Budget Task Force (BTF)  
Campus Open Session  
December 3 and 4, 2020
What We Will Cover Today

- BTF membership, charge and process overview
- Economic landscape for higher education
- Puget Sound’s current financial situation and recent trends
- Financial picture for Puget Sound next year
- How you can provide input
- Q&A
2020 Budget Task Force Membership

- Laura Behling, Chair, Provost
- Katie Barosky, Associate VP for Communications, Office of Communications
- Justin Canny, Associate Director of Orientation, Division of Student Affairs
- Sara Freeman, Professor of Theatre
- Anna MacLeod ‘21, Majors: Business Leadership Program and Economics; Minor: Math
- Sherry Mondou, Executive Vice President and Chief Financial Officer
- Sophie Semenjuk ’22, Majors: Politics and Government and International Political Economy; Minor: Global Development
- Nila Wiese, Professor of International Business and Marketing

Information and modeling support by Janet Hallman
Logistical support by Lori Johnson
Budget-Setting Responsibilities and Sequence

- **Board of Trustees** – determines strategic focus, approx. size of student body, endowment distribution, fundraising goals, and pre-approved range of tuition/fee increase, and targeted tuition discount rate

- **President** – provides BTF his perspective, clarifies parameters, and emphasizes priorities and areas of focus

- **BTF** – hears presentations from campus leaders and committees, assesses revenue availability, affordability of requests, benchmarking/metrics, effective allocation of resources, and recommends a budget to the president

- **President** – considers BTF recommendations and campus feedback, and presents his recommendation to the Finance and Facilities Committee of the Board of Trustees

- **Board of Trustees** – acts on the final recommendation from its Finance and Facilities Committee
Budget Task Force Charge and Process

Task Force Charge
- Represent university as a whole
- Recommend budget for FY22
- Advisory to President

Task Force Membership and Orientation
- Provost, CFO, 2 faculty, 2 staff, 2 students
- Orient members
- Mission, strategic plan, student success, economic realities

Upfront Campus Communication
- Open Forum
- Review process and challenges
- Invite questions and comments

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Budget Task Force Charge and Process, cont.

Gather Information and Learn
- Provide guidelines and request written reports
- Hear leader presentations
- Review benchmarks, metrics, requests

Evaluate
- Know the economic realities
- Weigh competing factors
- Use modeling tool to test viability

Deliberate and Recommend
- Consider long-term financial sustainability
- Focus on priorities
- Narrow options, finalize recommendations
Communicate BTF Recommendations

- Distribute written report to campus members
- BTF members present to respective senates
- Campus invited to send feedback to President

President Considers Recommendations

- President considers BTF report
- President considers campus feedback
- President presents his recommendation to Board
Higher Education Landscape

✓ Shifting demographics, recession and pandemic have created significant budget stress
✓ 2020 is a year unlike any higher education has seen before
✓ Just a current year, 2021 will require agility as public health conditions and market expectations change
✓ College enrollments and revenues have declined, and expenses need to decline accordingly
✓ Federal support and COVID-19 relief is insufficient
✓ Colleges must continue to offer a distinctive experience while making difficult decisions regarding priorities to achieve financial sustainability
National Trend in Number of High School Graduates – Significant decline beginning in 2025

Source: Western Interstate Commission for Higher Education (WICHE)

- 3,409,100 high school graduates, on average, projected per year between school years 2011-12 and 2031-32.

- The total number of graduates is projected to increase by 3.1% between 2011-12 and 2024-25, the next highest year for the United States.
“Affordability remains a primary area of focus, with a market that is increasingly sensitive to higher education’s price versus perceived value” (source: Moody’s)

“Widening gap between students’ expectations and their willingness to pay” (source: S&P)

“Overall tuition revenue growth will remain subdued” and will not keep pace with rising costs (source: Moody’s)

“The higher education sector is generally adaptable to systemic changes, however” (source: Moody’s)
What Rating Agencies Are Saying Amid the Pandemic

- “Colleges and universities will experience weakened enrollments this fall (2020) due to COVID-19” (source: S&P)
- “Nearly 87% of small private universities forecast a decrease in net tuition revenue” (source: Moody’s Investors Service)
- “Absent larger incoming first-year student classes in future years, lower matriculations in fall 2020 will likely pressure net tuition revenue growth over the next four years” (source: Moody’s)
- “Private colleges and universities are facing fierce competition from lower-priced public alternatives as student preferences shift amid the pandemic” (source: Moody’s)
Where Puget Sound Stands Rating-Wise

U.S. Not-For-Profit Higher Education Ratings Distribution

Puget Sound
Budget Task Force Scope
Unrestricted Budget (2020-21): $108 Million

Includes:
• Educational and general activities funded by net tuition, unrestricted gifts, and unrestricted endowment distributions
• Auxiliary enterprises self-funded by fees
• ASUPS self-funded by fees

Excludes:
• Gifts, grants, and endowment distributions subject to donor use restrictions
• Funds previously designated for specific purposes
• Major capital projects funded with donor gifts, debt, and/or university reserves (example: welcome center)
Educational and General Budget 2020-21

2020-21 Revenue Budget - $87,259,000

- Net Tuition & Fees: $71,475,000
- Investment Income: $6,163,000
- Gifts & Grants: $3,222,000
- Other Revenue: $1,378,000
- Overhead Contribution from Auxiliary: $3,021,000
- Draw from Reserves: $2,000,000

82%

2020-21 Expense Budget - $87,259,000

- Compensation-Faculty: $30,669,000
- Compensation-Student: $2,941,000
- Compensation-Staff: $31,534,000
- Operating & Capital: $22,115,000

36%

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How the Budget has Changed in Recent Years

Educational and General Revenue Budget (Dollars in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Tuition &amp; Fees</th>
<th>Investment Income</th>
<th>Gifts &amp; Grants</th>
<th>Other Revenue</th>
<th>Overhead Contribution from Auxiliary</th>
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</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>$83.4</td>
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<td>2017-18</td>
<td>$85.9</td>
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<td>2018-19</td>
<td>$82.9</td>
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<tr>
<td>2019-20</td>
<td>$83.9</td>
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<tr>
<td>2020-21</td>
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<td></td>
<td></td>
<td></td>
<td>$71.5</td>
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</table>

Legend:
- Net Tuition & Fees
- Investment Income
- Gifts & Grants
- Other Revenue
- Overhead Contribution from Auxiliary

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How Puget Sound’s Expense Allocation Compares to Peers

Puget Sound allocates more of its expense to Student Services & Instruction than Peers

Puget Sound 2020

- Institutional Support: 16.6%
- Student Services: 19.8%
- Public Service: 1.3%
- Academic Support: 0.0%
- Research: 10.3%
- Instruction: 52.0%

National Peers 2019

- Institutional Support: 18.8%
- Student Services: 18.3%
- Public Service: 0.6%
- Academic Support: 14.0%
- Research: 1.4%
- Instruction: 46.9%

*2019 is the most recent comparative data available
How Puget Sound’s Expenses per Student Compares to Peers

Educational and General Expense per Student

Puget Sound Total: $41,742*
National Peer Average: $42,673*

*2019 is the most recent comparative data available

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Substantial loss covered by one-time use of reserves and quasi unrestricted endowment

Smaller first-year class carries forward for four years
Why Operating Loss in Current Year 2020-21?

• Abrupt decline in enrollment: 300 fewer FTE students than anticipated when budget was set in February
• $11.5 million less in net tuition revenues
• Declines in other revenue as well (interest income, annual fund, room and board, Logger Store, conferences, etc.)
• Incremental expenses to mitigate COVID-19 risks
Puget Sound Enrollment:

- More than 400 fewer UG students fall 2020 vs. 2019
- 767 fewer UG students fall 2020 vs. 2011
- Fewer high school graduates, fierce competition
- Brand re-fresh, strategic enrollment plan, and student success initiatives are underway
Must take steps toward greater financial stability under extraordinary circumstances

Focus on educational experience, student retention and success to graduation, institutional visibility and revenue generating areas

Time is needed to strengthen revenue streams and align expenses with smaller enrollment and lower revenues

To support highest priorities, BTF will need to recommend reassessing, reducing, or reallocation expenditures

FY22 is transition year - may see budgeted loss not to exceed $2.5MM, but must return to balanced operating budget in FY23
FY22 Budget Considerations and Parameters

- Board established a 3.5% cap on aggregate increase to tuition, room, board and ASUPS fee
- Puget Sound will provide about $56.3 million in student financial aid
- Board affirmed 5% endowment spending rate
- Need to make progress on aligning expenses with lower enrollment
  - Return to 11:1 student-to-faculty ratio (from current 9:1) over two years
  - Assess student-to-staff ratios over two years
- Funding for salary increases, beyond those associated with promotions, is unlikely in FY22 due to budget constraints
Related Institutional Planning Initiatives

- *Leadership for a Changing World* strategic plan
- Brand and marketing re-fresh
- Strategic enrollment plan
- Comprehensive campaign planning
- Upcoming institutional holistic review of academic and administrative programs
Principles to Guide Resource Allocation

- Maintain centrality to mission and adherence to core values
- Preserve quality of educational experience for students
- Maintain competitiveness in the higher education marketplace
- Use strategic plan to drive resource allocations
- Encourage innovative deployment of resources
- Expect maximum operating efficiency and effectiveness
- Expenditure levels within available revenues and responsive to economic and market conditions
- Balance the budget with long-term benefits in mind
### Budget Timeline

<table>
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<tr>
<th>Period</th>
<th>Events</th>
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<tr>
<td><strong>Aug. - Sep.</strong></td>
<td>• Cabinet previews projections/assumptions</td>
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<td>• Financial modeling tool is updated</td>
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<td><strong>Sep. - Oct.</strong></td>
<td>• Membership is solidified, members are oriented, BTF meetings are scheduled</td>
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<td>• President provides perspective and guidance</td>
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<td><strong>Oct. – Nov.</strong></td>
<td>• BTF receives reports, hears presentations</td>
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<td>• BTF listens, learns, clarifies, and analyzes with a university-wide perspective</td>
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## Budget Timeline, cont.

| Nov. – Dec. | • Scenarios are run to test financial viability  
• BTF deliberates, reaches consensus and solidifies recommendations |
|------------|------------------------------------------------------------------|
| Jan.       | • BTF issues written report  
• Members of BTF present recommendations to their constituent group  
• Campus provides feedback to President |
| Feb. / May.| • President considers BTF recommendations & campus feedback  
• President recommends budget to the Board |

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How can you provide input?

Contact a presenter to the BTF:

• Academics: Julie Christoph
• Athletics: Amy Hackett, Director
• ASUPS: Nicole Carino or Kari Nolasco
• Auxiliary Operations: John Hickey
• Enrollment: Matt Boyce
• Facilities: Bob Kief
• Faculty Salary Committee: John Hanson
• Finance: Justine Juliani
• Human Resources & Career & Employment Services: Cindy Matern

• Library: Jane Carlin
• Office of Communications and Office of the President: Gayle McIntosh
• Staff Compensation Committee: Carol Odland
• Student Affairs: Uchenna Baker
• Technology: Jeremy Cucco
• University Counsel: Joanna Carey Cleveland
• University Relations: Dave Beers
How can you provide input?

Or…

Complete the Google Form linked in the email message you received from Provost Behling on behalf of the Budget Task Force
How can you get additional information?

- This presentation and other information about Puget Sound’s budgeting process is available on the “Budgeting at Puget Sound” webpage: https://www.pugetsound.edu/about/offices-services/finance-administration/budgeting-at-puget-sound/

- Available to campus community members only (login required); not to be shared beyond the campus community
Questions and Discussion
Additional Information for Q &A, only if Needed
Educational & General Expense by Area

2020-21 Expense Budget - $87,259,000

- Academic: $45,543,000
- Admin Services: $10,267,000
- Communications: $1,698,000
- Enrollment: $4,204,000
- Facilities: $9,538,000
- Student Affairs: $3,048,000
- Student Wages: $2,941,000
- Technology Services: $5,388,000
- University Relations: $4,632,000
Auxiliary Enterprises

2020-21 Revenue Budget - $21,049,000

- Room & Board: $18,477,000
- Conference, Catering, & Other: $1,268,000
- Logger Store: $1,304,000

88%

2020-21 Expense Budget - $21,049,000

- Compensation-Staff: $5,353,000
- Compensation-Student: $695,000
- Facilities: $4,639,000
- Cost of Goods Sold: $3,724,000
- Other Expense: $3,617,000
- Overhead Contribution to E&G: $3,021,000

18%

14%

26%

3%

17%

22%
2020-21 Revenue Budget - $592,000

- Student Government Fee: $544,000
- Gifts, Grants, & Fundraising: $21,000
- Club Dues: $6,000
- Events (Ticket Sales/Concessions): $8,000
- Other Revenue: $12,000

2020-21 Expense Budget - $592,000

- ASUPS Media: $145,000
- ASUPS Operations: $284,000
- ASUPS Programs: $113,000
- ASUPS Clubs: $28,000
- ASUPS Club Sports: $22,000
Changing Demographics

The changing face of America, 1965-2065

% of the total population

1965 75 85 95 05 15 25 35 45 55 65

ACTUAL PROJECTED

All other 3%
Asian 14
Hispanic 24
Black 13
White 46
Importance and value of a college education
Importance and value of a college education