Special Edition

The Trinity Tripod

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1971 - 1972 Budget Approved

by Theodore Lockwood

The budget process has been completed. This second article addresses itself to the results of the decisions reached by faculty, administrators, and Trustees – and less directly by students and parents within the process which I described in the first article.

The budget for 1971-72 rests upon certain assumptions:

1. The financial constraint at Trinity and in higher education is not temporary; every study with which I am acquainted forewarns that the difficulties will not disappear within a year or two.
2. The budget must be balanced in a manner consistent with our maintaining academic excellence.
3. It must reflect a pervasive effort to increase efficiency, or stated in economic terms, to improve our cost effectiveness.
4. The budget must not incorporate commitments which involve long-range, built-in fiscal increases.
5. In solving its financial problem, the College must not forsake equity and fairness to those who serve at Trinity.

Perforce such guidelines are general, but they reflect a conviction that colleges are under greater cost pressures than other enterprises in this country at this time and that there are no offsetting advantages comparable to the declines in prices during the Great Depression. We have to reckon with inflation even as we are unable to anticipate quantitative jumps in our income.

Therefore, this analysis should begin with revenues versus expenditures in the broadest terms. Between 1963 and 1971 revenues (tuition income, endowment income, gifts, and grants) have risen at an average of 9.4% per year; expenses have increased during this period at an average annual rate of 9.5%. For those same years the College has grown and increased its physical facilities extensively. However, the experience of the past two years has led to a decrease in the expenditures of 7.9% annually while income has gone up 8.4% each year so as to close the gap created by two years of deficits prior to 1970-71. Meanwhile inflation climbed to 6.3% in 1970.

On the revenue side of the ledger, tuition represents 69.1% of the total income in education and general. (Once again, it is our assumption that auxiliary enterprises – dining, dormitories, bookstore, etc. – will be self-sufficient except for the deficit in Mather Hall.) Endowment income is 18.8% of total income in education and general, and I am pleased to report that on a per student basis endowment income will rise from $763 to $788 in 1971-72.

On the expenditure side, direct instruction costs in 1971-72 represent 35.7% of the total; student aid 11.9%, Library 5.1%, maintenance 15.4%, and administrative services 23.1%. The balance is in such items as graduate and summer studies, athletics, etc. Over the period 1963-70, student aid increased 173%, maintenance costs 98%, instruction and Library 85%, administrative and student services 82% and administrative services alone 46%. The point of all these statistics is to show the philosophical emphasis which has been expressed in the budget; but these figures do not explain the decisions taken for next year.

Reproduced below are the budgetary figures for 1971-72:

REVENUES

I shall first refer to the revenue figures. The tuition total assumes an average student body of 1495, twenty more than in 1970-71. Incorporated in the projection is an increase in tuition of $200, as indicated last year. The total also includes graduate and summer schools. Any analysis of the budget quickly reveals how difficult it would be to balance the books were the College not to increase tuition and slightly increase the student body. By comparison to other comparable private colleges in the Northeast, Trinity will remain among those with a lower total cost and our tuition will be less than many.

In previous years I have received more questions about our endowment income and portfolio than any other area of the budget. The market value of Trinity's endowment is $25,400,000 as of December 31, 1970. Obviously what happens in the market over the coming year can significantly affect the income we have budgeted. The College is seeking to combine a good yield with long-term growth in the portfolio. During the past six months, we have made considerable adjustments, particularly in the bond holdings so as to increase our yield. The Hartford National Bank, which manages Trinity's account, compared the results for our portfolio against the Standard and Poor's 500 and against the Weisenberger Balanced Mutual Fund index and discovered that we have done 5.98% better than the former and 5.49% better than the latter during the previous twelve months. The Finance Committee feels that we have made progress. However, since income from endowment represents only 18.8% of the total revenues in educational and general, even a continuing rise in the market and in our yield produces but modest shifts in our income picture. We have projected a reasonable increase for next year.

Gifts and grants depend upon many factors: the market, the mood, and the College's programs. We hope to achieve our goal for this year and we are cautiously optimistic about next year. But we have learned that in economically uncertain times, it is illusory to predict a major rise in giving. We shall be able to use some of the $200,000 Mellon grant, and we shall have some new money such as the NSF COSIP grant. Perhaps the most important consideration for increasing gifts and grants will be a resumption of public confidence, so rudely jarred by events on campuses during the last three years. To turn the proposition around, without substantial annual giving Trinity cannot meet its operating expenses.

No one knows at this time what, if any, assistance the State of Connecticut may provide to independent institutions. What is clear is that within the next two or three years colleges cannot bank upon new infusions of public monies.

EXPENSES

Most people are more interested in how we spend the money than in the sources of our revenues. The single most important expense is the instructional program. Of the $2,581,000 listed, approximately $2,200,000 will be spent on the undergraduate instruction. That figure includes faculty salaries and departmental supplies and equipment. The balance will go for graduate and summer school programs. The College projects a break-even operation in the graduate and summer instruction. Fortunately with respect to the instructional program Trinity has not had to resort to the cutting process being used at so many institutions this coming year: we have continued with our salary increases, and we are holding faculty size constant. One reason we have been able to avoid cuts in this segment of budget is the growth in the student body over the past three years, thus in effect increasing faculty productivity.

The library is too important a resource to permit trimming. Although the increase is only 4% for next year, the additions will permit the necessary salary increases and improvement in services although book purchases will probably remain about the same as this year's.

(Continued on Reverse Side)

Income (in 000's)

	Revised Estimate 1970-71	Request Budget 1971-72	Approved Budget 1971-72
Educational & General			
Tuition & Fees	$3975	$4224	$4341*
Endowment	1125	1190	1180
Gifts and Grants	556	613	646
Athletics	19	15	15
Other	150	88	104
Total	$5825	$6130	$6286
Other Income			
Auxiliary Enterprises	1463	1441	1591
Total Income	7288	7571	7877
Total Expense	7288	8058	7877
Surplus (Deficit)	-0-	(487)	-0-

*Based on an average student body ob 1495 and an average Tuition and Fees of $2625

EXPENSE (in 000's)

Expenses (in 000's)

	Revised Estimate 1970-71	Request Budget 1971-72	Approved Budget 1971-72
Educational & General			
Instruction	$2418	$2632	$2581
Library	302	322	315
Maintenance	859	1033	945
Student Aid	714	797	757
Athletics	67	75	70
Other (General Administration, Student Services Public Services, General Institutional)	1298	1451	1421
Unemployment Compensation and Contingency	40	38	68
Total	$5698	$6348	$6157
Other Expense			
Auxiliary Enterprises	1590	1710	1720
Total Expense	$7288	$8058	$7877

Budget . . .

Student aid at Trinity grew more rapidly than any other item in the budget. As I have remarked before, the College cannot continue the pace it once set. Painful though it is to level off, we have no feasible alternative. No doubt the first question to arise is why the revised estimate for 1970-71 is lower than the original budget figure of $740,000. There are two main explanations: students to whom we offered aid did not come at the last minute, and students who withdrew or whose need declined have not expended funds originally allocated. We have taken these normal occurrences into account in setting $757,000 as our budget for next year, which figure includes State reimbursement also. Note that the total represents an increase but one considerably less than the original request for 1971-72. Student aid still represents 12% of the total expenditures in educational and general.

In keeping with our decision last year we have asked that the athletic department to hold the line on their expenses and live within what is admittedly an extremely tight budget – a budget which does not, I should point out, include salaries since these are included in faculty salaries.

In this same regard last year we put heavy constraints on administrative expenses. We cannot be so stringet in 1971-72 for three main reasons. First, we have had to absorb into the budget the added cost of the Community Relations Office, institutional long-range planning, and counsellors for undergraduates. Second, many administrative services cover items most directly affected by inflation, such as printing. During the coming year these areas of the budget will receive careful scrutiny; but, so long as students, faculty, and alumni want the College to perform these services, we will have to pay for them. Third, in an inflationary period administrative officers deserve salary increases as much as any personnel, especially when the same number of persons must handle an ever-increasing volume of work.

The segment of the budget which has risen most dramatically is maintenance. It is projected to rise 10%. Why? This budget includes the cost of utilities, and these have risen sharply. For example, in 1969-70 utilities cost the College $190,360; this current year we estimate the cost will be $322,600. The union contract also raised costs in an understandable but nonetheless real way. Another revealing fact is that 75% of the costs are fixed, like utilities: we have relatively little latitude in which to exercise discretion. And, regretably, this budget does not provide for as substantial renovations as we would like.

One other new item deserves mention. Trinity will pay an estimated $50,000 next year in unemployment compensation under the new State and Federal provisions. This particular cost illustrates one of the reasons why so many colleges and universities have had such difficulty balancing expenses and income; items over which we have no control continually intrude themselves on the budget.

Outside of the educational and general portion of the budget, the College will spend approximately $897,000 on its residence halls, $426,000 in dining, and $245,000 in the bookstore. Let me comment on each of these separately.

In our residence halls we have the costs of maintenance, utilities, repair, and renovation, and the interest and principal for the loans used to construct the newer buildings. As costs have risen, we have been forced to raise rents and shall do so this coming year. The room rent will be $700 a year in 1971-72. Included in the total expenses for residences will be approximately $65,000 for renovations. Were we to try to do more in improving our facilities we would have to charge a higher rental. We have chosen to spread this cost over a few years rather than in one major hike.

Trinity has been fortunate in the good management of the food service. Despite the rise of food prices, we have held the price of board to a comparatively low figure. We cannot continue to provide the present quality AND make renovations in our dining hall without a small increase in the cost. Next year the board fee will be $600, a 3.5% annual rise – less than the inflationary factor. From the $40 increase we shall place approximately $20 towards the improvements to be carried out this summer. Once again, we regret having to transfer these shifts in the general economy to students and parents, but we have no other resource through which to absorb these costs.

The bookstore barely breaks even. We have made changes in keeping with the recommendations of the faculty-student committee last year. We intend to study carefully future changes which might improve the service and prevent a deficit. As always we welcome suggestions in this regard.

The other major expense in auxiliary enterprises is Mather Hall. Vandalism and the decline in public use of a facility already heavily committed to student events and activities has reduced the income. We assume that we shall not receive from the concessions more than $8000 in 1971-72. The expense of maintaining the facility, staffing it, and keeping it in fairly good repair will be approximately $134,000. That deficit is covered by the excess of income over expense in educational and general.

The budget for 1971-72 is tight. The College could not agree to many worthy proposals for additional expenditures next year in the light of the revenues which we have forecast. We have no operating reserves upon which to draw. We have loans outstanding which we would like to reduce since we must pay interest on them. Yet, lest the prospects seem too bleak, the College budget is in balance again next year, a situation which has become increasingly rare among independent institutions. I need not repeat what has already appeared in newspaper articles week after week about the financial plight of independent colleges.

Although we therefore face no immediate financial crisis, we still have a long-range task if we are to combine fiscal responsibility with academic quality. That is why I am particularly pleased that Professor Ward Curran has agreed to serve as director of institutional planning for two years. We need to use the coming year to analyze the future implications of our present expenditure priorities. The Trustees are studying how best we may increase our income. From these efforts will come, I am convinced, a solution to Trinity's future which is both academically and economically reasonable.

Financial troubles won't end within a year or two.

College must consider those who serve Trinity before finances.