

**BUDGET ADVISORY COMMITTEE
FEBRUARY 15, 2018**

- 1. PRESIDENT MURRAY'S ANNOUNCEMENT 2018/2019 BUDGET**
- 2. TRUSTEE BUDGET REPORT**

Dear Whitman students,

I write to you to share important information about expenses for the upcoming academic year. I am sharing this news with your parents and guardians, too.

As we develop Whitman's budget, we involve students, faculty and staff in the process. As always, we focused our attention on areas critical to student learning while containing costs. The 2018-19 budget was approved by the Board of Trustees earlier this month. Tuition for 2018-19 will be \$51,370. Standard annual room and board charges total \$13,174. The Associated Students of Whitman College fee will be \$394. If you receive need-based financial aid, we will evaluate your financial aid package based on these increases and make adjustments as applicable.

Those of us who lead the college work hard to find an appropriate balance among being aspirational (in terms of programs, services and capital projects); taking care of the people who make up the Whitman community (through financial aid, salaries and benefits); and ensuring that increases to tuition and fees remain as minimal as possible.

Next year's budget will allow us to increase accessibility through financial aid so more people of all financial means can attend Whitman. We will also be able to provide merit increases of 2.25% for faculty and staff. There is an additional pool of money for promotions for faculty and equity adjustments for staff. Most importantly, the budget keeps us on solid financial ground and strengthens the College for years to come.

Top of mind during the 2018-19 budgeting process were our priorities as outlined in our strategic planning process: increasing access and diversity, building on our excellent academic programs, strengthening our connection to the Walla Walla community and our region, and placing new emphasis on how students connect their Whitman experience to a successful life after Whitman.

As the strategic planning working groups solidify their ideas for implementation and tactics emerge, I am more energized than ever for what is ahead for Whitman College. I look forward to working together with the entire Whitman community to move this special institution forward in new and exciting ways.

You can find more information on the budget as well as material from the meetings of the Budget Advisory Committee on our website at <https://www.whitman.edu/office-of-the-cfo/presidents-budget-advisory-committee>.

Sincerely,

Kathy Murray
President

Approval of 2018 - 2019 Proposed Budget

Action Item: Recommend approval of 2018-2019 budget

BUDGET BUILDING PROCESS

The budget building process begins in the summer with a retreat of the president's cabinet. This summer, the cabinet focused on strategies to reallocate existing resources and grow revenues given projected operating deficits because of lower than expected enrollments, and growing financial aid costs to support our access and affordability priorities in the strategic imperatives.

In addition to the cabinet identifying over \$3M in reallocation opportunities, the cabinet asked all departments to look for other opportunities to reallocate resources within their budgets before requesting new funds. The cabinet supported \$153,000 of department proposed reallocations to support higher priorities (on top of the \$3M identified by the cabinet). The cabinet also supported \$1,093,000 of new expenses, \$700,000 of which is to service the new debt related to the Living at Whitman Initiative. All departments were restrained in their requests and supportive of our goals to enhance financial aid to support our students. The \$3M in cabinet identified reallocations funds most of the \$3.9M increase in financial aid support.

The proposed budget for 2018-2019 is recommended by the president's cabinet and reflects the input of the on-campus budget advisory committee. The budget is consistent with the planning assumptions approved by the trustees in November.

FOLLOWING ARE THE KEY BUDGET PARAMETERS FOR THE PROPOSED 2018-2019 BUDGET:

	<u>2017-2018</u>	<u>Proposed 2018-2019</u>
Budgeted enrollment (10 students = \$303,000)	1500	1504
Target first year & transfer students	435 FTE	425 FTE
Enrollment contingency	\$1,335,000	\$1,335,000
Tuition increase (1% = \$446,000)	4.0%	4.0%
Tuition discount (excluding federal support) (.50% = \$388,000)	36.25%	39.90%
Target first year & transfer discount rate (.50% = \$107,000)	37.0%	41.0%
Gross tuition	\$49,390	\$51,370
Budgeted net tuition	\$31,495	\$30,882
Endowment payout	5.0%	5.0%
	\$24,336,000	\$24,448,000
Annual fund gifts	\$1,350,000	\$1,650,000
Life cycle contributions	(.73%) \$2,725,000	(.59%) \$2,462,000
Merit salary pool for faculty (1% = \$230,000)	2.25%	2.25%
Promotion salary pool for faculty		\$62,000
Merit salary pool for staff (1% = \$250,000)	2.25%	2.25%
Equity/promotion salary pool for staff		\$50,000
Fringe benefit rate (.50% = \$178,000)	39.0%	39.0%
Room increase (1% = \$46,000)	3.0%	3.0%
Board increase (1% = \$50,000)	7.0%	7.0%
Reallocations	\$851,000	\$3,195,000

REALLOCATION OF RESOURCES AND REVENUE ENHANCEMENTS

The reallocations are the same as was proposed in November with the addition of another \$153,000 identified by departments:

Restricted endowment offsets	\$294,000
Facilities and equipment	1,118,000
Faculty compensation	705,000
OPE	275,000
Off-campus studies program fees	150,000
Revenue enhancements (summer conferences, investment income, annual fund gifts, residence life contributions to life cycle)	500,000
Department budget reallocations	<u>153,000</u>
	\$3,195,000

BUDGET INCREASES

Most budgets remained unchanged. A few were decreased and reallocated to higher priorities. The following received increases:

Debt service in support of the Living at Whitman Initiative	\$700,000
Varsity athletics travel (in supporting 1 student/1 bed goal)	41,000
Title IX external investigators	40,000
Plant general maintenance position (support new buildings)	40,000
Increased hours for Human Resources assistant	8,000
Other physical plant operating expenses	6,000
Greenhouse gas offsets (achieves 100% electricity & natural gas offset)	6,000
Liability insurance	50,000
Admissions recruitment materials	41,000
IT license fees (Diligent, staff training, miscellaneous)	29,000
Development and Alumni outreach	92,000
Intercultural Center and international student support	15,000
Support increased student wages for ASWC leadership positions (ASWC is contributing \$70,000 toward this goal)	25,000
Total	\$1,093,000

OTHER HIGHLIGHTS OF PROPOSED BUDGET

Enrollment and Contingencies

The proposed budget lowers targeted first-year and transfer students from 435 to 425. The lower goal is more realistic given recent experience. If the college can hit this target consistently, total enrollment would grow from projected 1504 next year to 1540-1550 FTE over the next several years.

The enrollment contingency remains unchanged at \$1,335,000 (almost 3% of net tuition revenue). This contingency will cover a 43 FTE student shortfall or a 1.7% increase in the overall discount rate. The college also has a \$2M enrollment reserve to cover a more significant shortfall.

Tuition Increase and Discount Rate

The proposed budget includes a 4% tuition increase and targets a 41% first-year and transfer discount rate. It is anticipated this increase will be consistent with or slightly higher than that of the panel of 19 peer schools. This is consistent with the tuition pricing strategy presented last year: raise tuition at the high end of the range of peer schools and direct the additional funds to scholarships in support of the college's access goals. The cabinet believes this strategy still appropriate at this time, but recognizes it may change with the implementation of the new strategic imperatives.

Since the November meeting, the college has worked with our financial aid consultant to model various financial aid strategies to best achieve our enrollment goals. Josh Jensen has a separate report, which summarizes the changes made to merit aid and his current thinking on our tuition pricing strategy. The modeling, based off last year's applicant pool, indicates a 41% discount rate is needed to achieve our enrollment goals. The modeling will be updated based off this year's applicant pool prior to admitting next year's class.

Endowment Payout

The proposed budget continues the endowment payout rate of 5% of a trailing three-year average. The increase in endowment support to operations for next year is \$111,000.

Other Revenue Sources

Annual fund gifts are increasing \$300,000 as part of the fundraising strategy of growing annual fund gifts to support current scholarship. Investment income is increasing \$175,000 due to rising short-term interest rates on operating cash.

Room charges are increasing 3%. Board charges are increasing 7% again due to a significant increase in the Washington State minimum wage. The state mandated minimum wage will continue to increase significantly for two more years.

Salary Pool

The cabinet recommends merit pools and an additional equity/promotion pool for both faculty and staff. The promotion pool for faculty supports an additional 5% raise on top of merit for those faculty members receiving promotions in rank. The equity pool for staff addresses compression issues (due to rising minimum wage) for the lowest paid staff and provides funds to address areas where staff salaries are significantly under market.

The faculty salary pool increase is calculated after reducing the current salary pool by the \$705,000 reallocation. Faculty and staff salary pools change as follows:

	<u>2017 - 2018</u>	<u>2018 -2019</u>
Tenure track faculty	\$13,147,000	\$12,986,000
Non-tenure track faculty/contingency	<u>4,132,000</u>	<u>4,024,000</u>
Total Faculty	\$17,279,000	\$17,010,000
Staff	\$18,009,000	\$18,553,000

OTHER INITIATIVES

Strengthening Admissions

For the second consecutive year, President Murray is funding out of her contingency a pilot program to purchase 30,000 additional names in the college search process. In addition, the college is paying a fee to a listing service to have Whitman's name appear on online college search and scholarship service web sites. The combined costs of these efforts is \$40,000 a year. After next year, the college will assess the effectiveness of these efforts and evaluate providing ongoing funding.

Enhanced Counseling Services

The college has just received a \$1.5M endowment gift to add a new position in the counseling center focused on drug and alcohol addictions. The donor also gave a current fund gift to enable the position to start the summer of 2018 since the endowment will not begin paying out until the summer of 2019.

W Club Support for Varsity Athletics

The W Club is continuing to raise \$81,000 a year, which funds the majority of the salaries of eight assistant coaches. Funding is committed through at least 2021.

Conclusion

This budget reflects a major reallocation of existing resources toward financial aid budgets in support of the college's top strategic priority of increasing access and affordability. The financial aid budget is increasing by over \$3.9M. Merit salary pools of 2.25% plus modest promotion/equity pools are vital to attracting and retaining quality faculty and staff. Additional debt service of \$700,000 fully funds the debt associated with the Living at Whitman Initiative. This initiative is a major step forward in building community, another key strategic priority. There are minimal increases in other operating budgets. The budget model shows that if the college hits our enrollment goals, there will be more resources available in the out years to support the emerging priorities being developed by the strategic imperatives working groups.

Whitman College Budget Report

	2016/17 Approved Budget	% Total	2017/18 Approved Budget	% Total	2018/19 Proposed Budget	% Total
CURRENT FUND SOURCES						
Full-time equivalent students	1,540		1,500		1,504	
Annual tuition charge	47,490		49,390		51,370	
Annual tuition increase	3.75%		4.00%		4.00%	
Discount rate	36.80%		36.25%		39.90%	
TUITION & FEES	73,134,600		74,102,886		77,281,006	
LESS UNRESTRICTED FINANCIAL AID	(18,813,134)		(18,461,759)		(22,229,830)	
LESS RESTRICTED FINANCIAL AID	(8,122,339)		(8,398,835)		(8,604,630)	
SUBTOTAL INSTITUTIONAL AID	<u>(26,935,473)</u>		<u>(26,860,594)</u>		<u>(30,834,460)</u>	
NET TUITION REVENUE	46,199,127	62%	47,242,292	62%	46,446,546	61%
INSTRUCTIONAL FEES	389,727	1%	396,795	1%	402,391	1%
ANNUAL FUND GIFTS	1,150,000	2%	1,350,000	2%	1,650,000	2%
FEDERAL FINANCIAL AID	340,000	0%	330,000	0%	330,000	0%
ENDOWMENT INCOME	23,621,762	32%	24,336,634	32%	24,447,951	32%
INVESTMENT INCOME	25,000	0%	25,000	0%	200,000	0%
MISCELLANEOUS INCOME	230,000	0%	230,000	0%	230,000	0%
ASWC FEES	535,600	1%	550,680	1%	567,200	1%
SPONSORED PROGRAMS	450,000	1%	425,000	1%	425,000	1%
AUXILIARY TRANSFER	1,004,000	1%	1,004,000	1%	1,029,000	1%
SUBTOTAL EDUCATION & GENERAL	<u>73,945,216</u>	<u>100%</u>	<u>75,890,401</u>	<u>100%</u>	<u>75,728,088</u>	<u>100%</u>
RESIDENCE HALLS	4,393,062	40%	4,550,000	40%	4,640,000	40%
FOOD SERVICE	4,646,920	43%	4,980,000	44%	5,250,000	45%
BOOKSTORE	1,192,810	11%	1,050,000	9%	1,020,000	9%
OTHER AUXILIARY	689,191	6%	710,000	6%	750,000	6%
SUBTOTAL AUXILIARY	<u>10,921,983</u>	<u>100%</u>	<u>11,290,000</u>	<u>100%</u>	<u>11,660,000</u>	<u>100%</u>
TOTAL CURRENT FUND SOURCES	<u>84,867,199</u>		<u>87,180,401</u>		<u>87,388,088</u>	

Whitman College Budget Report

	2016/17 Approved Budget	% Total	2017/18 Approved Budget	% Total	2018/19 Proposed Budget	% Total
CURRENT FUND USES						
Faculty salary change		3.00%		2.25%		2.25%
Staff salary change		3.00%		2.25%		2.25%
Fringe benefit rate - OPE		35.50%		39.00%		39.00%
INSTRUCTION	28,723,576	41%	29,841,589	41%	29,380,018	40%
ACADEMIC SUPPORT	9,503,853	14%	9,809,399	14%	9,615,440	13%
SPONSORED PROGRAMS	455,315	1%	430,744	1%	430,816	1%
STUDENT SERVICES	9,799,746	14%	10,292,432	14%	10,483,880	14%
INSTITUTIONAL SUPPORT	12,087,584	17%	12,128,782	17%	12,692,608	17%
PHYSICAL PLANT	9,234,422	13%	9,758,455	13%	9,978,966	14%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>69,984,496</u>	<u>100%</u>	<u>72,441,401</u>	<u>100%</u>	<u>72,761,728</u>	<u>100%</u>
RESIDENCE HALLS	3,885,062	38%	4,027,000	38%	3,900,000	36%
FOOD SERVICE	4,566,640	44%	4,897,000	46%	5,164,510	48%
BOOKSTORE	1,187,810	12%	1,045,000	10%	1,014,850	9%
OTHER AUXILIARY	689,191	7%	710,000	7%	750,000	7%
SUBTOTAL AUXILIARY	<u>10,328,703</u>	<u>100%</u>	<u>10,679,000</u>	<u>100%</u>	<u>10,829,360</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>80,313,199</u>		<u>83,120,401</u>		<u>83,591,088</u>	
CAMPUS REPLACEMENT RESERVE	2,225,720	79%	2,114,000	78%	1,631,360	66%
AUXILIARY REPLACEMENT RESERVE	593,280	21%	611,000	22%	830,640	34%
SUBTOTAL REPLACEMENT RESERVE	<u>2,819,000</u>	<u>100%</u>	<u>2,725,000</u>	<u>100%</u>	<u>2,462,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>1,735,000</u>		<u>1,335,000</u>		<u>1,335,000</u>	
TOTAL CURRENT FUND USES	<u>84,867,199</u>		<u>87,180,401</u>		<u>87,388,088</u>	
NET SOURCES / (USES)	<u>0</u>		<u>0</u>		<u>0</u>	