WHITMAN COLLEGE

RESOURCES COMMITTEE

Jeff Hamrick
Vice President for Finance and Administration
November 14, 2024

Review of Proposed Fiscal Year 2026
Operating Budget Parameter Planning Ranges

Following are the proposed planning assumptions the President's Cabinet recommends for developing the fiscal year 2026 budget. The President's Cabinet considered the following factors in recommending these ranges:

- The ranges are broad enough to produce a balanced fiscal year 2026 operating budget for the college, provided that base savings of about $2 million are also identified. (Please see the commentary related to the five-year forward-looking operating budget model.)

- For fiscal year 2025, the college adopted a planned discount rate of 61.5% for matriculating students. The actual outcome was 59.4%. In spring 2024, the plan was to escalate this budgeted discount rate from 61.5% to 62.0% for fiscal year 2026. The President's Cabinet believes that fall 2024 enrollment outcomes suggest that the increase in planned discount rates can safely be delayed for at least one year, as similar outcomes are sought for fall 2025. Fiscal year 2026 will nonetheless involve the onboarding of a third cohort of "higher discount" (i.e., greater than 55%) students. This phenomenon drives a substantial portion of the budget-balancing challenges faced by the college for fiscal year 2026 and beyond.

- The President's Cabinet recommends budgeting for average net tuition from new students (i.e., new first-year first time students and transfer students) of between $24,980 per student and $27,390 per student. This figure is consistent with total net tuition from matriculating students of between $10,841,860 and $11,492,290.

- The proposed budgeted average net tuition over all students (new students, plus rising sophomores, juniors, etc.) would be within a range of $26,980 and $27,500 per student. This figure is consistent with total net tuition from all students of between $38,924,450 and $39,680,090.

- The range of possible tuition increases is consistent with historical levels of tuition increase for the college, though it is also higher than current core levels of inflation (i.e., a bit over 2.0-2.5%).

- The President's Cabinet recognizes that retaining great faculty and committed staff is critical to the college's mission, as well as to recruiting and retaining students. Therefore, it is proposing compensation increases for both faculty and staff between 2.25% and 3.75% for fiscal year 2025. While these levels are diminished from those seen in fiscal years 2023 and 2024, they are still competitive with trailing 12-month rates of inflation.

- A reasonably strong salary pool is a key priority, given recent inflation and labor market challenges, but the college needs to balance this goal with keeping tuition affordable and the budget-balancing challenge manageable.

- The President's Cabinet will recommend goals for the fiscal year 2026 Whitman Fund that are consistent with fiscal year 2025 goals of $2.0 million in truly unrestricted current gifts and $400,000 in current gifts limited to scholarships (but otherwise unrestricted in the sense of which students can be supported by those gifts).

- The President's Cabinet remains comfortable budgeting for other personnel expenses (i.e., benefits) at the 35% rate. Per recent forecasting efforts, using an other personnel expenses rate of 35.0% rather than 35.5% for fiscal year 2026 will likely draw down the fringe benefits reserve by approximately $200,000 to $300,000. A similar drawdown is likely for fiscal year 2025.

- The college's endowment returned 11.50% for fiscal year 2024. After peaking at $37,139,298 in support for the operating fund in fiscal year 2025, endowment support is expected to drop to $36,567,638 (i.e., by approximately $570,000) for fiscal year 2026. This drop in support had previously been expected to be more dramatic (i.e., almost approximately $1 million), but the strong fiscal year 2024 endowment return reduced the magnitude of this decrease.

- The President's Cabinet continues to look for opportunities to reallocate existing budgets, grow other revenues in support of the college's priorities, and swap out restricted dollars for unrestricted operating budget dollars.

- The President's Budget Advisory Committee and the President's Cabinet will be prioritizing initiatives requiring new budget dollars and will bring recommendations to the Resources Committee and Board of Trustees in February 2025. New budget dollars will likely be limited to truly non-discretionary increases (e.g., insurance premium increases, utility increases, etc.), and very few (if any) new positions will be proposed for fiscal year 2026. The President's Cabinet believes that the college must continue to invest in programs and people that strengthen the curriculum and co-curriculum, attract prospective students, improve operational efficiencies, and manage various risks.

Fiscal Year 2026 Proposed Operating Budget Parameter Planning Ranges						
Parameter Name	**FY24 Actual**	**FY25 Budget**	**FY25 Forecast**	**FY26 Lower Bound**	**FY26 Upper Bound**	**Notes**
Gross Tuition (Dollars)	$61,070	$63,510	$63,510	$65,352	$66,622	
Gross Tuition Increase (Percentage)	4.9%	4.0%	4.0%	3.0%	5.0%	1% = $376,040
Room Increase	3.0%	4.0%	4.0%	2.0%	4.0%	1% = $51,400
Board Increase	3.0%	3.0%	3.0%	2.0%	4.0%	1% = $11,620
Total Enrollment Target (Headcount)	1556	1550	1534	1475	1525	10 students = $277,050
New Matriculant Target (Headcount)	472	435	426	420	460	10 students = $239,960
Average Net Tuition (All Students)	$29,150	$27,130	$27,390	$26,980	$27,500	
Total Net Tuition (All Students)	$43,859,382	$42,056,530	$42,015,037	$38,924,450	$39,680,090	
Unfunded Discount Rate (All Students)	36.85%	42.96%	42.66%	43.88%	44.16%	
Funded Discount Rate (All Students)	15.45%	14.32%	14.22%	14.88%	14.60%	
Overall Discount Rate (All Students)	52.30%	57.28%	56.88%	58.48%	59.04%	0.50% = $485,400
Average Net Tuition (New Students)	$22,800	$23,700	$24,550	$24,980	$27,390	
Total Net Tuition (New Students)	$10,758,308	$10,304,690	$10,309,900	$10,841,860	$11,492,290	
Unfunded Discount Rate (New Students)	43.28%	46.18%	45.68%	45.30%	46.80%	
Funded Discount Rate (New Students)	18.11%	15.40%	15.23%	15.20%	15.70%	
Overall Discount Rate (New Students)	61.39%	61.58%	60.91%	60.50%	62.50%	0.50% = $138,700
Endowment Payout (Percentage)	5.00%	5.00%	5.00%	5.00%	5.00%	
Endowment Payout (Dollars)	$35,065,526	$37,139,298	$37,139,298	$36,567,638	$36,567,638	
Annual Fund Gifts (Unrestricted)	N/A	$2,000,000	$2,000,000	$1,900,000	$2,100,000	
Annual Fund Gifts (Scholarship)	N/A	$400,000	$400,000	$375,000	$425,000	
Life Cycle Contributions (Percentage)	0.49%	0.50%	0.50%	0.49%	0.51%	
Life Cycle Contributions (Dollars)	$2,419,000	$2,567,000	$2,567,000	$2,893,009	$2,948,555	Includes 15% growth factor for village.
Fringe Benefits Rate	35.50%	35.00%	35.00%	35.00%	35.00%	
Index of Staff Merit Compensation Increase Pool	3	2.50%	2.50%	2.00%	3.00%	1% = $288,180
Index of Staff Equity Compensation Increase Pool	1	0.50%	0.50%	0.25%	0.75%	
Index of Faculty Merit Compensation Increase Pool	2	2.50%	2.50%	2.00%	3.00%	1% = $247,930
Index of Faculty Equity Compensation Increase Pool	1	0.50%	0.50%	0.25%	0.75%	
Student Salary (i.e., Minimum Wage) Increase Pool	N/A	N/A	N/A	2.00%	4.00%	1% = $21,000
Net Operating Revenue (Dollars)	$93,722,000	$97,347,000	$99,466,261	$98,000,000	$100,000,000	
Net Operating Revenue Contingency (Percentage)	1.25%	2.28%	2.23%	1.00%	1.50%	
Net Operating Revenue Contingency (Dollars)	$1,025,000	$2,217,000	$2,217,000	$980,000	$1,500,000	
Parameter Name	**FY24 Actual**	**FY25 Budget**	**FY25 Forecast**	**FY26 Lower Bound**	**FY26 Upper Bound**	**Notes**

RESOURCES COMMITTEE

Jeff Hamrick
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November 14, 2024

Review of Five-Year Forward-Looking Operating Budget Model

Attached are some of the outputs related to the five-year forward-looking operating budget model, using the trustee-approved operating budget for fiscal year 2025 as the base year. The key assumptions of the model are identified on the first page of the model summary.

The model does not include potential new expenses **beyond** compensation increase pools, changes in financial aid, and changes in life cycle funding in the assumptions. The model **does reflect** increased revenue from tuition, room, and board, as well as endowment income and goals for current (i.e., annual) giving.

The model indicates a draft $1,396,170 deficit in the first future year (i.e., fiscal year 2026), a substantial improvement from a gap of approximately $2.6 million projected as recently as May 2024. The projected gap in the farthest out year — fiscal year 2030 — has contracted from approximately $7.5 million to a surplus of approximately $865,000. The primary reasons for this improved situation are:

- Better-than-expected discounting outcomes for the cohort of students matriculating in fall 2024, which has caused the President's Cabinet to adjust the forward-looking growth trajectory in matriculating student discount rates for fiscal year 2026 and beyond.
- A fiscal year 2024 endowment return of 11.5%, which is better than the previously-assumed return of 7.0% and mitigates the decline in endowment support the operating fund would otherwise have seen in fiscal year 2026.
- An unprecedented effort to assess unspent funds in endowment distribution accounts and to plan for their use, in relief of unrestricted operating budget dollars, for fiscal year 2025 and beyond. This effort, conducted over the course of summer 2024, resulted in average swap-out relief of $1.6 million per year for fiscal year 2025 through fiscal year 2030.
- New plans to increase matriculations of transfer students from a budget of 20 (for fall 2024; actuals were 29) to a budget of 25 (for fall 2025), and eventually up to a budget of 40 (for fall 2028 and beyond). Relatedly, the latest revisions to the 5-year plan call for gradually increasing budgeted spring matriculations of transfer students from 5 (for spring 2026) to 20 (for spring 2029 and beyond).

Again, this model does not include the impacts from any budget initiative proposals (BIPs) that might be recommended by the President's Cabinet for approval at the February 2025 meeting of the Board of Trustees. Some BIPs — those related to utility increases, minimum wage increases, insurance premium increases, software subscription increases, etc. — will likely need to be approved, regardless of the initial imbalance between planned revenues and expenses for fiscal year 2026. The Office of Accounting and Business Services is currently estimating the aggregate size of all such obligatory expense budget increases for fiscal year 2026 to be $600,000 to $800,000.

The following are key issues the President's Cabinet considered in building the model this year:

- While the President's Cabinet would like to see lower tuition increases, it has to balance that goal with the need to fund meaningful salary increases, as well as key strategic and operational priorities. At the same time, the President's Cabinet acknowledges that raising tuition results in simultaneous adjustments to the need-based components of financial aid packages, so that at least part (i.e., approximately 50%) of any tuition increase washes out.
- Recently, the Board of Trustees has had conversations about financial aid leveraging and admissions strategies, both retrospectively in connection with fall 2023 but also prospectively in connection with fall 2024. Those conversations are expected to continue at the February 2025 meeting of the Board of Trustees. In summary, there are significant risks to headcount and total net revenue if the college tries to budget excessively aggressive net tuition objectives (i.e., low discount rates) for new students matriculating in fall 2025. The outcomes of these discussions are reflected in the baseline 5-year forward-looking model, with a contemplated 61.5% discount rate for fall 2025 matriculants that grows by 50 basis points per year during each subsequent year. There is no question that discount rates higher than those discount rates contemplated during the Financial Sustainability Review are driving some of the projected operating deficits in fiscal year 2026 and beyond.
- Projected future endowment returns are guided by advice from our investment consultant, as well as the long history of stewardship of that endowment by the college's Investment Committee. The level of endowment support will decrease by approximately $500,000 for fiscal year 2026. Afterwards, however, endowment support is expected to remain flat for fiscal year 2027 before increasing by approximately $2 million for fiscal year 2028.
- In summary, the primary drivers of the projected operating deficits — seen in this one particular view of the future — are rising levels of discounting (i.e., relatively flat, or slow-growing, levels of average net tuition), a temporary decline in enrollment in fiscal year 2026 (after a large group of seniors graduates), and planned competitive future increases in employee compensation averaging 3% per year.

General Observations. Note that while this modeling exercise assumes a budgeted discount rate of 61.5% for students matriculating in fall 2025 (and rising slowly thereafter), the college hopes to do significantly better than that level of discounting. But, prudence dictates that we be relatively conservative with the college's planning efforts. The college is focused on attracting higher-income matriculants, and will continue to prioritize those efforts.

The modest preliminary operating deficit seen in this model for fiscal year 2026 is currently the subject of extensive efforts by various working groups, with different foci — reducing instructional and staff salary expenditures, non-compensation budgets, benefits expenditures, athletics spending and revenue-generation practices, etc. These groups will make budget savings and revenue enhancement recommendations to the President's Cabinet in early spring 2025, and the Board of Trustees will be asked to approve finalized recommendations at its May 2025 meeting.

Assessment of Financial Risks. Over 90% of the college's total net operating revenue comes from tuition charges and endowment payouts that flow to the support of the operating fund. Hence, the two greatest financial risks to the college remain: (1) not meeting net tuition objectives and (2) unfavorable endowment returns that would lower future endowment payouts.

Net Tuition. Net tuition is a function of the number of students enrolled, gross tuition charges, and financial aid used to matriculate and to retain students. It is helpful to consider separately the risks associated with bringing in new students and retaining current students.

- *Matriculant Risks*. Our financial risks connected to new students include, but are not limited to, the following: changing demographics of high school graduates, with a nationwide decline in high school graduates starting in 2025; increasing levels of financial need, some of which is connected to growing income and wealth inequality in, and beyond, the United States; changing perceptions of perceived value of private liberal arts education as compared to public universities or vocational degree programs; declining yield rates; a dynamic marketplace requiring more merit aid in order to be competitive; and willingness of international students to attend liberal arts colleges in the United States.
- *Continuing Student Risks*. Our financial risks connected to continuing students include, but are not limited to, the following: deciding, after a year at the college, that the college and its culture are not a good fit for them; students discovering areas of academic interest not supported by the college; students finding that the financial burdens of attending college are greater than anticipated; failing to connect with the college's community in a meaningful way and not joining affinity groups (e.g., Greek organizations, sports, clubs, etc.); and withdrawals on account of health, mental health, or other personal reasons.

Strengths and Strategies. The college has many strengths that help mitigate these risks. It is a premier liberal arts college in the Pacific Northwest, a region that has better demographic trends than, for example, New England or the Midwest. The college has excellent outcomes, i.e., strong retention rates, graduation rates, and job or graduate school placements. Overall, the college has a strong financial position, with modest debt, no deferred maintenance, and a high level of endowment income per student.

Nonetheless, the college is working on strategies to further address these risks. The college has contracted with Art and Science, a specialized marketing research firm, in order to learn more about admitted students that do — or do not — choose to come to the college. In particular, the college hopes that recommendations flowing from this marketing research will inform changes to the college's curriculum or co-curriculum that strengthen the college's market position. Some of these changes may make the college more attractive to higher-income students and their families, and support the balance between lower-income, middle-class, and higher-income students that the college's business model effectively requires.

In addition, the following mitigation strategies continue to be pursued by the college: sharpening the core messaging about the value proposition of the Whitman experience; better modeling of, and closer study of, yield dynamics for students paying higher levels of net tuition; raising funds, particularly for financial aid, in order to relieve pressures to the operating budget; and strengthening programs and activities the create affinity and community (and, therefore, enhance retention and graduation rates). For example, it is hoped that the new junior/senior residence halls improve retention of both rising seniors, but also make it easier for prospective students to visualize how they will live for all four years at Whitman College and in Walla Walla.

Endowment Support: As of the fiscal year ended June 30, 2024, the college is fortunate to have an endowment valued at nearly $800 million (at the close of fiscal year 2024); this endowment's payouts will account for more than 40% of the college's operating budget for fiscal year 2025. This level of support makes the college far less dependent on tuition revenue than many similarly-situated colleges, and is viewed as a considerable financial strength by the college's bond rating agency (Moody's). Further flexibility is provided by the fact that over $200 million of the endowment is quasi-endowment. However, a major market dislocation would pose a threat to the college's operating position.

It is important to remember that the out-year projections do not take into account any adaptations that the college would make (e.g., base budget cuts) in response to the previous year's performance. Furthermore, the college would take steps to attempt to increase enrollment, or to manage the discount rate differently, in response to the shortfall in any given year.

Summary Observations.

- By far, the greatest challenge faced by the college in recent years has been the need to award increasingly-large need- and merit-based awards in order to recruit and return students. These growing awards are the result of market pressures from the decreasing numbers of students going to college and competition among colleges for those students. As a result, families with the ability to pay are pushing down net price at all but the most elite liberal arts colleges. Excluding the impact of the pandemic, net tuition growth has been relatively flat in recent years. The five-year forward-looking financial model suggests that net tuition will continue to remain relatively flat over the coming years.
- The (likely) proposed fiscal year 2026 net operating revenue contingency of 1.25% of budgeted net operating revenue, or approximately $1,240,000, remains adequate to cover most unfavorable enrollment shortfalls (defined, again, in the sense of net operating revenue) that the college might experience.
- The Upward Together campaign places fundraising for new student financial aid dollars at its core. To the extent that the campaign is successful, or to the extent that it exceeds the goals set by the Board of Trustees, the college's future operating budgets will be relieved and the future projected operating deficits will narrow.
- The inflationary and labor market environment, as well as labor laws in the State of Washington, continue to create upward pressure on compensation, which is challenging to address given the projected relatively flat stream of net tuition. A strong staff and

faculty is crucial to the college's mission, and compensation will continue to be an area of focus and discussion.

- Overall, the college remains in a strong financial position. Moody's reaffirmed the college's strong Aa3 rating in April 2024 as it issued new bonds in connection with the new junior-senior residential village project. The college has a long history of budgeting revenues and expenses realistically. It has no unfunded liabilities. The Life Cycle Program keeps deferred maintenance at bay. Finally, the college has adequate contingency funds and reserves to manage the most likely financial challenges. (See the latest Reserves Report.)
- To address the currently-projected operating deficit in fiscal year 2026, the President's Cabinet has convened a number of working groups focused on various areas of the budget: faculty lines and the academic program; non-compensation budgets and staff position budgets; benefits; and athletics. The first two groups will be given ranges (e.g., $900,000 to $1.5 million) and asked to identify prospective savings measures spanning these ranges. After feedback from the community is obtained in spring 2025, and the President's Cabinet reviews and processes the recommendations and feedback into final recommendations, the Board of Trustees will be asked to approve finalized savings measures at its May 2025 meeting.

Whitman College
Budget Model Summary

	Greater than baseline > Less than baseline >	24/25 Approved		25/26 Estimated		26/27 Estimated	27/28 Estimated	28/29 Estimated	29/30 Estimated
ASSUMPTIONS									
Tuition Charge		63,510		66,050		68,690	71,440	74,300	77,270
Tuition Charge Increase +/- .25%		4.00%		4.0%		4.00%	4.00%	4.00%	4.00%
Total Student Enrollment Forecast		1,550		1,443		1,513	1,514	1,555	1,574
Budgeted Total Student Enrollment		1,550		1,443		1,513	1,514	1,555	1,574
Entering New Students & Transfers +/- 5		435		450		455	465	475	475
Overall annual discount rate		57.29%		58.76%		60.96%	61.46%	62.28%	62.78%
New Student Discount Rate +/- .25%		61.50%		61.50%		62.00%	62.50%	63.00%	63.50%
Assumed Endowment Growth +/- .5%		10.67%	Actual	11.50%	Actual	7.00%	7.00%	7.00%	7.00%
Unrestricted Endowment Gifts +/- $500,000		2,000,000	Actual	2,000,000	Actual	2,000,000	2,000,000	2,000,000	2,000,000
The Whitman Fund Gifts +/- $50,000		2,400,000		2,400,000		2,400,000	2,400,000	2,400,000	2,400,000
Faculty Salary Change +/- .25%		2.50%		3.00%		3.00%	3.00%	3.00%	3.00%
Staff Salary Change +/- .25%		2.50%		3.00%		3.00%	3.00%	3.00%	3.00%
Fringe Benefit Rate - OPE +/- .25%		35.00%		35.00%		35.00%	35.00%	35.00%	35.00%
MODELED SURPLUSES / (DEFICITS)		**0**		**(1,396,170)**		**(2,878,064)**	**(1,911,703)**	**(238,921)**	**826,035**

Whitman College
Budget Model Summary

	24/25 Estimated	25/26 Estimated	26/27 Estimated	27/28 Estimated	28/29 Estimated	29/30 Estimated
REVENUES						
Tuition & Fees	98,460,944	95,291,582	103,961,704	108,124,788	115,531,944	121,598,776
Institutional aid	(56,404,414)	(55,992,291)	(63,373,542)	(66,454,831)	(71,949,083)	(76,345,716)
Net tuition revenue	42,056,530	39,299,291	40,588,162	41,669,957	43,582,861	45,253,060
Endowment support	37,139,298	36,778,760	36,865,566	38,688,313	39,879,345	40,688,013
All other revenues	18,150,800	20,005,578	21,664,166	23,629,260	25,704,282	27,892,950
TOTAL REVENUES	97,346,629	96,083,629	99,117,894	103,987,530	109,166,488	113,834,023
EXPENSES						
Tenure and tenure track faculty compensation	13,794,721	13,547,994	13,679,758	14,098,252	14,521,543	14,952,807
Non-tenure track faculty compensation	4,568,921	4,705,989	4,847,169	4,992,584	5,142,361	5,296,632
Staff compensation	22,753,866	22,378,695	23,025,196	23,715,951	24,427,430	25,160,253
Fringe benefits on all compensation	14,079,176	14,108,089	14,262,004	14,687,306	15,127,817	15,583,035
All other expenses	42,149,944	42,739,032	46,181,832	48,405,140	50,186,259	52,015,261
TOTAL EXPENSES	97,346,629	97,479,799	101,995,958	105,899,233	109,405,410	113,007,988
MODELED SURPLUSES / (DEFICITS)	0	(1,396,170)	(2,878,064)	(1,911,703)	(238,921)	826,035

Admission & Financial Aid Report **Whitman College**

October 2024

Adam Miller, Vice President for Admission & Financial Aid

EXECUTIVE SUMMARY:

Fall 2024 Enrollment:

- Incoming class headcount (419) was slightly below target (435), but the discount rate (59.4%) came in below target (61.5%) for incoming students, leading to an incoming class that brings $500,000 more in tuition revenue than budgeted
    - The lower discount rate can be attributed to slightly better yield among high ability to pay students, combined with fewer enrolling students with high financial need
- Strong diversity
    - 29% U.S. Students of Color
    - 17% international students
    - International Students (including a record 38 United World College students, who bring $40,000/year in scholarship funding)
    - 21% First Generation College Students
    - 22% Pell Grant Recipients
    - First cohort of 9 Posse Scholars
    - Largest ever cohort of Šináata Scholars (3)
- Continued strength in Washington state, continued challenges in California
- Largest incoming transfer class (29) in recent memory

Fall 2025 Outlook

- Continued FAFSA uncertainty >> The Department of Education has already delayed the release of this year's FAFSA from October 1 to December 1, an ominous sign on the heels of last year's mismanaged release. While Whitman will once again be able to provide financial aid offers based on the CSS Profile, the broader impact of a delayed FAFSA on college enrollment is concerning.
- The "demographic cliff" has arrived >> Starting next year, the number of high school graduates in the United States is projected to decline for a decade.
- Heightened competition in the Pacific Northwest >> Whitman's liberal arts college peers in the Pacific Northwest all missed incoming student enrollment and revenue goals by substantial margins in Fall 2024. The likely response will be aggressive recruitment and discounting.

DETAILED ANALYSIS:

Incoming Fall 2024 enrollment

This fall Whitman welcomed an academically talented group of first-year and transfer students (3.76 median GPA) with strong track records of meaningful involvement in their communities. The incoming class also represents one of Whitman's most diverse cohorts of new students ever, including students from 34 states, 45 countries and tribal nations, and near-record highs of first generation students (21%), Pell grant recipients (21%), U.S. students of color (28%), and international students (17%).

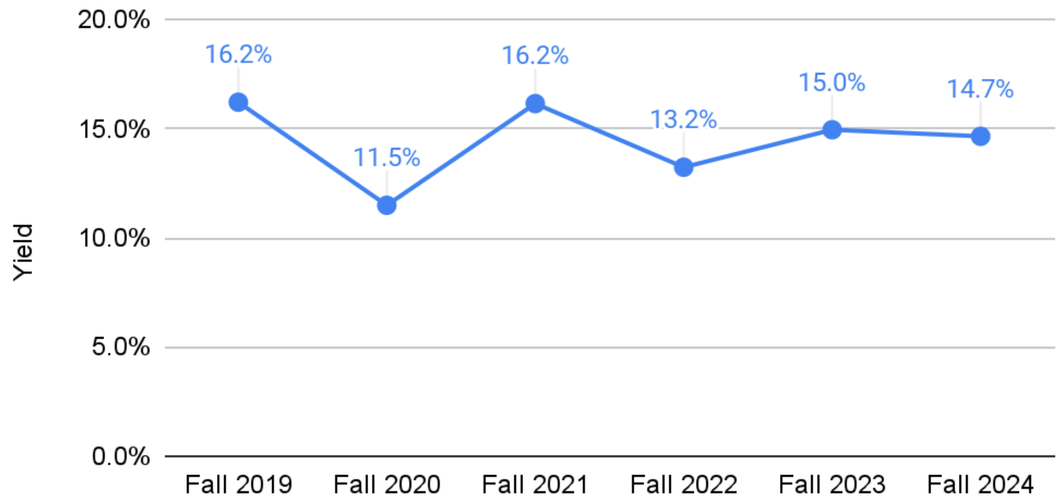
Enrollment for incoming first-year and transfer students totaled 419 students, falling just shy of the target of 435. Strong transfer enrollment helped offset a decline in first-year enrollment.

Breakdown of enrolled students by application type and round

Type/Round	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Fall 2024
Prior year defer	11	37	18	21	15
Early decision	82	129	90	119	100
Regular decision	201	312	228	306	275
Transfer	24	22	21	26	29
Total	**318**	**502**	**357**	**472**	**419**

After several years of yield volatility, the percentage of students who decided to enroll at Whitman after receiving an offer of admission (i.e., Whitman's yield) leveled out. Whitman's enrollment fluctuations in recent years have been largely attributable to uneven yield rates; maintaining or improving yield in the future will help bring consistency in meeting enrollment goals.

Whitman yield, 2020-2024



Composition of Fall 2024 incoming class

International student enrollment

Whitman enrolled another large class of incoming international students, with a total of 69 international students from 44 different countries in the incoming Fall 2024 class. The largest contributor was an all-time high of 38 students from the United World Colleges (UWC). The total number of enrolled UWC students at Whitman in Fall 2023 is 121, meaning Whitman is well above the threshold of 80 required to unlock the top level of scholarship support ($40,000/year) from the Davis Foundation. This year Whitman will receive more than $4 million from the Davis Foundation to help support these students

Enrollment by race and ethnicity

The primary way we look at our race and ethnicity data uses IPEDS standards, the required federal methodology, for reporting. This methodology is used by most private surveys as well. This approach looks only at domestic students, and requires that each student be included in only one category, using a system of rules to determine where a student with multiple identities is counted. First, any student who identifies as Hispanic is counted as such, and they do not count in other categories. Next, non-Hispanic students who identify as two or more races are counted as such, and not in individual race categories. Non-Hispanic students who report one racial identity are included in that category.

IPEDS reporting can obscure some of the diversity represented in Whitman's student population. For instance, many Indigenous students report multiple racial identities and are counted as two or more races. Whitman's student population currently includes students who are citizens of several different sovereign tribal nations, which is not readily apparent when looking at IPEDS race/ethnicity data. Having acknowledged the limits of IPEDS reporting, it is still notable that the fall incoming 2024 class has the second highest number of domestic students of color in Whitman's history.

Breakdown of enrolling students by IPEDS race/ethnicity

IPEDS Race/Ethnicity	**Fall 2020**	**Fall 2021**	**Fall 2022**	**Fall 2023**	**Fall 2024**
American Indian or Alaska Native	1	1	2	0	3
Asian	25	28	21	22	18
Black or African American	9	12	10	20	9
Hispanic of any race	36	42	28	82	59
Native Hawaiian or Other Pacific Islander	0	0	0	0	1
Nonresident Alien	43	64	45	68	69
Race/Ethnicity Unknown	7	11	8	3	7
Two or more races	19	32	24	27	30
White	180	312	219	250	222
Total	**320**	**502**	**357**	**472**	**419**
Total U.S. Students of Color	**90**	**115**	**85**	**151**	**120**
Percentage U.S. Students of Color	**28.1%**	**22.9%**	**23.8%**	**32.0%**	**28.6%**

Šináata scholarship

In Spring 2022 Whitman announced the Šináata scholarship, which ensures that the entire cost of attending Whitman College will be covered for enrolled members of the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) and other students who have close ties to and have demonstrated active community involvement with the CTUIR. We welcomed our first two Šináata scholars in Fall 2022, but were not successful in attracting any for Fall 2023. Thanks to the addition of the Special Assistant to the President for Native American Outreach, combined with robust recruitment and pipeline-building efforts for the Šináata scholarship, we welcomed three new Šináata scholars to the incoming Fall 2024 class

First generation and Pell

In the face of headwinds for first generation and low income students as a result of the delayed rollout of the FAFSA, Whitman was still able to enroll a strong cohort of students who are in the first generation of their family to attend college and/or who are eligible for Pell grants targeted to students from low-income U.S. families.

Breakdown of enrolling students by first generation and Pell

	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Fall 2024
First Generation	63 (19.7%)	67 (13.3%)	60 (16.8%)	109 (23.1%)	90 (21.5%)
Pell	57 (17.8%)	73 (14.5%)	63 (17.6%)	109 (23.1%)	91 (21.7%)

Geography

The geographic profile of Whitman's incoming class continues to shift, with Washington and Oregon making up an increasing percentage of new students at Whitman and enrollment from California dipping below 10% of the incoming class for the first time in recent memory. Whitman's continued strength in Washington can be attributed to a combination of enhanced recruitment efforts, the Weingart Opportunity Scholarship, which allows Whitman to meet the full demonstrated financial need of all incoming students from Washington, and a general post-pandemic trend of students staying closer to home for college.

Enrollment in California continues to lag behind pre-pandemic numbers, due to a combination of a reduction in applications of more than 20% over the past four years and an all-time low yield of 7% for students from California who were offered admission. Whitman is not alone in this challenge; every Northwest 5 college has also experienced declines in enrollment from California. One factor contributing to this is the increased number of in-state enrollment spaces available for Californians in the UC and Cal State systems. Additionally, students from California who choose to leave their home state are increasingly choosing colleges in the Southern US.

With yield declining in California, it is encouraging to see sustained enrollment from Texas and Illinois, which landed in the top five states for incoming students for the second consecutive year. Whitman's success in both states is tied to our work with partner organizations, including the Posse Foundation in Chicago (Whitman's first cohort of nine Posse Scholars enrolled this fall) and YES Prep in Houston (a network of charter schools that Whitman has long partnered with). Lower enrollment from Minnesota and Colorado, traditionally

Whitman's fourth and fifth most-represented states, continues to be cause for concern, especially in Colorado given the growing population there.

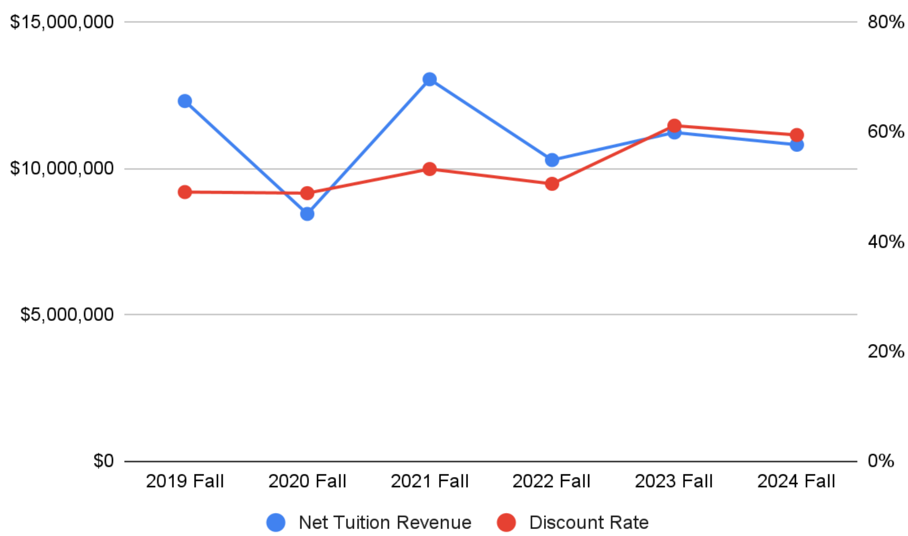
Breakdown of enrolling students by states with 10+ enrolling students

State	Fall 2021	Fall 2022	Fall 2023	Fall 2024
Washington	152	103	155	145
Oregon	51	36	43	49
California	86	64	78	40
Illinois	5	7	13	15
Texas	8	13	16	13
Colorado	25	21	10	12
Idaho	10	7	7	10
Minnesota	19	10	11	7

Financial aid and revenue

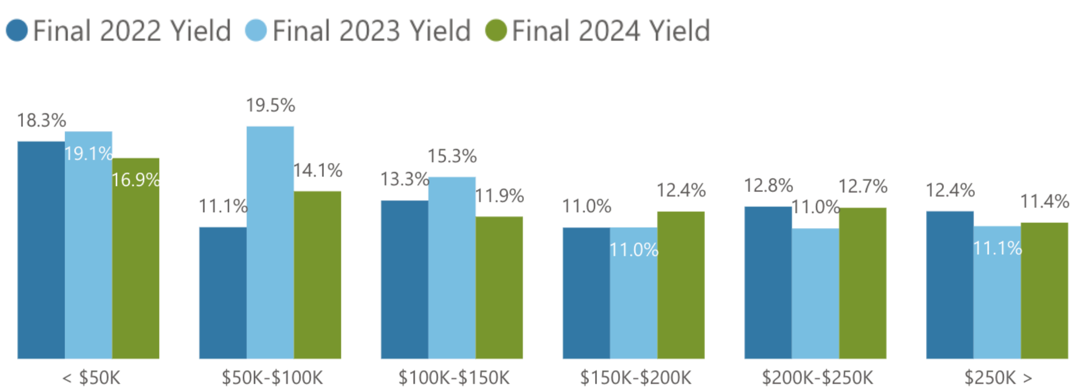
The FY25 budget included a target of 435 incoming students at a 61.5% discount rate, leading to a goal of $10.3M in net tuition revenue (NTR) from incoming students plus around $3M in additional revenue from room and board. Though enrollment of 419 incoming students fell slightly short of the goal, the lower discount rate (59.4%) led to $10.8M in NTR for incoming students, exceeding the goal by $500,000.

Incoming Students Net Tuition Revenue & Discount Rate



The primary drivers of Whitman's lower-than-expected discount rate were slightly better yield among students from higher income families combined with fewer enrolling students with high financial need, due to a combination of a decision to admit fewer high-need students and a slight drop in yield for that group after last year's unexpectedly high yield.

Yield by Household Income



Fall 2025 enrollment outlook

This is an important admission cycle for Whitman. We anticipate a large class of May 2025 graduates, so meeting or exceeding our target for incoming Fall 2025 students will be critical to avoid a larger than expected drop in total enrollment. Whitman's admission team is fully staffed and has been able to execute a fall recruitment plan focused on building a strong applicant pool that will set us up to admit a pool of students that will meet our enrollment goals.

At this point in the admission cycle our first application deadlines are still weeks away. After substantial application growth last year, this year total applications are flat at this early point of the admission cycle. However, Early Decision applications are up more than 50% at Whitman, which is especially notable because Early Decision applications are currently down slightly at other top liberal arts colleges. Ultimately it is far too early to know anything meaningful about the size or composition of this year's applicant pool.

While we are well-positioned to meet our enrollment goals, several challenges loom ahead. First, last year's botched rollout of the updated FAFSA (Free Application for Federal Student Aid) led to lower levels of financial aid application completion, and as a result, first-year college enrollment dropped by more than 5% nationwide. While Whitman will continued to be insulated from the direct impact of the FAFSA delays because we are able to use CSS Profile to provide timely and comprehensive financial aid offers to admitted students, any issues with the federal financial aid system cause broad disruption to the college decision-making process for students and families that can impact Whitman.

Another looming challenge is the competitive behavior we expect from other colleges, especially our peer liberal arts colleges in the Pacific Northwest. The nationwide drop in enrollment disproportionately affected small liberal arts colleges, and the Pacific Northwest saw especially large enrollment and tuition revenue shortfalls. We expect our closest liberal arts competitors in the region to use merit-based financial aid even more aggressively this year, which will put further pressure on Whitman among price-sensitive families.

Finally, the arrival of the Fall 2025 enrollment cycle puts colleges at the precipice of the "demographic cliff." Nationally, the number of high school graduates has now peaked after two decades of steady growth and will enter a period of decline for the next decade. The projected loss of 400,000 high school graduates over the next decade has added fuel to the competitive realities of student recruitment in recent years, and the arrival of the cliff will likely exacerbate the competitive recruitment environment.

Whitman began work with our data analytics and financial aid optimization partner, MARKETview, to adjust our merit aid strategy in response to the competitive pressures we face. Over the summer, our Marketview partners identified two groups with particularly suboptimal yield, and we will make focused increases in merit aid to improve outcomes with these groups.

The first group is students with an academic profile at or slightly below Whitman's median GPA (3.77) for incoming students. Whitman's approach to merit aid has historically focused on students in the top half of the incoming class. While this approach once worked well, likely because students with below average (by Whitman standards) GPAs felt fortunate to have been admitted to Whitman and were willing to pay a premium for a Whitman education, this mindset has shifted in recent years.Rapidly increasing competition for students, including much larger merit awards, calls for a shift in Whitman's approach.

For the Fall 2025 incoming class, we will increase the amount of Whitman's merit scholarship from $10,000 to $15,000 per year for students who fall into the 3.3-3.7 weighted GPA range (level 4 on Whitman's 5-level merit scholarship scale). We will also adjust the scholarship levels for students at the higher levels to avoid merit scholarship compression. These increases are projected to lead to 10-12 additional enrolled students compared to leaving those scholarship amounts unchanged from last year.

The second group MARKETview identified is students who applied for financial aid and qualify for need based aid, but have total financial need of less than $40,000. These families typically have income of $150,000-300,000 and no significant assets beyond their primary home, falling into the group of upper-middle income earners for whom the financial aid calculation of their ability to pay for college may not align with their actual willingness to pay. Last year Whitman yielded less than 5% of these students.

To address the perceived need of this group, for the next admission cycle Whitman will add a $10,000 Whitman Affordability Scholarship to their financial aid offer. This scholarship would stack on top of any merit scholarship the student receives, providing a substantial bump in their total scholarship amount that projects to improve our yield with this population and lead to 12-15 additional enrollments.

WHITMAN COLLEGE

RESOURCES COMMITTEE

Jeff Hamrick
Vice President for Finance and Administration
October 25, 2024

Faculty Compensation Report

The operating budget approved by the Board of Trustees for fiscal year 2025 features a 2.5% merit increase pool, as well as a 0.5% equity adjustments pool, for faculty members. In general, most faculty members saw a merit increase of approximately 2.0% effective for the September 2024 pay period; in other words, that pool supported cost of living increases. In general, the pool for equity adjustments is used by the Division of Academic Affairs to fund promotions and to address compression and inversion issues created by hiring in new faculty at salaries that are nationally competitive.

Every year, the college's Office of Institutional Research studies how Whitman's average salaries for full, associate, and assistant professor compare to similarly-situated institutions of higher learning. This list includes Colby College, Carleton College, Occidental College, Colorado College, Davidson College, Union College, Franklin and Marshall College, Reed College, Macalester College, Dickinson College, Kenyon College, and Rhodes College.

For fiscal year 2024, the average salary among full professors (n = 39) at Whitman College was $124,900. Similar statistics for associate professors (n = 59) and assistant professors (n = 20) were, respectively, $98,600 and $84,400.

The unfavorable gap between the college's average assistant professor salary and the median average assistant professor salary within the aforementioned peer group was 0.7%. That same unfavorable gap, analyzed for associate professors rather than assistant professors, was 1.9%.

For full professors, the unfavorable gap was wider, at 8.0%. However, Whitman College's population of full professors includes a number of individuals on salary continuation plans (SCPs). In general, these individuals have workloads that are reduced by approximately 80%, but with salaries that are only reduced by 50%. Because many of the college's peer institutions do **not** have salary continuation plans available for their full professors nearing retirement age, there is a classic "apples to oranges" comparison problem between the salaries of Whitman College full professors and the full professors at similarly-situated institutions of higher learning. Note that full professors on SCPs **are removed** from the calculations for the average full professor salary. However, one can argue that the existence of Whitman College's salary continuation plan encourages full professors to retire earlier than they otherwise would, **naturally biasing the average full professor salary statistics downwards**. So, the apparent unfavorable gap of 8.0% for full professors must be taken with a pinch of salt.

Fundamentally, the President's Cabinet recognizes that, even as rates of inflation continue, faculty salary increases have not kept pace with inflation over the past several years. It also recognizes that faculty-student partnerships form the heart and soul of the college's curricular enterprise, and that maintaining a robust program of compensation for faculty members is essential to the college's future. For that reason, faculty salary increases will factor heavily into management's recommendations related to the formation of the college's fiscal year 2025 operating budget.

Comparative Salary Data: Assistant Professors

	2021-22		2022-23		2023-24	
School	**N**	**Average**	**N**	**Average**	**N**	**Average**
Carleton	47	89,300	49	92,700	46	98,200
Colby	76	89,800	82	93,800	87	96,300
Colorado	65	86,300	54	87,700	58	92,600
Davidson	46	83,200	46	85,900	56	91,200
Reed	16	80,100	25	83,200	26	89,900
Occidental	28	88,100	30	90,800	41	89,700
F + M	39	82,100	26	83,400	28	85,000
Union	29	79,000	38	84,000	32	84,600
Macalester	33	81,000	34	82,900	40	84,500
Whitman	21	76,800	17	82,600	20	84,400
Dickinson	48	78,700	56	81,900	57	84,200
Kenyon	61	70,100	58	72,400	57	73,600
Rhodes	68	64,100	32	66,500	40	69,800

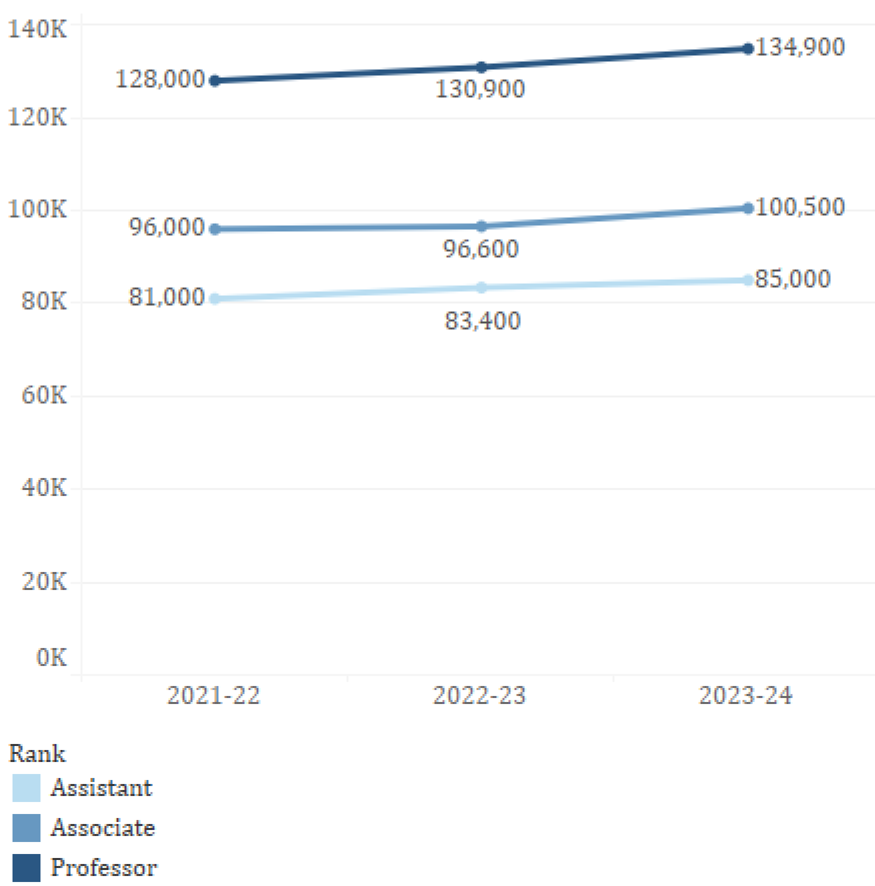
Comparative Salary Data: Associate Professors

	2021-22		2022-23		2023-24	
School	**N**	**Average**	**N**	**Average**	**N**	**Average**
Carleton	51	107,900	46	114,600	45	121,100
Colby	62	108,700	64	115,100	69	117,800
Colorado	62	104,900	72	106,300	72	113,300
Occidental	47	105,100	44	108,200	39	113,000
Davidson	43	102,500	46	105,700	49	111,100
Union	61	98,500	54	105,300	55	106,600
Macalester	44	96,000	45	96,100	46	100,500
Reed	40	94,000	26	95,400	28	99,600
Whitman	60	89,300	60	95,500	59	98,600
F + M	71	96,000	68	96,600	67	96,900
Kenyon	51	82,200	53	91,700	53	95,900
Dickinson	82	88,600	82	90,400	78	92,600
Rhodes	76	82,700	58	84,400	79	86,200

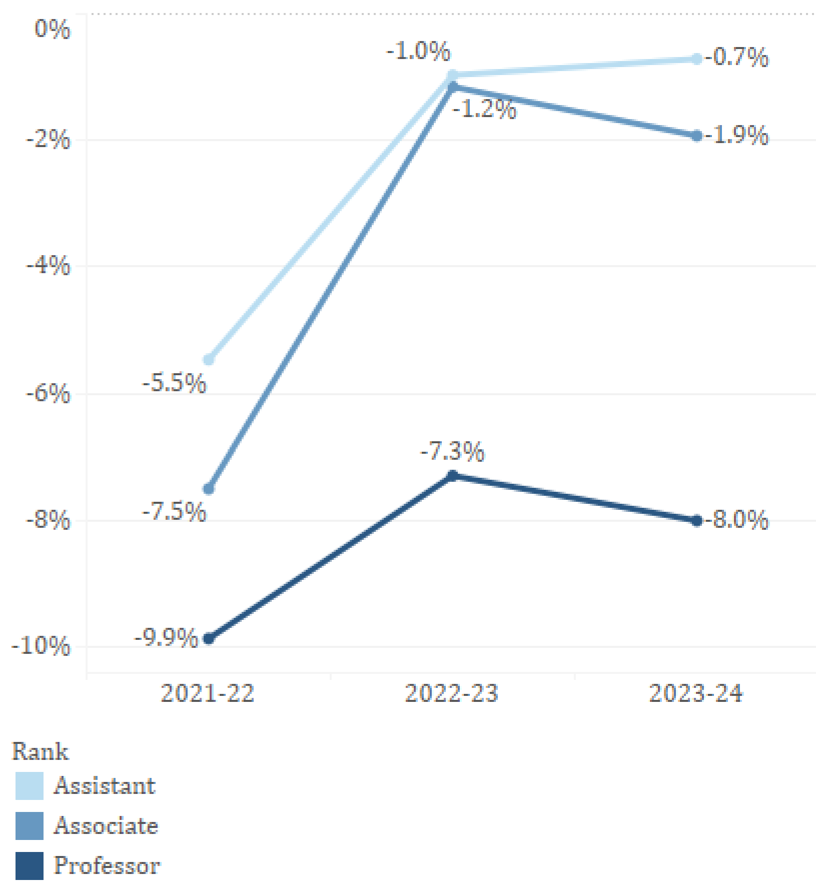
Comparative Salary Data: Professors

	2021-22		2022-23		2023-24	
School	N	Average	N	Average	N	Average
Colby	64	149,100	55	155,800	55	161,800
Davidson	81	141,200	82	147,500	83	153,000
Carleton	104	139,900	111	148,500	105	150,200
Colorado	61	140,100	60	142,300	60	149,800
Occidental	66	136,300	64	142,900	63	146,100
Union	82	133,000	78	138,300	77	140,200
Macalester	78	127,800	77	130,900	77	134,900
Reed	82	128,000	84	129,000	76	134,100
Whitman	43	116,500	44	122,000	39	124,900
F + M	76	120,800	78	122,100	78	121,400
Dickinson	58	111,300	57	112,300	57	115,900
Kenyon	69	99,300	65	109,900	65	114,700
Rhodes	37	105,800	74	102,900	43	104,000

Analytic Panel: Median Salaries 2021-22 to 2023-24



Analytic Panel: Whitman % Difference from Median



WHITMAN COLLEGE

RESOURCES COMMITTEE

Jeff Hamrick
Vice President for Finance and Administration
October 25, 2024

Staff Compensation Report

This report presents a history of staff salary increases, as well as an analysis of staff salaries relative to recent market data. The compensation ratio is used for this analysis; it is defined as the current salary for a position as a percentage of market data (i.e., the median) for similar positions. Recent staff merit and equity increase pools at the college have been as follows:

Year	Total salary budget increase	Merit increase pool	Equity increase pool
7/2014	**3.0%**	**1.5%**	**1.5%**
7/2015	**3.5%**	**2.0%**	**1.5%**
7/2016	**3.0%**	**2.0%**	**1.0%**
7/2017	**2.25%**	**2.0%**	**0.25%**
7/2018	**2.25%**	**2.0%**	**0.25%**
7/2019	**4.50%**	**3.0%**	**1.5%**
7/2020	**Salary Reduction**	**N/A**	**N/A**
7/2021	**Salaries restored to 2019 levels**	**N/A**	**N/A**
7/2022	**6.5%**	**Graduated equity**	**N/A**
7/2023	**4.0%**	**3.0%**	**1.0%**
7/2024	**2.5%**	**2.0%**	**0.5%**

Recent History of Staff Compensation Increases. For fiscal year 2025, the Board of Trustees approved a staff salary increase budget of 2.5%. After reviewing current market conditions, several trends were identified.

- The State of Washington's minimum wage continued to rise significantly. The minimum wage increased 3.5% in January 2024 and has increased by 20.6% between 2020 and 2024.

- Local compensation trends continued to challenge the college to build local applicant pools and offer competitive salaries, particularly for skilled trades, administrative, and entry-level positions.

- Wage compression for mid-level positions also continued to challenge the college, as proportionately more resources have been directed towards addressing lower compensation levels in recent years.

- Last year, the college was fortunate that no additional positions were reclassified to nonexempt status. Currently, nonexempt employees constitute approximately 73% of staff positions. Come January 2025, the Office of Human Resources estimates that 82% of staff will be non-exempt. The State of Washington exempt salary threshold will continue to redefine the work of the college's mid-level and director-level professionals. This phenomenon either creates new wage expenses driven by the State of Washington's wage and hour rules — including overtime and travel pay — and/or necessitates supervisors carefully managing how staff accomplish their work in a 40-hour work week to avoid overtime compensation. A third option would be hiring additional staff, but this option is not feasible in the current budgetary environment.

- The lowest starting salary for a regular employee at Whitman College was raised to $18.06/hour. As of January 2025, the minimum wage will be $16.66/hour. It is important to note that the majority of student employees are paid minimum wage for their work on campus.

Allocation of the Staff Compensation Increase pool for Fiscal Year 2025. For the staff salary review leading into fiscal year 2025, members of the President's Cabinet generally awarded staff a merit-based increase of 2%. An additional 0.5% was set aside to address the most significant equity and promotion needs across staff positions. Examples of areas touched by equity adjustments include the following:

- Staff who were below 90% of the median of their matched position in CUPA-HR (College and University Professionals in Human Resources) were given equity increases to get them closer to 90%, or all the way up to 90% of the median.

- Assistant coaches, assistant athletic trainers, custodians, landscape assistants, and security officers were given equity increases due to lagging salaries in the CUPA-HR data set or using information from local markets.

- A few staff received increases due to promotions.

Market Survey Data. The college can match about 85% of all staff positions to comparative positions through CUPA-HR (College and University Professionals in Human Resources) compensation surveys, filtered for our peer group (i.e., the Panel of 19). The other 15% are not matched because CUPA-HR does not offer data for those positions. Our peer group for the fiscal year 2025 review includes: Bowdoin College, Carleton College, Colby College, Colorado College, Davidson College, Dickinson College, Franklin and Marshall College, Kenyon College, Lewis and Clark College, Macalester College, Middlebury College, Occidental College, Pomona College, Reed College, Rhodes College, Union College, University of Puget Sound, and Willamette University.

CUPA-HR survey data is based on salaries as of October 2023. Whitman data is based on salaries as of July 1, 2024. Hence, there is a lagging effect, i.e., the college is comparing its salaries for the forthcoming year to salaries at similar institutions from the previous year. While all positions are subject to an annual salary review, we use these matched positions to assess the college's position relative to the external market.

Cumulative Staff Compensation Ratios. A reminder that the compensation ratio is the college's median salary as a percentage of the median salary for a matched position from CUPA-HR survey data, or survey data generated from sources in the region.

EXEMPT	**July 2017**	**July 2018**	**July 2019*****	**July 2020**	**July 2021**	**July 2022**	**July 2023**	**July 2024**
Compensation ratio of all exempt positions*	96.4%	99.0%	94.8%	Salary freeze & reductions	93.22%	95.6%	95.8%	94.2%

NON-EXEMPT	**July 2017**	**July 2018**	**July 2019*****	**July 2020**	**July 2021**	**July 2022**	**July 2023**	**July 2024**
Compensation ratio of all non-exempt positions**	102.6%	103.01%	94.14%	n/a	95.21%	98.1%	96.8%	94.8%

*The median is calculated from the individual salaries of all the matched positions, i.e., those salaries above, below, and at the market target. The exempt compensation ratio excludes members of the President's Cabinet.
** In 2019, the target was redefined to 100% of the median. For prior years, the target was 90% of the median. The rationale for this change, which was approved by the Resources Committee of the Board of Trustees, was the rising cost of living in the Walla Walla region relative to the regions where the college's peers are located.

Local Market Forces Continue to Impact Competitive Salaries. Because of local market pressures, the college also conducts a local compensation survey of other employers in the Walla Walla region. The survey covers eleven common positions in the region, such as custodian, payroll coordinator, executive assistant, landscape technician, and security officer. The salaries for many of these positions are impacted by the rising minimum wage in the State of Washington. While the primary compensation analysis we use is based on national CUPA-HR data from peer institutions, this secondary analysis allows a comparison more closely focused on the Walla Walla region.

The State of Washington's minimum wage is driving compensation increases greater than our panel of peer institutions. For example, the Whitman average for a custodial position is 105% of CUPA-HR median for custodians, but only 93% of the local survey data, making the comparison to the local median 12% lower than the markets of our peer institutions. This phenomenon suggests that hiring competitively in our local market may require more attention to local wages than suggested by the CUPA-HR wage data. Similar trends are recognized in several job groups with local recruiting pools:

Benchmark positions	Whitman median hourly wage	CUPA-HR median hourly wage	CUPA-HR compensation ratio	Walla Walla local survey median hourly wage	Walla Walla compensation ratio
Custodian	$18.51	$17.83	105%	$20.28	92.6%
Security officers	$20.37	$20.73	98.5%	$23.65	86.4%
Landscape assistants	$20.00	$21.22	93.7%	$25.84	76.9%

For some of these positions — e.g., landscape assistants — the college competes directly with the local wine industry. For most of the remaining positions — e.g., custodians — the college competes with local government and the local school district.

Fiscal Year 2026 Prospective Challenges

- The State of Washington's minimum wage will continue to increase relative to the Bureau of Labor Statistics Consumer Price Index for urban wage earners and clerical workers. Beginning January 2025, minimum wage will be $16.66. It is likely the annual CPI (inflation) may exceed the staff salary increase for 2024-25 and minimum wage may encroach on the hourly rates for positions with lower hourly pay rates.

- Student employee wages will continue to create additional wage compression issues for the college's staff.

- Growing worker shortages require attention to increased competitive total compensation — i.e., both salary and benefits — in order to promote successful recruitment and retention.

- The State of Washington's exempt salary threshold will increase to $77,768.80 in January 2025. Consequently, approximately 19 employees will become non-exempt, making about 82% of the college's entire staff workforce non-exempt. The threshold will continue to increase at least yearly through calendar year 2028 to a projected threshold of $92,560. In theory, this threshold will be linked to minimum wage increases after 2028, though action by the State of Washington's legislature could further extend, amplify, or otherwise modify the regulatory environment.

Conclusions. These issues portend a continuing challenging context for the college in terms of hiring, retaining, and engaging employees. Wage compression caused by minimum wage increases, competitive wage growth in local wage markets, and an ongoing shortage of workers due to alternative employment opportunities, retirements, and lifestyle changes continue to be the college's current reality.

In a recent study released by Mercer, the college learned that employers are planning to budget for 3.3% merit increases and for 3.6% total compensation increases for non-unionized employees for fiscal year 2026. Additionally, they are planning to promote just under 10% of employees. The college currently does not have a well-defined mechanism for making internal staff promotions; nor does it set aside a small amount that is separate from the staff merit and equity increase pools to support this purpose. In contrast, for faculty salaries, the Office of the Provost generally first calculates what is needed to honor the increases for faculty who are up for promotion, and then remaining funds are allocated to the remaining faculty, with some attention being given to issues of compression and inversion among faculty in the same departments and/or programs.