

February 12, 2009

Dear Staff and Faculty,

As the poor economy continues to affect individuals, families and organizations, I want to update you on the College's financial situation.

In recent weeks, even more of our peer schools have announced budget cuts, hiring freezes, reductions in student services and/or enrollment increases. I am pleased that we been able to manage through this economic downturn without resorting to any of those measures so far.

We are fortunate to have entered this difficult period with a history of balanced budgets and a conservative approach to financial management. Our staffing is lean. For the past decade we have been living within our institutional means and steadily strengthening the College's balance sheet. In fact, many other schools—some much wealthier than Connecticut—are just now adopting budget processes and safeguards that we have had in place for years.

Nevertheless, we cannot be complacent. The downturn is already longer and deeper than we might have predicted even last fall, and the economy will likely take quite a while to recover fully.

For the current year, our revenues and spending remain close to budget. We believe any variances, including for example, increased spending on financial aid, will be absorbed within the budget contingency. To maximize our flexibility, however, I have asked all senior administrators to defer spending that does not directly impact students. Examples of such expenses include staff travel, professional memberships and subscriptions.

Because Connecticut College is highly tuition-dependent, maintaining student enrollment is the highest financial priority. The best guarantee for strong enrollment is the quality of education here. Indeed, we are committed to moving forward with this year's planned faculty hires. I extend my thanks to all faculty and staff for your role in providing an outstanding educational experience.

We have a number of strategies in place for the longer-term economic challenges, including:

- To reduce the impact on students and families, the 2009-10 increase in the comprehensive fee will be smaller than in prior years. (The exact figure is still under discussion and will be decided in early March.) We are also building higher contingencies into the budget, providing a more substantial cushion for any shortfalls in enrollment or overages in financial aid or other variances in our projections.
- We are planning a \$1.5 million increase in the financial aid budget for 2009-10 (more than double last year's increase) to ensure that we can continue to meet the full demonstrated need of students, including those whose families have been affected by the economy.

- Anticipating continued challenges in fundraising, we have reduced the annual fund target for 2009-10 to \$4.8 million, approximately the same as in 2007-08. For the current year, annual fund gifts and commitments were down 11 percent as of Dec. 31, but we have received several oral commitments for annual fund gifts which could significantly reduce this gap. We have several new strategies we have put in place, including an increased focus on fundraising for financial aid, which should help.
- We are also using conservative assumptions about the endowment value to project its contribution to the budget in future years. We will continue to review these assumptions in light of market conditions.
- We are monitoring enrollment closely. Our current position is relatively strong—applications for admission to the Class of 2013 are on track to exceed last year's. We enrolled more than two times our estimated number of transfer students, and fewer students than usual withdrew in the fall semester. However, many enrollment indicators are still unknown, including the yield on admission decisions this spring and whether the economy will affect the number of current students returning next fall.
- For greater flexibility, we are adapting the ACL process. As in prior years, the Priorities, Planning and Budget Committee will review, prioritize and recommend to me Above Current Level (ACL) spending. Greater consideration than in prior years will be given to non-recurring requests. Given current economic conditions, we will likely defer certain spending commitments until we are far enough into the 2009-10 school year to have greater certainty about enrollment, financial aid and other key budget parameters, as well as the economic environment.
- We are expanding marketing and communications to ensure that prospective students and parents are aware of the exceptional value of a Connecticut College education as well as the availability of need-based financial aid. These efforts include fine-tuning the campus visit experience, increased outreach to high school counselors and enhancements to both print and Web communications.

At the Feb. 27-28 meeting, the Board of Trustees will have an in-depth discussion of the economic impact on the College's financial position and budgeting practices. Following that meeting, I will provide another update to the campus community. I will also make myself available with Paul Maroni for an open town meeting. In the meantime, as always, I welcome your questions and comments.

In closing, I want to emphasize my confidence in the future, based on the quality of education here—and the quality of our staff and faculty. Over the last several years, we have invested strategically in campus renewal, faculty salaries, residential life programs and diversity initiatives—all of which are enhancing the student experience now. Next fall, we will open our new fitness center, fully funded by gifts to the College. For the next few years, we may have to slow certain investments in programs, people and facilities, but I am confident that we will continue to move forward consistent with our strategic priorities.

Thank you again for all your contributions to the excellence of Connecticut College.

Sincerely,
Lee Higdon