



February 2011

To: President Kington

From: Marci Sortor and Karen Voss
On behalf of the Budget Steering Committee

Re: Budget Proposal for FY 2012

With this report the Budget Steering Committee submits the proposed budget for the 2012 fiscal year. While the economy no longer seems as perilous as it has recently, the impact of the economic downturn continues to reverberate through Grinnell's budget. After reducing the endowment's contribution to the operating budget by 5% two years in a row and after lower than budgeted unrestricted gifts and grants over the same time period, this year's budget can be seen as a base from which to build. Restraint in expenditures and a slight reduction in staffing through attrition helped produce positive variances in FY '09 and '10. As the Budget Steering Committee contemplates institutional priorities going forward, we are sensitive to those cases where we need to make up lost ground. This budget, however, does not look backward. It encompasses new opportunities for advancing the College's mission and strategic goals and for completing the institutional goals set forth in the strategic plan of 2005. In particular, it contemplates additional funding to enhance enrollment, technology use in the classroom and in our business operations, library research tools and facilities, and alumni engagement.

We propose a budget that includes total revenues of \$86,460,000 and expenditures/transfers of \$87,444,000, creating an unfunded balance of \$984,000. Key elements in the FY 2012 proposal, discussed in detail below, include:

- 5% increase in the endowment's contribution to the operating budget
- 6% increase in comprehensive fees
- 9.1% increase in financial aid
- 8.2% reduction in gifts and grants
- 2% salary and wage pool
- 4.1% increase in expenditures
- A deficit of \$984,000, which we propose to cover through the College Operating Reserve Fund.

Institutional Priorities and Distinctive Attributes of the FY 2012 budget

The on-campus Budget Steering Committee participates in the planning of the College's operating budget by helping identify institutional priorities and the means for achieving them. The values and goals expressed in the College's mission statement, core values and strategic plan determine how we devote resources year-in and year-out.

In developing the FY '12 budget, the Budget Steering Committee used six criteria for making decisions regarding the allocation of funds. In indicating where resources or energies are newly or more heavily focused, the criteria also serve as a summary of what distinguishes the FY '12 budget from previous years' budgets. The criteria fall into three broad categories of action: protect and maintain resources and programs; invest in new initiatives distinctive and beneficial to Grinnell College and its mission and; identify opportunities for savings.

Protect and Maintain Resources and On-going Initiatives

- 1) Protect the academic core. Maintain the quality of students' educational experience.
- 2) Continue the College's commitment to need-blind admission and to meeting the full demonstrated financial need of its domestic students.
 - o Given the continued trend of substantial increases in scholarships and grants to meet student financial need and its direct implications for student-based net revenues, this long-held value of Grinnell College represents a distinctive element in the FY 2012 budget.
- 3) As we near the conclusion of the Strategic Plan of 2005, adequately support the programs begun or expanded as part of the plan as well as select recently-established initiatives
- 4) Avoid deterioration of college buildings and equipment; ensure that programs are not languishing for lack of sufficient funds.

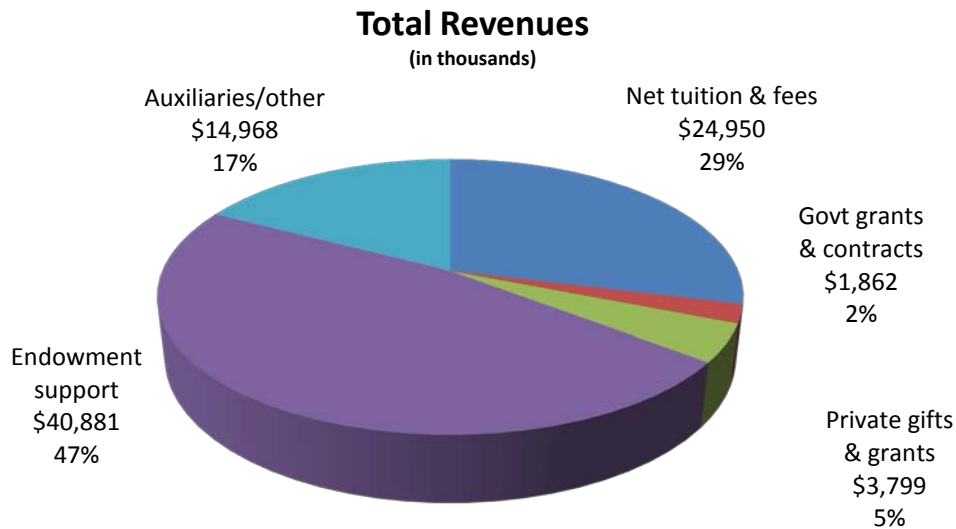
Invest in New Initiatives Distinctive and Beneficial to Grinnell College and its Mission and Core Values

- 5) Celebrate and strengthen the distinctive attributes of Grinnell College, with a special focus on the Young Innovator in Social Justice Prize and related academic and co-curricular programming.

Identify Opportunities for Savings

- 6) Review existing programs and processes for opportunities for reconfiguration, reallocation, reduction, or deletion where this is advisable, both for FY '12 and over the medium term.

Revenue-related Parameters



Comprehensive Fee

Net tuition and fees are budgeted at \$24,950,000, a slight decrease of about \$45,000 from that budgeted for FY 2011, and amounting to 28.9% of the College's revenues. Total revenues from tuition and fees are the combined result of budgeted enrollments, the comprehensive fee, and scholarships and grants. The FY 2012 budget anticipates and enrollment of 1,610 students, comprised of 1,505 on-campus enrollment and 105 FTE off-campus.

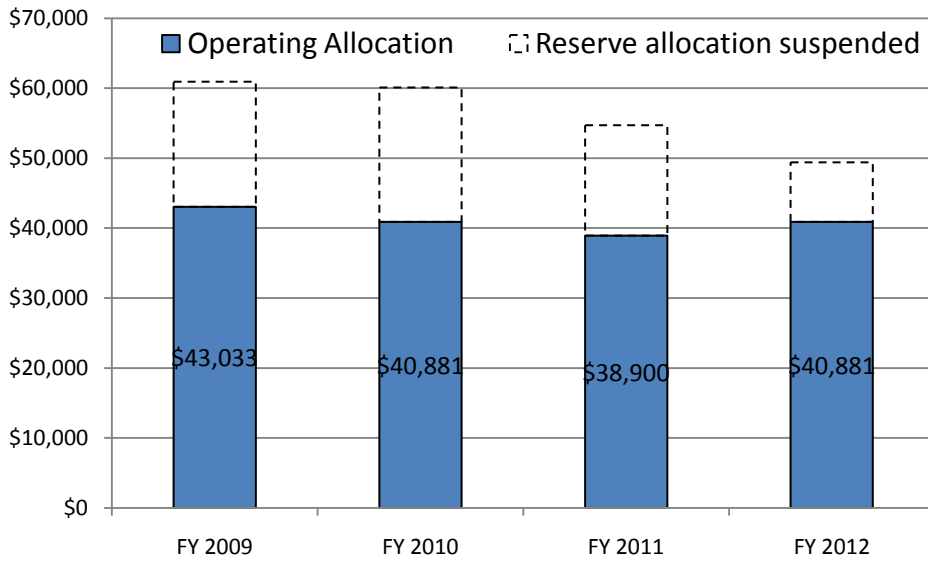
The budget for FY 2012 includes a 6% increase in comprehensive fee (tuition, fees, room and board), rising from \$46,362 to \$49,144. We include comprehensive fee data for Grinnell's peer schools for the 2010/2011 academic year for your review. This year's (FY 2012) comprehensive fee is 91.4% of the peer mean (and 90.4% of the Midwestern mean). Significantly, we anticipate that this increase in the comprehensive fee, combined with the growing need of our students, will result in a reduction in net student revenues.

Scholarships and grants for FY 2012 are budgeted at \$39,311,000. This represents a 9.1% increase, or \$3,111,000, over FY 2011. This increase follows substantial increases in FY 2009, 2010, and 2011. We expect the discount rate to approximate 61.5% across all four classes, calculated from an anticipated discount rate of 60.0% for the Class of 2015 entering next fall.

Endowment Spending

For the 2012 fiscal year we propose a 5% increase in the endowment contribution to the budget, keeping within the 4% spending distribution as well as the 5% allocation "collar" on changes in the amount of the endowment's contribution to the operating budget from one fiscal year to the next. The contribution is budgeted at \$40,881,000, which is

\$1,981,000 above the current year's allocation, and makes up 47.3% of total operating revenues. The allocation to the Reserve Fund was suspended July 1, 2008.

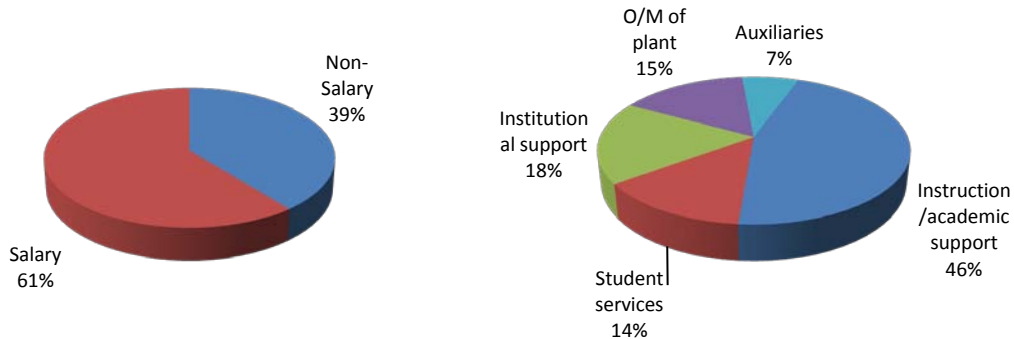


Private Gifts and Grants

Actual results for private gifts and grants these past three fiscal years have been below budget. FY 2011 is currently projected to be below budget in unrestricted giving. At \$2,450,000, which is \$246,000 below the current year's budget, the FY 2012 figure should approximate fund-raising capacities more closely than recent years' budgets.

Expenditure-related Parameters

Total expenditures for FY 2012 are budgeted at \$84,779,000 (\$3,347,000 over FY 2011 expenditures). The change in non-salary expenditures for instruction and academic support are approximately \$1,074,000, or 2.8% above FY 2011, and other expenditures (student services, institutional support, operation and maintenance of plan, and auxiliary enterprises) at approximately \$2,373,000 or 5.2% above the current fiscal year's budget.



Increases in expenditures are primarily linked to a 2% increase in faculty and staff salaries; a return to an annual cycle of facilities repair and maintenance; continued implementation of the strategic plan; focusing in particular on investments in library digital access and resources; improvements to administrative and academic computing systems and services; enhancements linked to recruitment, enrollment, financial aid, and retention; enhanced outreach to alumni; and the implementation of the Young Innovator for Social Justice Award.

Faculty and Staff Salaries

The FY 2012 budget proposal includes a modest 2% increase in salaries and wages. Including the impact of this increase on benefits and wages, the budgetary impact is \$960,000. This follows a 2.5% increase in FY 2011 and a 0% increase in FY 2010.

Debt Service

We expect net interest costs for the Series 2008 variable rate bonds and Series 2010 serial coupon fixed rate bonds to approximate \$1,865,000.

Building, Maintenance & Equipment (BM&E) Fund

BM&E provides support for academic equipment, facilities, and technology projects that are significant and periodic or multi-year in nature. Reflecting an anticipated increase in pressure on the Fund as a consequence of the College's current assessment of IT systems, the proposed FY 2012 budget allocates \$800,000 (an increase of \$200,000 from FY 2011). This follows an additional \$500,000 allocation to the Fund in FY 2010 in expectation of a growing and substantial technology focus.

Addressing the Deficit

The FY 2012 budget anticipates a deficit of \$984,000. This is a result of two distinctive and one-time attributes. First, an important contributor to the reduction in expenditures that resulted in positive variances in FY 2009 and 2010 was a rapid scaling back of facilities projects. This included lengthening the annual cycle of repairs and renovations of the residence halls and postponement of projects. This budget, per the decision criteria outlined above, puts the repair and renovation cycle back on track and allows us to address some other projects that were postponed. Second, the Board of Trustees agreed to the launching of the Young Innovators for Social Justice Award. Until the Trustees determine the means to accommodate this additional cost, we propose addressing it in FY '12 with funds outside of the regular revenue stream. The costs for both of these elements amount to more than the deficit; we have worked to reduce expenditures elsewhere and will continue to do so.

Given the distinctive, one-time, nature of these two elements, we propose using the College Operating Reserve to fund the costs associated with these to the amount of no more than \$984,000.

The Budget Steering Committee members are Katherine Andersen '12, SGA Vice Treasurer; Steve Andrews, Professor of English and Chair of the Humanities Division; Elena Bernal, Vice President of Diversity and Achievement; Nancy Combs, Controller; Houston Dougharty, Vice President for Student Affairs; Bill Francis, Director of Information Technology Services; Leslie Gregg-Jolly, Professor of Biology and Associate Dean of the College; John Kalkbrenner, Vice President of College Services; Raynard Kington, President; David Lopatto, Professor of Psychology and Chair of the Faculty; Jim Mulholland, Assistant Treasurer; Gabriel Schechter '11, SGA Treasurer; Paula Smith, Professor of English, Vice President for Academic Affairs and Dean of the College; Marci Sortor, Professor of History, Vice President of Institutional Planning and Acting Vice President of College and Alumni Relations; Karen Voss, Vice President of Finance and Associate Treasurer.

Attached:

- Actual results for FY 2009 and FY 2010; the FY 2011 budget; the proposed FY 2012 budget
- Major resource and allocation decision summary, FY 2009 through proposed FY 2012
- Comprehensive fee peer comparison data
- Expenditure detail
- Change in expenditures from FY 2011 to FY 2012