

## Smith College

### Proposed Budget Reduction Plan for 2009-10 through 2011-12

April 13, 2009

Dear Members of the Smith Community,

Following intensive deliberations and consultation, including a recent day-long retreat with the faculty, staff, and student members of the Committee on Mission and Priorities (CMP) and the Advisory Committee on Resource Allocation (ACRA), as well as several members of the board of trustees, I am writing to share with you a proposed budget reduction plan for the college that would achieve \$30 million in permanent reductions by June 30, 2011. The plan reflects months of serious deliberation on that which is integral to the Smith experience and that which, in a changing higher education landscape, can be envisioned or delivered in new ways.

I am particularly proud that this proposed plan maintains our foundational commitment to meeting students' full demonstrated financial need, ensuring that high-achieving students from all backgrounds will continue to have the benefit of a Smith education.

This plan reflects not only the hard work of CMP and ACRA but thoughtful comments and suggestions from hundreds of you, including alumnae and parents, who brought forward important ideas about ways we can make our operations more efficient and sustainable, use our facilities and resources more wisely, recognize employee contributions, and protect important foundational commitments to financial aid, diversity and equity. I thank you for the creative thinking and generosity of spirit you have brought to our in-person and online forums over the course of this challenging year.

As you study the proposed plan, you will encounter initiatives with which you readily agree and others that might feel less comfortable, particularly those involving the reduction or elimination of positions. It is never easy to reduce positions in the context of a close-knit community; the recommendations to do so are always made with reluctance. We estimate that approximately 55-60 positions would be affected in this proposed plan, either through layoffs, reductions in work schedule or leaving a vacancy unfilled. We expect specific reductions to be determined and communicated to affected employees no later than June 30, as we develop a plan to sequence and implement the budget changes across all areas. Employees whose positions are eliminated will be offered a generous severance package, outplacement services and career counseling. In addition, for one year after the notice date, they will have the status of internal applicants for any vacant positions that we decide to fill.

In the coming weeks before the May 2 meeting of the board of trustees, I would like to hear your reactions to the elements of the proposed budget reduction plan. Please use the community feedback site below to share your thoughts in ways that others may read and learn from them. In addition, **the proposed plan will be the main topic at a staff forum at 2 p.m. Wednesday, April 15, in Sage Hall; a student forum at 4:30 p.m. Wednesday, April 15, in Weinstein Auditorium; and the April 22 faculty meeting.**

Even as we focus on the specifics of significant cost reductions, it is vitally important for us to take a long view of the future of Smith, an institution that has responded with remarkable resilience, throughout its history, to difficult times. We recently admitted the class of 2013, from the largest pool of applications in Smith's history. We are moving forward, with the full support of our board, in planning to launch a fundraising campaign this year. As we welcome hundreds of admitted students to campus over the next few weeks before the May 1 decision deadline, it will be important to remind ourselves to see Smith through their eyes, as an institution that has continued to invest in its faculty and staff, its academic resources, and its facilities—including Ford Hall, whose opening we will celebrate next fall—all in service of providing an extraordinary and transformative education.

This plan, while comprehensive, is not the end of a conversation but a beginning. It is a starting point from which to build an even stronger future for an already vital and competitive institution. It is a plan designed to give the college the financial agility to respond to short-term contingencies while, at the same time, securing a position of excellence and distinction well into the coming decades. As Board of Trustees Chair Cornelia Mendenhall Small noted, in the context of a serious recession whose duration cannot be predicted, "Smith needs to be on the crest of the wave, not under the water."

In closing, I want to commend the work of CMP and ACRA, whose service this year has been one of the most challenging tasks of my time at Smith. I am grateful for their extensive advice to me as I have developed this plan, which has evolved considerably through their counsel. The decisions I have proposed in this plan and the wisdom of the strategy they represent will have an effect on the college far beyond this moment in our history.

To view the plan, go to  
<http://www.smith.edu/proposedplan>

To submit comments:  
<http://www.smith.edu/president/financial/feedback.php>

Sincerely,

Carol T. Christ  
President

## **Introduction**

The global economic decline that developed into a recession this year dramatically changed the college's financial outlook for future years. Steep endowment losses, coupled with a volatile enrollment and financial aid environment as well as challenges in realizing annual giving goals, focused our efforts on developing budget strategies to resolve operating deficits that would materialize if spending were allowed at the levels reflected in the college's financial plan.

In addition, even prior to the present—and significant—financial downturn, Smith and other similar institutions had begun to confront long-term challenges: a growth in expenses that exceeds growth in revenues, the rising cost of a Smith education for students and their families, and a highly competitive admissions environment. For all of higher education today, but particularly for small residential colleges like Smith, the financial crisis has brought into sharp focus the urgency of examining our revenue and expense model and finding new ways to deliver the excellent education for which we are known.

This proposed plan outlines a \$30 million reduction in Smith's annual cost of operations that could be implemented by July 1, 2011. In making recommendations to President Christ about this proposal, the Committee on Mission and Priorities and the Advisory Committee on Resource Allocation were guided by principles central to Smith's mission:

- Sustaining the quality and diversity of the student body, continuing to meet the demonstrated financial need of students from a wide range of socioeconomic backgrounds
- Ensuring the excellence of Smith's academic program, protecting its core and distinctive strengths
- Giving priority to the strategic goals of the Smith Design for Learning
- Protecting Smith's core physical assets
- Continuing to invest in sustainability, to reduce energy expenses and footprint
- Expanding Five College cooperation
- Securing the college's long-term financial integrity

## **Proposed Plan**

### Employee compensation

It is important that the college maintain competitive compensation to assure success in recruitment and retention. Under current economic conditions, salary increases in higher education can be anticipated to be much lower over the next few years. Smith, along with many other colleges and universities, has already announced a salary freeze for 2009-10.

In addition, funds can be saved through actively managing benefits costs and re-evaluating some benefits. Overall, Smith's current benefits are in line with those of similar colleges, while lower in selected areas and higher in others. Over time, benefits have grown significantly relative to salaries. The benefits rate for full-time positions is 32.5% for 2008-09, which is 10% higher than the rate of 29% just six years ago.

To achieve savings in compensation, the plan calls for:

- Forgoing July 1, 2009, salary increases, as announced in March
- Forgoing salary increases in 2010-11 while, reserving a pool of funds for a 2 percent salary increase for staff and faculty earning \$75,000 or less, effective July 1, 2010.
- Capping tuition benefits at 2008-09 dollar amounts for dependents enrolled in college, the Campus School and the Center for Early Childhood Education, effective July 1, 2009, and extending the waiting period for tuition benefits from three years to five years for employees hired after July 1, 2010
- Holding the 2010 expected increase in health insurance premiums to approximately 5% through modest increases in co-payments and increases in deductibles and out-of-pocket maximums. Make additional minor policy changes.
- Eliminate the Emeriti Program\* retiree health benefit. Smith will continue to offer a group retiree health plan that employees may join at their expense. Human Resources will follow up with more information for those affected by the Emeriti Program elimination.

\* Smith began offering The Emeriti Retiree Health Plan, administered by Fidelity Investments, in 2005, allowing the college to set aside funds available to faculty and staff after retirement to pay for qualified health-related expenses. Discontinuing the program would mean returning to a model that provides retirees access to a Medicare wrap-around program.

#### Student-to-faculty ratio

Smith's current student-to-faculty ratio is 9 to 1. A ratio of 10 to 1 is educationally sound, comparable to the colleges with which Smith competes for applicants, and still upholds the core principles and characteristics that define a residential liberal arts education. Increasing the student faculty ratio at Smith to 10 to 1 requires reducing the size of the faculty by approximately 30 faculty positions. Such a change will require careful academic planning and time for implementation, eliminating tenure track positions as they become empty through retirement or resignation. Until then, faculty searches and temporary or replacement hiring will be severely limited, and the number of non-tenure track positions will be reduced.

The Provost and Committee on Academic Priorities (CAP) have outlined a number of strategies to mount the curriculum with reduced resources. These include restricting the number of low-enrollment courses, avoiding duplication and redundancy in the curriculum, defining the courses that are essential to majors and to a robust liberal arts education, and limiting the number of course releases and replacement hiring.

In most cases, retirements and resignations in the faculty will not be replaced in the near term. While this opportunistic approach is not ideal, it will be necessary in order to maximize progress toward our goal within the two-year timeframe of the plan. CAP has expressed hope that

departments will adopt creative approaches to these reductions by reshaping their offerings and launching Five College cooperative arrangements as soon as next year.

To maximize near-term savings in faculty positions, the plan calls for:

- Reducing temporary faculty appointments by 50%
- Forgoing most replacement of tenure-track vacancies (resulting from resignations and retirements) until the 10 to 1 student-to-faculty ratio is reached

#### Comprehensive fee revenue

The college anticipates a small shift in the make-up of next year's incoming class due to higher applications from traditional-age students and lower applications for the Ada Comstock Scholars program. This change results in a modest increase in room and board revenue.

Smith commits to meet the full demonstrated need of admitted students. The college has broad socio-economic diversity within its student body. It is vitally important to maintain funding for financial aid during the recession. The financial aid budget for next year anticipates a larger increase in average grant among returning students than our three-year averages would suggest, to recognize the potential impact the economy may have on students and their families. Smith's financial aid commitments have not been targeted in this reduction.

#### Facilities and utilities

Smith's facilities have an estimated replacement value of \$930 million. This figure has been increasing in recent years due to construction of new facilities as well as high construction inflation. To avoid deferred maintenance, funding has been added to the financial plan to achieve a goal equal to 2% of facilities value for renewal and replacement each year. Benchmarking against other institutions indicates that Smith has more square footage per student than its peers; the additional space can be found in both the residential and academic sectors. This is an expensive leadership position, as it affects the budget not only in maintenance and renovation costs but also in expenses such as cleaning and utilities.

A review of a number of academic, residential and administrative buildings in the perimeter areas of the campus has begun, to determine which buildings the college might discontinue using. Building location, use and condition are key factors in the review.

To achieve savings in facilities, the plan calls for:

- Reducing the college's use of space by 5%, or 150,000 square feet
- Adjusting projected building values for a lower-than-anticipated rate of construction inflation, reducing the amount necessary to reach targeted renewal and replacement funding.

To further progress on the college's sustainability goals and to reduce costs, a number of capital investments are planned over the next two years. To achieve savings in utilities, the plan calls for:

- Funding a number of conservation-oriented projects through the capital budget, such as replacing lighting with energy efficient alternatives, insulating attic spaces in a number of buildings, insulating steam pipes and replacing inefficient kitchen equipment and refrigeration units
- Reducing annual energy costs through operation of the co-generation facility, covering the costs of project funding from capital rather than from savings in utilities
- Locking in more favorable pricing for natural gas than had been anticipated for 2010-11

#### Study abroad

Smith spends approximately \$9 million annually on study abroad programs, including the college's four programs in Europe, consortium programs, and independent programs offered by other institutions. In recent years, the level of students studying abroad annually has been about 430 student semesters or 215 full-time-equivalent students. The cost of study abroad programs has spiked dramatically. The changing cost structure has made this a critical area for review, presenting the challenge of identifying savings while continuing Smith's strong commitment to a global education.

To achieve savings in study abroad costs, the plan calls for:

- Capturing savings from lower inflation rates and more favorable exchange rates in the 2009-10 budget, in accordance with recent trends
- Controlling costs of non-Smith programs through strategies that include directly enrolling students in the United Kingdom, Ireland, Australia and New Zealand, eliminating the requirement that students apply for study there through other American universities; scrutinizing more rigorously study abroad applications for their quality and relevance to the student's academic program; re-evaluating approved programs, seeking programs of equal or better quality at a lower price; and limiting participation in year-long programs in English-speaking countries
- Reducing operating expenses for Smith's four Junior Year Abroad programs, including such changes as discontinuing the lease of an under-utilized room in Paris and seeking a more reasonably priced location in Florence when our lease expires
- Discontinuing cost-of-living allowances for faculty directors.

#### Libraries and Information Technology Services

By some measures, Smith's library is the largest of any liberal arts college in the country. This is an area of considerable historic strength for the college but also an area of substantial annual expense during a period in which the role of libraries is shifting in important ways. Smith's

library facilities consist of the main Neilson Library plus three branches and special collections. The library is also part of the Five College consortium.

To achieve savings in the libraries, the plan calls for:

- Forgoing an increase above core inflation in the acquisitions budget for two years, and reducing the base acquisitions budget by more than 6%
- Consolidating one of three branch libraries, the Josten Library (music, dance, theatre), into Neilson Library\*
- Achieving efficiencies in technical services support through Five College collaboration, as described in a recent letter from the Five College Directors.

Smith's current investment in Information Technology Services is somewhat below the mean of peer institutions. Nevertheless, it is a high-cost area and an important source of potential efficiencies and collaboration. The Five College IT directors are advancing a number of potential collaborations.

To achieve savings in Information Technology Services, the plan calls for:

- Increasing Five College collaboration, including arrangements to share an administrative position to fill a technology vacancy in the Five Colleges, Inc., staff
- Reducing equipment costs by increasing the typical computer replacement cycle from four to five years and reducing the budget for replacement of technology infrastructure
- Reducing faculty grant funding for using technology in the classroom
- Closing the Jahnige computer resource center and CFLAC computer lab in Wright Hall, consolidating these computer resources with those in Seelye Hall
- Making a range of operational savings in areas such as campus telecommunications, deployment of new technologies and technology support

\* On April 27, 2009, in response to community feedback, President Carol Christ announced an alternative plan that retains Josten as a branch of the library system but with reduced hours during the academic year.

#### Administrative, student and academic support

An overall budget reduction of \$30 million requires a combination of larger changes as well as smaller, narrowly targeted changes in administrative, student and academic support operations that yield incremental savings. The proposed plan eliminates allowances for general inflationary increases and new initiatives, which means new needs must be covered through re-allocation of existing funds. Central pools used to fund one-time needs, administrative equipment, and programmatic facilities improvements are reduced by half; funding for overtime is reduced; and discretionary funds are significantly reduced.

In addition, an overall reduction of 6-7% is planned in administrative, student and academic support operations. These changes affect staff positions as well as general expense categories. Smith will invite any staff interested in reducing their work schedules to consult with their supervisors about the possibility of such a reduction. A specific announcement about voluntary reduction of schedules will be forthcoming shortly.

To achieve savings across the college, the plan calls for a range of reductions, including:

- *Academic resources*: Reduce Science Center budgets for computer upgrades and replacements, similar to reductions in Information Technology Services, and carry fewer service contracts. Reduce special exhibitions in the Museum. Reduce expenses for publication of the journal *Meridians* by moving to electronic-only publication and more extensive use of student internships for administrative and editorial work.
- *Athletics*: Reduce administrative costs and reduce summer athletics facility hours.
- *Campus safety operations*: Consolidate Public Safety department with those at Mount Holyoke and Hampshire colleges, reducing costs and expanding flexibility and efficiency across the three campuses. Smith's officers will continue to work on our campus except when training or assisting with coverage on other campuses.
- *Dining*: Convert one hot breakfast dining location to an extended continental breakfast; reduce hours at current sites for the extended-breakfast hours option. Limit operations at the College Club to a catering venue that includes the two regularly-scheduled weekly luncheon series, Sigma Xi and the Liberal Arts Lunches, eliminating other lunch service.
- *Printing and mailing*: Achieve substantial savings by converting many printed items to electronic-only. Examples include *NewsSmith*, the catalogue, the campus directory, and a number of admission brochures whose purposes can be served by electronic outreach and social networking. Discontinue the printed class schedule booklet. Eliminate the Museum of Art newsletter. Eliminate payroll mailings to employees; limit payroll to direct deposit with electronic distribution of pay information.
- *Student life*: Restructure Health Services, eliminating late-night and weekend hours. Restructure Chapel to emphasize programming on ethics, social responsibility and religious literacy. Reduce summer operating hours in the Campus Center. Eliminate the not-for-credit Interterm program. Move to a model of three (versus four) class deans upon a retirement. Share employer relations position with Mount Holyoke College. Reduce the On-Campus Internship Program.
- *Other*: Reduce the college's subsidy to the Alumnae Association of Smith College. Suspend the fall faculty/staff party. Reduce the employee training and development program and funding for human resources workshops.

#### Revenue generation



Plans are proceeding for the launch of a fundraising campaign focused primarily on existing critical priorities, such as financial aid and core academic program support, as well as the initiatives of the Smith Design for Learning. The college's planning assumes new gifts to endowment will begin providing support for these critical areas within the timeframe of the plan.

A number of revenue-generating opportunities, focusing on new academic programs, have been discussed throughout the year. A committee will be formed shortly to consider which programs hold the greatest promise for the college. The plan includes a modest placeholder for net revenue from such programs.

### **Investment Required**

Selected aspects of this proposed budget reduction plan require up-front investments in order to achieve the savings identified. Examples include adding compact shelving in the libraries before a branch can be consolidated; equipping a new public safety dispatch center with communications and monitoring equipment before creating a shared public safety department; renovating facilities and installing new equipment to conserve energy before utilities can be reduced; and funding a severance plan for staff whose positions are eliminated. As part of its review, the Board of Trustees will consider the special funding that will be necessary to achieve reductions called for in this proposed plan.

**\$30 Million Proposed Budget Reduction Plan, 2009-10 through 2011-12**

Actions	Permanent Savings by 2011-12
<b>Employee compensation</b>	
Freeze 2009 -10 salaries	\$ 3,868,000
Freeze 2010-11 salaries for those earning more than \$75,000	2,717,000
Lower health insurance costs	600,000
Cap tuition benefits at current levels	109,000
Eliminate Emeriti Program retiree health	519,000
<b>Subtotal</b>	<b>\$ 7,813,000</b>
<b>Student-to-faculty ratio</b>	
Reduce temporary faculty replacements 50%	\$ 1,600,000
Eliminate positions through known and future retirements	2,100,000
<b>Subtotal</b>	<b>\$ 3,700,000</b>
<b>Comprehensive fee revenue</b>	
Reduce expense for 2009-10 enrollment shift	\$ 182,000
<b>Subtotal</b>	<b>\$ 182,000</b>
<b>Facilities and utilities</b>	
Eliminate 5% of space (aprox. 150,000 SF)	\$ 975,000
Adjust inflation in renewal & replacement	1,171,000
Undertake energy conservation projects	900,000
Budget savings from co-generation facility	1,774,000
Lock in favorable natural gas rates	1,022,000
<b>Subtotal</b>	<b>\$ 5,842,000</b>
<b>Study abroad</b>	
Budget lower 2009-10 inflation & exchange rates	\$ 919,000
Control costs of non-Smith programs	877,000
Identify efficiencies in Smith programs	50,000
Discontinue director cost-of-living allowances	156,000
<b>Subtotal</b>	<b>\$ 2,002,000</b>
<b>Libraries and Information Technology Services</b>	
Reduce Information Technology Services costs	\$ 606,000
Reduce Libraries costs	933,000
<b>Subtotal</b>	<b>\$ 1,539,000</b>
<b>Administrative, student and academic support</b>	
Reduce/eliminate inflationary allowances	\$ 831,000
Eliminate half of one-time, equip & prog facilities pools	408,000
Eliminate initiatives fund for 3 years	1,967,000
Reduce other admin, student and academic support	3,466,000
<b>Subtotal</b>	<b>\$ 6,672,000</b>
<b>Revenue generation</b>	
Increase endowment through campaign	\$ 2,000,000
Add revenue enhancing programs	250,000
<b>Subtotal</b>	<b>\$ 2,250,000</b>
<b>Grand Total</b>	<b>\$ 30,000,000</b>