

Dear Whitman students,

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

The college's 2019-20 budget was approved by the Board of Trustees at its February meeting. As part of that process, the trustees approved a modest tuition increase for the 2019-20 academic year. Tuition for the coming year will be \$53,420. Standard annual room and board charges will total \$13,512. The Associated Students of Whitman College fee will be \$400. If you receive need-based financial aid, we will evaluate your financial aid package based on these new numbers and make any necessary adjustments.

Increasing access and diversity on our campus continues to be a top priority. Next year's budget includes an additional \$3 million for financial aid. This is important progress toward our goal of eventually meeting the full financial need of every student who is admitted. No student should feel like a Whitman education is beyond their reach.

Access and affordability is just one of the strategic priorities that continues to guide how we allocate our financial resources. With those priorities in mind, we will continue to focus on increasing diversity on campus, building on our already strong academic programs, assisting students as they transition from their life on campus to a successful life after Whitman, and strengthening our connection to our surrounding communities.

Part of this year's budget will provide salary increases of 3 percent so that we can attract and retain the best possible faculty and staff. There is an additional pool of money for promotions for faculty and equity adjustments for staff. Most importantly, our budget plan for 2019-20 academic year keeps us on strong financial grounds that will benefit future generations of Whitman students.

Whitman's final budget each year is the result of a team effort, developed with the involvement of students, faculty and staff who serve on the Budget Advisory Committee. The committee is charged with advising the college in developing a budget that reflects the college's top priorities while maintaining a balance between affordability and strength in the higher education marketplace. 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/chief-financial-officer/presidents-budget-advisory-committee>.

We have many exciting things to look forward to at Whitman. I look forward to working together as a community to build Whitman's future.

Sincerely,

Kathleen M. Murray
President

Helen Kim, Interim VP for Diversity and Inclusion
Peter Harvey, Chief Financial Officer

Approval of 2019 - 2020 Proposed Budget

Action Item: **Recommend approval of 2019-2020 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 and tactics in support of the strategic plan and preparing to launch a capital campaign.

In evaluating how best to make progress on strategic priorities, the cabinet prioritized staffing and infrastructure support needed to advance priorities, for which gift support is less likely. For example, the cabinet is proposing a second career counselling position in the SEC as donors are less likely to endow staff positions. The proposed budget does not include additional funds for paid internships with the hope donors will endow more internships. The financial aid budget includes increasing funding to reduce gapping of the incoming class by one-third, as a pilot program, with the hope that the campaign will raise new funds to endow fully meeting demonstrated need for all students.

The cabinet also worked with department heads to identify \$900,000 in reallocating existing funds and growing non-student revenues to support strategic priorities.

The proposed budget for 2019-2020 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, with the exception that the proposed increase in board rates is less than the range approved.

FOLLOWING ARE THE KEY BUDGET PARAMETERS FOR THE PROPOSED 2019-2020 BUDGET:

	<u>2018-2019</u>	<u>Proposed 2019-2020</u>
Budgeted enrollment (10 students = \$298,000)	1504	1540
Target first year & transfer students	425 FTE	425 FTE
Enrollment contingency	\$1,335,000	\$1,680,000
Tuition increase (1% = \$474,000)	4.0%	4.0%
Tuition discount (excluding federal support) (.50% = \$413,000)	39.90%	40.81%
Target first year & transfer discount rate (.50% = \$110,000)	41.0%	43.50%
Gross tuition	\$51,370	\$53,420
Budgeted net tuition	\$30,882	\$31,621
Endowment payout	5.0%	5.0%
	\$24,448,000	\$25,467,600
Annual fund gifts	\$1,650,000	\$1,850,000
Life cycle contributions	(.59%) \$2,462,000	(.59%) \$2,502,000
Merit salary pool for faculty (1% = \$230,000)	2.25%	3.0%
Promotion salary pool for faculty	\$62,000	0.5%
Merit salary pool for staff (1% = \$240,000)	2.25%	3.0%
Equity/promotion salary pool for staff	\$50,000	1.5%
Fringe benefit rate (.50% = \$178,000)	39.0%	39.0%
Room increase (1% = \$47,000)	3.0%	3.0%
Board increase (1% = \$53,000)	7.0%	3.0%
Reallocations & growing non-student revenue	\$3,195,000	\$903,700

HIGHLIGHTS OF PROPOSED BUDGET

Tuition Increase and Discount Rate

The proposed budget includes a 4% tuition increase and targets a 43.5% first-year and transfer student discount rate. It is anticipated this tuition 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 is still appropriate at this time, but recognizes it is likely not sustainable long term.

Enrollment and Contingencies

The proposed budget keeps the targeted first-year and transfer students class at 425 students. If the college can hit this target consistently, total enrollment should fluctuate between 1540 and 1550 FTE. The budget model estimates enrollment will be 1547 next year, but then 1543 the year after. For budget consistency we intend to budget at a steady 1540 enrollment going forward.

The enrollment contingency has been increased from \$1,335,000 to \$1,680,000. As noted in the budget model analysis, this increased contingency will be reduced in 2020-2021 fiscal year to help offset anticipated increased financial aid costs associated with the college's access and affordability goals.

Endowment Payout

The proposed budget continues the endowment payout rate of 5% of a trailing three-year average. This formula is consistent with the majority of our peers. The Investment Committee is reviewing the formula to ensure it is still appropriate.

Other Revenue Sources

Annual fund gifts are increasing \$200,000 as part of the fundraising strategy of growing annual fund gifts to support current scholarship. Investment income is increasing \$200,000 due to rising short-term interest rates on operating cash.

Room and board charges are increasing 3%. At the November meeting the committee approved a 4%-5% range for board because of the continued rising minimum wages in the state of Washington. Staff believe a 3% increase is all that is needed at this time.

Salary Pools

The cabinet recommends a 3.0% merit pool for both faculty and staff and an equity/promotion pool of 0.5% for faculty and 1.5% for staff. As was reported in November, the college is falling behind peers in both faculty and staff compensation. The equity/promotion pool for faculty supports an additional 5% raise on top of merit for those faculty members receiving promotions in rank. The equity/promotion 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.

BUDGET INCREASES

The cabinet worked closely with department heads and the budget advisory committee to focus budget increases on the strategic priorities:

- ❖ Preparing for a capital campaign:
 - adding three new staff positions and increasing travel budgets
- ❖ Increasing access and affordability:
 - reducing gapping for incoming students by one-third and increasing student wages
- ❖ Strengthening our Learning and Living communities:
 - increased off-campus studies program fees to support high participation
 - additional staff for proctoring exams
 - athletics support, student activities support, human resources support
- ❖ Connecting to Life After Whitman:
 - increased staffing and operating budget support for the student engagement center

Preparing for Capital Campaign:

Director of Major Gifts	\$125,000
Associate Director of Prospect Management	65,000
Administrative Assistant	35,000
OPE on positions	88,000
Travel and professional development support	43,000
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	\$356,000

Increasing Access and Affordability:

Increased financial aid budget	\$2,700,000
Increased student wage budgets	48,000
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	\$2,748,000

Strengthening our Learning and Living Communities:

.50 testing coordinator	\$19,600
OPE	7,600
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	\$27,200
Academic supplies and service contracts	\$19,800
Off Campus Studies program fees	\$202,000
Athletics:	
Third trainer	\$42,000
OPE	16,000
Travel & recruitment budgets	24,000
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	\$82,000

Student Affairs support for programs:

Opening week, sophomore programs, OP programs, other student assistance \$46,500

Building an Inclusive Community:

HR Generalist for recruitment, onboarding, training \$60,000

OPE 23,400

Operating budget support for inclusion and diversity programs 45,500

\$128,900

Total Learning and Living Communities: 506,400

Connecting to Life After Whitman:

Second career counsellor in SEC \$55,000

Increased hours school mentoring program 21,700

OPE 29,900

SEC operating support 6,000

\$112,600

Compensation Increases:

Faculty & staff compensation pools \$1,438,000

OPE 561,000

\$1,999,000

Other Increases:

Liability and athletic insurance \$210,000

CFO departments operating budgets 20,400

Admission recruitment and travel 68,000

Information and Technology Services contracts & life cycle replacement budgets 105,000

Subtotal \$403,400

Reallocation of Resources and Revenue Enhancements:

Faculty salary budget reallocation \$289,000

OPE 112,700

Operating budget reallocations 102,000

Revenue enhancements

• Annual Fund Gifts 200,000

• Investment Income 200,000

\$903,700

ADDITIONAL INITIATIVES FUNDED THROUGH NEW ENDOWMENTS

Enhanced Counselling Services:

Two new endowments support a drug and alcohol counsellor and a part-time psychiatry position in the counselling center.

Support for Athletics:

The W Club is raising \$150,000 in support of team travel and operations budgets. The W Club is raising \$130,000 in support of athletic coaches.

Life After Whitman:

The Parents Fund is raising \$200,000 to fund paid student internships.

CONCLUSION

The cabinet has focused budget increases on our strategic priorities and preparing for a campaign. There were an additional \$1.3 million in requests which did not receive funding. The proposed budget increases the enrollment contingency temporarily in anticipation of increased financial aid costs in 2020-2021.

Whitman College Budget Report

	2017/18 Approved Budget	% Total	2018/19 Approved Budget	% Total	2019/20 Proposed Budget	% Total
CURRENT FUND SOURCES						
Full-time equivalent students	1,500		1,504		1,540	
Annual tuition charge	49,390		51,370		53,420	
Annual tuition increase	4.00%		4.00%		4.00%	
Discount rate	36.25%		39.90%		40.81%	
TUITION & FEES	74,102,886		77,281,006		82,266,800	
LESS UNRESTRICTED FINANCIAL AID	(18,461,759)		(22,229,830)		(24,280,196)	
LESS RESTRICTED FINANCIAL AID	(8,398,835)		(8,604,630)		(9,290,584)	
SUBTOTAL INSTITUTIONAL AID	(26,860,594)		(30,834,460)		(33,570,780)	
NET TUITION REVENUE	47,242,292	62%	46,446,546	61%	48,696,020	61%
INSTRUCTIONAL FEES	396,795	1%	402,391	1%	402,391	1%
ANNUAL FUND GIFTS	1,350,000	2%	1,650,000	2%	1,850,000	2%
FEDERAL FINANCIAL AID	330,000	0%	330,000	0%	330,000	0%
ENDOWMENT INCOME	24,336,634	32%	24,447,951	32%	25,467,600	32%
INVESTMENT INCOME	25,000	0%	200,000	0%	400,000	1%
MISCELLANEOUS INCOME	230,000	0%	230,000	0%	150,000	0%
ASWC FEES	550,680	1%	567,200	1%	584,217	1%
SPONSORED PROGRAMS	425,000	1%	425,000	1%	425,000	1%
AUXILIARY TRANSFER	1,004,000	1%	1,029,000	1%	940,000	1%
SUBTOTAL EDUCATION & GENERAL	75,890,401	100%	75,728,088	100%	79,245,228	100%
RESIDENCE HALLS	4,550,000	40%	4,640,000	40%	4,779,000	40%
FOOD SERVICE	4,980,000	44%	5,250,000	45%	5,407,500	45%
BOOKSTORE	1,050,000	9%	1,020,000	9%	939,363	8%
OTHER AUXILIARY	710,000	6%	750,000	6%	761,467	6%
SUBTOTAL AUXILIARY	11,290,000	100%	11,660,000	100%	11,887,330	100%
TOTAL CURRENT FUND SOURCES	87,180,401		87,388,088		91,132,558	

Whitman College Budget Report

	2017/18 Approved Budget	% Total	2018/19 Approved Budget	% Total	2019/20 Proposed Budget	% Total
CURRENT FUND USES						
Faculty salary change		2.25%		2.25%		3.50%
Staff salary change		2.25%		2.25%		4.50%
Fringe benefit rate - OPE		39.00%		39.00%		39.00%
INSTRUCTION	29,841,589	41%	29,380,018	40%	30,027,541	40%
ACADEMIC SUPPORT	9,809,399	14%	9,615,440	13%	9,917,272	13%
SPONSORED PROGRAMS	430,744	1%	430,816	1%	430,933	1%
STUDENT SERVICES	10,292,432	14%	10,483,880	14%	11,243,911	15%
INSTITUTIONAL SUPPORT	12,128,782	17%	12,692,608	17%	13,981,114	18%
PHYSICAL PLANT	9,758,455	13%	9,978,966	14%	10,137,457	13%
FEDERAL FINANCIAL AID	180,000	0%	180,000	0%	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>72,441,401</u>	<u>100%</u>	<u>72,761,728</u>	<u>100%</u>	<u>75,918,228</u>	<u>100%</u>
RESIDENCE HALLS	4,027,000	38%	3,900,000	36%	4,019,000	36%
FOOD SERVICE	4,897,000	46%	5,164,510	48%	5,317,500	48%
BOOKSTORE	1,045,000	10%	1,014,850	9%	934,363	8%
OTHER AUXILIARY	710,000	7%	750,000	7%	761,467	7%
SUBTOTAL AUXILIARY	<u>10,679,000</u>	<u>100%</u>	<u>10,829,360</u>	<u>100%</u>	<u>11,032,330</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>83,120,401</u>		<u>83,591,088</u>		<u>86,950,558</u>	
CAMPUS REPLACEMENT RESERVE	2,114,000	78%	1,631,360	66%	1,647,000	66%
AUXILIARY REPLACEMENT RESERVE	611,000	22%	830,640	34%	855,000	34%
SUBTOTAL REPLACEMENT RESERVE	<u>2,725,000</u>	<u>100%</u>	<u>2,462,000</u>	<u>100%</u>	<u>2,502,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>1,335,000</u>		<u>1,335,000</u>		<u>1,680,000</u>	
TOTAL CURRENT FUND USES	<u>87,180,401</u>		<u>87,388,088</u>		<u>91,132,558</u>	
NET SOURCES / (USES)	<u>0</u>		<u>0</u>		<u>0</u>	