The Strategic Planning Committee is fully engaged and preparing proposals and goals in the areas of equity and access, flourishing and inclusion, and transformative knowledge and creativity. Open forums will be held during fall semester and draft plans circulated for comment. Forging a strategic path for the benefit of our students, faculty and staff will require setting clear priorities and recognizing tradeoffs. Aspirational goals will require new resources.

Overlaid with the strategic planning process is our annual budgeting process, which now includes a ten-year plan in order to reflect the accelerating debt service starting in 2029 and the greater impact of compounded growth in both revenue and expense over the longer period. As reflected in the budget amendment for FY 20, there is pressure on both salaries and general operations that is currently being offset by a reduction in financial aid. Zero growth in general operations and plant operations is targeted for the next five years. That is definitely more sustainable than continued expense reductions, but it will require the ongoing management of competing priorities and the assessment of program outcomes. An increased level of collaboration going forward will facilitate this process and provide greater transparency. The primary assumptions for the FY 20/21 Operating Budget are presented below.

**Key Assumptions:**

*Student Income*

In accordance with the framework of peer comparison, comprehensive fees for 2019-20 were increased 3.57%. After assessing the current fee structures at Amherst, Carleton, Swarthmore and Williams we are recommending a 3.50% increase in comprehensive fees for 2020-21. Detail is provided in a separate board report. Assuming no change in the number of degree seeking students, and the growth in financial aid discussed below, a 2.6% increase in net student revenue would be achieved. The sustainability of fee increases especially over the 10 to 15-year planning horizon remains a concern.

*Endowment Return & Payout*

The endowment generated a preliminary return of 6.1% for the fiscal year ended June 30, 2019, following an 8.2% return in FY 17/18. The budget assumptions were 4.0%. For FY 21, we are
assuming a 5.5% return. This is consistent with the current ten-year annualized nominal return assumption prepared by Cambridge Associates. Significant variability can be expected on a year-to-year basis and over the entire ten-year period.

At the December 8, 2016 meeting, the Finance Committee and the Board of Trustees voted to recommend changing the spending rule used for the 17/18 fiscal year and beyond. The changes include incorporating a 20-quarter moving average of the endowment unit value and a reduction in the annual increase to income per unit from 4% to 2%. In accordance with the phase in of the change, the annual increase to income per unit for FY 21 will be 2.0%.

Salaries & Benefits

A budget increase of 4.0% is targeted for total salaries and benefits including any new positions. This is compared to 4.4% for FY 20 and a historical average of 5.9% since 2001. This is a preliminary estimate based on analytics only. The target for the out-years remains 3.0% Maintaining 3% growth effectively requires that new positions be sourced from reallocating existing positions and that inflation and low unemployment don’t drive competitive salary ranges significantly higher. Prioritizing the need for the goods and services that our workforce provides and continually looking for efficiencies are essential to this process, yet not part of the culture of an elite liberal arts college.

Financial Aid

We are currently targeting a 4.75% increase in financial aid for FY 21. The lower aid profiles of the class of 2022 and the class of 2023 have been reflected in the FY 20 budget and that number is the baseline for this estimate. Aid actually decreased in FY 19 by .75% as compared to a 12.50% increase in FY 18. The compounded annual growth rate since 2001 is 7.6%. A swing back to materially higher growth rates during this period of muted revenue growth would be challenging to accommodate; however, maintaining our need blind admission policy is a top priority. The budget number for FY 21 will be refined as we begin to shape the class of 2024.

Debt Service

The tax-exempt bonds issued in December 2017, utilized a graduated debt service with the first ten years at interest only. This structure was available at a relatively low incremental cost and gives the College time to “right-size” the operating budget to accommodate the additional payments. The annual budget and ten-year plan currently reflect existing debt service only. The approval of the Rains Center renovation and the ongoing planning efforts for the new Language Immersion Residence Hall and Center for Global Engagement may result in consideration of additional debt issuance. Budget capacity will need to be created to accommodate any additional debt service.

Department Budgets

0% growth has been targeted for all department budgets for FY 21 on a budget-to-budget basis. This follows the 4% expense reductions for most non-academic departments in the FY 20 budget. As noted previously, the goal was to implement all major expense reductions in FY 20 and then hold impacted expenses flat until capacity exists for limited growth. Restricted funds will grow
2.0%, in accordance with the new spending rule. The student wage pool is targeted for 4.0% growth.

**Budget Timeline**

Friday December 20th is the deadline for all FY 21 budget requests to be submitted to your respective Vice Presidents. This includes student wage requests and equipment/alterations requests.

All budget requests must be submitted electronically via Tidemark. You will be able to access your budget in Tidemark starting October 28th. Budget workshops will be held from Oct 28th – Nov 12th in the Cowart Building for anyone who would like hands-on assistance in completing their budget. Additional help will be available as needed. Please direct your inquiries to Karen Wall our Assistant Controller of Financial Planning & Analysis (Ext 79485) and she will coordinate with you.