

## **Questions about the 2003-04 Budget (FY 2004)\***

On behalf of the Budget Steering Committee, I am pleased to present the following budget-related questions and answers. Responding to these questions has helped us think about the preparation of next year's budget.

Next year's budget seeks to allocate resources to our highest strategic priorities, such as 1) salaries/benefits to attract and retain the best faculty and staff and 2) need-blind admission and full-demonstrated need. We have also concentrated on budgetary objectives (on which the Board focuses) such as achieving better revenue balance.

We recognize that developing a strong budget process involves on-going dialogue. We have tried to encourage people on campus to participate in the budget process, and we have made a conscious effort to listen. We hope that dialogue along these lines will help us all recognize broader institutional needs and the constraints that necessarily arise in a budget that attempts to meet those needs. That said, no budget process is perfect and we look forward to improving on it in the future.

As you look through the questions/answers and learn more about the process and next year's budget, please feel free to contact me if you wish to discuss any of this.

Jonathan Brand

### **BUDGET TOPICS**

How is the budget set up? (Questions 1-6)

Why can't our endowment solve all our budget problems? (Questions 7-10)

Do new buildings create budget pressures? (Question 11)

How do we set next year's tuition in our budget process? (Questions 12-15)

How do we set next year's salary pools in our budget process? (Questions 16-20)

What is the Budget Steering Committee? (Questions 21-24)

How do we make tough budgetary decisions? (Questions 25-29)

### **How is the budget set up? (Questions 1-6)**

#### **Question #1: Will the overall base budget increase next year? If so, how do we plan to spend the increased revenue?**

Yes. In a budget of roughly \$64 million, we will have approximately \$3 million of additional revenue in next year's budget. Almost \$1.3 million of this increased revenue will be used to support the 5% increase in the faculty salary pool, an additional \$1,000 per assistant professor (totaling approximately \$80,000), and a 3.5% increase in the staff salary pool. (See Questions #16 and #17 for more on salaries and benefits.) That leaves about \$1.7 million for all other budget functions. The non-salary instructional budget will increase by approximately \$200,000.

The remaining additional revenue will be used in large part to fund: 1) five new tenure-track faculty positions, four of which are diversity positions and a term position in Japanese; 2) The Center for the

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\* This document may be found on-line at: <http://www.grinnell.edu/offices/institutionalplanning/budgetques/>  
The FY 2004 Budget as we report it is attached to this document as Appendix A.

Humanities, Grinnell-in-Washington, and the Office of Social Commitment; and 3) increases associated with the new or enlarged facilities such as the new residence halls. For more on this last item, please see Question #11.

This, of course, is after we take out scholarships and grants awarded by Grinnell College. That is, we are not treating these scholarships and grants as an expense. You can find more information about financial aid in Questions #2 and #15.

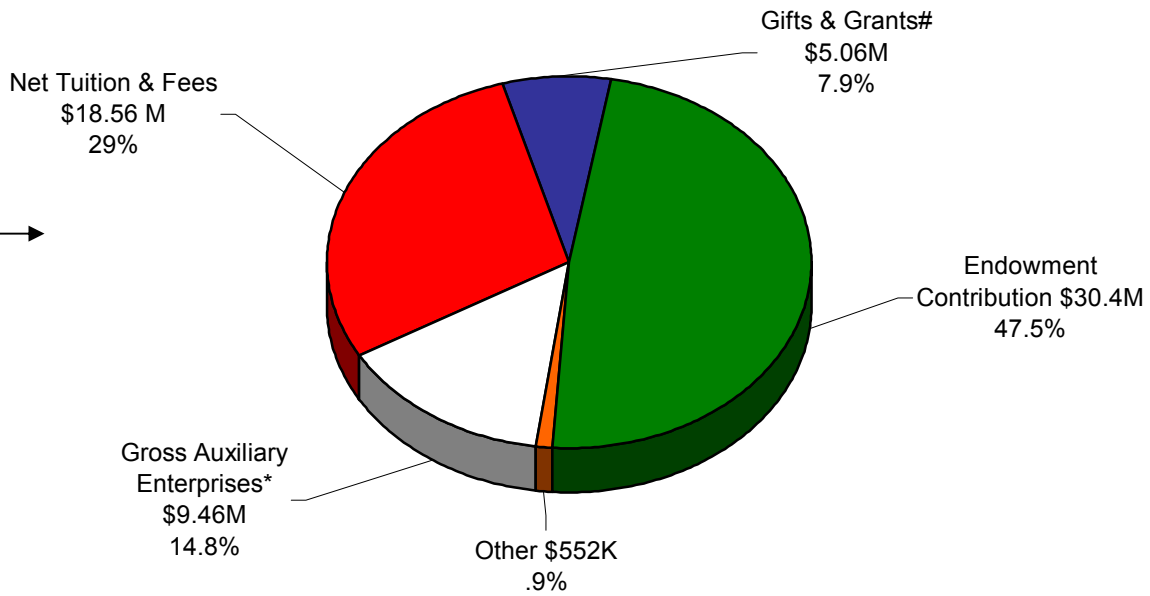
## **Question #2: What are the biggest pieces of next year's budget?**

The answer to this question depends largely on how one presents the budget. In any presentation, however, two generalizations can be made about our revenues and expenditures. Our largest revenue sources are the endowment contribution and "net" tuition and fees. Our largest expenditures cover the costs associated with "Instruction." Classified in another way, our largest expenditures cover the cost of all salaries/ benefits and maintaining our campus (our physical plant).

At Grinnell, we present our budget in a manner that is consistent with our peers. This also helps to ensure that our budget is accurately and fairly presented. In reporting our budget, we do not show directly Grinnell College-awarded scholarships and grants, which is obviously a very large "expense" item in our budget. This is because, consistent with the methodology used by our peers, we "net" our tuition and mandatory fee income. That is, we show the tuition and mandatory fees as "paid" and then deduct from that figure the amount of any Grinnell College-awarded scholarships and grants (\$16,600,000 in next year's budget). Thus, as set out in the pie chart below, tuition and fees and Grinnell College-awarded scholarships and grants are reported as one figure in our budget: "net tuition and fees." This is done because, for accounting purposes, an item of tuition or any other fee that is reduced by a scholarship or grant award is not really "paid" and probably should not be shown as a revenue item. At the same time, scholarships and grants are a significant allocation of the College's resources.

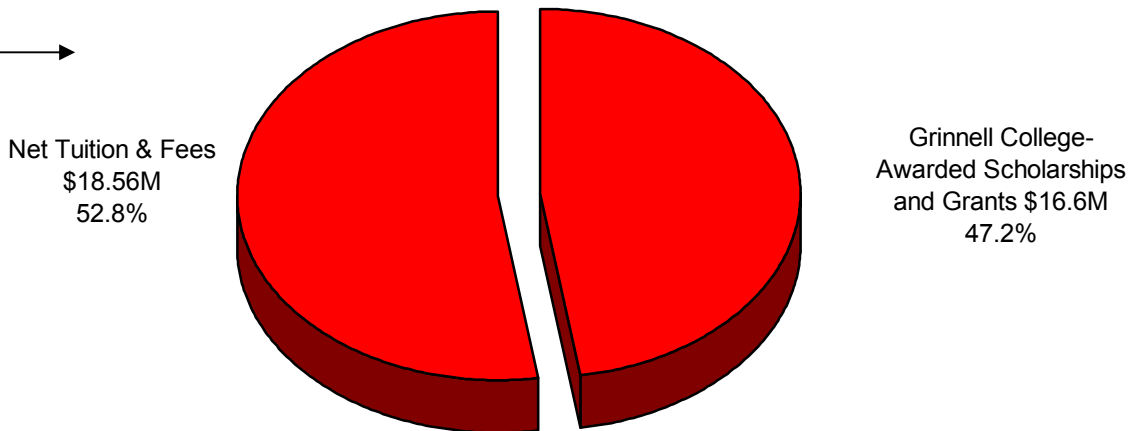
Conversely, when we present our budget, we show almost all other income items on a "gross" basis. For instance, we show our Auxiliary Enterprises income, which includes items such as room, board, and bookstore payments as revenue. Were we to "net" our Auxiliary Enterprises revenue with the direct costs associated with running these enterprises, we would only show a modest amount of income. Here is what our revenues look like as we report them.

## 2003-04 Budget (FY 2004) Revenues



\*Such as Dining, Phone Service and the Bookstore  
 #Includes Government Grants, Contracts, Private Gifts and Grants  
 Based on the FY 2004 Budget approved by the Board of Trustees on February 21, 2003

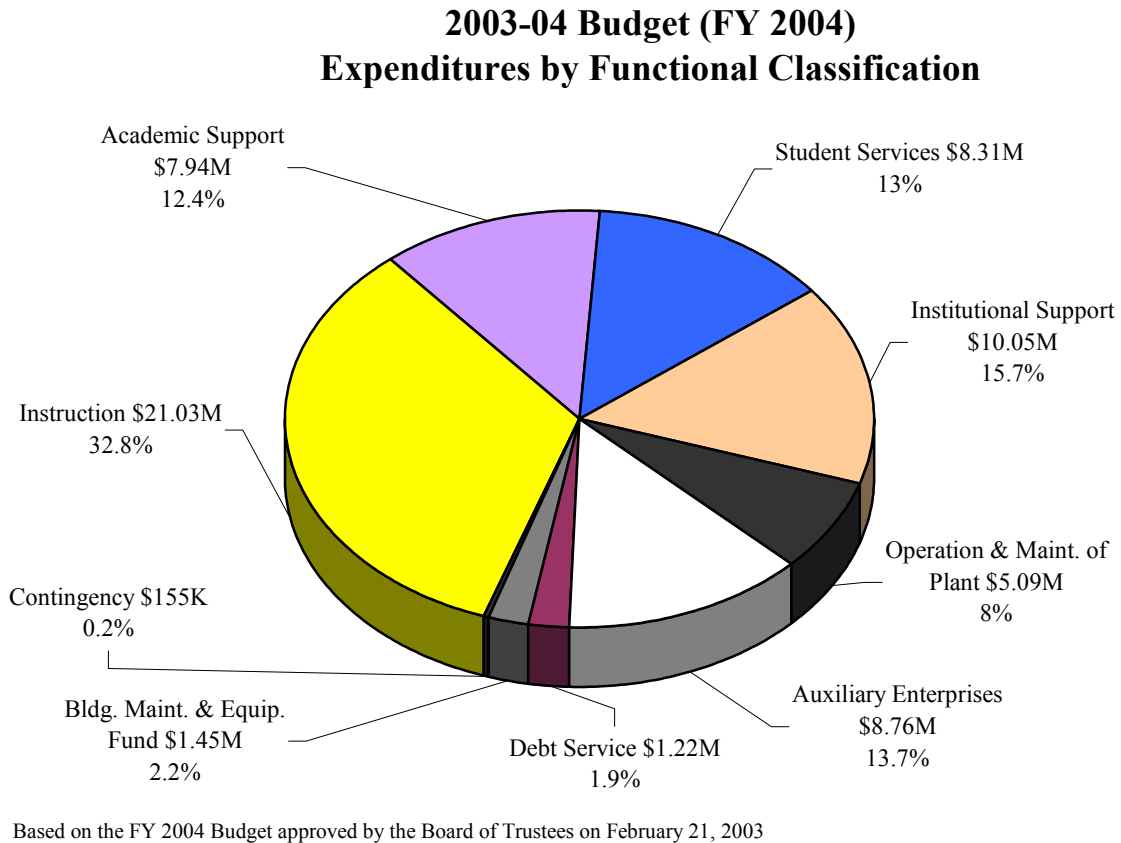
## Tuition & Fees



Net Tuition & Fees [\$18.56M]=Gross Tuition & Fees [\$35.16M] minus Grinnell College Scholarships & Grants awarded [\$16.6M]  
 Tuition Discount Rate [47.2%] = Grinnell College-Awarded Scholarships & Grants [\$16.6M] divided by Gross Tuition & Fees [\$35.16M]  
 The whole pie = Gross Tuition & Fees [\$35.16M]  
 Based on the FY 2004 Budget approved by the Board of Trustees on February 21, 2003

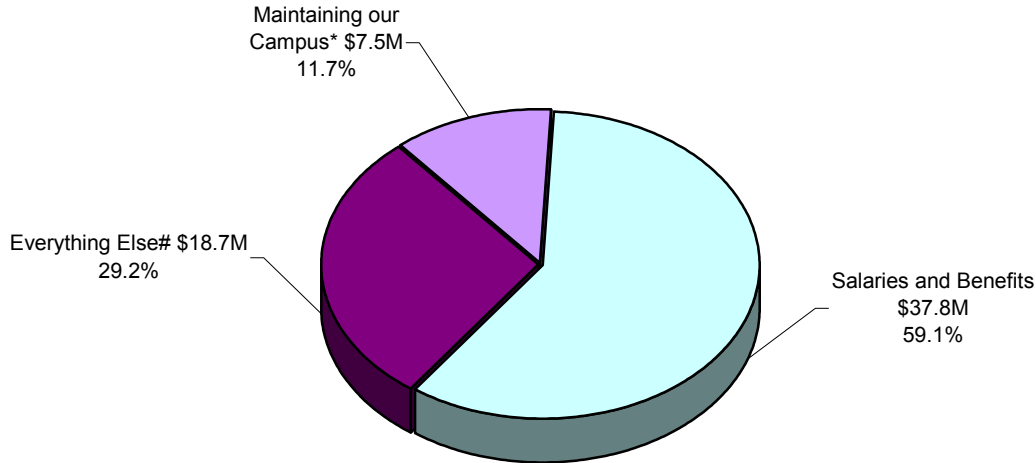
Thus, to specifically answer the question on the expenditure-side, we could do so in two ways.

- 1) Under our reporting methodology, on the expenditure side, we talk in terms of functional categories such as “Instruction,” Student Services,” “Institutional Support,” and “Auxiliary Enterprises.” Here is what next year’s expenditures, including our largest ones, look like by functional classification:



- 2) We could also think about our expenditures within a “natural” classification. Using this classification, for example, we could organize our expenditures by such categories as “salaries/benefits” and “maintaining our campus” (our physical plant), which are our two largest expenditures, rather than by the function classifications listed above. Here is what next year’s expenditures look like by one natural classification:

## 2003-04 Budget (FY 2004) Expenditures by Natural Classification



\*Maintaining our Campus - includes non-salary operation costs of our Physical Plant, Debt Service and the Building Maintenance and Equipment Fund (for facilities)

#Everything Else - includes items such as faculty and student programs, faculty development, travel, computers, food and library materials

Based on the FY 2004 Budget approved by the Board of Trustees on February 21, 2003

### **Question #3: In this year's budget process, were there any parts of the budget that the Budget Steering Committee decided it wasn't willing to discuss?**

No. However, as with last year, we supported the College's commitment to maintain need-blind admissions and to meet 100% of demonstrated need. The Committee also placed a high priority on competitive faculty/staff salaries.

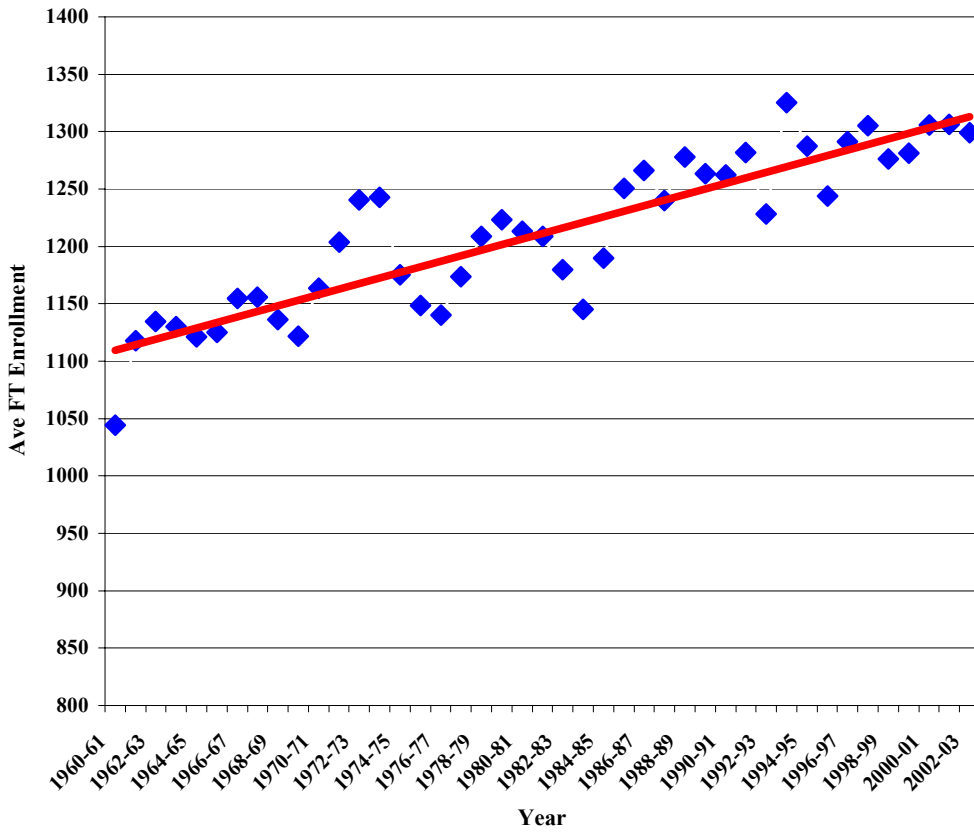
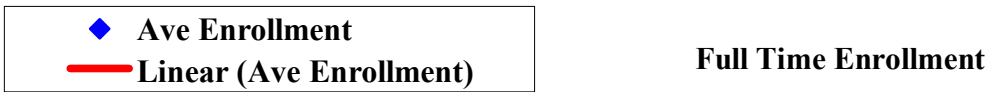
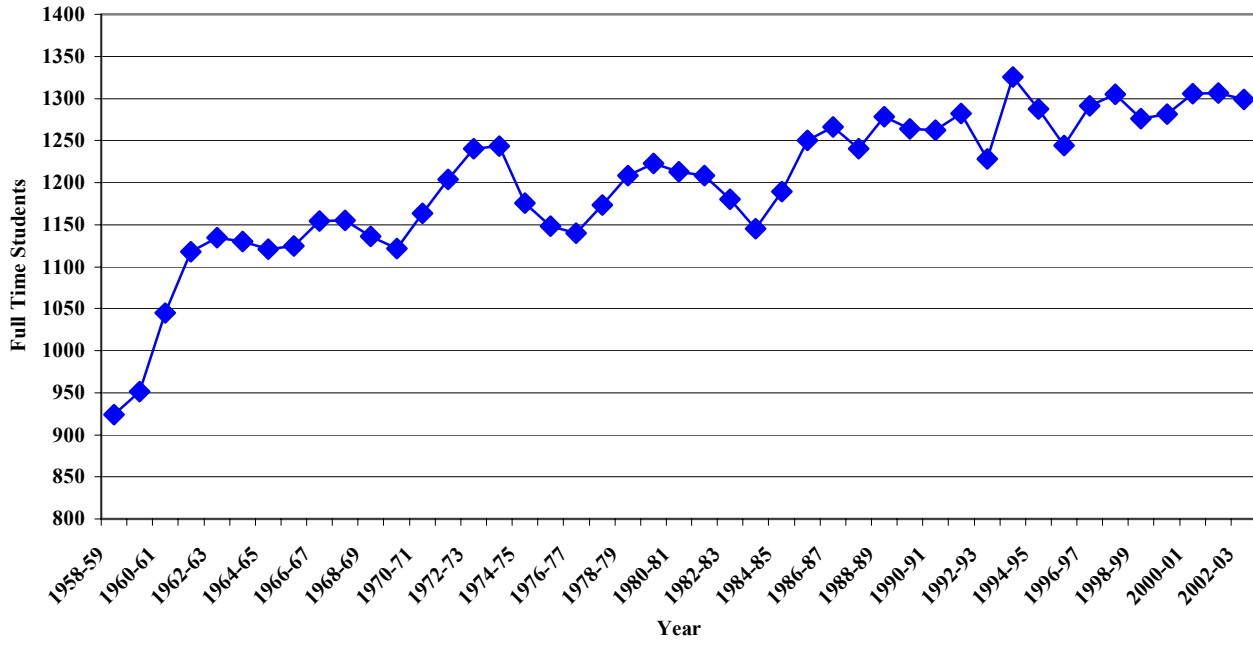
### **Question #4: When does our fiscal year begin and end?**

The fiscal year, corresponding closely to the academic year, runs from July 1 through June 30. For example, FY 2004 starts on July 1, 2003 and ends on June 30, 2004.

### **Question #5: Does next year's budget assume any change in the size of the student body?**

In light of the new residence halls, we have budgeted an additional 40 students next year.

### Average Full Time Enrollment



## **Question #6: Where can I go with a creative idea that I think should be funded?**

You should take your idea to the person who submits your budget. If that person supports your idea as a priority within those areas that he/she oversees, he/she can submit your proposal and make a case for it as an institutional priority worthy of funding. As done this year, the Budget Steering Committee will consider your proposal in relation to all other requests. For example, for next year, Jim Swartz proposed a \$30,000 increase for support of faculty scholarship. Ultimately, the Budget Steering Committee recommended to the President that this increase be included in next year's budget.

## **Why can't our endowment solve all our budget problems? (Questions 7-10)**

### **Question #7: How did we get such a big endowment? And, what is the "4.5%" policy I've heard so much about? And, why are the Trustees so committed to this spending limit policy?**

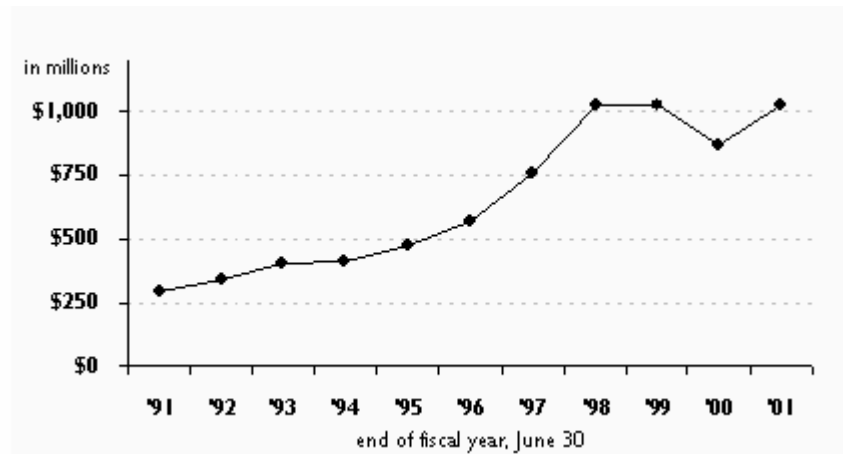
The success of Grinnell's endowment growth, shown below, reflects the College's long-term investment success. The 4.5% policy, which provides that we may use up to 4.5% of the twelve-quarter rolling (i.e., moving) average of the endowment's value (but no more), is a limit. Most colleges have a similar policy, which is financially prudent. This policy takes into account the College's changing needs and variations in the health of the economy.

Because of the increasing nominal value of the endowment in recent years, the College has used less than this policy permits for operations. Therefore, somewhat less than 4.5% of the endowment's twelve-quarter rolling average actually has gone into the base budget each year. To learn why, see Question #9.

In light of the market environment and experience of other institutions, the Board is currently discussing a modification of the 4.5% endowment spending policy, which could limit the endowment contribution to the base budget.

In 1998, the Trustees created the Fund for Excellence with the available revenue beyond what was used for the base budget. Now this remainder is placed in the Capital Reserve Fund, discussed in greater detail in Question #8.

### *Year-end endowment market value:*



From the Grinnell College Fact Book, 2001-02 (page 23)

### **Question #8: Can you tell me more about the Capital Reserve Fund?**

The Trustees created the Capital Reserve Fund two years ago. It operates outside of the base budget and is controlled by the Trustees for large capital expenditures such as building construction and renovation. The Capital Reserve Fund is also useful because it “cushions” the base budget from hard times.

### **Question #9: How can you tell me that we’re in a tight budget environment when we have a billion dollar endowment? Why can’t we just use more of the endowment or endowment income in the base budget?**

The proportion of the budget supported by the endowment is already unusually high at Grinnell compared to our peers. As set out in the revenue chart in Question #2, the endowment contribution to the base budget represents 47.5% of the total available revenue in next year’s budget. In the event of a sustained downturn in the stock market, this revenue source will decline. If that decline is accompanied by a decline in gifts and grants, the College will find itself with difficult choices between sharp net tuition increases and equally dramatic program cuts. Because increased dependence on the endowment risks the long-term health and stability of the institution, it is wise to seek balance among the “three legs of the stool”: tuition revenues, gifts/grants, and the contribution from the endowment. The endowment itself needs to continue to grow (both in nominal and real dollars), not just remain stable, since the steep rise of educational costs would make it impossible to support the College in the same fashion if it didn’t grow. Thus, the Board of Trustees charged the President to develop a strategy to reduce this dependence on the endowment and create a more balanced revenue stream. In order to preserve the purchasing power of the endowment, the Board of Trustees is also discussing whether to modify the endowment payout rate, which could limit the endowment contribution to the base budget.

### **Question #10: Okay, now I see the dangers of drawing heavily on the endowment, but responding with enormous tuition hikes is not our only alternative. So tell me, what is the College doing to increase income from our third major source, gifts and grants?**

Last year, the Budget Steering Committee recommended investing in initiatives associated with our heightened fund raising needs. The Office of Alumni Relations and Development is working hard to strengthen the Pioneer Fund (formerly know as the Annual Fund), to raise funds for our highest priorities, and to maintain a healthy and sustainable alumni relations/development operation. The College continues to allocate money to this effort at this time, because increasing this revenue source is fundamental to the long-term financial well-being of the College. Thanks to the efforts of the Alumni Relations and Development team, we project a 7% increase next year (FY 2004) in unrestricted private gifts and grants from this year (FY 2003), all of which will go, if achieved, directly into the base budget and that helps all of us. Here is more information about alumni giving:

**Alumni giving:**

<b>FY</b>	<b>Alumni</b>	<b>% Alumni Solicited</b>	<b>Donors as % of Solicited</b>	<b>Donors as % of Total</b>	<b>Average Gift</b>
<b>1992</b>	17,258	93 %	47 %	44 %	\$1,299
<b>1993</b>	17,468	93	45	42	356
<b>1994</b>	17,621	93	45	42	642
<b>1995</b>	16,718	99	45	45	1,023
<b>1996</b>	16,928	99	47	47	1,101
<b>1997</b>	17,325	97	46	44	878
<b>1998</b>	17,323	97	45	43	1,020
<b>1999</b>	17,302	97	45	44	783
<b>2000</b>	17,488	97	43	42	653
<b>2001</b>	17,919	97	43	42	2,151

**Giving participation (percent of total dollar value of outright gifts)**

<b>FY</b>	<b>Alumni</b>	<b>Parents</b>	<b>Other Individuals</b>	<b>Organizations</b>
<b>1992</b>	85 %	2 %	3 %	10 %
<b>1993</b>	58	4	10	28
<b>1994</b>	70	3	11	16
<b>1995</b>	68	1	5	25
<b>1996</b>	78	2	5	15
<b>1997</b>	56	3	16	26
<b>1998</b>	51	2	24	24
<b>1999</b>	58	2	7	33
<b>2000</b>	65	2	7	26
<b>2001</b>	77	1	7	15

From the Grinnell College Fact Book, 2001-02 (page 24)

## Do new buildings create budget pressures? (Question 11)

### Question #11: Will all these new facilities that we are building leave us with less money in the base budget?

Yes. We estimate that our overall square footage will grow by almost 30% with the four new residence halls, the Joe Rosenfield Center, Phase II of the Noyce Science Center, and the first phase of the athletic center. We anticipate that the base budget will continue to grow, which will help us to absorb new costs. Still these larger and new facilities will need to be maintained (heating, cooling, cleaning, etc.) and the cost of this will come from the base budget. That said, we hope to be able to heat and cool these facilities more efficiently, which should reduce energy costs, and take some older, less efficient buildings off-line to reduce maintenance costs.

## How do we set next year's tuition in our budget process? (Questions 12-15)

### Question #12: Why does our comprehensive fee go up so fast? Has it been going up faster, more slowly, or the same as our "peer schools"?

Educational costs have risen more quickly than inflation over the past few years, especially as we try to keep up with technology, stay competitive on salaries, and support faculty efforts in new ways. To see why the endowment alone can't handle this, take a look at Question #9.

The Budget Steering Committee has had very significant discussions over the last few months related to the College's comprehensive fee and our target for it. Last year, we increased the comprehensive fee by 7.5% and this year we increased it another 5.5%. In light of these relatively significant increases, the Committee recommended a lower fee increase as a way of reducing the burden on those students who have had to bear the costs of the larger past increases of the last two years. As a result, next year's budget includes a 4% increase in the comprehensive fee.

Ten years ago, our comprehensive fee was 88.3% of the peer mean. This year, our comprehensive fee is 90.4% of the peer mean. In the interim, from 1993 to 1998, not as a result of any intentional plan, our comprehensive fee gradually dropped to 84.5% of the peer mean and over the last 4 years, in an attempt to regain lost ground, it has risen again. Here are our tuition increases of the last 10 years:

#### **Student charges:**

	<b>Tuition</b>	<b>Fees</b>	<b>Room</b>	<b>Board</b>	<b>Total</b>
<b>92-93</b>	14,195	337	1,900	2,238	18,670
<b>93-94</b>	15,012	356	2,032	2,390	19,790
<b>94-95</b>	15,688	374	2,120	2,498	20,680
<b>95-96</b>	16,236	392	2,196	2,586	21,410
<b>96-97</b>	16,724	410	2,262	2,664	22,060
<b>97-98</b>	17,142	426	2,342	2,810	22,720
<b>98-99</b>	17,998	448	2,510	2,904	23,860
<b>99-00</b>	18,990	470	2,610	2,990	25,060
<b>00-01</b>	19,982	518	2,710	3,110	26,320
<b>01-02</b>	21,700	550	2,820	3,230	28,300

From the Grinnell College Fact Book, 2001-02 (page 22)

The pool for Grinnell College-awarded scholarships and grants has also grown by a greater percentage than the increase in our comprehensive fee each of the past three years and will do so again next year. For more on financial aid, see Question #15.

**Question #13: By raising tuition, isn't Grinnell abandoning its image as the "best buy" among highly-selective liberal arts colleges?**

The College never adopted a strategy of being a "best buy." Nor did the Budget Steering Committee discuss tuition in the context of being a "best buy." The goal was to balance our budget. We could have recommended reducing tuition and reducing budgets accordingly, but we believe that the quality of a Grinnell education would have suffered as a consequence.

We recognize that, notwithstanding significant increases in Grinnell-College awarded scholarships and grants (discussed in greater detail in Question #15), the cost burden for many students and their families has risen. We are paying close attention to this and it is one of the primary reasons why our tuition increase for next year is 4% and lower than all of our peers.

All of this said, even full-pay students only pay approximately half of the cost of a Grinnell education. (See the revenue pie chart in Question #2 for more on this.)

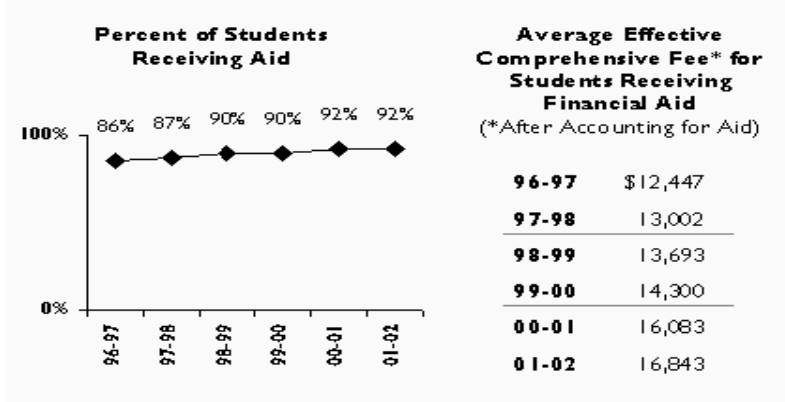
**Question #14: Can you explain again what the tuition discount rate is? I can never keep straight whether "improving" this number means making it higher or lower....**

The tuition discount rate is the Grinnell College-awarded scholarships and grants pool divided by our total tuition and mandatory fees (room and board are excluded). That is, the discount rate is the Grinnell College-awarded scholarships and grants pool as a percentage of total tuition and mandatory fees. "Improving" the discount rate means either spending less on scholarships and grants (which we are NOT doing) or generating additional net tuition and fees. Thus, a lower discount rate allows us to increase expenditures for high priority budget requests. All students will benefit if the College can lower its discount rate while continuing to meet full-demonstrated need for financial aid.

**Question #15: Why do we keep decreasing financial aid?**

We don't. We are increasing the budget for Grinnell College-awarded scholarships and grants next year by \$1,000,000 (up to \$16,600,000), which is a 6.4% increase, to meet 100% of demonstrated need, consistent with our policy. We attempt to accommodate the changing need of returning students. As also noted in Question #12, our scholarships and grants pool has also risen by a greater percentage than the increase in our comprehensive fee each of the past two years and will do so again next year. Here is more information about past financial aid awards:

Financial aid statistics for entering students:



From the Grinnell College Fact Book 2001-02 (page 22)

## How do we set next year's salary pools in our budget process? (Questions 16-20)

### Question #16: How do we set the salary pool and determine raises within the budget? Who determines raises, and how do they do it?

Salary percentage increases are recommended by the Budget Steering Committee to the President, who in turn, recommends their approval to the Board of Trustees. The pool is computed by taking the current year's wage pool multiplied by the approved increases. The incremental increase in salaries/wages includes both merit increases and market adjustments. Individual merit increases are determined by department heads, subject to approval; individual market adjustments are based upon external comparisons and internal equity.

On the faculty side, the chair of each academic department prepares merit ratings for all faculty members in that department, using the annual activities report and updated c.v. that each faculty member has submitted. The Librarian of the College and the Chair of the Department of Physical Education submit their recommendations directly to the Dean. All other chairs submit their recommendations, along with the activities report and c.v., to a subcommittee of the Executive Council comprised of the three division chairs and the Chair of the Faculty. This subcommittee of the Council reviews the information on each faculty member and makes recommendations to the Dean on salary adjustments for each faculty member. The Dean customarily adheres closely to these recommendations.

The Budget Steering Committee is not involved with determining market or merit increases for any individual at Grinnell. Rather, the Budget Steering Committee focuses solely on the larger salary pools.

In next year's budget, there is a 5% increase in the faculty salary pool, plus an additional \$1,000 per assistant professor (totaling approximately \$80,000). There is also a 3.5% increase in the staff salary pool. These increases (including benefits) absorb roughly \$1.3 million in additional revenue.

**Question #17: Why are faculty salaries such a high priority?**

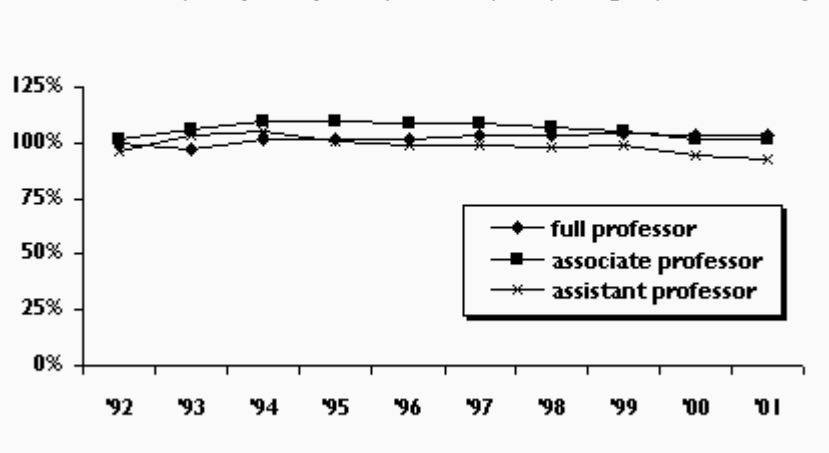
The quality of an education at any institution is directly related to the quality of the institution’s faculty. At Grinnell, we compete nationally for the very best faculty and, to attract them to Grinnell, we need to ensure that our faculty compensation remains competitive. Here is additional information about faculty compensation:

**Average faculty compensation:**

	Full Professors		Associate Professors		Assistant Professors	
	Salary	Total Comp.	Salary	Total Comp.	Salary	Total Comp.
1992	61,702	79,217	47,246	58,381	37,339	45,728
1993	69,306	86,930	54,846	68,286	42,725	52,843
1994	64,238	80,927	51,748	64,095	40,469	49,579
1995	72,067	90,438	56,794	70,126	42,303	51,986
1996	75,923	94,891	58,522	72,257	43,191	53,418
1997	79,831	99,853	61,390	76,750	44,870	55,667
1998	82,709	104,353	61,963	77,874	45,318	56,333
1999	86,327	108,223	63,100	79,381	46,959	58,728
2000	89,225	114,557	63,365	79,946	47,255	60,619
2001	93,476	120,262	66,278	84,646	49,125	61,889

Total compensation includes the value of fringe benefits.

*Grinnell's mean faculty salary as a percent of the peer group mean salary*



From the Grinnell College Fact Book, 2001-02 (page 25)

**Question #18: What happens to the budget when a position goes away or is added?**

As positions come and go, the funding for those salaries is re-allocated from or to other parts of the budget. Overall, both the salary and other parts of the budget continue to grow.

**Question #19: How do compensation increases affect the overall budget?**

Salary/benefits (i.e., compensation) are the single greatest expense in the budget and represent roughly 59% of next year's budget. (Take a look at the pie chart of expenditures by natural classification in Question #2 to see this in pictorial form.) Thus, because salary/benefits consume so much of available resources, it is very challenging for the Budget Steering Committee to choose from among all of the non-salary budgets requests in light of remaining available resources.

**Question #20: How do increases in benefits affect the overall budget?**

The base budget covers increases (sometimes substantial ones) in the cost of health and dental insurance as well as the increased costs of TIAA-CREF to provide retirement benefits, FICA, life insurance, and long-term disability insurance which result from increased wages and salaries.

**What is the Budget Steering Committee? (Questions 21-24)**

**Question #21: What is the role of the Budget Steering Committee? Did this year's budget steering process really seem different to those on the Committee? Did one person end up creating the budget or was it really collaborative?**

Consistent with the Committee's charge, the primary goal of the Budget Steering Committee is to recommend to the President funding priorities to assist in the development of the proposed annual budget for submission to the Board of Trustees. The Committee also ensures broader participation in, and communication of, the budget process.

The process is an evolving one. During the first year, we sought a more collaborative and open process. This year, in order to facilitate our discussions of how to allocate and in some cases re-allocate resources to meet our larger budgetary objectives, we created two subcommittees-- one academic and one non-academic-- to review all non-salary expenditure requests that were submitted. This was a positive improvement in the budget process and ensured that 1) all requests were reviewed and 2) provided a process that was plainly more efficient. Ultimately, the Committee heard the recommendations from the subcommittees and worked to balance the budget by finding reductions from within expenditure requests.

Committee members think our revised budget process is moving us in the right direction. We plan on assessing our process during the summer and improving on it in the future. We will begin the process of developing the FY 2005 budget (i.e., the budget for the year after next year) in late August.

### **Question #22: Who is on the Budget Steering Committee and why?**

This year, the Committee includes the President, those with primary budgetary oversight (Vice-Presidents), the Chair of the Faculty, another faculty member chosen by the Executive Council, the academic deans, and a member of the Office of the Treasurer. Although the Dean of the College oversees all academic budgets, it was considered important to over-represent the academic program with the addition of the two Associate Deans and the two other faculty members. More specifically, the current Committee members are: Jonathan Brand, David Clay, Tom Crady, John Kalkbrenner, Jacob Kaufman-Osborn, Mark Montgomery, Mickey Munley, Jack Mutti, Russell Osgood, Todd Reding, Helen Scott, Marci Sortor, Jim Swartz, Frank Thomas, and Karen Voss.

### **Question #23: What is the role of the faculty members who are on the Budget Steering Committee? How do these faculty members voice their opinions about budget priorities?**

As with all members of the Committee, the faculty members' opinions are valuable in terms of considering all budget requests—academic and non-academic ones—in light of our stated mission, our core values, and our highest priorities. The faculty members also sit on a subcommittee that includes the Dean of the College and the two Associate Deans. This subcommittee reviews the totality of academic budget requests and prioritizes from among them in order to advocate for them before the Budget Steering Committee.

### **Question #24: Is a student on the Budget Steering Committee?**

Jacob Kaufman-Osborn, the SGA Assistant Treasurer, serves on the Budget Steering Committee. Jacob has equal status to the other Committee members.

### **How do we make tough budgetary decisions? (Questions 25-29)**

**Question #25: Why is it that every time I suggest a new idea for the academic program, I am asked what I would like not to do in order to fund it? Isn't the academic program of the College a top priority? I think we could do less in other areas of the College in order to better support our academic program.**

Our academic program is our top priority and the data show, compared to peer institutions, that we spend a higher fraction of our budget on our academic programs. Good people will always have more good ideas than we have time or money to support. We need to pick our best ideas. For example, for next year, we reduced the number of administrative positions in order to fund an increase in the size of the faculty.

One member of the Budget Steering Committee wrote: “The passengers of any airplane are why the plane flies. However, you have to invest and reinvest in the wings, technology, fuselage, etc. to keep it flying.”

**Question #26: Does “institutional thinking” mean you shouldn’t advocate for your own program?**

We asked this question of different Committee members and here is what they said:

”Not at all. Advocate strongly and with deeper sense of mission and purpose.”

”No, but you need to be sure about how your program fits into overall institutional goals.”

”The more you see the big picture, the easier it will be to find institutional meaning in your work and advocate effectively for your programs.”

**Question #27: The “use-it-or-lose-it by the end of the year” policy with regard to the budget (excluding restricted funds) that I manage does not exactly push me toward fiscal discipline. I’ve also noticed that if I slightly overspend, no one comes after me about it. I hesitate to bring this up, but shouldn’t the incentives be reversed here?**

It is essential that the overall budget of the College balance, i.e., expenses not exceed revenues. The goal is for us to think as a team. Every year, there are those who exceed their budgets and others who underspend their budgets. If you are under-budget in a given year, you should expect that the resources you did not use will help cover those budgets that went over. Similarly, if you are over-budget in a given year, you can anticipate help from others. In light of this, you should spend what you realistically need within your budget but not exhaust your entire budget just for the sake of exhausting it.

**Question #28: Do the Trustees determine whether my office/department gets an increase in non-salary expenses?**

No. The Trustees only approve the overall allocations to the larger functional categories such as Instruction, Academic Support, Student Services, and Institutional Support. They do not even see office or departmental budgets.

The Trustees tend to focus primarily on macro-issues such as the endowment contribution to the base budget, the size of the faculty and staff salary pools, the scholarships and grants pool, the comprehensive fee, and gifts/grants.

**Question #29: What does the future look like?**

There are more complicated trade-offs ahead. More buildings including the four new residence halls, the Joe Rosenfield Center, Phase II of the Noyce Science Center, and the first phase of the athletic center will come on line and they will require maintenance and perhaps staffing. Worthy initiatives are likely to emerge from the strategic planning process, and the resources for these initiatives will have to come from resources currently committed within the budget or revenue growth in other areas if it occurs. While all of this is happening, we must continue to decrease our reliance upon the endowment.

## Appendix A. Grinnell College/Current Fund Budget

Approved by the Board of Trustees

February 21, 2003

	<u>FY 2002</u>		<u>FY 2003</u>		<u>FY 2004</u>	
<b>REVENUES</b>						
Tuition & fees	29,276,145		32,845,580		35,162,810	
Less: scholarships & grants	(14,650,000)		(15,600,000)		(16,600,000)	
Net tuition & fees	14,626,145	25.6%	17,245,580	28.2%	18,562,810	29%
Government grants & contracts	942,100	1.6%	900,000	1.5%	900,000	1.4%
Private gifts & grants						
Unrestricted	2,629,360	4.6%	2,629,360	4.3%	2,813,415	4.4%
Pioneer Fund – Unrestricted			2,300,000		2,400,000	
Other Unrestricted			329,360		413,415	
Restricted	780,720	1.4%	1,314,052	2.1%	1,342,917	2.1%
Endowment spending						
Policy	29,150,000	51.0%	29,740,000	48.6%	30,392,500	47.5%
Other sources	709,000	1.2%	650,000	1.1%	552,000	0.9%
Auxiliary enterprises	8,361,800	14.6%	8,709,704	14.2%	9,459,809	14.8%
<b>TOTAL REVENUES</b>	<u>57,199,125</u>	100.0%	<u>61,188,696</u>	100.0%	<u>64,023,451</u>	100.0%
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>						
Instruction	17,610,989	30.8%	19,568,708	32.0%	21,026,869	32.8%
Academic support	7,121,289	12.4%	7,900,816	12.9%	7,941,805	12.4%
Student services	7,586,193	13.3%	8,017,521	13.1%	8,311,170	13.0%
Institutional support	9,719,901	17.0%	9,730,107	15.9%	10,048,552	15.7%
Operation & maintenance of plant	4,529,145	7.9%	4,948,372	8.1%	5,092,697	8%
Auxiliary enterprises	7,975,607	13.9%	8,242,172	13.5%	8,761,056	13.7%
	<u>54,543,125</u>		<u>58,407,696</u>		<u>61,182,147</u>	
Mandatory transfers for:						
Loan fund matching grant	6,000	0.0%	6,000	0.0%	6,000	0.0%
Total expenditures & mandatory transfers	<u>54,549,125</u>		<u>58,413,696</u>		<u>61,188,147</u>	
<b>OTHER TRANSFERS &amp; ADDITIONS</b>						
Transfers to (from):						
Plant Fund						
Debt service	1,050,000	1.8%	1,250,000	2.0%	1,217,500	1.9%
Building Maint. & Equip. Fund						
Equipment	100,000	0.2%	100,000	0.2%	150,000	0.2%
Facilities	775,000	1.4%	825,000	1.3%	800,000	1.2%
Technology	725,000	1.3%	600,000	1.0%	500,000	0.8%
Contingency					<u>155,000</u>	0.2%
Total other transfers & additions	<u>2,650,000</u>		<u>2,775,000</u>		<u>2,822,500</u>	
<b>TOTAL EXPENDITURES/TRANSFERS</b>	<u>57,199,125</u>	100.0%	<u>61,188,696</u>	100.0%	<u>64,010,647</u>	100.0%
<b>TOTAL REVENUES (EXPENDITURES)</b>					12,804	