Report of the Advisory Budget Committee

June 22, 2009

Amherst College
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1. Introduction

This is a challenging moment in the history of Amherst College. Like many other institutions of higher education, our financial resources are being tested and we face difficult choices imposed by the global economic downturn. We take heart, nonetheless, from the fact that Amherst has survived such difficulties in the past, that it has indeed affirmed its ideals at these very moments, and that it has emerged a stronger institution as a result. In the spirit of those past generations, whose leadership created the Amherst we love today, the Advisory Budget Committee offers the Board of Trustees the following recommendations to help secure the College’s financial health, while remaining mindful of the effects of these choices on the College’s current and future communities.

Background

Since last October, when national and international financial markets plummeted and it became clear that the worldwide economy was entering a significant recession, we have all been struggling to comprehend the extent to which these events will affect the life and work of the College. This report does not reproduce the detailed data that were presented to members of the community in meetings this spring, and that are currently available on the Amherst Web site. The simple fact is that, like its peer institutions, the College has lost a substantial portion of its endowment. If the budget continued to grow according to plans made in better times, the College would spend itself out of business within a generation. We cannot allow this trajectory of spending to continue, and must now adjust the budget to an endowment that is roughly 25 percent smaller than it was last year. No matter how quickly the economy recovers, the endowment is unlikely to return to its peak value anytime soon.

In light of these economic pressures, the College convened an Advisory Budget Committee (ABC). In its charge, this group was asked to consult with the campus community and to recommend ways to constrain the growth of Amherst’s operating budget. To allow time for the College to make careful choices, the Board of Trustees has agreed that the spend rate from the endowment can rise above normal levels—typically under five percent—in the short term, but it has mandated that Amherst must plan to return the spend rate to five percent within ten years. This is a significant challenge, not least because no one can predict how external pressures will affect the endowment and the College’s costs over the next decade.

In order to be on track to achieve financial equilibrium within a decade, the ABC focused its efforts on controlling expenditures in the coming three fiscal years—that is, FY2010, FY2011, and FY2012. We believe that, in addition to the $3 million in savings achieved during FY2009 and the $11 million already proposed for FY2010, the College should reduce its projected budgetary growth by $37 million more over this three-year period. We expect that doing so will be enough to establish a more sustainable budget in the short term. However, it is important to emphasize that more may need to be done beyond FY2012, even if the economic climate does not worsen further. The College must achieve these near-term savings, monitor economic developments, and adjust its plans accordingly.
Because the current crisis affects the whole campus, it is important that everyone at Amherst has the opportunity to help formulate the College’s response. The ABC is composed of members representing trustees, faculty, staff, students, administrators, and alumni, and has received input on ways to control costs from several campus committees and other campus groups. After reviewing their reports, the ABC met with representatives of these committees and groups to discuss their ideas, questions, and concerns. We also held a series of open meetings for faculty, staff, and students, and received written suggestions from a wide range of community members. In early June, the full committee met on campus for a three-day retreat to debate and synthesize our findings and shape our recommendations. We continued this work online for another two weeks. The committee is indebted to all those who provided ideas and assistance, and is grateful to the campus community for its patience in allowing this process to unfold at a pace that enabled it to be deliberative and inclusive.

Guiding Principles

The committee began its work with a discussion of the priorities that should inform its actions. There was a collective understanding that the College’s mission is to educate its students in an environment that fosters freedom of expression, independent work and research, and the intimate intellectual colloquy for which colleges such as ours were founded and continue to exist. Moreover, the ABC recognizes that Amherst is a residential college and that the education of our students continues outside the classroom in the myriad interactions that occur daily on a small campus among all members of the community—students, staff, administrators, and faculty alike.

During this process, we have wrestled with the reality that Amherst, given current and projected financial imperatives, must weigh its educational values and, to an extent greater than before, assign priorities among them. We have been fortunate over the last decade or so to have been able to enhance the opportunities for our students. We must now distinguish more carefully between what is necessary, what is desirable, and what is no longer possible. Amherst has not had to go through such a difficult process for many years.

With this in mind, the committee has endeavored to protect the values outlined in the College’s mission statement (appended), while recommending measures that will bring the College back into financial equilibrium. The work of the committee reflects several basic principles.

- **Actions should have long-term budgetary impact in order to slow the rate of growth to sustainable levels.** The College does not face a temporary budget crisis that can be solved by spending less for a year or two and then returning to its previous habits. Even if the economy improves rapidly, the loss to the endowment—currently estimated at $400 million—will not be recovered quickly. Since income from the endowment is a major source of revenue, the College must reduce its costs immediately, and it must also plan to increase its annual spending from this lower level much more slowly than spending has grown in the past. We know that the sooner changes are made to the budget, the greater the cumulative impact they will have over the long-term. It is also crucial that the savings we achieve are savings that can be sustained for many years in order to bring the College back into financial equilibrium within a decade.
- Actions should seek an appropriate balance between the College’s present needs and good stewardship of resources to meet its future needs. We must balance our desire to deploy resources for use now against the need to maintain the purchasing power of the endowment for future generations. In order for Amherst to retain the essential qualities outlined in its mission—the excellence of its academic program; support for faculty research and creative work; the quality and diversity of its student body; the intimate scale of its learning community, supported by a respected staff—the College cannot spend beyond its means now.

- Actions should strengthen, rather than fray, the bonds of community. The committee has been gratified by the broad participation of faculty, staff, and students in this process, and its work has benefited from the frank and, at times, difficult conversations that have taken place across campus constituencies this spring. These discussions have affirmed that the sense of Amherst as a close-knit community is real, and is itself a vital part of the education we provide. The committee looked for ways to ensure that the College’s ongoing response to the economic situation represents the collective wisdom of the entire campus. If we can build from the respectful and informative exchanges we have had this year across our many and varied differences, then we will emerge from this crisis with even stronger community ties than we enjoyed before.

- Actions should be transparent and consistent with the College’s policies and values. We appreciate the good faith that the campus has brought to this process, and believe that we owe the community a straightforward response. The members of the committee agree that in providing information to both internal and external constituencies the College must continue to “say what we mean and mean what we say.” We have also outlined next steps that encompass inclusive and transparent ways of keeping the campus informed about the progress that is being made.

2. Recommendations

Compensation

1. The ABC recommends that the three salary pools (for faculty, administration, and staff) be increased in equal proportion, but at a slower rate than previously projected, and we assume not to exceed 2.5 percent in FY2011 and FY2012.

Given the sizable share of the operating budget that goes toward compensation at the College, and the magnitude of the reductions needed, it became apparent to the committee that curbing growth in this area would be necessary, and that it would require difficult choices. The ABC considered carefully the arguments of the ACPP, the CPR, and administrative-department heads that a sustained salary freeze or reductions in wages could cause hardship for lower-paid employees, and might also damage the College’s future competitiveness. We therefore recommend that all salary pools be increased at slower rates than were previously envisioned, with increases now projected at 2.5 percent, the projected rate of inflation. We note that, should inflation rise much more slowly or rapidly than we expect, the salary pool increases could be reconsidered by the Trustees. This proposal for equal increases across salary pools in FY2011 and FY2012 represents a temporary departure from the College’s usual practice of providing slightly higher pool increases for faculty than for staff and administrators.
2. The ABC recommends the expedited hiring of regular faculty so as to reach the currently budgeted cap on the number of tenure-track faculty FTEs. We further recommend that this cap be increased by one, to 168, in FY2011 and sustained at this level in FY2012.

In 2006, the Faculty endorsed the CAP’s recommendation to add a total of 18 additional tenure-track faculty FTEs gradually, in order to support curricular innovation and to ensure that the College’s student-faculty ratio remains small as the size of the student body increases. Since that time, two of these positions have been added, raising the cap on the number of authorized tenure-track faculty FTEs from 165 to 167. However, Amherst had not filled all of its available faculty positions before the economic downturn, due in part to an unpredictable number of retirements and other departures from the College, as well as to the uncertain outcomes of tenure-track searches. When the financial crisis hit, the College also postponed four previously approved tenure-track searches. As a result, for the coming academic year (FY2010), only 160 of the 167 authorized FTEs will have been filled.

The CEP and the CPR expressed clear concerns about the pressures that faculty members, departments, and programs experience when the size of the Faculty does not keep pace with the number of students. Such pressures have consequences for the curriculum and the quality of the education that Amherst provides. Because increasing the size of the student body also increases the College’s revenue to some degree, we believe it is important that the addition of students proceeds as planned. To foster the close colloquy that is the hallmark of an Amherst education, the ABC views increasing the size of the Faculty as a matter of urgency. The ABC recommends that one additional tenure-track FTE be added in FY2011, to bring the cap on the size of the Faculty to 168 FTEs. We further recommend that the College aggressively seek to hire faculty members so that this cap is reached as quickly as possible. Maintaining the size of the Faculty relative to the student body is so vital to Amherst’s mission that we ask the Board to discuss with the College’s senior administration what steps they can take to expedite this process.

3. The ABC recommends that, in FY2011, the projected budget for visiting faculty be held at the reduced level now planned for FY2010, and that it be reduced by the equivalent of a further three positions in FY2012.

In considering where growth in the faculty-compensation pool could be constrained, the ABC has given priority to preserving salary-pool increases and to adding new tenure-track FTEs rather than to maintaining the number of visiting faculty. The ABC agrees with the CEP and the CPR that it is preferable for the College to maintain as many tenure-track FTEs as possible, since visitors do not play the same role in advising students or engaging in the civic life of the College. In terms of maintaining the size of the Faculty relative to the size of the student body, the ABC anticipates that the lower number of visitors will be offset by the aggressive efforts to hire up to the cap on tenure-track faculty.
4. **The ABC recommends that senior sabbatical leaves be supported at 100 percent pay.**

The committee believes that the College should demonstrate its strong commitment to the quality of faculty scholarship and creative work by continuing to provide full salary support for tenured faculty during their sabbatical leaves. Such periods of intense concentration on research and creative endeavors inform teaching at the College and are essential to the work of faculty members as scholars and artists. Amherst expects faculty members to engage in this work and benefits substantially from their achievements. It is therefore important not to reduce their salaries during sabbatical leaves.

5. **The ABC recommends that the number of staff and administrative employees be reduced to save roughly $4 million in compensation over the next three fiscal years. We further recommend that these reductions in staffing be achieved, if possible, by eliminating a substantial number of the College’s unfilled positions (there are currently 31 of them), by further attrition, and by offering a range of incentives through which employees may voluntarily reduce their hours or retire from the College.**

The crucial role played by staff and administrators in the educational experiences of students has been strongly underscored in campus conversations this spring. However, the committee believes that a modest reduction in positions is necessary to ensure the financial health of the College. In considering the extent of the reduction needed, the committee began with the desire to hold savings to a level that is achievable, or nearly so, through attrition and other voluntary separations. While we cannot guarantee that involuntary separations will not occur, we are cautiously optimistic that voluntary separations will enable the College to realize the needed savings.

The $4 million target is roughly equivalent to 40 FTEs shared among Amherst’s administrative and staff employee pools, which is about how much the size of our staff and administration has grown over the last three years. It is important to emphasize that this estimate of positions is based on average compensation in those two groups, and that the actual number of FTEs that must be reduced in order to achieve $4 million in savings might be greater or less than 40. The savings per position are cumulative— if an unfilled position with total compensation of $50,000 is eliminated in FY2010, the College will save $150,000 by FY2012. We also note that the reductions beyond those positions already vacant can be made over the next two fiscal years, FY2010 and FY2011, allowing the College to take as measured an approach as possible to the difficult decisions that may need to be made. In determining where reductions in staffing can be achieved—for example, when a position from which someone has retired does not need to be filled—we recommend that the College draw upon the expertise of its administrative-department heads, working in collaboration with each other and with the senior administration, to explore all possibilities for savings across the institution.

The committee also recommends that the Board authorize funds to provide a wide array of incentives and methods through which reductions in staffing can be achieved, including and not limited to voluntary early retirements and reductions in work schedules from twelve to ten months. The committee considered whether furloughs might play a role in this array of choices,
but concluded that they would achieve only temporary reductions in compensation costs, and thus were not likely to be helpful in meeting our long-term goal of constraining growth in the budget. Should even a small number of involuntary separations be necessary, the committee recommends that the College offer ample severance packages to affected employees.

6. The ABC recommends that the College spend roughly $300,000 in total, in addition to the $20,000 gift from the student body, on providing modest special payments for lower-paid employees at the College over the two-year period FY2010-2011.

The committee was impressed by the student body’s desire to ensure that lower-paid workers at the College do not suffer hardship as a result of the FY2010 salary freeze for all employees. We recommend that the College set aside funds for additional special payments to assist the College’s lower-paid workers at this challenging time. Should the Board approve, the College will distribute some funds to eligible employees as quickly as possible during the summer.

Financial Aid

7. The ABC recommends that the projected financial-aid budget for FY2010 accord with the actual proportion of students receiving aid (54 percent). We recommend that the projected financial-aid budget for FY2011 and FY2012 assume, based on current admission policies, that the proportion of students requiring aid will hold nearly steady, rather than grow as previously projected.

As the effects of the financial crisis became evident, the College deliberately incorporated into its budget projections an assumption that more students might require financial aid. The additional requirements did not materialize. If we adjust these initially high projections in light of the actual financial aid awards made for FY2010, the projected growth rate of the operating budget is substantially slowed. We wish to be clear that “right-sizing” these projections will result in savings from future growth without affecting the number of students receiving financial aid at the College.

Because the quality and diversity of our student body are vital to the College’s mission, the ABC recommends that the College not change Amherst’s need-blind admission policies or its need-based financial-aid program. However, we wish to note that a few committee members believe that the percentage of students receiving aid could be modestly reduced while still retaining most of the diversity and commitment to access that we all value highly. Some members strongly supported policy changes that would further reduce the financial aid budget in order to enable growth, if desired, in alternative areas of the College’s work. Others felt equally strongly that we should not reduce financial aid at all, or in any way diminish the College’s selectivity or the diversity of the student body.
8. The ABC recommends that Amherst maintain its current commitments to need-blind admission for all students and to financial-aid packages that meet full need. We recommend that the College further reduce projected growth in the financial-aid budget by an additional $1.5 million over the three-year period through adjustments that, to the greatest extent possible, do not threaten those policies.

We considered a number of recommendations from the FCAFA and the CPR when assessing the degree to which growth in the financial aid budget should be constrained. We believe that the proposed target for savings will not necessitate changes to admission and financial-aid policy that would diminish the quality of the Amherst education and the tenor of campus life, although the College must remain open to considering all possibilities as it works through this crisis.

To help achieve these savings, the committee agrees that the College should proceed with the FCAFA’s recommendation to increase the student summer-earnings expectation. We noted that the amount of this expectation was not increased from 1998 through 2008, although inflation increased by 33 percent over the same period. We understand that the Financial Aid Office has increased the summer-earnings expectation modestly in FY2010 aid packages, and it is likely that this amount will need to be increased further to maintain the College’s financial-aid policies in future years.

The committee does not recommend using the financial-aid reserve to offset the cost of “natural growth” in the financial-aid budget. This natural growth is driven by increases in the College’s comprehensive fee, which cause more students to qualify for aid and also require a growth in the size of the average aid award. Although spending the reserve would temporarily reduce pressure on the financial-aid budget, this is not the kind of long-term constraint on growth in the operating budget that we seek to achieve. The reserve exists to help Amherst mitigate the cost of an unexpected spike in the number of students who need financial aid in a given year—a situation we do not currently face. The ABC recommends retaining the reserve against that contingency in the future, since Amherst’s projection of the percentage of students requiring aid will no longer include a comfortable margin of error, as noted above.

The ABC recommends that the Dean of Admission and Financial Aid, in consultation with the FCAFA, explore other ways to achieve the savings target. We hope that small changes in financial-aid practice, including packaging adjustments such as the summer-earnings expectation, will be sufficient. If the needed savings cannot be achieved without policy changes, a proposal for such changes should be presented to the Board for its review. Should the broader set of recommendations outlined in this report prove insufficient to put the College on track to achieve financial equilibrium within ten years, the committee recommends that the Board, in consultation with the FCAFA, further review the sustainability of Amherst’s financial aid policies.
Comprehensive Fee

9. The ABC recommends that Amherst’s comprehensive fee be raised by five percent in FY2011 and in FY2012.

Amherst has made strenuous efforts over many years to remain accessible to a broad range of students. Keeping annual comprehensive fee increases low in recent years has helped mitigate “sticker shock” for prospective students. We weighed these important considerations against the significant subsidies the College provides to all students, including to those who can afford to pay more towards the $75,000 annual cost (not price) of their education here. Even should the Board increase the fee as we recommend, the College will continue to subsidize all students to a large degree.

During the committee’s discussions, considerable concern was expressed for middle-income students, for whom fee increases present the most tangible difficulties. We noted, however, that Amherst’s fee has recently fallen relative to that of many of our peers, and is now roughly $900 less than the median of our common comparison group. On balance, we are confident that the College’s financial-aid program will mitigate the effect of fee increases for low- and middle-income students and that the price and value of the Amherst education will remain competitive.

Facilities

10. The ABC recommends that the projected allocation to the College’s deferred-maintenance reserve be reduced to $4 million per year in each of the next three years.

Like many other institutions, Amherst maintains a reserve of funds to help maintain its physical plant. The College plans for ongoing “cycle maintenance,” such as painting or servicing mechanical systems, on a regular schedule that will ensure that its facilities are safe and adequately support the work of faculty, staff, and students. When necessary projects are put off to keep expenditures low, that maintenance becomes “deferred,” and often more costly. At present, the deferred-maintenance reserve is funded at levels sufficient to accomplish cycle maintenance on a reasonable schedule and to avoid deferred maintenance.

The College also puts aside funds within this same reserve toward the anticipated cost of more expensive and periodic maintenance projects that it knows will be necessary within five or ten years, such as replacing heating and cooling systems at the end of their lifespan. When funds are set aside to replace a building’s systems, but the College decides that more extensive renovation or replacement of the building is warranted, the reserved funds are sometimes used to help cover general construction costs. In recent years, for example, the reserve has contributed toward the renovation of Amherst’s former fraternity houses and other projects that are part of the Residential Master Plan.

To reduce pressure on the operating budget during this crisis, we recommend that the College reduce its annual allocation to the reserve slightly. We believe that an annual allocation of $4 million over the next three years will allow needed maintenance to proceed, and will not
create a backlog of deferred-maintenance projects. Although reducing the growth of the reserve will limit the funds that Amherst sets aside towards larger maintenance expenditures, such as future replacement of systems or renovation of facilities, the ABC anticipates that the authorization of large expenditures will be considered carefully in light of the College’s constrained resources. More generally, the committee advises the Board that, given the current financial circumstances, all expenditures on facilities—new building, renovation, and repair—should be scrutinized even more carefully.

11. The ABC recommends that plans for major renovation or building projects, with the possible exception of the Merrill Science Center project, remain on hold.

It is important to maintain academic facilities that support the high quality of teaching and research at Amherst. The committee understands that systems in Merrill are failing and that renovation or replacement of the building may be necessary. As always, the College must continue to assess the state of its physical plant and the degree to which it meets Amherst’s programming needs, as well as to plan for a regular cycle of repairs, renovation, and replacement. We also recognize that delays can, in the long run, sometimes increase costs. However, the Committee recommends that detailed architectural planning for major building projects beyond Merrill, including the renovation of the Frost Library, not proceed at this time.

Other Recommendations

12. The ABC recommends that the College reduce projected “below-line” budgets by roughly a further $4.2 million over the next three years.

Departments across campus have already worked hard to identify ways they can spend less on “below-line” items like supplies, travel, and overtime pay. The ABC heard a commitment from administrative-department heads to seek further savings against projected below-line budgets if asked to do so. The committee has been impressed by the campus community’s determination to find ways of working more efficiently. Administrative departments must review their programs and services carefully to determine which are most effectively furthering the College’s mission and which we can reduce or do without in the future. The committee is confident that administrative-department heads, with support from staff, will find these further reductions in their below-line budgets in the coming three years.

To give one example, the Dean of the Faculty’s Office has proposed plans to reduce the College’s copyright costs by $900,000 over three years by asking students to pay the full cost of the course packs that they purchase. Although the committee expressed concern about shifting this cost to students, we believe that Amherst’s financial-aid program will cover the cost of course materials for students with need, and that a greater awareness of the cost of copyright will encourage instructors to review carefully the manner in which they provide course materials. In many cases, the College already owns licenses to provide access to articles electronically, precluding the need to make photocopies. The ABC appreciates the work that some academic-department coordinators have already undertaken to reduce the College’s copyright costs. Some training from IT and the Library may be needed to help instructors take fuller advantage of these
resources. The ABC also noted that modest funds will remain available in the Dean’s office to subsidize copyright purchase in exceptional cases, and that the Dean and his staff will work with colleagues to determine how best to meet their pedagogical needs and those of their students.

13. The ABC recommends that structures for involving staff in decision-making at the College be strengthened.

The committee’s discussions with College committees and a broad cross-section of employees revealed that Amherst falls short of realizing its ideals of community in some important ways. Foremost among them is that the voices of Amherst’s staff are not as fully present in the College’s governance structures as they should be. This has led to feelings of isolation and powerlessness in some segments of the campus community. The committee also experienced firsthand how staff participation in its work enriched its discussions and influenced its thinking about the future of the College.

As a first step, the ABC encourages the Faculty to consider adding two staff members to the CPR as voting members. Though important, this change by itself will not be sufficient to ensure that all members of the campus community are adequately represented in Amherst’s institutional governance. The committee hopes that the College will also review the structure of staff representation and develop alternatives that will allow all staff an even more informed and effective voice.

3. Next Steps

Timeline and Process

The committee anticipates that the Board of Trustees will require several weeks to assess these recommendations and settle on a course of action. We expect that the campus community will be informed of the Board’s decisions in late July 2009, and that the College’s senior administration will present information about how those decisions will be implemented as soon as possible during the summer months. In particular, the committee hopes that information about options for voluntary early retirement and other voluntary reductions in work schedules will be promptly formulated and distributed to eligible members of the community.

Monitoring Progress

We have recommended significant additional savings against the College’s original projected budgets for the next three years, and believe that these proposals will begin to set Amherst on the right path to regain its financial equilibrium within ten years. However, we cannot emphasize strongly enough that the College’s budgets must be consonant with actual economic conditions. The College must regularly test its assumptions and check that the plans it lays are meeting their objectives. We ask the Board and the College’s senior administration to keep the campus well informed in the coming months and years about progress made towards slowing growth in the College’s budgets and the impact of external economic developments on our plans.
**Concluding Thoughts**

These recommendations, should they be implemented, have implications for every corner of the campus and will ultimately require some important cultural shifts. Since we will be spending less than we had anticipated, we must now begin the process of adapting our plans and expectations to new circumstances. Achieving additional savings on the order of $37 million from previously projected budgets, however it is done, will mean that some administrative services and programs to which we have become accustomed must be reduced or eliminated. As a community, we set high expectations for ourselves, and rightly take pride in the quality of the work we do. In the coming months and years, we must adjust our expectations and accept that some administrative departments and functions will no longer be able to provide the same level of service they have in the past. We will have to make tough choices about where services can be reduced or delivered more efficiently, and where they cannot. We urge all members of our community to have patience and to be considerate of one another as this process of change unfolds.

Although the recommendations outlined here, if implemented, will make great progress in reducing the rate of growth in the College’s operating budget over the next three years, more must be accomplished in order to reach the goal set by the Trustees of reducing the spend rate on the endowment to five percent. Sustained efforts will be needed over the coming decade to return the College to financial equilibrium. All constituencies of the College will be asked, therefore, to think about next steps—that is, to continue exploring creative ways in which Amherst can control costs while providing the highest possible standard of instruction in the liberal arts. This effort will proceed through Amherst’s regular governance structures, including the various standing committees of the College.

Since its founding, the College has adapted and evolved to meet the challenges of each succeeding generation, and over time it has continued to build on its key strength—providing the best education by a faculty of scholar-teachers to the most promising students regardless of their ability to pay. We are confident that the Amherst community—all of us together—will continue to do so with good will and good results.
Summary of Recommendations

1. The three salary pools (for faculty, administration, and staff) should be increased in equal proportion, but at a slower rate than previously projected, and we assume not to exceed 2.5 percent, in FY2011 and FY2012;

2. Hiring of regular faculty should be expedited so as to reach the currently budgeted cap on the number of tenure-track faculty FTEs. This cap should be increased by one, to 168, in FY2011 and sustained at this level in FY2012;

3. In FY2011, the projected budget for visiting faculty should be held at the reduced level now planned for FY2010, and reduced by the equivalent of a further three positions in FY2012;

4. Senior sabbatical leaves should be supported at 100 percent pay;

5. The number of staff and administrative employees should be reduced to save roughly $4 million in compensation over the next three fiscal years. These reductions in staffing should be achieved, if possible, by eliminating a substantial number of the College’s unfilled positions, by further attrition and by offering a range of incentives through which employees may voluntarily reduce their hours or retire from the College;

6. The College should spend roughly $300,000 in total, in addition to the $20,000 gift from the student body, on providing modest special payments for lower-paid staff at the College over the two-year period FY2010-2011;

7. The projected financial-aid budget for FY2010 should accord with the actual proportion of students receiving aid (54 percent). The projected financial-aid budget for FY2011 and FY2012 should assume, based on current admission policies, that the proportion of students requiring aid will hold nearly steady, rather than grow as previously projected;

8. Amherst should maintain its current commitments to need-blind admission for all students and to financial aid packages that meet full need. The College should further reduce projected growth in the financial-aid budget by an additional $1.5 million over the three-year period through adjustments that, to the greatest extent possible, do not threaten those policies;

9. Amherst’s comprehensive fee should be raised by five percent in FY2011 and in FY2012;

10. The projected allocation to the College’s deferred-maintenance reserve should be reduced to $4 million per year in each of the next three years;

11. Plans for major renovation or building projects, with the possible exception of the Merrill Science Center project, should remain on hold;

12. The College should reduce projected “below-line” budgets by roughly a further $4.2 million over the next three years;

13. Structures for involving staff in decision-making at the College should be strengthened.
### Savings Achieved Relative to Projections

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Net Savings</th>
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<tbody>
<tr>
<td></td>
<td>FY2010 *</td>
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<tr>
<td><strong>Compensation</strong></td>
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<td>Slower salary pool increases</td>
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<td>Hold tenure-track faculty cap increase to 168 FTE</td>
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<td>Reduced budget for visiting faculty</td>
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<td>Continue 100% senior sabbaticals</td>
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<td>Reduce staff and administrative FTEs</td>
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<td>Increase comprehensive fee by 5.0%</td>
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<tr>
<td><strong>Facilities</strong></td>
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<td>Reduce deferred-maintenance reserves</td>
<td>$1,170,000</td>
</tr>
<tr>
<td><strong>Other Recommendations</strong></td>
<td></td>
</tr>
<tr>
<td>Reduce below-line expenditures</td>
<td>$300,000</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$5,382,000</td>
</tr>
</tbody>
</table>

*The projected FY2010 budget already includes savings of approximately $11 million in addition to the $5.4 million identified above. These $11 million savings were achieved primarily by holding vacant staff and administrative positions open, freezing all three salary pools at FY2009 levels, reducing "below-line" expenses, suspending four tenure-track faculty searches, and reducing the number of visiting faculty.*
Key Terms and Abbreviations

ABC  Advisory Budget Committee
ACPP  Advisory Committee on Personnel Policies
CAP  Committee on Academic Priorities
CEP  Committee on Educational Policy
CPR  Committee on Priorities and Resources
FCAFA  Faculty Committee on Admission and Financial Aid
FY2010  The fiscal year ending June 30, 2010, equivalent to the academic year 2009-2010.
FTE  Full-Time Equivalent, for example, 1 FTE might represent one employee who works full-time or two who each work half-time.
IT  Information Technology

Cycle maintenance is regular ongoing maintenance intended to keep the College’s physical plant in good repair and allow the College to spread out its spending on maintaining buildings over the period of a fiscal year, as well as to plan for future major repairs. Cycle maintenance projects include everything from the regular painting and pointing of structures to the periodic replacement of mechanical systems.

Deferred maintenance is the amount by which the College falls behind on cycle maintenance. For example, if Amherst does not perform $1 million in necessary repairs, such as replacing an aging roof, in order to reduce annual expenditures, this becomes a $1 million deferred-maintenance project that the College will need to perform at a later time. In fact, the project may cost more than $1 million if more extensive repairs are needed or the cost of labor and/or materials has increased by the time the work is done.

Financial equilibrium requires that: operating budgets be balanced, operating budgets be reasonably projected to stay in balance, the purchasing power of the endowment be adequately maintained and the investment in facilities be adequate to protect their value.
Amherst College Mission Statement

Terras Irradient
“Let them give light to the world”

Amherst College educates men and women of exceptional potential from all backgrounds so that they may seek, value, and advance knowledge, engage the world around them, and lead principled lives of consequence.

Amherst brings together the most promising students, whatever their financial need, in order to promote diversity of experience and ideas within a purposefully small residential community. Working with faculty, staff, and administrators dedicated to intellectual freedom and the highest standards of instruction in the liberal arts, Amherst undergraduates assume substantial responsibility for undertaking inquiry and for shaping their education within and beyond the curriculum.

Amherst College is committed to learning through close colloquy and to expanding the realm of knowledge through scholarly research and artistic creation at the highest level. Its graduates link learning with leadership—in service to the College, to their communities, and to the world beyond.
Advisory Budget Committee

Richard A. Ammons ’74, President, Society of the Alumni
Daniel P. Barbezat, Professor of Economics
Sandra L. Burkett, Associate Professor of Chemistry
Gregory S. Call (Chair), Dean of the Faculty and Professor of Mathematics
Suzanne R. Coffey, Director of Athletics and Physical Education
J. Mark Fiegenbaum, Technical Services Associate/Acquisitions, Library
Anthony W. Marx, President and Professor of Political Science
Cullen Murphy ’74, Trustee
Lisa A. Raskin, John William Ward Professor of Psychology (Neuroscience)
Ronald C. Rosbottom, Winifred L. Arms Professor in the Arts and Humanities and Professor of
French and European Studies
Peter Tang ’10, Student (AAS Treasurer 2008-2009)
Diana Chapman Walsh, Trustee
Kathleen M. Wellspring, Collections Manager, Museum of Natural History
Patrick Williamson, Edward H. Harkness Professor of Biology
Selena Xie ’09, Student (AAS Senator 2008-2009)
Beth V. Yarbrough, Willard Long Thorp Professor of Economics
Jide J. Zeitlin ’85, Chairman, Board of Trustees
Yinian ’Nic’ Zhou ’10, Student (AAS Senator 2008-2009)

Of Counsel: Peter J. Shea, Treasurer
Recorder: Robyn L. Piggott, Special Assistant to the President

Charge

The Advisory Budget Committee (ABC) will be formed in response to the request by the Board of Trustees that the Amherst community develop plans for how to adjust the College’s budget to meet the broad goal of reducing, within ten years, the draw (spend rate) on Amherst’s endowment to five percent, and more specific financial targets to be set by the Trustees. The ABC will work most intensively immediately before and/or after Commencement 2009 and will meet, as needed, in the future. The committee will be composed of six faculty representatives, the President, the Dean of the Faculty, three staff members (one Trustee-appointed), three students, three Trustees and one alumnus/a of the College. The Treasurer will serve in a consulting role.

The ABC will bring together campus conversations and coordinate the work of the standing faculty committees (the Committee on Educational Policy, Committee on Priorities and Resources, and the Faculty Committee on Admission and Financial Aid) that have been charged with the following: to consider ways to increase efficiency and decrease costs in the areas that fall under their charges, to include the campus community in their deliberations and to make efforts to reach consensus.

In May, the ABC will receive the standing committees’ reports on steps and approaches that might be taken to reduce the budget, together with other reports and information. The ABC will consider all recommendations collectively, convey the substance of these recommendations to the Board, weigh priorities and trade-offs, and develop recommendations for the Board. In its first round of deliberations, the ABC’s recommendations will focus on final adjustments to the 2009/10 budget, but may also include deliberation on possible budget adjustments in 2010/11, 2011/12 and beyond.