operating budget includes a \$2,216,833 enrollment contingency. As of fall 2024 census, the Division of Finance and Administration does not imagine deploying this contingency budget to support fiscal year 2025 operational needs, and so it will be available to support the fiscal year 2025 operating surplus and, ultimately, be available for designation by the Board of Trustees to support capital projects or to roll up to quasi-endowment.

Fiscal Year 2025 Budget Development Process

The initial ideation processes for the fiscal year 2025 begin at a retreat of the President’s Cabinet, which occurred on August 8, 2024. At this retreat, the President’s Cabinet reviewed very preliminary results related to the close of fiscal year 2024 (which occurred on June 30, 2024), as well as likely challenges and opportunities associated with forming the college’s fiscal year 2025 and future operating budgets.

The President’s Budget Advisory Committee (PBAC) begins its work with its first meeting on October 2, 2024. We will review the committee’s charge and the plan of work for the academic year 2024-2025. We will also review the current fiscal year’s operating budget, and highlight some of the priorities that were funded for the current year.

At PBAC's second meeting, PBAC will provide feedback about the administration's emerging views about budget parameter planning ranges for fiscal year 2026 (i.e., academic year 2025-2026), some of which will be informed by the aforementioned key indicators. At meetings during the first and second weeks of November, PBAC will ultimately give inputs to the Board of Trustees on key planning assumptions to be used in developing the operating budget for fiscal year 2026.

In early October, every academic and administrative department will be asked to submit budget requests, including proposals for new initiatives, for fiscal year 2026. In early December, PBAC will review likely new funds available for new initiatives, as well as the projected costs for those new initiatives. For fiscal year 2026, it is not likely that there will be a great deal of allocable incremental net tuition (or other net revenue) to support new initiatives or new positions at the college. In fact, the Office of Finance and Administration currently projects that some degree of budget reallocation ("cutting") work will be necessary to create a balanced fiscal year 2026 budget.

The Division of Finance and Administration will then compile the budget requests into a proposed budget showing different alternatives and funding levels. PBAC will be asked to give feedback to the President, to me, and to the President's Cabinet on top priorities for new funding initiatives, and on various funding alternatives. This feedback will wrap up at the third PBAC meeting in December 2024, or shortly thereafter.

The President, in consultation with the President's Cabinet, will then work with me and the folks in the Office of Accounting and Business Services to finalize a budget to be proposed to the Board of Trustees in February 2025. The Board of Trustees will adopt, reject, or revise and then approve this budget at its regularly-scheduled meeting in February 2025. A summary of the final budget will be shared with PBAC — and then, ultimately, with the entire college community — in March 2025.

Fiscal Year 2026 (and Beyond) Budget-Balancing Process

Since fiscal year 2024, the five-year forward-looking operating budget model has strongly suggested that budget reallocations (e.g., reducing employee headcount to support budget reallocations supporting financial aid and employee compensation increases) would be necessary to achieve balanced operating budgets in fiscal year 2026 and beyond. The President's Cabinet has decided to construct two working groups to support this process in fiscal year 2026. The two primary working groups will likely continue to operate beyond fiscal year 2026.

- **First Working Group:** focused on faculty position budgets, non-compensation budgets in academic departments, and staff position budgets embedded within the three academic divisions.

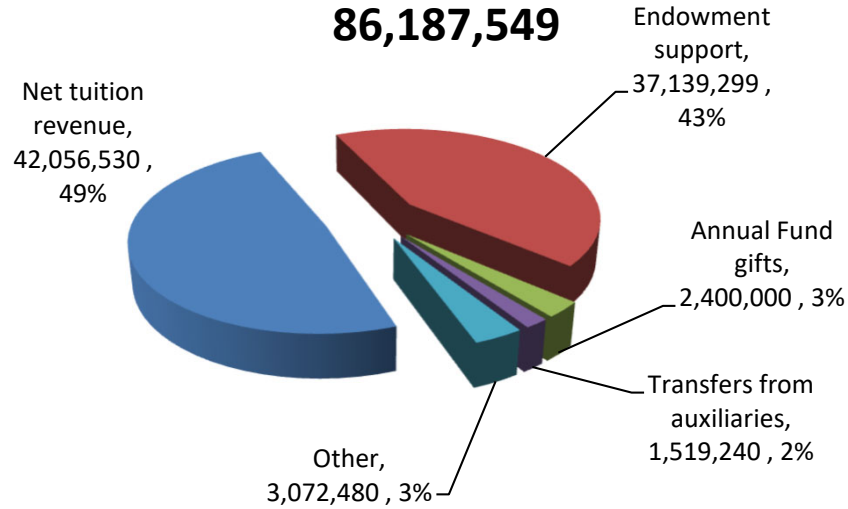
- Second Working Group: focused on all remaining aspects of the college's operating budget including, but not limited to: staff positions outside of the academic divisions; auxiliary and other revenue budgets; financial aid practices; non-compensation budgets outside of the academic divisions; and reductions in square footage that would reduce associated operating costs.

From time to time, the President's Cabinet may convene other groups, operating under either the First or Second Working Groups, to undertake studies or to make focused recommendations on other budget-related topics of interest (e.g., benefits).

Whitman College
2024-2025 Education and General budget

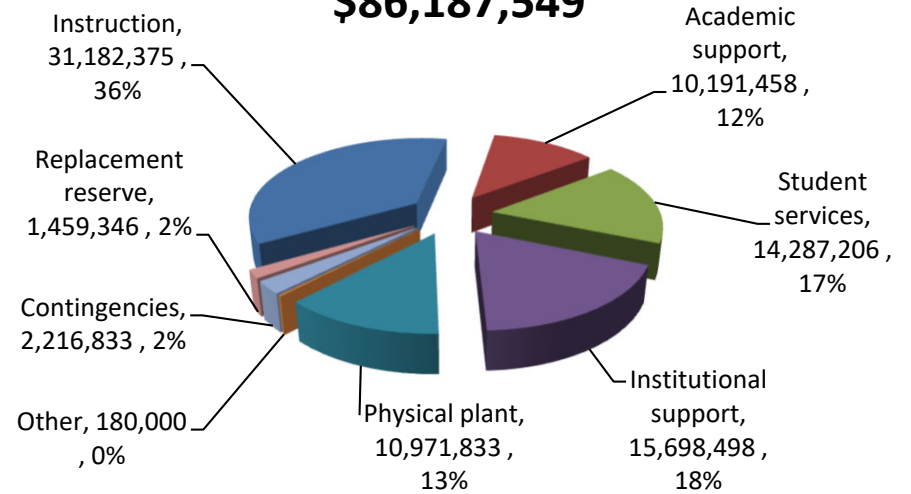
Total E & G budget - Sources

86,187,549

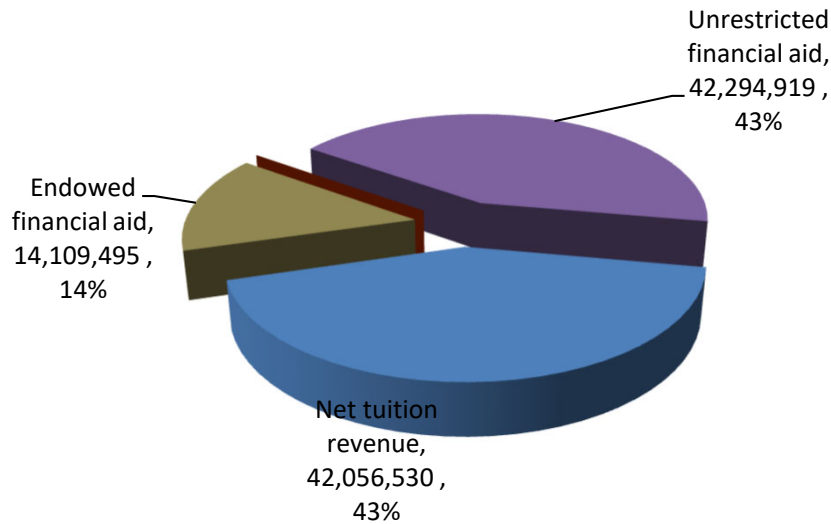


Total E & G budget - Uses

\$86,187,549

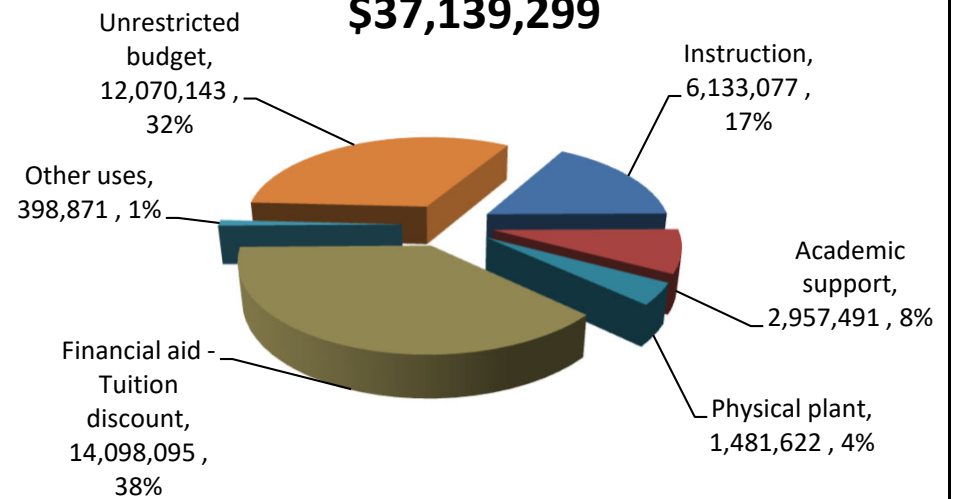


Gross tuition 98,460,944



Endowment support - Uses

\$37,139,299



Whitman College

Budget Report

	2024/2025 Proposed Budget	% Total
CURRENT FUND SOURCES		
Full-time equivalent students	1,550	
Annual tuition charge	63,510	
Annual tuition increase	4.00%	
Discount rate	57.29%	
TUITION & FEES	98,460,944	
LESS UNRESTRICTED FINANCIAL AID	(42,294,919)	
LESS RESTRICTED FINANCIAL AID	(14,109,495)	
SUBTOTAL INSTITUTIONAL AID	(56,404,414)	
NET TUITION REVENUE	42,056,530	49%
INSTRUCTIONAL FEES	376,236	0%
ANNUAL FUND GIFTS	2,400,000	3%
FEDERAL FINANCIAL AID	330,000	0%
ENDOWMENT INCOME	37,139,298	43%
INVESTMENT INCOME	1,600,000	2%
MISCELLANEOUS INCOME	133,000	0%
ASWC FEES	633,244	1%
SPONSORED PROGRAMS	0	0%
AUXILIARY TRANSFER	1,519,240	2%
SUBTOTAL EDUCATION & GENERAL	86,187,548	100%
RESIDENCE HALLS	5,204,991	47%
FOOD SERVICE	5,501,915	49%
BOOKSTORE	40,000	0%
OTHER AUXILIARY	412,175	4%
SUBTOTAL AUXILIARY	11,159,081	100%
TOTAL CURRENT FUND SOURCES	97,346,629	

Whitman College Budget Report

	2024/2025 Proposed Budget	% Total
CURRENT FUND USES		
Faculty salary change	2.50%	
Staff salary change	2.50%	
Fringe benefit rate - OPE	35.00%	
INSTRUCTION	31,182,375	38%
ACADEMIC SUPPORT	10,191,458	12%
SPONSORED PROGRAMS	0	0%
STUDENT SERVICES	14,287,206	17%
INSTITUTIONAL SUPPORT	15,698,498	19%
PHYSICAL PLANT	10,971,833	13%
FEDERAL FINANCIAL AID	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>82,511,370</u>	<u>100%</u>
RESIDENCE HALLS	4,192,818	42%
FOOD SERVICE	5,406,434	54%
BOOKSTORE	40,000	0%
OTHER AUXILIARY	412,174	4%
SUBTOTAL AUXILIARY	<u>10,051,426</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>92,562,796</u>	
CAMPUS REPLACEMENT RESERVE	1,459,346	57%
AUXILIARY REPLACEMENT RESERVE	1,107,654	43%
SUBTOTAL REPLACEMENT RESERVE	<u>2,567,000</u>	<u>100%</u>
OPERATING REVENUE CONTINGENCY	<u>2,216,833</u>	
TOTAL CURRENT FUND USES	<u>97,346,629</u>	
NET SOURCES / (USES)	<u><u>(0)</u></u>	

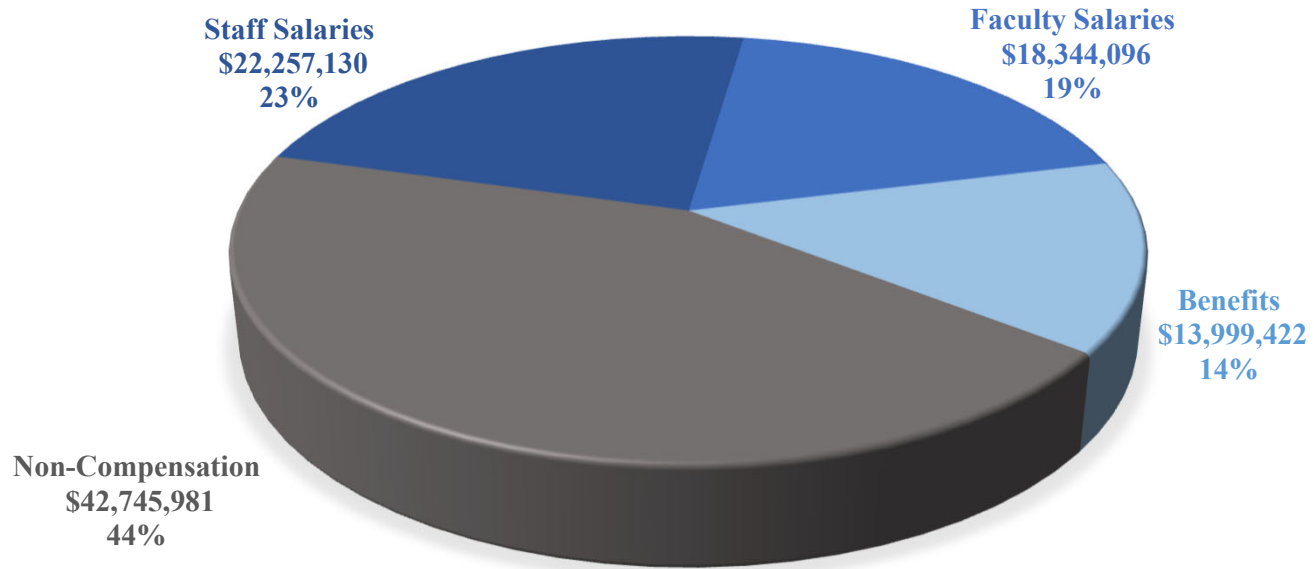
Whitman College Budget Report

	2022/2023 Approved Budget	% Total	2023/2024 Approved Budget	% Total	2024/2025 Proposed Budget	% Total
CURRENT FUND SOURCES						
Full-time equivalent students	1,488		1,409		1,550	
Annual tuition charge	58,200		61,070		63,510	
Annual tuition increase	4.75%		4.94%		4.00%	
Discount rate	50.96%		52.39%		57.29%	
TUITION & FEES	86,617,516		86,069,884		98,460,944	
LESS UNRESTRICTED FINANCIAL AID	(32,673,676)		(31,746,937)		(42,294,919)	
LESS RESTRICTED FINANCIAL AID	(11,466,013)		(13,341,595)		(14,109,495)	
SUBTOTAL INSTITUTIONAL AID	(44,139,689)		(45,088,532)		(56,404,414)	
NET TUITION REVENUE	42,477,827	54%	40,981,352	49%	42,056,530	49%
INSTRUCTIONAL FEES	376,237	0%	376,235	0%	376,236	0%
ANNUAL FUND GIFTS	2,800,000	4%	3,000,000	4%	2,400,000	3%
FEDERAL FINANCIAL AID	330,000	0%	330,000	0%	330,000	0%
ENDOWMENT INCOME	30,779,307	39%	35,065,526	42%	37,139,298	43%
INVESTMENT INCOME	0	0%	500,000	1%	1,600,000	2%
MISCELLANEOUS INCOME	188,000	0%	163,000	0%	133,000	0%
ASWC FEES	596,893	1%	614,800	1%	633,244	1%
SPONSORED PROGRAMS	425,000	1%	425,000	1%	0	0%
AUXILIARY TRANSFER	1,119,240	1%	1,519,240	2%	1,519,240	2%
SUBTOTAL EDUCATION & GENERAL	79,092,504	100%	82,975,153	100%	86,187,548	100%
RESIDENCE HALLS	4,569,093	44%	4,706,166	44%	5,204,991	47%
FOOD SERVICE	5,186,082	50%	5,341,665	50%	5,501,915	49%
BOOKSTORE	0	0%	40,000	0%	40,000	0%
OTHER AUXILIARY	672,397	6%	658,828	6%	412,175	4%
SUBTOTAL AUXILIARY	10,427,572	100%	10,746,659	100%	11,159,081	100%
TOTAL CURRENT FUND SOURCES	89,520,076		93,721,812		97,346,629	

Whitman College Budget Report

	2022/2023		2023/2024		2024/2025	
	Approved Budget	% Total	Approved Budget	% Total	Proposed Budget	% Total
CURRENT FUND USES						
Faculty salary change		6.50%		4.00%		2.50%
Staff salary change		6.50%		4.00%		2.50%
Fringe benefit rate - OPE		35.50%		35.50%		35.00%
INSTRUCTION	29,955,968	39%	31,096,543	39%	31,182,375	38%
ACADEMIC SUPPORT	9,406,438	12%	9,999,228	12%	10,191,458	12%
SPONSORED PROGRAMS	432,717	1%	434,698	1%	0	0%
STUDENT SERVICES	12,092,251	16%	13,055,945	16%	14,287,206	17%
INSTITUTIONAL SUPPORT	14,270,885	19%	15,227,124	19%	15,698,498	19%
PHYSICAL PLANT	10,423,280	14%	10,613,008	13%	10,971,833	13%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>76,761,539</u>	<u>100%</u>	<u>80,606,546</u>	<u>100%</u>	<u>82,511,370</u>	<u>100%</u>
RESIDENCE HALLS	3,601,058	38%	3,723,474	39%	4,192,818	42%
FOOD SERVICE	5,096,082	54%	5,248,965	54%	5,406,434	54%
BOOKSTORE	0	0%	0	0%	40,000	0%
OTHER AUXILIARY	672,397	7%	698,827	7%	412,174	4%
SUBTOTAL AUXILIARY	<u>9,369,537</u>	<u>100%</u>	<u>9,671,266</u>	<u>100%</u>	<u>10,051,426</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>86,131,076</u>		<u>90,277,812</u>		<u>92,562,796</u>	
CAMPUS REPLACEMENT RESERVE	1,282,930	55%	1,343,608	56%	1,459,346	57%
AUXILIARY REPLACEMENT RESERVE	1,044,070	45%	1,075,392	44%	1,107,654	43%
SUBTOTAL REPLACEMENT RESERVE	<u>2,327,000</u>	<u>100%</u>	<u>2,419,000</u>	<u>100%</u>	<u>2,567,000</u>	<u>100%</u>
OPERATING REVENUE CONTINGENCY	<u>1,062,000</u>		<u>1,025,000</u>		<u>2,216,833</u>	
TOTAL CURRENT FUND USES	<u>89,520,076</u>		<u>93,721,812</u>		<u>97,346,629</u>	
NET SOURCES / (USES)	<u>0</u>		<u>(0)</u>		<u>(0)</u>	

WHITMAN COLLEGE
FY25 (NET) OPERATING BUDGET BREAKDOWN
\$97,346,629



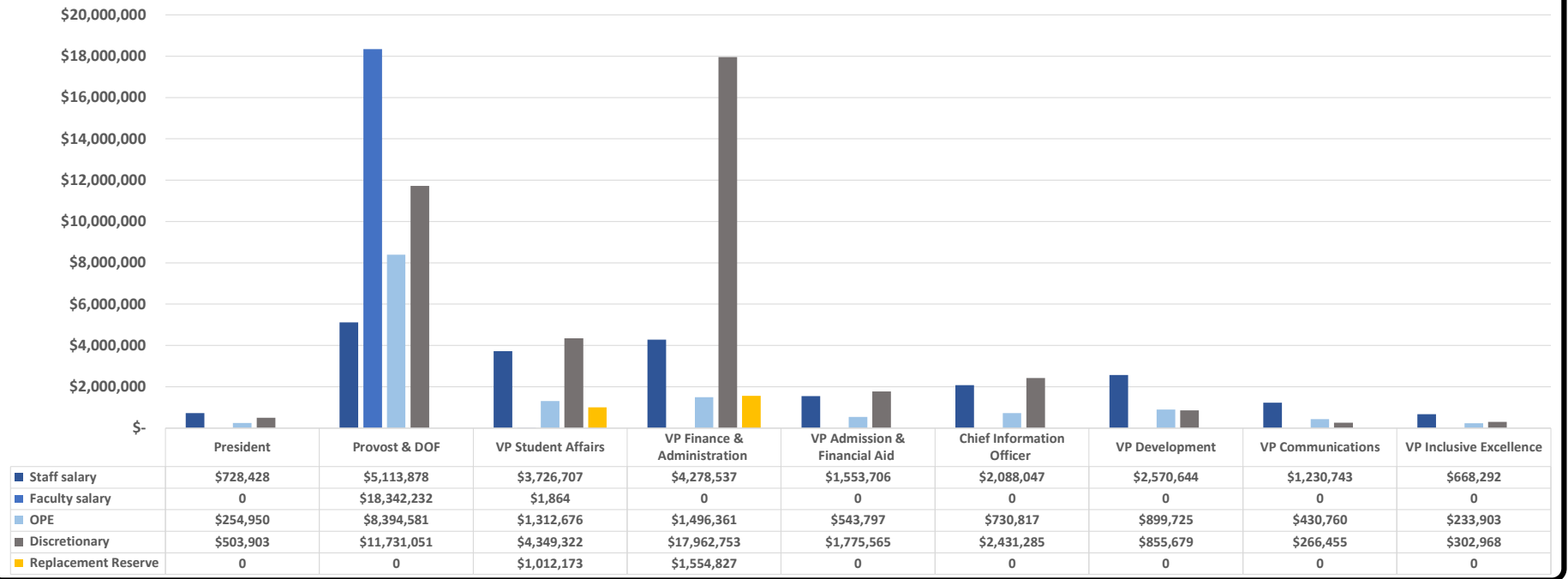
Total Non-Compensation Spending Planned
\$99,143,991
 Less Institutional Aid
 -*\$56,410,818*
 Equals **Discretionary- Net FY25 Budget**

Total Staff Salaries Planned
\$23,267,063
 Less Endowment Carryforward Spend Down
 -*\$158,081*
 Less Projected Salary Salvage
 -*\$851,852*
 Equals **Staff Salaries - Net FY25 Budget**

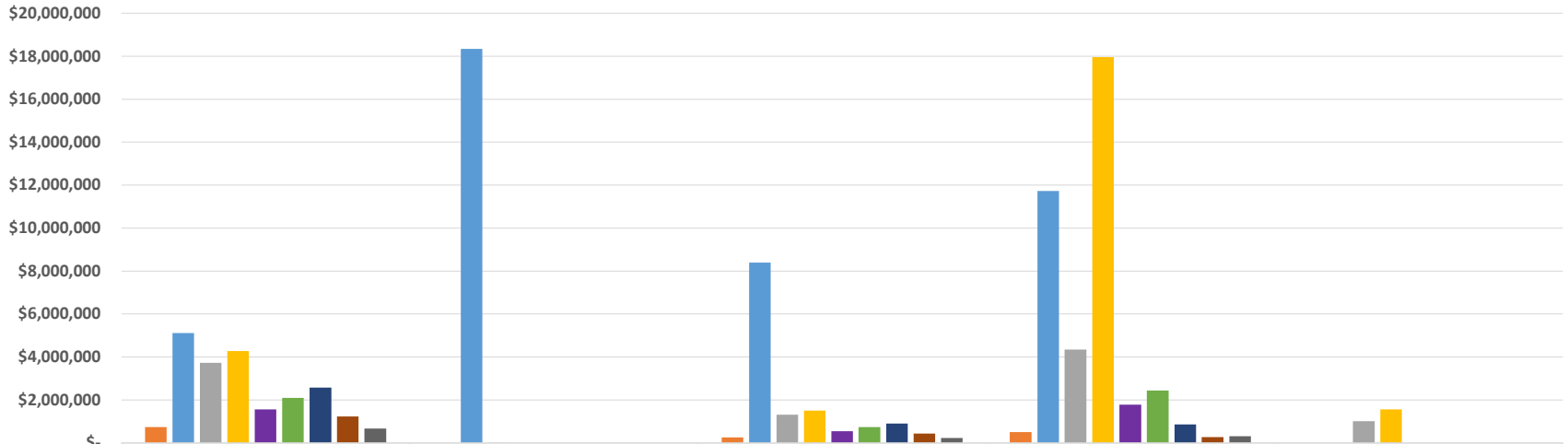
Total Faculty Salaries Planned
\$19,010,870
 Less Endowment Carryforward Spend Down
 -*\$666,774*
 Equals **Faculty Salaries - Net FY25 Budget**

Total Employee Benefits Planned
\$14,297,570
 Less Projected Benefits Salvage
 -*\$298,148*
 Equals **Employee Benefits- Net FY25 Budget**

Whitman College FY25 Net Operating Budget - By Division



Whitman College FY25 Net Operating Budget - By Division



	Staff salary	Faculty salary	OPE	Discretionary	Replacement Reserve
President	\$728,428	0	\$254,950	\$503,903	0
Provost & DOF	\$5,113,878	\$18,342,232	\$8,394,581	\$11,731,051	0
VP Student Affairs	\$3,726,707	\$1,864	\$1,312,676	\$4,349,322	\$1,012,173
VP Finance & Administration	\$4,278,537	0	\$1,496,361	\$17,962,753	\$1,554,827
VP Admission & Financial Aid	\$1,553,706	0	\$543,797	\$1,775,565	0
Chief Information Officer	\$2,088,047	0	\$730,817	\$2,431,285	0
VP Development	\$2,570,644	0	\$899,725	\$855,679	0
VP Communications	\$1,230,743	0	\$430,760	\$266,455	0
VP Inclusive Excellence	\$668,292	0	\$233,903	\$302,968	0

WHITMAN COLLEGE BUDGET TERMS AND PROCESSES FISCAL YEAR 2025

CURRENT FUND SOURCES

Below are the various sources of revenues and transfers into the current fund (i.e., the operating fund) at Whitman College. When we talk about the college's operating budget, we are talking about the budget for its current, or operating, fund.

Net Tuition

Tuition for a full-time Whitman undergraduate increased by 4.00% percent for the 2024-2025 academic year, resulting in a tuition charge of \$63,500. Restricted financial aid is funded by gifts and endowment and comprises about 25 percent of total institutional financial aid. Unrestricted financial aid is funded from the operating budget, including unrestricted endowment income. Financial aid is shown as a discount to tuition to better focus on net tuition income, which is a key issue for budget and planning purposes. The college's institutional aid as a percentage of tuition (what we call our discount rate) was 33.8% in 2014-2015 and has grown to 57.3% for the current budget year, i.e., fiscal year 2025. The Office of Admissions and Financial Aid uses several strategies to manage the discount rate, while at the same time trying to recruit a strong and diverse academic class. Tuition discounting is one of the most significant challenges facing private higher education today.

Instruction Fees

Instruction fees include lab fees for certain art and science classes, private music lessons, and physical education fees for such activities as skiing, etc.

Annual Fund Gifts

Unrestricted annual fund gifts are used to support the operating budget. Scholarship annual fund gifts are used to support student financial aid. After several years of failing to make its annual giving budget, Whitman decreased its budget for annual giving from \$3.0 million to \$2.4 million for fiscal year 2025.

Federal Financial Aid

A portion of these funds are for Federal Supplemental Educational Opportunity Grants, which are applied directly to the accounts of specific students. The remainder is Federal work-study dollars, which along with funding from the college pays for compensation to students working on campus in certain types of jobs.

Endowment Income

There are three components to endowment income: (1) income from funds managed by the college; (2) income from funds held in outside trusts; and (3) farm income. Approximately two thirds of this transfer from the college's endowment funds are restricted to specific purposes such as: financial aid, faculty salaries, or the library. The remainder of the transfers are unrestricted but typically thought of as applying to financial aid (though, in the most formal sense, they offset all unrestricted operating expenses).

The calculation of endowment payout for fiscal year 2025 is based on the following policy set by the Board of Trustees: 5% of the average market values of endowment funds and outside trusts averaged over the previous twelve quarters, but lagged by one year. The first quarter for the payout is September 30, 2020 and the last is June 30, 2023. Farm income is based on a six-year rolling average of net income. The total combined endowment and farm payout for fiscal year 2025 is \$37,139,298.

Investment Income

Investment income is the interest earned on the balance of current fund cash. The balance consists of unspent budget sources such as revenues from students and endowment support owed, but unpaid, to the budget. This revenue budget stands at \$1.6 million for fiscal year 2025, given increases in federal funds rates over the past couple of years.

Miscellaneous Income

Miscellaneous income includes such items as vending machine income, application fees, classroom rental fees, etc.

Associated Students of Whitman College (ASWC) Income

ASWC income includes fees paid by students for the student government, as well as student government investment income. The fee is set by ASWC and is capped by its bylaws to one percent of the college's annual tuition charge.

Sponsored Programs

Sponsored programs are programs funded by federal and private grants for research and other efforts. Effective for fiscal year 2026, the Office of Accounting and Business Services will move these lines outside of the college's operating budget.

Transfer Income from Auxiliary

Auxiliaries (e.g., residence life, food service, summer conferences, etc.) pay this income to the general operating budget in order to defray the cost of their fair share of general support services provided by the college, such as payroll services, human resources services, business services, insurance, etc.

Residence Life and Food Service

Residence Life is run by the college and food services are provided by an outside contractor (Bon Appetit).

Bookstore

The bookstore is managed by Barnes and Noble and the college receives a commission on sales.

Other Auxiliary

This source category includes fees from summer conferences and rental properties.

CURRENT FUND USES

Below are the various uses or expenses and transfers out of the current fund that pertain to the operating budget at Whitman College. The single largest expenditure at most institutions of higher education is faculty and staff compensation and benefits. At Whitman College, compensation and benefits are approximately 56% of total current fund uses.

Instruction

The costs included in this category span faculty salaries, as well as other direct costs for supplies and services, all of which support teaching.

Academic Support

This category includes costs which support the instructional process but are not central to teaching. Examples include: the Penrose Library, instructional media, the college's theater, the Sheehan Art Gallery, the Maxey Museum, etc.

Sponsored Programs

This category includes costs incurred under conditions and terms set by federal agencies and private grantors for research and other efforts, using a combination of college personnel, equipment, and students to carry out the various projects. Effective for fiscal year 2026, the Office of Accounting and Business Services will move these lines outside of the college's operating budget.

Student Services

This category includes costs to help students succeed in their academic pursuits. Student services relate to co-curricular programs outside of the classroom. Examples of student services include Athletics, the Health Center, the Counseling Center, the Office of Admissions and Financial Aid, the Intercultural Center, and the Outdoor Program.

Institutional Support

This category includes administrative costs incurred to support the day-to-day operations of the college. Examples include, but are not limited to: the Office of the President, the Office of Human Resources, the Office of Accounting and Business Services, Whitman College Technology Services, the Office of Campus Security, and the Division of Development and Alumni Relations.

Physical Plant

This category captures the costs of managing the physical plant of the college, including maintenance, custodial services, grounds, utilities, and debt service.

Federal Financial Aid

These are the costs of the Federal Supplemental Educational Opportunity Grants, which are applied directly to the accounts of specific Whitman students. The costs associated with Federal work-study are spread among the various functions in which students are employed.

Residence Life and Food Service

Residence Life is run by the college and food services are provided by an outside contractor (Bon Appetit).

Bookstore

The bookstore has been managed by Barnes and Noble, beginning July 1, 2021.

Other Auxiliary

This category of expenditure includes summer programs and rental properties.

Campus and Auxiliary Replacement Reserves

Funded from the operating budget, replacement reserves are set aside each year to fund a life cycle program. Historically, at Whitman College, the Buildings and Grounds Committee developed a plan to eliminate deferred maintenance and fund future life cycle replacement needs. Deferred maintenance was eliminated in the 1997-1998 academic year. The reserve is used to fund projects identified by the Life Cycle Committee each year. For fiscal year 2025, the college is contributing 0.50% of the estimated replacement value of campus buildings, building components and other infrastructure to the Life Cycle Fund. The contribution to the reserve is reviewed annually by the college.

OTHER

Faculty and Staff Salary Pools

Faculty and staff pools are each given an overall percentage increase to the respective budget bases as approved by the trustees. For fiscal year 2025, the pool was 2.5% for both faculty and staff — lower than inflation in order to minimize projected gaps between budgeted revenues and budgeted expenses starting with fiscal year 2026. Raises at the individual level in both pools include both merit and equity adjustments. Faculty achieving an increase in rank are given an additional pay increase for the promotion.

Other Personnel Expense (OPE), or Fringe Benefits

OPE is assessed upon all employing departments at an annual rate approved by the trustees (35.0% for fiscal year 2025). The rate is management's best estimate of the costs per dollar of salary or wages for the contributions Whitman makes for fringe benefits. The largest costs are medical, retirement, social security/Medicare, and tuition remission benefits. At the end of the budget year, the actual experience or cost incurred will differ from the overall rate charged, and such differences are charged (or swept) to a reserve account.

Budget Process

The budget process begins with a retreat of the President's Cabinet over the summer. General goals are established and general issues are discussed. Using the direction provided at that retreat, the college develops a budget model to forecast operating budgets for multiple years. The model shows various scenarios for revenues and expenses associated with strategic initiatives, as well as a sensitivity analysis highlighting key budget drivers (tuition, financial aid, enrollment, salary pools, etc.).

Beginning in October, members of the President's Cabinet work with their departments to develop and prioritize budget requests and reallocations. The President's Budget Advisory Committee (PBAC), composed of faculty, staff, and students, also begins meeting in October. This committee brings insights from their respective constituencies, helps prioritize budget requests, and provides input on key elements of the budget, such as tuition increases, and salary pools.

With input from PBAC, the President and the Cabinet recommend budget and planning parameter ranges to the Board of Trustees Resources Committee in November. Using these ranges, and with further input from PBAC, the President and the Vice President for Finance and Administration work with their Cabinet colleagues to balance the budget, adjusting both revenues and expenses as necessary. In February, the proposed budget is presented to the Resources Committee and the Board of Trustees for final approval. The approved budget is then reviewed with PBAC.

Quasi-Endowment

For those not familiar with the term, quasi-endowment is funding set aside by trustee vote to function as endowment. Budget surpluses, certain maturing trusts, and bequests that do not have any donor restrictions are the usual sources of these funds. Quasi-endowment has the same payout to support operations as a true endowment. A true endowment involves contributions that are directed by the donor to be set up as endowments; that is, a legal restriction the college must honor for as long as the endowment exists. By contrast, the Board of Trustees can vote to use quasi-endowment funds for other purposes, such as to fund a building or to support strategic budget initiatives.