

MEMORANDUM

TO: President's Budget Advisory Committee
FROM: Jeff Hamrick, Vice President for Finance and Administration
DATE: October 3, 2023
SUBJECT: First Fiscal Year 2024 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 2023 forecast of fiscal year 2024 net tuition revenue and enrollment outcomes), and a review of fiscal year 2023 budget outcomes.

Whitman College's Budget

I will review the attached charts, which summarize where the college's money comes from, how it is spent, 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. The 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 2023 Review

Despite the smaller-than-planned incoming class last fall, the college realized a \$329,191 net tuition surplus. Note that during the winter 2023 and spring 2023 meetings of the Board of Trustees, the Division of Finance and Administration forecasted a slight net tuition shortfall. The reversal from then to the close of fiscal year 2024 can be explained by the swap-out of previously-unbudgeted restricted sources of financial aid for unrestricted sources of financial aid. The college therefore did not make use of the enrollment contingency budget of \$1,062,000. Also, in further good news, there were approximately \$1.2 million in operating surpluses from vacant positions and discretionary operating budgets.

In fiscal year 2023, the college received \$1,877,500 in restricted funds from the Davis United World College (UWC) Scholars Program to support (UWC) international students. With the significant increase in UWC students over the past few years, we continue to want to highlight this phenomenon separately in this report.

Additional highlights of the fiscal year ended June 30, 2023:

- Final spring 2023 enrollment of 1,468 was slightly below budgeted spring 2023 enrollment of 1,488, primarily on account of the small class that matriculated in fall 2022.
- The actual overall discount rate of 49% was below the budgeted rate of 50.96%. The decreased discount rate was primarily due to the incoming class discount rate of 50.2%

being below the budgeted rate of 51.0%. It is worth noting that the gifts from Davis UWC Program for the UWC students totalled \$1,877,500, which effectively funded 2.2 percentage points of the discount rate. In fiscal year 2023, the college was very fortunate to have its community enriched by 79 UWC international students and to have a significant portion of their financial aid funded by the Davis Program.

- Net of banking fees, actual investment income surged to \$1,782,792 against a zero-dollar budget. As interest rates have continued to rise during the first three quarters of 2023, the college has the opportunity to true up this budget and create a source of budgetary support to address priorities or to meet challenges.
- Gifts to the college were \$31 million, approximately equal to the figure seen during last year's record-setting year. However, annual fund gifts fell short of their budget of \$2,800,000 by \$989,744. However, \$380,003 was raised for Whitman Fund scholarships that will not be applied in fiscal year 2023, but will be applied during fiscal year 2024.
- Fringe benefits costs were 34.9% of compensation. The amount was less than the budgeted rate of 35.5%. This was the result of lower-than-expected worker's compensation and retirement benefit costs.
- Endowment investment returns for fiscal year 2023 were 10.7% for assets overseen 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 10.2%.
- Departments had year-end discretionary (excluding salaries) surpluses of \$360,040, half of which goes to each vice president's surplus account for special one-time initiatives, and half of which became available for trustee designation.
- Residence Life had a net surplus of \$302,185 and food service had a net deficit of \$150,832. The Bookstore had a surplus of \$18,539.
- Recall that fiscal year 2023 was the first full year in which the bookstore operated under the new arrangement with Barnes and Noble. Going forward, the college can expect revenue from the bookstore of approximately \$20,000 per year under the new arrangements.

In summary, during fiscal year 2023, the college implemented the second 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:

- higher-than-planned investment income (i.e., income on the college's non-endowment cash balances);
- no utilization of the enrollment contingency;
- fewer-than-budgeted numbers of students studying abroad (lowering program fees paid out to partner programs); and
- salary savings due to significant staff position vacancies throughout the year.

All of these factors could not have been predicted when the fiscal year 2023 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 2023 operating surplus (e.g., staff compensation salvage, rising interest rates, etc.) are likely to persist well into fiscal year 2024.

Fiscal Year 2024 Budget, and Fall 2023 Forecast of Net Tuition Revenue

The college matriculated 472 new first-year and transfer students for the fall 2023 semester against a budget target of 435 students. Recall that in fall 2022, the college matriculated 357 new students, which was well below the goal of 430 matriculants in place at that time. Recent multi-year trends continue to persist in terms of the quality and the diversity of the fall 2023 matriculating cohort, which contains the largest number of black-identified matriculants (20), Hispanic matriculants (80), and international matriculants (76) in the college’s history. The incoming class boasts an impressive average high school GPA of 3.77. A record proportion of the class identifies as a first-generation college student (23%) or is eligible to receive a Pell grant (23%).

However, the college substantially exceeded its budgeted discount rate of 53.5% for the incoming cohort of first-year first-time students and transfer students, with a realized discount rate of 61.1% for these matriculating students. The higher-than-expected discount rate can be attributed to the socioeconomic diversity of the class, as well as decreased yields among students with greater capacity to pay either full freight, or close to it.

The following is a comparison of fall 2023 with fall 2022:

	Fall 2022	Fall 2023
FTE enrollment	1,457	1,556
Gross tuition	42,400,877	47,525,443
Financial aid	(20,781,365)	(25,112,012)
Net tuition revenue	21,619,512	22,413,342
Fall overall discount rate	49.0%	52.84%
Fall first year & transfer discount rate	51.0%	61.1%

The following is current net tuition forecast for fiscal year 2024:

	Budget	Projected
Enrollment	1,409	1,505
Overall discount rate	52.39%	54.0%
Gross tuition	86,069,884	91,085,827
Financial aid	(45,088,532)	(49,172,574)
Net tuition	40,981,352	41,913,253
Variance		931,901
Approximate 1% variance net tuition		410,000

Despite the net tuition shortfall associated with the matriculating class of first-year first-time students and transfer students, the college is still 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 fall 2023 census, the college is forecasting approximately \$41.91 million in net tuition revenue against a budget of approximately \$40.98 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, compensate for the shortfall in net tuition from first-year, first-time students, and — most likely — support a healthy fiscal year 2024 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 2023 was 44 greater than the college’s budget model featured last spring, helping the college avoid a net tuition shortfall. The decomposition of these excess students, organized along class year, is as follows:

<u>Class Year</u>	<u>Variance</u>
Super-Seniors	+33
Seniors	+13
Juniors	-5
Sophomores	+1
Matriculated Before Plan*	+2
Total	44

*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., \$410,000) in either direction. Again, the college’s operating budget includes a \$1,025,000 enrollment contingency. As of fall 2023 census, the Division of Finance and Administration does not imagine deploying this contingency budget, and so it will be available to support the fiscal year 2024 operating surplus and, ultimately, be available for designation by the Board of Trustees.

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 22, 2023. At this retreat, the President’s Cabinet reviewed very preliminary results related to the close of fiscal year 2023 (which occurred on June 30, 2023), as well as likely challenges and opportunities associated with forming the college’s fiscal year 2025 operating budget.

The President’s Budget Advisory Committee (PBAC) begins its work with its first meeting on October 2, 2023. We will review the committee’s charge and the plan of work for academic year 2023-2024. 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, it will review relevant data from peer institutions on tuition, financial aid, compensation, and other key indicators. PBAC will also provide feedback about the administration’s emerging views about budget parameter planning ranges for fiscal year 2025 (i.e., academic year 2024-2025), 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 2025.

In early October, every academic and administrative department will be asked to submit budget requests, including proposals for new initiatives, for fiscal year 2025. In late November, PBAC will review likely new funds available for new initiatives, as well as the projected costs for those new initiatives. For fiscal year 2025, it is not likely that there will be a great deal of allocable incremental net revenue to support new initiatives or new positions at the college.

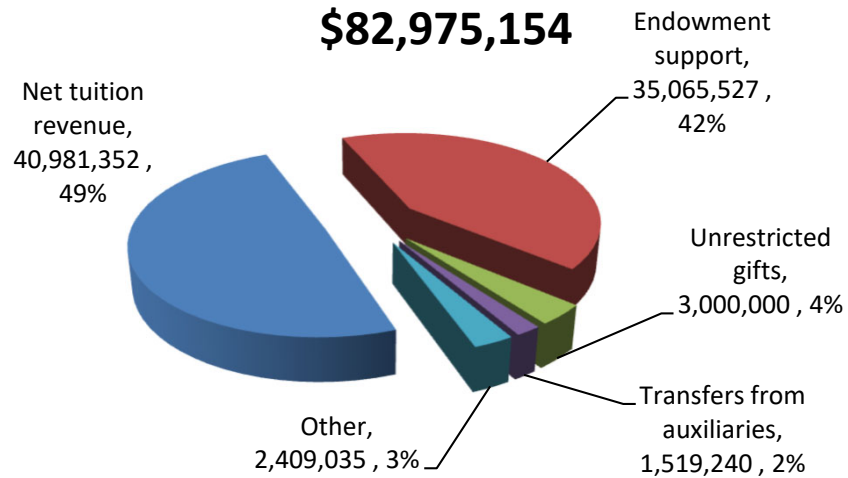
The Division of Finance and Administration will then compile the budget requests into a proposed budget showing different alternatives and funding levels. PBAC will be asked to give feedback to the President, to me, and to the President's Cabinet on top budget priorities and on various funding alternatives. This feedback will wrap up at the third PBAC meeting in December 2023.

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 2024. The Board of Trustees will adopt, reject, or revise and then approve this budget at its regularly-scheduled meeting in February 2024. A summary of the final budget will be shared with PBAC — and then, ultimately, with the entire college community — in March 2024.

Whitman College
2023-2024 Education and General budget

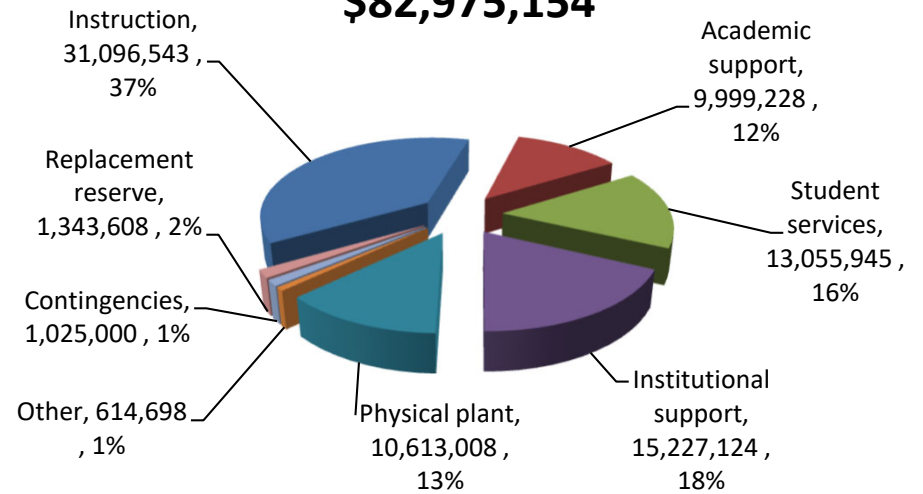
Total E & G budget - Sources

\$82,975,154

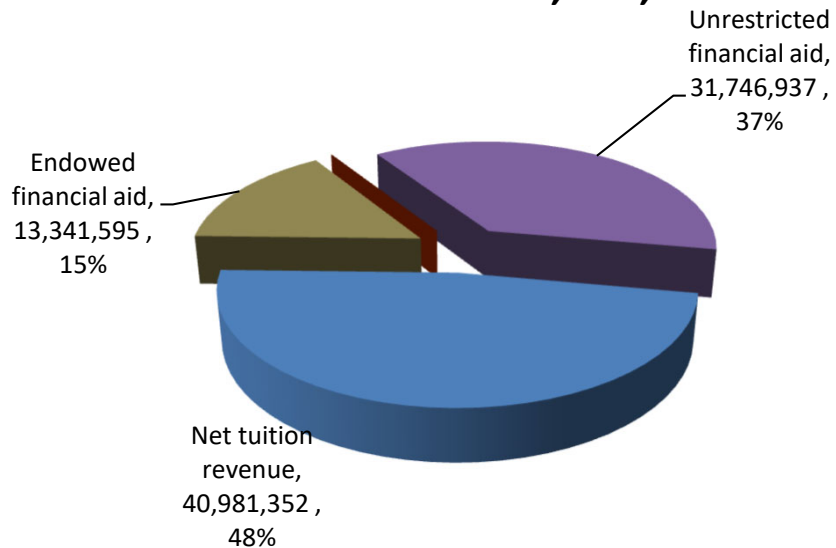


Total E & G budget - Uses

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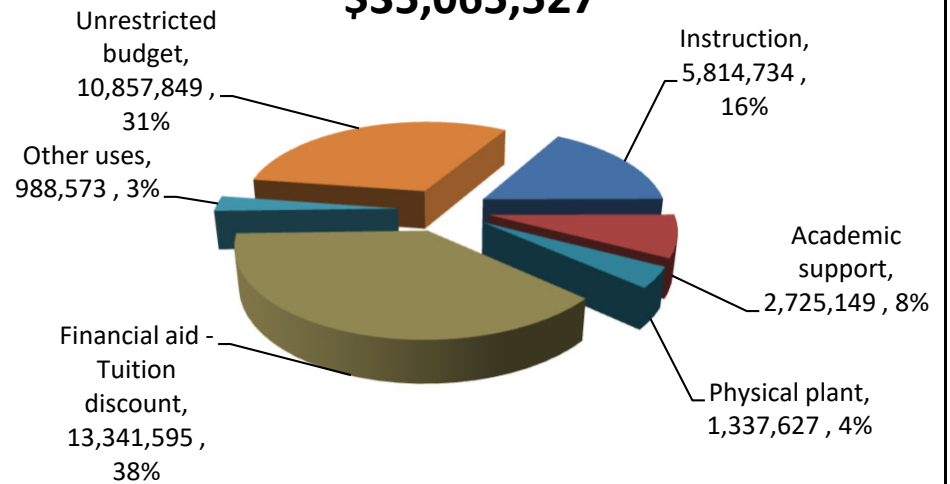


Gross tuition 86,069,884



Endowment support - Uses

\$35,065,527



Whitman College Budget Report

	2023/2024 Approved Budget	% Total
CURRENT FUND SOURCES		
Full-time equivalent students	1,409	
Annual tuition charge	61,070	
Annual tuition increase	4.94%	
Discount rate	52.39%	
TUITION & FEES	86,069,884	
LESS UNRESTRICTED FINANCIAL AID	(31,746,937)	
LESS RESTRICTED FINANCIAL AID	(13,341,595)	
SUBTOTAL INSTITUTIONAL AID	(45,088,532)	
NET TUITION REVENUE	40,981,352	49%
INSTRUCTIONAL FEES	376,235	0%
ANNUAL FUND GIFTS	3,000,000	4%
FEDERAL FINANCIAL AID	330,000	0%
ENDOWMENT INCOME	35,065,526	42%
INVESTMENT INCOME	500,000	1%
MISCELLANEOUS INCOME	163,000	0%
ASWC FEES	614,800	1%
SPONSORED PROGRAMS	425,000	1%
AUXILIARY TRANSFER	1,519,240	2%
SUBTOTAL EDUCATION & GENERAL	82,975,153	100%
RESIDENCE HALLS	4,706,166	44%
FOOD SERVICE	5,341,665	50%
BOOKSTORE	40,000	0%
OTHER AUXILIARY	658,828	6%
SUBTOTAL AUXILIARY	10,746,659	100%
TOTAL CURRENT FUND SOURCES	93,721,812	

Whitman College Budget Report

	2023/2024 Approved Budget	% Total
CURRENT FUND USES		
Faculty salary change	4.00%	
Staff salary change	4.00%	
Fringe benefit rate - OPE	35.50%	
INSTRUCTION	31,096,543	39%
ACADEMIC SUPPORT	9,999,228	12%
SPONSORED PROGRAMS	434,698	1%
STUDENT SERVICES	13,055,945	16%
INSTITUTIONAL SUPPORT	15,227,124	19%
PHYSICAL PLANT	10,613,008	13%
FEDERAL FINANCIAL AID	180,000	0%
SUBTOTAL EDUCATION & GENERAL	<u>80,606,546</u>	<u>100%</u>
RESIDENCE HALLS	3,723,474	39%
FOOD SERVICE	5,248,965	54%
BOOKSTORE	0	0%
OTHER AUXILIARY	698,827	7%
SUBTOTAL AUXILIARY	<u>9,671,266</u>	<u>100%</u>
SUBTOTAL OPERATING EXPENSES	<u>90,277,812</u>	
CAMPUS REPLACEMENT RESERVE	1,343,608	56%
AUXILIARY REPLACEMENT RESERVE	1,075,392	44%
SUBTOTAL REPLACEMENT RESERVE	<u>2,419,000</u>	<u>100%</u>
ENROLLMENT CONTINGENCY	<u>1,025,000</u>	
TOTAL CURRENT FUND USES	<u>93,721,812</u>	
NET SOURCES / (USES)	<u><u>(0)</u></u>	

	2021/2022 Approved Budget	YTD Percent	2021/2022 Actual	2022/2023 Approved Budget	YTD Percent	2022/2023 Actual
CURRENT FUND SOURCES						
Full-time equivalent students	1,438		1,511	1,488		1,448
Annual tuition charge	55,560			58,200		
Annual tuition increase	0.00%			4.75%		
Discount rate	48.42%		50.60%	50.96%		49.00%
TUITION & FEES	79,918,651		83,973,911	86,617,516		84,302,474
LESS UNRESTRICTED FINANCIAL AID	(28,586,188)		(28,444,041)	(32,673,676)		(30,029,443)
LESS RESTRICTED FINANCIAL AID	(10,110,380)		(14,037,919)	(11,466,013)		(11,253,363)
SUBTOTAL INSTITUTIONAL AID	(38,696,568)		(42,481,959)	(44,139,689)		(41,282,806)
NET TUITION REVENUE	41,222,083	56%	41,491,952	42,477,827	54%	43,019,668
INSTRUCTIONAL FEES	376,236	1%	350,684	376,237	0%	445,985
THE WHITMAN FUND GIFTS	2,500,000	3%	2,779,863	2,800,000	4%	1,875,485
FEDERAL FINANCIAL AID	330,000	0%	326,089	330,000	0%	319,109
ENDOWMENT INCOME	27,387,965	37%	27,214,600	30,779,307	39%	30,779,307
INVESTMENT INCOME	25,000	0%	(20,248)	0	0%	1,782,792
MISCELLANEOUS INCOME	150,000	0%	165,441	188,000	0%	146,840
ASWC FEES	579,508	1%	621,866	596,893	1%	588,954
SPONSORED PROGRAMS	425,000	1%	585,855	425,000	1%	43,314
AUXILIARY TRANSFER	1,044,620	1%	1,044,620	1,119,240	1%	1,119,240
SUBTOTAL EDUCATION & GENERAL	74,040,412	100%	74,560,722	79,092,504	100%	80,120,693
RESIDENCE HALLS	4,436,013	40%	5,401,815	4,569,093	44%	5,356,090
FOOD SERVICE	5,035,031	46%	6,383,211	5,186,082	50%	6,277,171
BOOKSTORE	846,360	8%	40,820	0	0%	19,103
OTHER AUXILIARY	715,244	6%	219,563	672,397	6%	453,268
SUBTOTAL AUXILIARY	11,032,648	100%	12,045,407	10,427,572	100%	12,105,631
TOTAL CURRENT FUND SOURCES	85,073,060		86,606,129	89,520,076		92,226,324

	2021/2022 Approved Budget	YTD Percent	2021/2022 Actual	2022/2023 Approved Budget	YTD Percent	2022/2023 Actual
CURRENT FUND USES						
Faculty salary change		Tiered Reductions		6.50%		
Staff salary change		Tiered Reductions		6.50%		
Fringe benefit rate - OPE		28.50%		35.50%		
INSTRUCTION	28,003,276	39%	29,040,121	29,955,968	39%	29,185,128
ACADEMIC SUPPORT	8,954,070	12%	8,599,940	9,406,438	12%	9,876,966
SPONSORED PROGRAMS	431,526	1%	487,999	432,717	1%	38,509
STUDENT SERVICES	10,900,545	15%	9,751,528	12,092,251	16%	12,478,126
INSTITUTIONAL SUPPORT	13,308,928	19%	12,883,400	14,270,885	19%	13,839,530
PHYSICAL PLANT	9,997,068	14%	10,025,988	10,423,280	14%	10,575,404
FEDERAL FINANCIAL AID	180,000	0%	239,407	180,000	0%	244,207
SUBTOTAL EDUCATION & GENERAL	<u>71,775,413</u>	<u>100%</u>	<u>71,028,384</u>	<u>76,761,539</u>	<u>100%</u>	<u>76,237,870</u>
RESIDENCE HALLS	3,528,013	35%	3,671,956	3,601,058	38%	4,099,835
FOOD SERVICE	4,945,030	49%	5,971,164	5,096,082	54%	6,349,411
BOOKSTORE	841,360	8%	19,693	0	0%	564
OTHER AUXILIARY	715,244	7%	231,165	672,397	7%	459,582
SUBTOTAL AUXILIARY	<u>10,029,647</u>	<u>100%</u>	<u>9,893,979</u>	<u>9,369,537</u>	<u>100%</u>	<u>10,909,392</u>
SUBTOTAL OPERATING EXPENSES	<u>81,805,060</u>		<u>80,922,363</u>	<u>86,131,076</u>		<u>87,147,262</u>
CAMPUS REPLACEMENT RESERVE	1,234,000	0%	1,234,000	1,282,930	0%	1,282,930
AUXILIARY REPLACEMENT RESERVE	1,003,000	0%	1,003,000	1,044,070	0%	1,044,070
SUBTOTAL REPLACEMENT RESERVE	<u>2,237,000</u>	<u>0%</u>	<u>2,237,000</u>	<u>2,327,000</u>	<u>0%</u>	<u>2,327,000</u>
ENROLLMENT CONTINGENCY	<u>1,031,000</u>			<u>1,062,000</u>		
TOTAL CURRENT FUND USES	<u>85,073,060</u>		<u>83,159,363</u>	<u>89,520,076</u>		<u>89,474,262</u>
NET SOURCES / (USES)	<u>0</u>		<u>3,446,767</u>	<u>0</u>		<u>2,752,062</u>

WHITMAN COLLEGE BUDGET TERMS AND PROCESSES FISCAL YEAR 2024

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 4.90% percent for the 2023-2024 academic year, resulting in a tuition charge of \$61,070. Restricted financial aid is funded by gifts and endowment and comprises about 30% 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 52.4% for the current budget year, i.e., fiscal year 2024. The Office of Admissions 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, P.E. 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. Whitman has been increasing its budget for annual giving – up to \$3.0 million for fiscal year 2024.

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, with the transfers being unrestricted but typically thought of as applying to financial aid.

The calculation of endowment payout for fiscal year 2024 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, 2019 and the last is June 30, 2022. Farm income is based on a six-year rolling average of net income. The total combined endowment and farm payout for fiscal year 2024 is \$35,065,000.

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.

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.

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, compensation and benefits are approximately 58% 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.

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 2024, the college is contributing 0.49% 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 2024, the pool was 4.0% for both faculty and staff due to high rates of inflation and the fact that the College was not able to provide raises for two years during the COVID-19 global pandemic. 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 (35.5% for the fiscal year 2024). 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. 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 September, 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, begin 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 parameters (or 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.