

## **Faculty Senate Minutes January 26, 2009**

Senators present: Rich Anderson-Connolly, Kris Bartanen, Douglas Cannon, William Haltom, Suzanne Holland, Steven Neshyba, Hans Ostrom, Amy Ryken, Leslie Saucedo, Mike Segawa, Jenny Wrobel, Yusuf Word

Visitors present: Bill Beardsley, Jane Carlin, Monica DeHart, Alyce DeMarais, Mott Greene, Priti Joshi, Judith Kay, Sherry Mondou, Bryan Smith, Justin Tiehen

Chair Cannon called the meeting to order at 4:00 p.m.

### **I. Report of the Budget Task Force**

Bartanen thanked the Senate for the opportunity to present the Budget Task Force (BTF) Report (Appendix A or <http://www.ups.edu/Documents/Finance/BudgetRecommendations0910.pdf>) and noted that presentations will also be made to both the Staff Senate and the ASUPS Senate. She reviewed the budgeting process, highlighting that membership includes two faculty members, two staff members, and two student members; the BTF hears requests from eighteen campus groups/departments, before conducting deliberations and making recommendations. She noted the open, transparent, and participatory nature of the budgeting process; the comment period is now open (comments should be sent to [president@ups.edu](mailto:president@ups.edu)). Bartanen said that much of the decision-making context was outlined in the report but emphasized that this is a unique, challenging, and unprecedented time for everyone. Endowments have been impacted by falling markets; Puget Sound's endowment has lost value but not to the same degree as the overall market. She also highlighted the uncertainty about family situations in the coming year and beyond, as well as donors' ability to make contributions. Although this is a difficult context, she noted that it is a good year at Puget Sound—enrollment targets were met, 158 new alumni leadership positions have been filled, and there has been an increase of 200 donors to the annual fund.

Mondou reviewed a one page illustration

(<http://www.ups.edu/Documents/Finance/BudgetSummary0910.pdf>.)

stating that this graphic reminds us that the vast majority of revenue comes from families. She directed attention to page 4 of the BTF report and reviewed that the committee, given the challenging financial context, worked to minimize tuition increases; it recommended a 4.91% increase (the lowest in nine years and lower than the past two decade average) and a 10% increase in financial aid. She noted that we will experience a significant decline in interest income on cash balances as short term interest rates have declined from 5% (Fall 2008) to .5% (today). She highlighted that the revenue projections assume an increase in giving to the Puget Sound Fund due to the successful efforts to engage alumni. She directed attention to page 5 of the BTF report, emphasizing that although tuition will increase, Puget Sound tuition will remain in the middle range of our Northwest peers.

Holland asked how much the endowment has declined. Mondou responded that the \$194 million endowment has experienced a 20% decline and noted that other colleges have experienced as high as a 30% decline. She noted that because a smoothing formula is used to project revenue, the next two years will be challenging as well.

Smith highlighted that salary is the primary expense, just as tuition is the primary revenue stream. He stated that faculty steps and promotions for 2009-2010 will be funded through savings due to retirements and more conservative use of visiting professors for sabbatical replacements. He noted that the BTF has recommended a 1% increase to the salary pool if enrollment targets are met. He emphasized that the BTF focused on the bare bones: 1) things we are contracted to pay, 2) Board approved expenditures, 3) initiatives to support student retention, and 4) initiatives to increase student applications.

Bartanen added that the task force focused on the core mission of the college and the strategic objectives, funding initiatives that would be of direct help to students, such as lowering athletic fees. Ostrom added that the recommendation to support a new computer system for admissions was important because of the potential for the upgrade to generate more applications and to increase processing efficiency (leading to a larger pool of qualified and interested candidates).

Neshyba asked how work study was faring in all this. Mondou noted that some funds had been shifted out of the work study budget because it was under spent last year. She highlighted that the bigger challenge is the potential for loss of state-funded work study. In particular, the state is considering changing the qualifying criteria. For example, possibly cutting work study funding for out of state students. She noted that Puget Sound has joined advocacy efforts with other independent colleges. She emphasized that the career planning and employment staff will need to work with students who will be facing a very challenging employment market.

Cannon asked if the plans for hiring new faculty (searches currently underway) have all gone ahead. Bartanen said we have been able to move ahead with the 10 tenure-line faculty searches this year because of budget contingencies. She highlighted that there have been some really terrific pools this year, so Puget Sound has had the opportunity to make strong hires—putting us at a strategic advantage.

Ostrom asked how the contingent 1% increase to the salary pool will work. Mondou noted that in the fall we will know if the enrollment targets are met. At that time, if the targets are met, Kris Bartanen will work in consultation with the Faculty Salary Committee and Human Resources will work in consultation with the Staff Senate to make recommendations. It is unknown at this time whether or not increases would be retroactive. She emphasized that because staff members do not have step increases, their salary will not increase at the beginning of the new fiscal year (July 1), and any increase is contingent on meeting enrollment targets. Bartanen added that faculty contracts may be processed a bit late this year, after the May 1 enrollment deposit date. She also noted that she and department heads are working on contingency planning for the course schedule; for example, initially offering a more limited list of courses for registration, to which more can be added as needed.

Anderson-Connolly noted that things could be much worse and thanked those responsible for budget management. Mondou said that the budget decreases are typical compared to other schools of equal size, noting that schools with larger endowments had been particularly hard hit. Bartanen described the many budget contingencies regularly in place: 1) holding a 1% (26 student) contingency until after the 10<sup>th</sup> day of classes—if enrollment targets are met these funds are used to

fund one time budget requests, 2) funds set aside in the President's Fund are not spent until enrollment targets are met, 3) the budget always includes full employment, so that when there are vacancies the result is an additional cushion. Mondou added that one other factor is that estimates of student FTE are conservative.

Bartanen noted that there may be other reductions that we need to make as things unfold. Greene noted that it was good to be both optimistic and cautious at the same time, and asked how faculty might contribute to consultative and contingency planning in the calm of a 1% contingent salary pool increase, versus possible catastrophe in the future. Bartanen responded that conversations have begun with department chairs about trimming courses and identifying where 5% and 10% reductions could be made if necessary. She described that Randy Nelson and Wendy Dove are working on different enrollment models, for example assuming a freshman class of 600 and considering the impacts on majors and class size over a four year period. She emphasized that if additional reductions are necessary the process will involve consultation with faculty and staff. Mondou added that work has been done to create a menu of budget cut possibilities; by creating models and inputting scenarios (e.g., 25-50 students below the enrollment target) it is possible to get at the level of magnitude of possible reductions. She noted that a shorthand estimate is that the revenue lost for every four students under enrolled is equal to the expense of one faculty member; thus, if we are 50 students under the enrollment target the budget shortfall cannot be solved with any one strategy. She noted that the models and menu options help define where we might look if more reductions are necessary.

Holland noted that she thought the faculty would welcome a conversation about these issues. For example, talking about which benefits might be cut if that is necessary. She noted that there are shared concerns, beyond the department level, which would be useful to discuss far ahead of the time that reductions might have to be made.

Bartanen highlighted that the budget recommendations do not include an increase to the Study Abroad budget. This area had increased in the past few years to support the rising number of study abroad students and those who chose partner and sponsored, rather than approved, programs. The requested \$173,000 increase could not be supported given the constraints. She stated it will be important to manage study abroad at current levels of funding. The upcoming junior class is smaller and thus there may be fewer students who study aboard. Also, the increasing costs of airfare and incidentals may impact the number of students who choose to study abroad. It will be very important for financial aid and study abroad staff to work on an individualized basis with students. Despite that work some students may not be able to attend their first choice program.

Cannon asked if there has been any impact on semester-to-semester retention. Mondou noted that we are just at the 5<sup>th</sup> day of classes (and thus enrollments are still in flux), but retention looks solid fall to spring. Bartanen noted that admissions staff has been watching application numbers very carefully. She emphasized that it is difficult this year to compare numbers because of the shift to online applications and the application deadline changed from February 1 to January 15. She noted that the January 15 applications are 12% behind the application numbers compared to the February 1 deadline last year. Ostrom added that there are 2000 incomplete applications in the system; that a number of students have not yet completed the two additional two questions specific to Puget Sound on the common online application. He emphasized that this may not be a bad thing, as

students who have not completed these questions may not be seriously interested in Puget Sound. Bartanen noted that early decision application numbers were up both nationally and at Puget Sound. Word asked what were the advantages of having all applicants apply online. Mondou noted that the common application helps get information into electronic data form sooner, thus speeding processing ability.

Holland asked what are the budgetary impacts of using BlackBoard versus coursepacks. Bartanen noted that the library has a \$25,000 budget deficit due to student printing. She shared that many campuses give students a set number of pages per semester, and student pay for pages beyond the limit. She added that there are important sustainability reasons for examining the volume of printing on campus. She noted that Alyce DeMarais, Molly Tamarkin, and Jane Carlin are working on a proposal for campus wide printing. DeMarais added that if faculty members know what readings they plan to use in advance it is best to include them in a course pack. Neshyba added that there could be more faculty representation on the Sustainability Advisory Committee. DeMarais suggested that faculty could encourage students to print double sided. Holland added that she had had students complain on evaluations about having to print readings from BlackBoard. Bartanen added that she had also seen a pattern of student complaints in evaluations about last minute emails with attachments to print and read before class. DeMarais said that predictions about reading everything online have not born out. Bartanen shared that Jane Carlin is researching different online readers. Joshi highlighted that faculty are just as guilty as student of overusing printing, for example, printing out email communications. Ostrom noted that having students buy books, which they sell back and are then reused, is a sustainable practice. Neshyba asked if the life cycle of faculty computers should be extended; Mondou noted that is being examined.

## II. Approval of minutes of December 1, 2008

The minutes of the December 1, 2008 meeting were approved.

## III. Announcements

Cannon welcomed Neshyba to the Senate and noted that Hannaford and Saucedo are replacement senators for Rob Hutchinson and Lisa Johnson, who are on sabbatical leave. He noted that the Senate meeting schedule was printed on the agenda (Meetings are scheduled from 4-5:30 p.m. in the McCormick Room on January 26, February 9, February 23, March 9, March 30, April 13, April 27, May 4). He shared that at the last faculty meeting the faculty declined to approve the academic integrity revision to the first-year seminar core rubrics.

## IV. Special Orders

Anderson-Connolly shared that he had received an email communication from Kari Heinold noting that for the 2009-2010 academic year Willamette will give only one applicant from the University of Puget Sound a tuition remission scholarship. Seven have applied for the scholarship. He warned that faculty should understand that the tuition exchange is not automatic. Although Willamette is in the consortium of Northwest Independent Colleges, where many believe that acceptance means tuition exchange, students this year have at best a one in seven chance of receiving funding. Bartanen noted that Mondou was in communication with Human Resources and that, at this time,

she is unsure if this report is accurate. She added that she was particularly concerned because there had been no advance warning.

#### V. Reports of Committee Liaisons

Cannon reported that the Academic Standing Committee was considering eliminating the pass/fail grading option and suggested that those interested should be in communication with members of the ASC.

#### VI. Revision of Bylaws Concerning the Standing Committee on Diversity

Cannon noted that since the motion under discussion at the end of the last Senate meeting was made by Weiss, and seconded by Beck, who were both absent at this meeting, a motion had to be made to substitute. Holland moved that “The senate endorse the Diversity Committee revision of its bylaws and that the senate move this revision forward to the full faculty for approval.” Haltom seconded. The motion to substitute carried and discussion began.

Kay began by reviewing the history of BERT. She noted that in September 2004, the faculty senate charged the diversity committee to “explore the possibility of developing a response team of students and of faculty and staff members equipped to convene and moderate campus-wide discussion of potentially bias-related incidents at Puget Sound.” A sub-committee was formed and in January 2006 the Diversity Committee approved an implementation plan for BERT. Both the faculty senate and the administration endorsed this plan and BERT members were appointed. In Fall 2007 BERT convened. Kay emphasized that given this history, both the existence of BERT and its name are not germane to the consideration of the revision of the bylaws.

Kay reviewed the proposed language (Appendix B), in section 6 noting that the committee recommended not using the name BERT. She noted the term “as needed” was added because the group may not always need to exist. The term “group” was used to communicate the ad hoc, rather than bureaucratic nature, of the group. The phrase “will address educationally” shows the function of the group is education, not enforcement. The phrase “to collaborate with this group and provide oversight” indicates that the Diversity Committee retains authority but does not intend to micro manage the group. In addition, “to promote academic freedom and freedom of expression, as needed” was added in case responses to an incident seemed to threaten this principle. Finally, an annual report is recommend to foster transparency and communication about the educational role of this group.

Anderson-Connolly asked if removing the name BERT made BERT go away; Kay responded that BERT exists. Anderson-Connolly asked if BERT would be the group to enact the things listed in item 6, and if so, then eliminating the word BERT would not be a substantial change from the last discussion. Kay noted the new clause specifically addresses concerns about academic freedom and freedom of expression. Saucedo asked if the group could evolve; she wondered if the Diversity Committee would work with CAIR. Kay highlighted student versus faculty initiative in the development of these two groups, and noted that the bylaws speak to collaboration.

Anderson-Connolly asked if BERT or the Diversity Committee would decide what is a manifestation of prejudice and bigotry. He wondered, does the Diversity Committee recognize and then call BERT to action?

Kay responded, yes, it would be a collaboration between the Diversity Committee and BERT; and that the advantage of the Diversity Committee being a faculty committee is to sponsor conversations about what are manifestations of prejudice and bigotry. Anderson-Connolly noted that activating BERT means that the incident is pre-defined as prejudice and bigotry. Kay responded that BERT is not just crisis response; in fact, the committee recommends a more preventative approach to track incidents and have ongoing educational initiatives.

Anderson-Connolly suggested that perhaps the phrase “activate as needed” was not needed. Kay noted that that doesn’t mean case-by-case activation. Ostrom observed that the issue might be clarified by placing the phrase “as needed” after the verb “address.” This change would clarify that the Diversity Committee activates BERT annually, but then BERT creates educational fora as needed. Ostrom pointed out that there are analogous groups on campus that are appointed annually but only spring into action “as needed” in response to incidents. DeHart noted that the group can convene educational events to foster debate about whether or not certain incidents are manifestations of prejudice and bigotry. Anderson-Connolly stated that his concern is that if there is a committee focused on bias then it will find bias. He also noted that there may be a significant generation gap between a 50-60 year old’s and a student’s definition of bias. Kay noted that these incidents occur all the time. The issue is whether or not we want to have our ear to the campus climate.

DeHart noted that the material collected is self reported by any member of the community. What is at stake is not what counts as bigotry and prejudice, but documenting what people experience or understand. The question is how is it hurtful, and to whom is it hurtful?

Word added that a good example is party conversations that students have—they don’t mean it and can be good intentioned, but it is experienced as hurtful. He emphasized that he hoped BERT would be more proactive in its approach to provide a chance for students to share, to say, “this is hurtful to me and here’s why.”

Bartanen shared that both the quantitative and qualitative data in the campus climate survey document hurtful incidences and that this group can educate proactively, rather than in a reaction to individual incidents, which often puts the burden of response on the parties that are hurt. She noted that BERT can explore a range of responses and facilitate conversations. She added that she thought the addition of the academic freedom and freedom of expression clause was important.

Holland moved to call the question, Haltom seconded. **“The senate endorse the Diversity Committee revision of its bylaws [See Appendix B] and that the senate move this revision forward to the full faculty for approval.” (M/S/P)**

Cannon reminded Senators that bylaws changes require a three-quarters approval of the faculty.

VII. Adjournment

The meeting adjourned at 5:35 p.m.

Respectfully submitted,

Amy E. Ryken

Appendix A  
**University of Puget Sound**  
**Report of the Budget Task Force**  
**Recommended Budget Assumptions for 2009-10**  
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**Note: See page 2 for scheduled presentations of the recommendations and how  
you can offer feedback to the President.**



**Puget Sound's Participative Budgeting Process**

Since 1977, the university has benefited from the involvement of faculty, staff, and students in a participative budgeting process. The university's annual budgeting process begins with the important work of the Budget Task Force (BTF), a group chaired by the Academic Vice President that includes students, faculty, staff and the Vice President for Finance and Administration, and whose charge is to recommend to the President a balanced budget that advances the university's mission and strategic plan.

The BTF, well-grounded in the mission and strategic plan, began their work early in the fall semester by considering major budget drivers, various budget scenarios, issues unique to Puget Sound, and external forces of influence. President Thomas met with the BTF early in the process to acknowledge the hard choices ahead and to share his perspectives and general sense of priorities. The BTF then heard presentations and considered budget requests from the leaders of eighteen campus groups/departments throughout the fall term. The BTF invited suggestions and comments from the entire campus community through Open Line and Tattler. The current economic crisis deepened as the fall progressed and the BTF carefully considered the resulting implications and challenges. Given heightened uncertainty and volatility in the economy and markets, the BTF reconvened in January to review the most up to date information with the President and to again consider the effects on Puget Sound and its budget recommendation. After analyzing options and reaching a consensus, the BTF refined its budget recommendation. Members of the BTF will present the recommendations to the Staff Senate, ASUPS Senate, and Faculty Senate as shown below and all staff, students, and faculty are welcome to attend:

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- Faculty Senate, 4:00 pm, Monday, January 26, 2009, Collins Library, Presentation Room 020
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- Staff Senate, noon, Wednesday, January 28, 2009, Wheelock Student Center, Murray Board Rm
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- ASUPS Senate, 7 pm, Thursday, January 29, 2009, Wheelock Student Center, Murray Board Rm

The President invites comments from the campus community through February 11, 2009, before taking his recommendation to the Board of Trustees for approval at their February 27 meeting. Send your comments to [president@ups.edu](mailto:president@ups.edu).

**BTF Membership:**

Kristine Bartanen, Academic Vice President, Chair  
Sherry Mondou, Vice President for Finance and Administration  
Hans Ostrom, Faculty Member  
Bryan Smith, Faculty Member  
Heather Clifford, Staff Member  
Kristen Murphy, Staff Member  
Ian Jaray '09, Student Member  
Brynn Weagraff '10, Student Member

For more complete information about Puget Sound's budgeting process, see:

<http://www.ups.edu/documents/Finance/BudgetingProcessJan06.pdf> .To view the university's mission statement, go to: <http://www.ups.edu/x577.xml> .For information about the university's strategic plan, which was an important consideration in budget decision making, visit:

<http://www.ups.edu/x11358.xml>

1 Academic Division, Accounting and Budget Services, Admission, ASUPS, Business Services, Community Engagement, Communications, Facilities Services, Faculty Salary Committee, General Institutional, Human Resources, Information Services, Recruitment/Student Financial Aid, Staff Salary Committee, Student Affairs, Student Financial Services, Treasury, and University Relations.

**Context in Which Budget Recommendations Were Formed**

Puget Sound has been educating students for over 120 years. Throughout its history the college has set its sights high, overcome challenges, and found that the Puget Sound community could do great things. Puget Sound has a clear mission and strategic plan and is a community committed to the success of students. It has the strengths, agility, and resolve to achieve its goals in the years to come, though it will not be easy. We all know that we are experiencing the worst global economic recession in our lifetimes. We are living with the results of a subprime mortgage crisis, liquidity crisis, housing crisis, and volatile stock market. In recent months we have seen unprecedented financial failures, takeovers, and government bailouts. Nearly all 50 states are facing budget deficits. Investor and consumer confidence has eroded and unemployment and job insecurity are on the rise. Higher education, public and private alike, is challenged with diminished and strained revenue sources. While the need for investment in higher education has never been greater, the capacity of many families to pay tuition has been shaken and the level of funding available from non-tuition sources has declined. Competition for students is growing even as the number of graduating high school seniors is expected to decline.

With this backdrop, and after discussions with campus leaders, the BTF acknowledged the importance of:

- Developing a conservative and sustainable budget for 2009-10 that allows for uncertainties and contingencies in these difficult economic times.

- Embracing challenges and opportunities in ways that best adhere to Puget Sound's core mission and core values and that preserve what is great and special about Puget Sound.

- Maintaining forward momentum with the strategic plan.

- Minimizing the increase in tuition, investing in student financial aid, and helping students persist to graduation.

- Supporting initiatives that will strengthen and diversify revenue sources over the near and long term.

- Recognizing the contributions of faculty and staff and maintaining competitive compensation, and also recognizing that this would be difficult given the economic picture.

- Continuing to encourage budget managers to be innovative and resourceful. Puget Sound has not automatically funded across-the-board inflationary increases for operating costs for many years and the BTF continued its long practice of scrutinizing requests for new funding in the context of Puget Sound's goals and broader economic picture.

- The President's Cabinet developing additional contingency plans should the contingencies within the recommended budget prove insufficient to balance the budget (this work is underway and ongoing)

The BTF listened to the campus community and considered the benefits, costs, and practicality of funding or not funding \$6.8 million in budget requests. The BTF acknowledged the positive difference that the proposals would make, but also understood that funding all requests would have resulted in an unacceptable tuition increase of 10%. Such an increase would not be tenable under most any circumstances, and any substantial tuition increase during these financial times will present challenges for the university and families. The BTF sought a reasonable balance considering all factors. Its recommendations for 2009-10 are on the following pages.

**Overview of Recommended Educational and General Budget for 2009-10**  
**REVENUES, Total net Increase of \$750,000 or 1.01%**

- Overall enrollment of 2,624 student FTE for fall and spring with a 1% enrollment contingency, unchanged from 2008-09
- A decline in summer enrollment consistent with actual experience
- 4.91% increase in undergraduate tuition, the lowest in 9 years
- 10 % increase in student financial aid
- 18% increase in unrestricted gifts budget
- 62% **decline** in interest income on cash balances (Since early December interest rates dropped another 75 basis points; should current rates persist, we will see an additional loss of income to the budget of \$300,000, or an 84% decline from the prior year budget. To deal with this and other uncertainties in our revenue stream, the recommended salary increase below is made contingent on meeting revenue targets in the fall as discussed herein.)
- 11.7% **decline** in unrestricted endowment distributions

**EXPENSES, Total net Increase limited to increase in revenues of \$750,000 or 1.01%**

**Academic Programs \$ 28,000**

For support of instruction, civic scholarship, diversity programs, and athletics

**Student Recruitment \$ 20,000**

Annual support for constituent relationship management (CRM) system.

**Academic and Administrative Facilities \$128,000**

\$137,000 or 10% increase in major maintenance per Board of Trustees

(\$9,000) decrease in debt service per repayment schedule

No increase in utilities due to consumption moderation and rate relief

**Alumni Engagement and Fundraising in support of strategic objectives \$169,000**

(largely funded with gifts and endowment)

**Expense offsets, including cost sharing by auxiliary services (\$104,000)**

**Compensation increase \$509,000**

1.00% Faculty Salary pool increase, contingent upon meeting overall net revenue targets in the fall

1.00% Staff Salary pool increase, contingent upon meeting overall net revenue targets in the fall

1.83% Fringe benefit increase to cover the rising cost of existing benefits

Add a floating holiday for staff members

Additional detail and discussion of recommendations follow on ensuing pages.

**Discussion of Recommendations**

**Major Revenue Sources**

**Net Tuition and Other Fees**

The 2009-10 tuition revenue budget is based on enrollment of 2,624 fulltime equivalent (FTE) students, unchanged from the 2008-09 budget. This assumes success in recruiting 675 freshmen and 75 transfer students in the fall, in meeting graduate program enrollment targets in the aggregate, and continued strong student retention. In the current economic climate, it is important that we carry an enrollment contingency within the budget to protect against variations between enrollment targets and actual matriculation; the budget carries a 1% or 26-student contingency. In the event that enrollment targets are met and the contingency is not needed, it will be released for one-time expenses of high priority in accordance with board approved policy. Should the contingency prove to be insufficient as actual enrollments are known, other lines of the budget will need to be adjusted accordingly. The higher education press has reported that this will be an especially difficult year to predict enrollments, given the financial uncertainty, and our Office of Admission reinforces this analysis.

The Budget Task Force recommends a 4.91% increase in tuition rates, which will bring full-time undergraduate tuition to \$35,440. In 2008-09, Puget Sound’s tuition was below the median of Northwest and national peers. The recommended increase is the lowest tuition rate in nine years and is lower than the college’s 20-year average annual tuition increase. The Budget Task Force, in consultation with Vice President for Enrollment George Mills, believes that Puget Sound can remain competitive at this tuition level in the current economic climate if we continue to work hard to provide financial support for students and continue to communicate the value of a Puget Sound education.

ASUPS and the BTF recommend that the ASUPS fee remain at \$195 in 2009-10.

Standard room and board fees are recommended to increase by 4.91% to cover cost increases in the housing and dining program, including food, supplies, compensation, maintenance and amenities (e.g. increased bandwidth and expansion of wireless access) in support of a superior experience for students. Puget Sound’s aggregated standard room and board fees are anticipated to be below or on par with Northwest and National peer institution averages.

As shown in the table below, total tuition, ASUPS fee, and standard\* room & board, when considered together, are recommended to increase 4.89% in the aggregate in order to cover increased costs, provide increased financial support for students, and to offer the best possible programs.

|                 | <u>FY2008-0</u> | <u>FY2009-1</u> | <u>% Increase</u> |
|-----------------|-----------------|-----------------|-------------------|
| Tuition         | \$33,78         | \$35,44         | 4.91%             |
| ASUPS Fee       | 19              | 19              | 0.00%             |
| Tuition and Fee | 33,97           | 35,63           | 4.89%             |
| Room*           | 4,89            | 5,13            | 4.91%             |
| Board*          | 3,87            | 4,06            | 4.91%             |
| Total           | \$42,73         | \$44,82         | 4.89%             |

\*This assumes double or greater occupancy in a residence hall and a medium meal plan. There are other housing and meal options, each with pricing variations. Internet connection (ResNet) fee is included in the room charge.

The Budget Task Force recommends that the summer session tuition revenue budget be reduced in 2009-10 by \$61,000 in recognition of a trend of lower student demand that may be attributed to: (1) a new, smaller core curriculum (core courses are the major draw for undergraduate students during summer and fewer core courses are now needed), (2) an increasing number of students from out-of-state (who return home for the summer), and (3) an academically stronger student body in less need of summer courses to maintain degree progress.

After hearing a presentation from Vice President for Enrollment George Mills and Associate Vice President for Student Financial Services Maggie Mittuch, and considering the substantial financial need of our students, the level of our endowment, past experience in recruiting talented students, mounting competition, and the current economic recession, the Budget Task Force supports the request for an additional \$3.35 million in student financial aid. This will yield an average total discount rate of 34.71% in 2009-10 that is expected to level out at 35.11% in four years, a level comparable to many of our peers and below that of others. Approximately 91% of Puget Sound students received some form of financial aid. The target tuition-funded financial aid discount rate would increase from 26.92% in 2008-09 to 28.33% in 2009-10. The gift and endowment funded portion of student financial aid is projected to be 6.38% in 2009-10, a small increase over the estimated 2008-09 rate of 6.28%.

With the combined recommended tuition rate and student financial aid budget, average net tuition and fee revenues are expected to increase by a modest 2.54%. This compares favorably to the U.S. cities average Consumer Price Index (CPI) increase of 3.8% for calendar 2008.

### **Gifts**

The Budget Task Force in consultation with Vice President for University Relations David Beers is recommending an increase in the unrestricted gift budget of \$363,000 or 18.03% to \$2,376,000. This target is consistent with comprehensive campaign goals and previous successful fundraising results, and also reflects additional investment in fundraising activities.

### **Interest Income and Endowment Distributions**

As is the case with unrestricted gifts, interest income and unrestricted endowment distributions help fund operating activities and defray tuition increases. Unfortunately, both interest income and unrestricted endowment distributions are projected to decline in 2009-10. At current interest rate levels, income from invested operating cash balances is expected to decrease by \$1,140,000 because while the college's cash balances remain strong and secure, short-term interest rates have decreased dramatically. In fall 2007 the Federal Reserve's discount rate was 5%, whereas it is .5% today. We are also projecting a decrease of \$364,000 in unrestricted endowment distributions, primarily because of declines in the value of endowment investments over the past several months. The board-approved endowment spending rate for 2009-10 will remain at 5% of a three year average. While the spending formula helps to smooth market volatility, state law imposes spending limits on those endowments with a current market value below their original gift value. It is important to note that the Board of Trustees has temporarily designated quasi-endowment earnings to help fund the expansion of university relations in support of the multi-year

comprehensive campaign. As the campaign brings in additional gift revenues, this temporary designation is being phased out.

**Federal and State Grants**

Federal and state grant revenue consists primarily of federal and state student work study grants, an administrative cost allowance for campus-based federal financial aid programs, and indirect cost recovery on federal research grants. Federal and state grant revenue is not expected to increase in 2009-10 and state work study grants may be vulnerable to reduction.



## **Major Expenditures**

### **Compensation**

The Budget Task Force sought to do as much as possible to recognize the hard work and significant accomplishments of faculty and staff and to provide funds to maintain competitive compensation. Compensation consumes over 70% of the Educational and General expense budget and net tuition provides 89% of the Educational and General revenue budget. Consequently, any increase in compensation translates to a similar increase in tuition at a time when tuition increases are already necessary to help compensate for declines in investment earnings. As discussed above, it is important that net tuition increases be moderated to help ensure successful recruitment of the 2009-10 freshmen class and successful retention of continuing students. Given this difficult reality, the BTF was able to recommend a contingent net increase of just \$509,000 to the compensation budget within the educational and general budget. The major components of this recommendation are discussed below.

Contingent upon meeting revenue targets in the fall, the BTF, in consultation with the President, recommends a salary pool increase of 1.00 % for faculty and staff, for a potential increase in tuition-funded salary pools of \$386,000. If and when the salary pool increases are deemed affordable given the revenue picture in the fall, distribution of the faculty salary pool will be determined by the Dean in consultation with the Faculty Salary Committee. The Dean, in consultation with Department Chairs, has already taken steps to reduce sabbatical-replacement hiring, enabling coverage of 2009-10 faculty steps and promotions within the faculty salary scale without reliance on the 1% increase in budget. Distribution of the staff salary pool will be determined by the President in consultation with the Cabinet, upon receiving a recommendation from Human Resources. Before putting forth a recommendation, Human Resources will seek input from the Staff Senate Compensation Committee.

The BTF recommends an increase of 1.83% to cover the rising cost of existing fringe benefits, including those that are calculated on the salary base. The portion of benefit increase that relates to the contingent 1% salary pool increase will also be contingent upon achievement of revenue targets in the fall. While many benefits, such as retirement, will rise the same percentage as salary increases (zero to 1%), other benefits, such as tuition benefits and medical benefits, may rise significantly more. The recommended budget allows for this. As in prior years, specific adjustments in the 2010 flexible benefits allowance and subsidy program will be established later in the year when more is known about overall health care trends and the experience of our own plans.

Human Resources and the BTF support the Staff Senate's request to add a floating holiday for staff members to recognize and support our diverse and dedicated staff. Human Resources will take this proposal forward to the President's Cabinet for consideration. In recent years the student compensation budget has not been fully utilized as students chose to work fewer hours or to work off campus. This enabled a reclassification of the unused budget to the student financial aid budget to more directly benefit students. Several requests presented to the Budget Task Force included new positions or increases to existing positions. Given the economic situation and the lack of overall funding for salary increases, the BTF felt it important not to add or increase positions at this time.

### **Academic Programs**

The BTF was ever mindful that the work of the Academic division is central to our mission and resource allocations should reflect that. With limited funding, the BTF felt it important to preserve as much as

possible for compensation. As such, available funds for operating expense increases were few, but the following are recommended:

- \$8,000 for academic operating budgets, specifics to be determined by the Dean
- \$8,000 for athletic operating budgets to reduce student burden from dues and extensive fundraising
- \$5,000 to support transition to center for strategic issues
- \$3,000 for the office of the chief diversity officer
- \$4,000 for mileage reimbursement at IRS rate

### **Student Recruitment**

Given our heavy reliance on tuition revenues, the BTF recognized the importance of successful student recruitment. The Budget Task Force recommends an allocation of \$20,000 towards the annual cost of a new constituent relationship management (CRM) system. Vice President for Enrollment George Mills reports that a new CRM system is needed to provide data analysis and reporting support capabilities that the Admission Office currently does not have. In the current marketplace, especially when operating with a limited budget, research and electronic communications capabilities work together to reduce communication costs. The functionality provided by a new CRM system is expected to improve the efficiency and effectiveness of student recruitment.

### **Academic and Administrative Facilities**

Puget Sound's investment in campus facilities is significant and consistent with our residential liberal arts mission. It is important that the funding level be sufficient to maintain safe and functional spaces for learning, living, and recreation. At the Board of Trustee's direction, the planned major maintenance budget is recommended to increase 10% or \$137,000.

Thanks in good measure to our campus community's commitment to energy conservation and other sustainability initiatives, and to some rate relief, current utility budget levels are anticipated to be adequate for 2009-10. No increase is recommended.

### **Alumni Engagement and the Campaign**

The Budget Task Force continues to recognize the importance of investing in relationship building, activities, and programs that will bring substantial resources to the university, making it possible for Puget Sound to achieve its strategic goals and support students. To continue to improve and expand alumni and parent programs, and to execute a successful campaign, the budget recommendation includes an increase of \$161,000 in support of these crucial objectives. This level of funding is consistent with the comprehensive campaign plan and multi-year budget proposed by Vice President for University Relations Dave Beers and approved by the Board of Trustees. Expenditure levels for alumni and parent programs and fundraising have lagged those of peer institutions and additional investment is needed as the campaign progresses. As noted earlier, tuition dollars are not funding this investment; instead, quasi-endowment earnings designated by the Board of Trustees are providing temporary funding for the majority of these additional costs as they are being gradually eased into the budget through increases in gifts over the multi-year campaign period. In addition to expense increases previously approved and funded by the board, the BTF recommendation includes \$3,000 to support the increased distribution of the *Arches* publication as Puget Sound reconnects with more of its alumni. It also includes \$8,000 to

support a new Alumni Sharing Knowledge on-line system. This funding supports improved access for current students to the Alumni Sharing Knowledge (ASK) Network as they seek career guidance and employment; the system will allow alumni to engage with students more efficiently and effectively, as they will be able to access and maintain their own profiles, and receive feedback directly from students.

### **President's Discretionary Fund**

The budget recommended by the BTF continues to include a President's Discretionary Fund of \$200,000 to allow the president much needed flexibility to fund one-time expenditures that explore new initiatives and advance high priorities that would otherwise go unfunded. This level of funding has not increased in eight years. Especially in a context of uncertainty and unpredictability about revenue sources, this fund serves as an additional contingency until enrollment is secured in the fall.

### **Requests Not Funded**

The BTF was unable to recommend funding for over \$3.1 million in requests; doing so would have resulted in a double digit tuition increase. Comments on a few of these requests follow.

The BTF recognizes the importance of study abroad to a Puget Sound education and also the significant cost. While we fully support student access to high quality programs, we recognize the need to do so in 2009-10 within the existing \$2.93 million Study Abroad program budget.

Significant requests to support instruction, library resources, student athletes, athletic programs, college publications, and photo management could not be funded with incremental new funding. As mentioned above in the compensation section, the Budget Task Force was not able to identify funding for several requests for new staff positions and changes to existing positions. We hope that some of the most pressing needs might be funded via reallocations or found cost savings within existing departmental and divisional budgets.

The BTF forwarded to Human Resources for consideration in the course of their work, the Staff Senate's interest in accessing voluntary short-term disability insurance, having the choice of two health care providers, and expanding the promotion of wellness programs. The BTF seriously considered all requests and regrets that current economic conditions and resulting funding limitations prevented approval of many compelling requests. With encouragement from Vice President for University Relations Dave Beers, the BTF maintains a positive outlook that investments in alumni engagement and fundraising will bring additional resources in the future so that critical needs can better be met while keeping a Puget Sound education financially accessible; positive expectations are founded on the success of earlier investments in this area over the past three years which have produced stronger than anticipated results.

The BTF also received several requests for one-time funding, which need not be added to the ongoing annual budget, but would require a one-time funding source. The BTF will forward a prioritized list to President Thomas for consideration, understanding that funding is limited and will be dependent on attainment of revenue targets and the availability of discretionary funds.

### **In Closing**

The Budget Task Force recognizes that it is through the hard work and creativity of the entire campus community, and through the prudent yet difficult choices we must all make, that the university continues to improve, students are able to benefit, and budgets are balanced. As Vice Presidents Bartanen and Mondou said in a December message to faculty and staff, "each of us is called upon to do our very best work in support of our mission and to be creative and strategic about how we continue our good work in a more financially

constrained environment. We must each bring fresh thinking to determine how we can continue to deliver a high quality residential liberal arts educational experience with fewer resources. We must be creative in our approaches and practices and we must focus on our core functions, distinctions, and highest priorities. Department heads and budget managers, with renewed focus and intensity, must analyze their



cost structures and assess value added relative to cost. Each of us must continue to be frugal and fiscally responsible.” The Budget Task Force appreciates your support as we respond to this call and endeavor to fulfill our charge.

Our recommendations were largely developed in December based on information then available and they were refined mid-January based on the most up-to-date information. The economic situation creates great uncertainty. We recognize that updated economic news, changes in interest rates or investment values, and trends in student recruitment and enrollment may necessitate that the President or Board modify the recommendations herein as new information becomes available.

Lastly, we remind you once more of the opportunity to share your comments with the President at [president@ups.edu](mailto:president@ups.edu) no later than February 11, 2009.



**Appendix B**  
**Proposed revisions to the by-laws of the Diversity Committee**  
**Approved by the Diversity Committee on 1/21/09**

The Committee on Diversity

- a. The Committee shall consist of Dean of the University or designee (ex-officio); the Chief Diversity Officer (ex-officio); no fewer than seven appointed faculty members, and one student.
- b. The duties of the Committee shall be
  1. To serve the university's goal of increasing the social diversity of the campus as defined in the university's Diversity Strategic Plan.
  2. To participate in the development of initiatives that enable the university to hire new faculty from historically under-represented populations and to support better the retention and success of such faculty.
  3. To work with the President, Vice-Presidents, and the Chief Diversity Officer concerning diversity initiatives that can benefit from faculty presence and leadership, as needed.
  4. To establish liaisons with key university units including staff and student diversity groups to assess strategic needs and work collaboratively in diversity-related initiatives, as needed.
  5. To work with colleagues to maintain an inclusive classroom environment.
  6. To activate, as needed, a group that will address educationally manifestations of prejudice or bigotry within the campus community; to collaborate with this group and provide oversight; to promote academic freedom and freedom of expression, as needed; and to report annually to the Faculty Senate.
  7. Such other duties as may be assigned to it.