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OF THE
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1992-1993



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1992-1993

TO THE GOVERNING BOARDS, ALUMNI,
PARENTS, AND FRIENDS OF BOWDOIN COL-
LEGE:

This is the annual report of the President of Bowdoin College, the third I have had the honor to present. Since this is also the eve of Bowdoin's bicentennial celebration, I have seen the past year quite consciously as one in which to conclude a process of preparation for a new beginning.

I must acknowledge at the outset the role of John Magee, who steps down as Chairman of the Board of Trustees after his three-year term, and of the Governing Boards in that process. If he and they had not insisted that the President and his administration be charged with running the College, and be given the freedom to do so subject to the oversight and consultation of the Boards, who retain unquestioned authority over broad policy issues, my burden would have been far heavier. On critical issues — the rapidity with which the budget should be balanced, the decision to raise faculty salaries more swiftly than others in the College, the decision to complete the College's 1988 traverse to coeducational fraternities, the anatomy of our severance and early retirement policies — the Boards have engaged themselves deeply and thoughtfully, have served as valued partners and counselors and ultimate decision makers. I have felt their support as a group, and many of them have been spectacular in their response to the exigencies of these three years.

The challenge in my first three years has been less what to do as Bowdoin's president than how to do it. Initially, that meant spending much time identifying and attracting the ablest senior specialists in the country to do what we all knew had to be done — in finance, in admissions, in development, and in our central concern in academic affairs. These

colleagues have exceeded even my high expectations in the quality and imagination of their work. Professor of Mathematics James E. Ward ably filled the post of Dean of the College, addressing a host of challenges in the student affairs area with unfailing good judgment, a profound understanding of the mission of the institution, and a deep respect for student, alumni, and faculty concerns. Following an extensive search, Elizabeth Chadwick has joined us as our new Dean of the College, coming to Bowdoin with great administrative experience at Pomona, Swarthmore, and most recently as Dean of Students for the College and a Senior Lecturer in the Humanities Collegiate Division at the University of Chicago.

The next priority was to devise campus processes — new, sometimes complex forms of consultation with faculty, students, and Governing Boards — to get the work done. It is thanks to the efforts of all these constituencies, with particularly generous and effective faculty leadership in several cases, that I can report progress.

Shoring up Financial Stability

The first priority, as you know, has been to shore up the financial stability of the College after the doubtful joys of the 1980s, a period from which all American higher education has suffered. The Budget and Financial Priorities Committee, chaired by Professor Wells Johnson and his deputy, Vice President Kent Chabotar, has brought in a balanced budget for 1993-94. No budget is truly balanced until the end of the budget year, but the public hearings of the Committee, our new financial controls, and the cooperation of members of the College community these past two years make clear that this is a budget of realism and determination. We will also, with this year's salary increases, meet the College's pledge to place

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our academic teaching salaries at the level, relative to Bowdoin's comparison group, to which the Governing Boards committed the College a decade ago. A project to analyze Bowdoin's administrative and other salaried positions and compare them and remuneration with our competitor institutions, was also concluded with the assistance of Peat Marwick, and salary adjustments were made.

The price of achieving these salary adjustments and a balanced budget has not been slight. We are 55 administrative positions fewer, and yet we maintain and heat the same number of square feet, feed the same number of people in our dining rooms, maintain essentially the same size faculty, and conduct an academic program virtually undiminished in size. Academic program budgets, however, have been cut 15 percent, and we experienced the sadness, this May, of saying farewell to 30 employees of exceptional loyalty and service who have chosen to take retirement.

We have, I have to emphasize, not changed the underlying drivers of our budget. Research indicates that over the long term academic costs rise two to three percent above the rate of inflation. For the past two years our costs have

risen approximately one percent a year — over two percent below the rate of inflation — and our comprehensive fee has increased at only the Consumer Price Index plus one percent. This will not be able to continue. The expenses that we have shaved are no longer there to be cut, while program demands, suppressed for two years, are urgent. In short, we have lowered our budget base, but we have not affected its dynamic.

This is why Bowdoin's financial model, now being refined and discussed with the Financial Planning Committee of the Governing Boards and various campus committees, is so important: it illuminates the inexorable upward pressure of such factors as financial aid, and it dramatizes what a labor-intensive industry we are. The academy has learned how to use capital to get better (see the use that our libraries, scientific departments, and accountants make of computer-driven techniques and information access), but we have not yet found that we can substitute it for labor, without losing the density of faculty-student teaching and learning that we associate with academic quality. The model also indicates how vitally important our endowment is, and how costly to its growth the deficits of the past have been. We are still drawing down the endowment at a rate that is too high — 6 percent — but it is lower this year than in recent years and it is pointed still lower in the financial model through 1997-98.

In this 199th year, then, I can fairly say that we have our feet on the ground. The future will not be an easy one: no one can forecast confidently the future of the American economy, family disposable income, and the behavior of securities markets. But we know at Bowdoin that, these variables notwithstanding, we must balance revenues and expenditures. And we must, without question, continue to enhance our quality. The entire College

understands the problem, and I believe that fear of the future is now being replaced by a certain combative good cheer.

Before talking about our financial future, and how we propose, given these uncertainties, to strengthen Bowdoin, a word about some of the year's more remarkable achievements.

Achievements of the Year

□ First, always, are the singular accomplishments of Bowdoin's students and faculty. Eileen Hunt, Bowdoin's philosopher and runner from Island Falls, Maine, won a Marshall scholarship to Cambridge. Karen Edwards and David Sciarretta won Watson fellowships. Professors Thomas Killion and Jeffrey K. Nagle and Curator of the Arctic Museum Gerald F. Bigelow won Fulbrights. National Science Foundation research awards were received by professors William H. Barker, Robert Knapp, Peter D. Lea, Craig A. McEwen, and Carey R. Phillips. Professor Phillips and the College archives were awarded Albert and Elaine Borchard Foundation, Inc. grants.

Assistant Professor of Art Ann Lofquist participated in the American Academy of Arts and Letters Invitational Exhibition of Painting and Sculpture. Professor of Music Elliott Schwartz, author of a new work on music since 1945, will be in residence in fall 1993 at Robinson College, Cambridge University, as the holder of a visiting Bye fellowship.

Two Bowdoin concert band members were chosen for participation in the New England Intercollegiate Band, Masatoshi Hirono '94, clarinet, for the second time, and John Dickinson '96, euphonium, for the first time. The Bowdoin Chorus of 60 singers, under the direction of Anthony Antolini '63, performed Sergei Rachmaninoff's *Liturgy of St. John Chrysostom* for enthusiastic audiences in Brunswick and Thomaston. On campus,



Masque and Gown's performance of *Joseph and the Amazing Technicolor Dreamcoat*, with sets and direction by Director of Theater A. Raymond Rutan '51, also drew full houses.

Our teams were spectacularly successful: women's soccer and cross country won championships in ECAC in soccer and NESCAC in cross country; men's teams won the ECAC championships in hockey and lacrosse, after lurking deceptively in the lower division of the league for much of the season; while the ski team won the Division II championship and mens' squash won the Conroy Division National Championship. In her first year as head coach of field hockey, Maureen E. Flaherty was named Maine Coach of the Year. Coach Terrence A. Meagher was named New England Coach of the Year in Division III ice hockey, and Coach John D. Cullen was honored as Division III National Women's Soccer Coach of the year.

□ Under the chairmanship of Professor Mark C. Wethli of the Department of Art, Bowdoin established something of a modern record for the planning and funding of a major architectural project: Bowdoin's new David Saul Smith Union that will occupy with teeming

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activity the echoing void of the disused Hyde Cage. Professor Wethli's committee chose the architects last August — Hardy Holzman and Pfeiffer of New York; completed program and physical design in the course of the academic year in an intensely tough, rigorous, and creative process; and, thanks to nine major gifts by members of the alumni body, we conducted a ground-breaking ceremony for the \$4.7 million project on June 5. Construction will take a year, and we expect to occupy the Union in late 1994. The planning committee has seen the project as a "birthday present" to the campus; thanks to the lead gift by Bob Smith of the Class of 1962, and to the generosity of his fellow alumni, so it will be.

□ William A. Torrey and his development staff were responsible for the remarkably swift funding of the Union project — and for another very successful year of fundraising in general. They and their alumni fund leaders raised over \$3.2 million in Alumni and Parents Fund dollars, part of \$9.8 million in total gifts received by the College in 1992-93, including nearly \$6 million in capital and planned gifts. He has also recruited and brought to campus a new Director of Communications, Alison M. Dodson, who will have oversight over Bowdoin's public affairs and publications.

□ Richard Steele and his Office of Admissions had an exceptional year. Each year for the past five, Bowdoin has experienced a two to four percent decline in its applicant pool. This year, a reorganized alumni interviewing program (BASIC) and a fresh strategy for research, travel, and presentation of Bowdoin's strengths have begun to take effect. The year ended with a nine percent increase in overall applications and a forty percent increase in early decision applications. This September's first-year class will be uncommonly able.

□ Bowdoin's Curriculum and Educational Policy Committee is its institutional guardian of academic program quality and promoter of innovation. Under its chair, Dean Charles R. Beitz, and its secretary, Professor William Barker of the Department of Mathematics, the committee had several major achievements. As the Dean notes in his report, the Committee sent for approval to the faculty a new writing program, which will use student tutors as a resource for improving the quality of student written composition. It commissioned Professor Joanne F. Diehl to examine an immensely successful dimension of Bowdoin's curriculum — its first-year seminars — to consider how even this model program might be improved. It also asked Professor Samuel S. Butcher to commission an investigation of the perennial but vitally important academic question: how to provide introductory science courses that will be rigorous but accessible to students who will not be science majors.

□ It is a particular pleasure to report on the effectiveness of student government this year. Under its chair, Ameen Haddad '93, the Student Executive Board arranged for campus forums and surveys on several issues of major importance, notably on the factors that students regarded as especially critical if Bowdoin is to increase in size by 10 percent over the next several years. Student representatives made substantive contributions to the architec-



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tural design of the Smith Union. Most gratifying of all, a subcommittee of the Executive Board took the initiative to redraft and remove ambiguities from the Student Honor Code. With strong cooperation from faculty members and the Dean of the College's office, the draft moved successfully through a student referendum and a unanimous faculty vote. Nothing could be more important to the College than absolute clarity on the primacy of academic honesty.

□ An achievement whose importance can too easily be overlooked: accurate data, in a time of sacrifice and financial scarcity, are essential to both decisions and trust. Funded by a three-year, \$250,000 grant from the Mellon Foundation, Bowdoin's Office of Institutional Research, under Christine Brooks, has established a new standard of quality, assembling information — data that are accurate, in time series and comparable to those of other institutions — as well as establishing a capacity to model and simulate outcomes of alternative policies.

Finally, there has been the work of the Strategic Planning Task Force. How a college navigates these days — sets its goals and works toward them — is more complex than it has ever been. No president, whether in Washington or Brunswick, can be the Olympian, Jovian figure of times past. There are many interests and views on what constitutes a college priority; most are articulate and forceful. This means that "campus governance" may be my most important single preoccupation over the next several years, for the relationship of faculty, staff, and students to the process of planning and setting goals for the College, and the structuring of their own time-consuming participation in these activities, will be critical to Bowdoin's success.

This year's Task Force has constituted a remarkable test of a new model for engaging faculty, students, and administrators with the College's most critical planning issues —



commissioning and reviewing studies, requesting data and simulating possible outcomes. At its request, Professors Vail and Ortmann of the Economics Department studied the financial consequences of an increase in the size of the student body by 10 or 20 percent; an administrative team produced and discussed in the Task Force a model that projects financial aid expenditure, under various scenarios; and the Task Force reviewed a strategy proposal for a major upgrade of Bowdoin's information technology system. In a Saturday retreat, this 17-person group of faculty, students, and administrators tackled questions about the substantive goals of the College in a way that was spirited, serious, and collegial.

The Task Force has no powers of decision. But, chaired by the President, its members consisting of five elected faculty members, three elected students, and seven administrators, the group's mandate is to think about the College's agenda, to identify its most significant issues, and, when it has sufficiently defined and examined them to reach a level of understanding and comfort, to spin formulated policy proposals off the student and faculty forums and to the Governing Boards. The Task Force is not a formal or final answer to

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the needs of campus governance, but it has in the past year provided a strong participatory framework for identifying the College's highest aspirations and needs and for moving them forward.

The Evolution of a Financial Strategy

If this year had a single great achievement, it has been the evolution of a broad financial strategy that is designed to set Bowdoin, by the end of the decade, unassailably among a handful of the most vital, effective, and attractive colleges in the land. The strategy has three parts.

□ First, we must continue to pare costs, work more economically, and substitute cheaper systems, constantly and assiduously. We will improve financial controls, examine the “out-sourcing” of some College services, make more use of student workers, install better administrative computer software, and seek cooperation with other similar colleges. Merely tighter administration will irritate and offend if we are not judicious, open, and generous of spirit; but austerity and economy will be an indispensable part of our future.

□ We must be a somewhat larger college. Today a first-rate college must — among other things — teach Chinese and Japanese; conduct science at a level of instrumentation and professional depth inconceivable at the undergraduate level twenty years ago; and operate a first-rate computer-based information system, modernizing it each year. Without these attributes, we cannot be first-rate, and first-quality students will go elsewhere. Being our “best self” requires more today because of the demands of the times, not merely the competition of other colleges.

Therefore, with rigorous control over our associated administrative costs, we will add approximately 10 percent to the enrollment over several years, to permit a reinforcement



— not an expansion — of the academic program. Both the Governing Boards, when they approved the increase at their May meeting, and the faculty, when they approved it by a seventy percent vote, recognized that this is a strategy not without risk, but they have seen clearly the importance of moving further resources swiftly into the academic program — some 8 to 12 new faculty appointments will become possible — and with a minimal effect on the student-faculty ratio.

□ This, however, is a transitional strategy to the longer term, a future in which Bowdoin will need to raise new capital. This endeavor is still in the planning phase, but its goal too must clearly be to strengthen the financial base of the existing college, rather than expand its curricular reach. We already know that there will need to be one major space addition: a building for biology and certain other scientific departments, in order to complete the moder-

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nization of Bowdoin science facilities. But the main purpose must be to endow more of what Bowdoin already does — to create new revenue streams for existing professors, financial aid, and existing departmental programs.

In Sum

It has, in sum, been a serious and productive year. But it has also had room for us all to enjoy one another and life at Bowdoin. Nothing has been more useful in this cheerful domain than the Cleaveland House — the wonderful, Maine Federal residence adjacent to campus, into which Blythe and I moved on December 8, 1992 and in which, this past year, we have rejoiced in innumerable breakfasts, lunches, teas, dinners, and study breaks with faculty, staff, students, and alumni.

If we execute these three strategies well — control our costs, grow modestly, and raise

capital — Bowdoin, with its extraordinary assets of history, location, and alumni support will be an ever stronger light in the firmament of learning. From a base of financial soundness, it will have the strength and confidence to stretch, to innovate, and to meet the demands of the future.

It will be an interesting few years. I deeply believe, after three years among you, that Bowdoin has the strength of support and the will to become only stronger as an educational asset in a nation that desperately needs confidence and resilience in its best colleges.

Robert H. Edwards
President

September 1993

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REPORT OF THE DEAN FOR ACADEMIC AFFAIRS

It is an honor to present this report on the College's academic program in 1992-93, my second year of service as Bowdoin's chief academic officer.

Looking back, it was a year of remarkable activity for faculty members and administrators alike. Several curricular innovations of continuing significance came to fruition during the year, while a number of other initiatives were started. The recruiting season was exceptionally vigorous, culminating in the appointment of more than 20 members of the faculty, including six to tenure-track positions. Far-reaching changes began in the College library and in our computing and information systems, in both cases with considerable potential impact on teaching and research. As you will read elsewhere, we continued an institution-wide process of reducing costs while simultaneously increasing compensation standards; for the faculty, this means the College is closer now than in more than a decade to the salary targets mandated by the Governing Boards, and our opening offers for new faculty members now appear to be fully competitive with those of our peer institutions. Finally, we have begun to plan for a modest increase in the size of the faculty over about a five-year period, affording a rare opportunity to deepen and enrich the curriculum.

In what follows, I comment on some of the highlights of this exceptionally busy year.

Curriculum

The Curriculum and Educational Policy Committee continued the effort, begun the previous year, to explore broad questions about the quality and efficacy of the teaching program. This enlargement of perspective represents something of a shift from the Committee's previous practice, and has yielded several constructive results:

- The Committee proposed, and the faculty approved, establishment of a Writing Fellows Program for a three-year experimental period. Its centerpiece will be a cadre of student writing tutors who will work, under faculty guidance, to help students revise and improve drafts of papers in writing-intensive courses.
- It commissioned a special task force, led by Professor of Chemistry Samuel S. Butcher, to sponsor a process of self-examination among the science and mathematics faculty of introductory courses in the sciences, with special emphasis on courses intended for non-scientists.
- Professor of English Joanne Feit Diehl reported on an extensive review of the first-year seminar program. The program offers students an opportunity, early in their college careers, to work closely with faculty members on topics of mutual interest. Its goals are to evoke a sense of the excitement of college-level study in the various disciplines, to help students improve their writing skills, and to build



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intellectual confidence. The program appears to be uncommonly successful. On average, about 37 seminars are offered each academic year, accommodating nearly 600 students. Many seminars are routinely oversubscribed. The faculty will review Professor Diehl's recommendations — to clarify our expectations of first-year seminars and to expand and enhance the program — in the fall.

In addition to attending to these broad issues about the curriculum, the CEP continued to review proposals for change in particular areas of the curriculum. Most significantly, the committee reviewed and endorsed a proposal to establish an interdisciplinary major in women's studies. The recommendation was subsequently approved by the full faculty, and the major will become available in the coming year.

Faculty

The quality of a Bowdoin education has always depended more on people than on programs, and the recruitment of new members of the faculty continues to be our most important single responsibility. In 1992-93, we succeeded in attracting six exceptional people to tenurable appointments at the College — in chemistry, film studies, philosophy, physics, Spanish, and women's studies. We continue to search in 1993-94 to fill three positions left vacant last year — in Asian Studies, Africana Studies, and African-American literature.

The year's greatest disappointment was the failure to attract minority scholars to our ranks, in spite of the diligent efforts of many members of the faculty. Last November, the faculty endorsed the recommendations of the Committee on Diversity, calling for a new initiative to recruit a faculty more broadly representative of the society in which our students will live and work. This initiative will require the cooperation of members of the college community both on and off the campus in helping us identify



promising minority teacher/scholars who can contribute to the intellectual vitality of the College.

Library and Information Technology

Sherrie S. Bergman joined us as College Librarian in August 1992, and in her first year has overseen a reorganization of the library staff and a realignment of its resources aimed at developing the library's role as an active participant in the teaching program. With a strengthened public services staff, the library will be more energetic in providing bibliographic instruction to students, and our librarians will work closely with faculty members to create opportunities for students to make constructive use of the College's remarkable library resources.

On the advice of a visiting committee of experts from other institutions, we have moved to enhance and restructure Bowdoin's computing services. The main goals are to make more effective and imaginative use of information technology in the curriculum and to improve our administrative information systems. This is a multi-year challenge, but already there is progress: academic computing services have

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been reorganized, new educational and support services for students, faculty, and staff have been put in place, and this fall, for the first time, every new student is being issued an account on the campus information network.

Looking ahead, it seems likely that the lives of academic institutions will be affected more profoundly by rapid advances in information technology than by any comparable technological change in this century. The library, in particular, will be transformed, as it comes to serve as a gateway to information in all forms rather than as a repository of physical objects. Any recent visitor to the lobby of Hawthorne-Longfellow will have seen the signs of change: the card catalogue has nearly vanished, having been replaced by display terminals, and the index tables are slowly giving way to workstations equipped to provide access to a growing array of electronic databases.

Transitions

The College community was saddened by the death of Professor of Physics and Astronomy William T. Hughes, a member of the Bowdoin faculty since 1966. Will Hughes was a distinctive figure on the campus, respected especially for an unusual breadth of learning, both within and beyond his discipline, and an irresistible spirit of intellectual adventure.

Four members of the faculty were promoted by vote of the Governing Boards to emeritus status on July 1: Barbara J. Kaster, Harrison King McCann Professor of Communication in the Department of English; Elroy O. LaCasce, Jr., Professor of Physics; C. Douglas McGee, Professor of Philosophy; and A. Raymond Rutan, Director of Theater. Amazingly, these four colleagues represent a total of 134 years of service to the College; one dares not begin to catalogue their

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enormous contributions to generations of Bowdoin students and to the Bowdoin community for fear of never ending.

Milestones such as the College's Bicentennial are, inevitably, occasions for taking note of change. But I would like to conclude, instead, by observing an impressive continuity to be found at Bowdoin in the faculty's ongoing commitment to rigorous and inspiring instruction in an atmosphere of close and sympathetic collaboration among students and teachers. The smallness of our scale, the absence of graduate and professional students, the directness of the relationship of students with teachers who are also practicing scholars, and the centrality of the teaching mission all contribute to this environment. It is the unique and enduring strength of the nation's best small colleges, and it is what sets us apart from

our competitors in the diverse arena of higher education. I don't believe there is any better setting for nurturing the growth and maturation of young minds and for encouraging the sharpening and testing of individual and moral identities. As we emerge from a period of institutional change to contemplate a new century in the College's development, it is reassuring that the core commitment to building and sustaining this kind of atmosphere for learning is alive and well at Bowdoin.

Charles R. Beitz
Dean for Academic Affairs

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REPORT OF THE TREASURER

After three years of struggle and sacrifice, Bowdoin College has a balanced budget for the current fiscal year (FY) 1993-94 that started 1 July 1993. Revenues and expenditures are expected to total \$52.65 million. This was accomplished through the extraordinary contributions of faculty and staff in doing more with less and through the remarkable generosity of the College's alumni and friends. It was also accomplished using a participative process, very effectively coordinated by a campus budget committee chaired by a member of the faculty, that recommended the budget to President Edwards and the Governing Boards.

For a new treasurer presenting his second annual report, this is indeed good news. Among other benefits, the restoration of a balanced budget will allow the College to treat our finances as an important but not singular topic of conversation or variable in decision making. It may also alter the perceptions of a student who, in attempting to register for a public policy course that I taught last spring, could not recollect which of several public policy courses was mine. When the registrar asked if she at least could remember the name of the instructor, the student replied somewhat hesitantly, "I'm not exactly sure who he is but I think he owns the College."

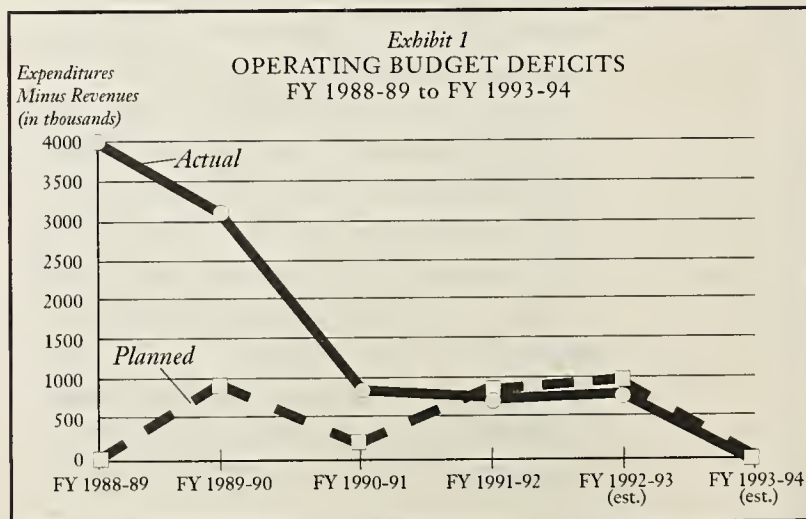
Yet, while we commemorate our achievements, we must also recognize at least three continuing fiscal challenges. First, FY 1993-94 cannot be, as in Alan Jay Lerner's *Camelot*, "one brief shining moment" in the College's history. It must be merely the first in a series of balanced budgets if the College is to achieve financial equilibrium and build its endowment. Second, the budget must remain balanced despite changes in accounting rules, economic downturns, and other forces beyond our control.

Third, and possibly most important, Bowdoin and other colleges confront a long-term trend of expenses increasing more rapidly than revenues. This will require not only continuing efforts to cut costs and improve productivity, but also zero-based, "break-the-mold" changes in how we deliver academic and administrative services. A few years ago, the College closed the infirmary and contracted with local hospitals to offer high quality and more efficient student health services. Such imagination will be required over the next several budget years. Our goal is a new "steady state" Bowdoin with a lower, sustainable cost structure.

TOWARD A BALANCED BUDGET

Historical Trends

The road to a balanced budget was not long, but it was hard. As Exhibit 1 shows, the College's expenses exceeded revenues by almost \$4 million as recently as FY 1988-89. This deficit constituted about 10% of the operating budget. With one eye on finances and the other on the academic mission, the College gradually lessened the deficit to \$3 million in FY 1989-90 and to under \$1 million in FY 1990-91 through, on an estimated basis, FY 1992-93. Significantly, the budgets in the



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last two years could have been balanced if the College had continued to rely as heavily on tuition and fee income and the endowment or had not spent millions on staff pensions, retiree medical benefits, plant maintenance, and other long-term obligations.

Since 1991, the College has eliminated 55 administrative and support positions. Fortunately, a partial hiring freeze and two voluntary early retirement programs have contributed to a ten percent staffing reduction with less than a third accomplished involuntarily. Coordinated by the new director of human resources, Kathleen Gubser, strict position controls will persist indefinitely with vacant positions subject to being eliminated or filled with part-time or student employees. A balanced budget was also achieved by gradually reducing non-salaried operating expenses in departmental budgets by an average of 10% last year and 5% this year. The loss of purchasing power was even greater when inflation is considered. Everyone, in fact, has been affected by cut-backs like restrictions on campus mailings and social events as well as by efficiencies like the central purchasing of computers and office supplies.

The College avoided reducing the number of tenured or tenure track faculty positions or offering non-competitive salaries. To be sure, average increases in base salaries and wages have been held to 3.1% to 3.5% for the last two years, less than the rate of inflation. Still, during the same period, the College invested almost \$1 million in selective, market-driven equity adjustments for faculty and staff. Neither has the College balanced the budget by hiking tuition much more than the rise in the cost of living. Indeed, the 4.1% increase in tuition and fees for FY 1993-94 was the smallest in sixteen years.

Furthermore, the College determined that it would not increase the use of endowment to

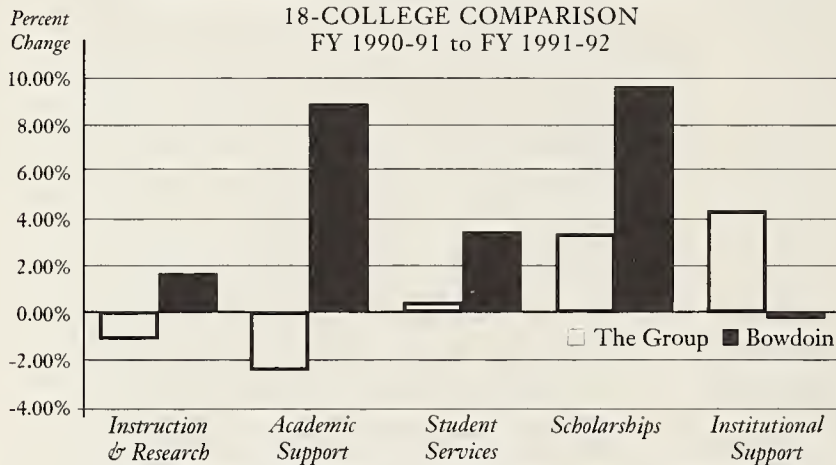
achieve financial equilibrium. With a market value of about \$180 million, the College's restricted and unrestricted endowment provides almost 20% of the operating budget. From an amount in the FY 1990-91 budget equivalent to an unsustainable 9.5% of the endowment's market value, utilization dipped to 6.1% in FY 1991-92. To have drained the endowment to balance the budget would have been tantamount to descending what Winston Churchill called "the stairway which leads to a dark gulf."

Now the FY 1993-94 budget is balanced, but only on paper; actual revenues must still meet expenses when we "close the books" next year. Exhibit 1 also notes that twice before in the last six years, in FY 1988-89 and 1990-91, the College projected a balanced budget in July only to report a significant deficit the following June. This budget will stay balanced only by strict management controls, periodic monitoring, and prompt action whenever budget variances are identified. We must operate on the principle that a budget is a contract between the College and each budget manager.

The College must also streamline administrative costs in order to invest as much as possible in the academic program. Instruction and research expenditures constitute a steadily increasing percentage of the educational and general (E&G) budget (from 25.5% in 1986-87 to an estimated 28.9% in 1991-92). The E&G budget includes all College operating revenues and expenses except those related to auxiliary enterprises like dining services and independent operations like summer programs. Conversely, expenditures for administrative overhead (formally called "institutional support") have been a decreasing percentage of the E&G budget (from 21.7% in 1986-87 to 20.4% in 1991-92). Nonetheless, these favorable trends are not setting new records but restoring the relative budget proportions of the early 1980s.

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Exhibit 2
PERCENT CHANGE IN PERCENT OF E&G BUDGET
18-COLLEGE COMPARISON
FY 1990-91 to FY 1991-92



COMPARATIVE PERSPECTIVE

This offers both encouragement and disappointment. Since the 1970s, the College has compared faculty salaries and other retrospective published data with a group of eighteen other colleges. "The eighteen" includes most of the selective liberal arts colleges with which Bowdoin competes most intensively for faculty and students, e.g., Amherst, Bates, Colby, Middlebury, Oberlin, Smith, Swarthmore, Wellesley, and Williams. A new Office of Institutional Research, directed by Christine Brooks, has spearheaded the collection and analysis of these and other data. They have brought a new reality and confidence to College decision-making because, as Molière claimed, "Doubts are more cruel than the worst of truths."

Accounting for half of the College's annual revenue, tuition and fees have become relatively more affordable for Bowdoin students and parents. Our 4.1% average increase in tuition and fees for FY 1993-94 was the next-to-lowest in the 18-college group and, in terms of total charges, dropped our rank from second highest to ninth. To be sure, the total costs of private higher education remain high, thus compelling Bowdoin and other colleges to provide ever-increasing amounts of financial aid. The proportion of the College's E&G budget committed to undergraduate grant aid has climbed

from 12.4% in FY 1989-90 to about 15.8% in the FY 1993-94 budget. In fact, between FY 1990-91 and FY 1991-92, the College increased scholarships by 10.7% compared to an 18-college average (not including Bowdoin) of 9.7%.

The enormous impact of the College's three years of renewal and retrenchment were most striking when comparing relative increases and decreases in expenditures between FY 1990-91 and

1991-92. On average, the 18-college group increased their E&G budgets by 6.3% compared to the College's increase of only 0.9%. Exhibit 2 exemplifies relative changes in specific expenditure categories.

In the academic program, the 18-college group actually decreased the average percentage of the E&G budget spent on instruction and research by 1.2% and on academic support (e.g., libraries) by 2.4% while Bowdoin was increasing by 1.6% and 8.9% respectively. In the opposite direction, the group average for the percentage of the E&G budget expended on administrative overhead increased by 4.5% while our percentage decreased 0.1%.

Other data suggest that the College still has work to do in balancing instructional and administrative needs. As of FY 1991-92, despite the positive trends discussed previously, the College ranked very low among the 18-college group in the percentage of the E&G budget expended on instruction and research and instructional costs per full-time equivalent (FTE) student. At the same time, our administrative costs ranked near the top. Whether or not the reductions and reforms implemented in FY 1992-93 improved the College's position in the 18-college group will be known when the annual survey is completed this fall.

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Finally, Bowdoin College expended proportionately more on student services. The percentage of our E&G budget committed to student services such as admissions, athletics, and residential life increased 3.5% compared to an 18-college average of 0.4%. That ranked us near the top. For student scholarships, although the College's increase of 9.7% in percentage of E&G was substantially higher than the group's average increase of 3.3%, we still ranked in the middle of the eighteen.

Before reacting to these comparisons, the College intends to ensure that we are not making the proverbial mistake of comparing apples with oranges. First, we are competing with a group whose average endowments have a much higher market value than our own. Exhibit 3 reveals that our endowment has been 24%-35% smaller than the 18-college average. Had we been able to use just 5% of the 1991-92 average endowment of \$223 million (instead of our more modest endowment of \$165 million), we would have virtually eliminated the College's operating deficit. The fact that Bowdoin's enrollment is smaller than all but two of the schools in the comparison group also introduces some variations and distortions in the proportions of the budget allocated to administrative and instructional costs.

Moreover, it is unclear whether the reported variations among colleges are due to genuine differences in financial conditions or to widespread difference in accounting practices. For example, do all eighteen colleges use the exact same definitions for instruction and administration? In preparing financial statements for FY 1992-93, the College is double checking to ensure that our revenues and expenditures are categorized according to generally accepted accounting principles. Any adjustments will improve but not necessarily

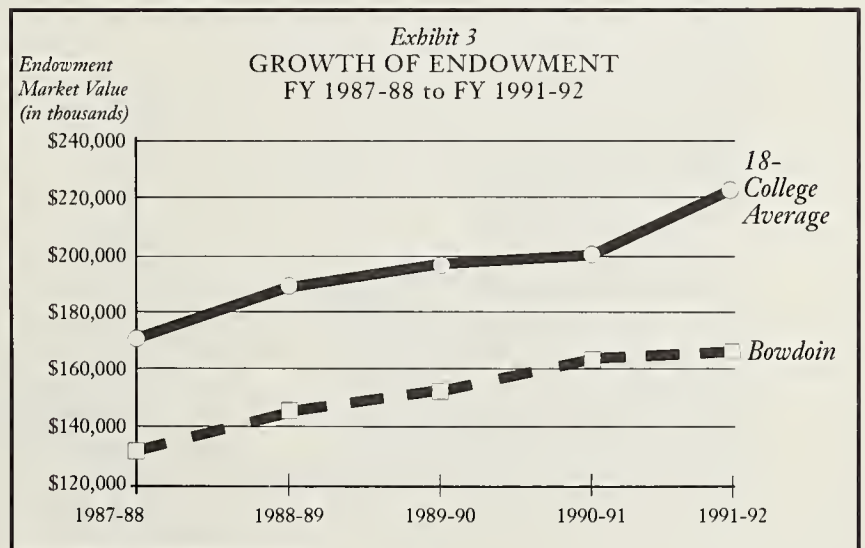
guarantee the consistency of data compared with other colleges. They may also change the percentages of E&G allocated to instruction, administration, and other functions that the College has previously reported.

FINANCIAL PLANNING

Bowdoin College Financial Planning Model

Last year, Bowdoin College began to budget two years at a time: a formal budget for 1992-93 and budget estimates for the following 1993-94. This was intended to provide a multi-year perspective on the College's retrenchment and restructuring efforts and to help ensure that the expected balanced budget stayed balanced. Now that the College's efforts are focusing on longer-term issues such as the size of the college, retiree health benefits, financial aid policy, and maintenance of the physical plant, a longer-term financial model is needed.

Our financial planning model is based on similar models used by other colleges and accounting firms. It is designed to provide historical information on the sources and uses of funds, and then to forecast those same items four years into the future. It is interactive in that entering different assumptions yields different results. It is flexible in being able to adapt the model to changing events and circumstances because, as Benjamin Disraeli



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reminded us, “what we anticipate seldom occurs; what we least expected generally happens.”

The current version is a *status quo* model that estimates future revenues and expenses based on the College’s existing policies and programs. It holds constant today’s student body of 1410-1430 and a faculty and staff of about 600. Between FY 1993-94 and FY 1997-98, the model also assumes increases in items such as:

- Consumer price inflation ranging from 4% to 5%;
- Tuition and fees capped at 1% over inflation;
- Number of students receiving scholarship aid from 574 to 589 and the retention of “need blind” admissions;
- Endowment market value from about \$180 million today to \$258 million, due to new capital, investment performance, and reduced endowment spending as the percentage used for the budget decreases from 6% to 4.4%;
- Expenditures for operations and maintenance of plant sufficient to erase deferred maintenance by FY 1997-98; and
- Faculty and staff salaries limited to the rate of inflation.

Results

As depicted in Exhibit 4, the *status quo* model unbalances the College’s budget with deficits of \$1-2 million. This is an early warning that our redoubled efforts at fundraising and cost containment must continue.

In addition, the College’s decision to increase enrollment by 10% over the same four-year period in order to enrich diversity and the academic program will affect finances, too. While higher student enrollment increases will yield higher tuition and

other revenues, they will also push up costs for new faculty, dining services, residential life, and other departments. Lastly, staffing patterns, financial aid policy, fundraising strategies, and almost every aspect of the College will be regularly monitored so that expenses do not increase more rapidly than revenues in the future. The final version of the model must preserve the balanced budget that the College has only recently achieved.

In sum, Bowdoin College is making steady but difficult progress to financial equilibrium while sustaining academic and administrative excellence. That will be our enduring challenge and opportunity for many years to come. So, in the words of Henry Wadsworth Longfellow of the Class of 1825,

Let us, then, be up and doing,
With a heart for any fate;
Still achieving, still pursuing,
Learn to labour and to wait.

Kent John Chabotar
Vice President for Finance and
Administration and Treasurer

