

College Budget and Financial Planning

June 13, 2023

Dear Williams faculty and staff,

We are sincerely grateful to everyone who contributed to the college's budget process this past year. We know that identifying the equivalent of a 15 percent reduction in manager's budgets for the upcoming 2024 fiscal year was difficult in many ways, and we appreciate the careful thinking and planning that went into this work. Your suggestions at many points in the process helped shape the college's response to our financial challenges. As promised, we are writing today to share with you the principal aspects of the operating budget for the 2024 fiscal year as well as the college's financial forecast for the years ahead.

As you know, the college has been facing significant financial headwinds. Inflation as measured by the Consumer Price Index has come down in recent months (to 4 percent in May), but remains historically high. Endowment returns for this fiscal year are currently in positive territory but below the target 5 percent real return, and lost significant ground last year with the lowest real return (-20.3 percent) in almost fifty years. The upward pressure that inflation has been putting on expenses, coupled with volatile investment markets, have strained the college's finances.

Even in this context, we have tried to remain true to certain commitments: advancing our core educational mission of teaching, research, and creative work; promoting access and true affordability through the All-Grant financial aid program; and valuing the people who work at the college through salary increases that aim to keep pace with inflation over time.

Overall, the college's operating budget for the 2024 fiscal year includes expenses of \$291.8 million, a 3.4 percent increase over the 2023 fiscal year budget, and revenues of \$129.7 million. The substantial gap between expenses and revenues is funded by a draw on the endowment.

Williams is fortunate to have an endowment that enables our current operations, thanks to the generosity of donors, prudent investment management, and disciplined spending of the endowment over time. Next year, the endowment will fund over half (about 56 percent) of our expenses, supporting so much of what we do.

Details about key elements of the FY24 operating budget, relative to the FY23 budget, include:

- Revenues
 - 5 percent increase in the comprehensive fee, to \$81,160;

- 6 percent decline in annual giving to the college, in keeping with national trends;
- 7 percent increase in the draw on the endowment;
- Expenses
 - 2 percent net decrease in the managers' budget, reflecting the 15-percent reductions referred to above, plus funds then added back for unavoidable inflation, necessary increases in expenses, and new initiatives;
 - Level spending on capital renewal for maintaining buildings, funding sustainability projects, and improving spaces on campus;
 - 4 percent increase in aggregate for faculty and staff salaries and benefits.

On the managers' budget in particular, all areas of the college identified 15 percent in cuts through reducing spending and/or relinquishing vacant staff positions. Through our months-long budget process, we weighed difficult tradeoffs and preserved some items that had been proposed for reductions. Further details, along with additional information about the college's finances, can be found in [this budget presentation](#).

Going forward, our financial modeling shows that without continued fiscal discipline, expenses will grow faster than revenues. Such a scenario would require us to increase the draw on the endowment at an unsustainable rate. Careful planning in the coming years will help

ensure the long-term academic vitality and financial health of the college.

We hope that you will participate in discussions this fall about Williams' financial future. As always, we are eager to hear your questions, concerns, and ideas about the college's core priorities.

Yours sincerely,

Eiko Maruko Siniawer

Provost and Class of 1955 Memorial Professor of History

Michael Wagner

Vice President for Finance and Operations and Treasurer