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From the President

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Colby College

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The economic meltdown that began last fall has brought a new breed of message to my e-mail in-box. Every week—sometimes every day—I receive messages sent by college and university presidents to their alumni, discussing their schools’ responses to these very troubling times. As those of you whose e-mail addresses are in Colby’s database know, I, too, have sent a handful of those missives since October.

Reading several such messages every week is a sobering exercise. Each president tends to stress the ways in which her or his institution is coping successfully in straitened financial circumstances, and these efforts are heartening, particularly in what they stress—positive academic outcomes for students. But in the aggregate the letters paint a picture of an industry struggling with the challenge of preserving its core purpose in the midst of deep and frightening uncertainty. Colby, too, is engaged in that struggle.

Since I last updated you on Colby’s situation, some measures have shown deeper economic gloom. We are now projecting a 33 percent drop in our endowment, from approximately $600 million in June 2008 to approximately $400 million in June 2009. The 2009-10 budget will increase by less than 1 percent from the current year, reflecting the loss of endowment revenue, reduced interest on short-term investments, and anticipated loss of revenue from the Colby Fund (annual giving from alumni and parents). We are dealing this year with a shortfall of $500,000 in the Colby Fund, which immediately and directly supports College operations. Now, more than ever in my time at Colby, gifts from alumni in support of the Colby Fund are crucial to the College’s continued strength.

Reflecting this economic reality, next year’s budget includes additional funding for financial aid, as well as expense reductions of about $1.6 million, or 3.2 percent, in non-compensation areas across a broad range of categories. These include computer and equipment purchases, travel, plant maintenance, and utilities.

To balance our budget for 2009-10 in the face of these losses in revenue, Colby’s Board of Trustees has authorized a modest increase in the endowment payout rate (the percentage of the endowment drawn to meet expenses), as well as a 3.7 percent increase in the comprehensive fee, to $50,320, and budget reductions including:

- A freeze on most capital projects;
- A freeze on salaries for those employees earning more than $40,000 (with the exception of the one third of our faculty members eligible for merit raises next year, the final year of a three-year cycle). Employees who earn less than $40,000 (on a full-time-equivalent basis) will receive a $400 pay increase next year;
- Waiting longer to fill vacant staff positions, reducing the number of temporary workers we hire, and cutting overtime budgets;
- Eliminating overnight infirmary care at the health center;
- Placing initiatives identified in Colby’s strategic plan, but as yet unfulfilled, on hold;
- Moving from a three-year to a four-year replacement cycle for computer equipment (the industry standard);
- Reducing dining hall hours on weekends;
- Reducing staff travel, playing host to fewer events, and relying more on electronic communications;
- Reducing work done by outside vendors.
Although we cannot predict that further budget reduction strategies will not be called for in the future, Colby’s conservative practices, including our cautious approach to endowment spending and the growth of operating expenses, have stood us in good stead for the near term. We are in the enviable position of hiring faculty at a time when some exceptionally talented teachers and scholars are seeking positions, and we are among a handful of colleges that does not package loans as part of a student’s financial aid award. Colby remains committed to:

- Continuing the “no-loan” financial aid initiative inaugurated this academic year and making additional funds available to families with increased need;
- Filling faculty positions as usual, which is a tremendous advantage for the College at a time when academic positions are dwindling across the country;
- Planning for key capital/academic projects such as a new science facility, so that the College will be ready to move forward when economic conditions improve.

When I wrote to families in mid-March to inform them of the comprehensive fee increase, I received many variations on the question: “Why is Colby increasing its fee at a time when other expenses are remaining flat and inflation is low?”

The answer is complex, but, in essence, a rise in the comprehensive fee offsets enough of the loss of other revenue to allow us to protect our core and critical academic program. A flat comprehensive fee would force us to make severe cuts in programs, personnel, and other areas, or to draw down the endowment at a rate that could seriously affect the College’s mission for generations. Neither the board nor the administration of the College regards that level of drawdown as necessary or prudent as circumstances now stand.

Colby has faced many challenges since its founding nearly 200 years ago and, thanks to the combined efforts of every constituency, has grown stronger at every turn. As we cope with the uncertainties of the near future, we will draw on the strength of our history and our community.