

**St. Olaf College
Budget and Finances**

**2026-27
Staff Council Sept 17**



St. Olaf College Budget & Financial Overview

FY 25-26 Year End Results

Unrestricted Net Operating Income = \$178K!

Significant Variances from Budget

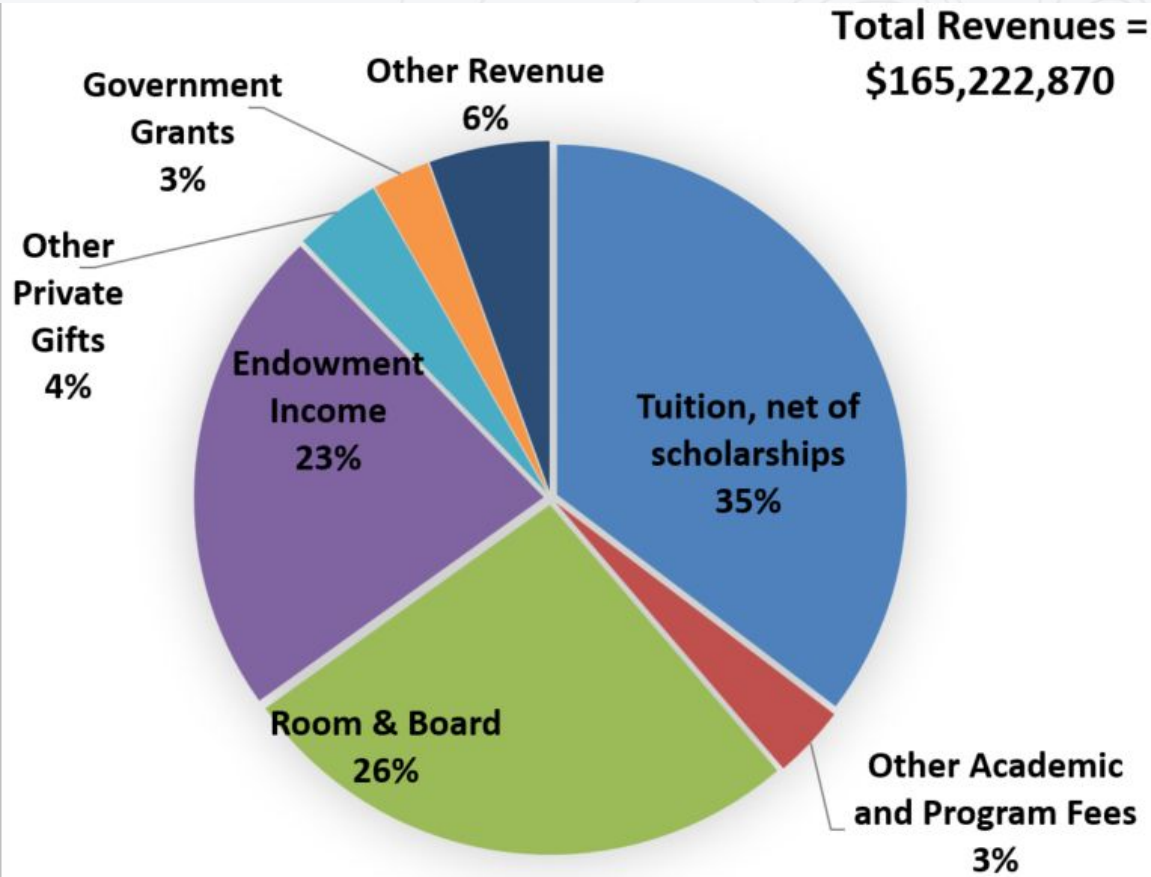
Favorable:

- Comprehensive Fee Revenue (Tuition) ~ \$1.9M
 - Favorable fall enrollment + mid-year retention
- Gifts ~ \$556K
- Salaries ~ \$1M (vacant positions, year-end vacation accrual)

Unfavorable:

- Health Care ~ \$1.8M
- Other Benefits ~ \$800K (Tuition Benefit, PMFLA, Unemployment)
- Utilities & Maintenance ~ \$1M

FY 26-27 TOTAL BUDGETED REVENUE



St. Olaf is "tuition dependent" - our biggest source of revenues to fund our daily operations is from students.

KEY REVENUE DRIVERS:

Revenue from Students:

- # Students (810)
- \$ per Student (\$32,000)
- Retention (93%)

Endowment/Gifts/Grants:

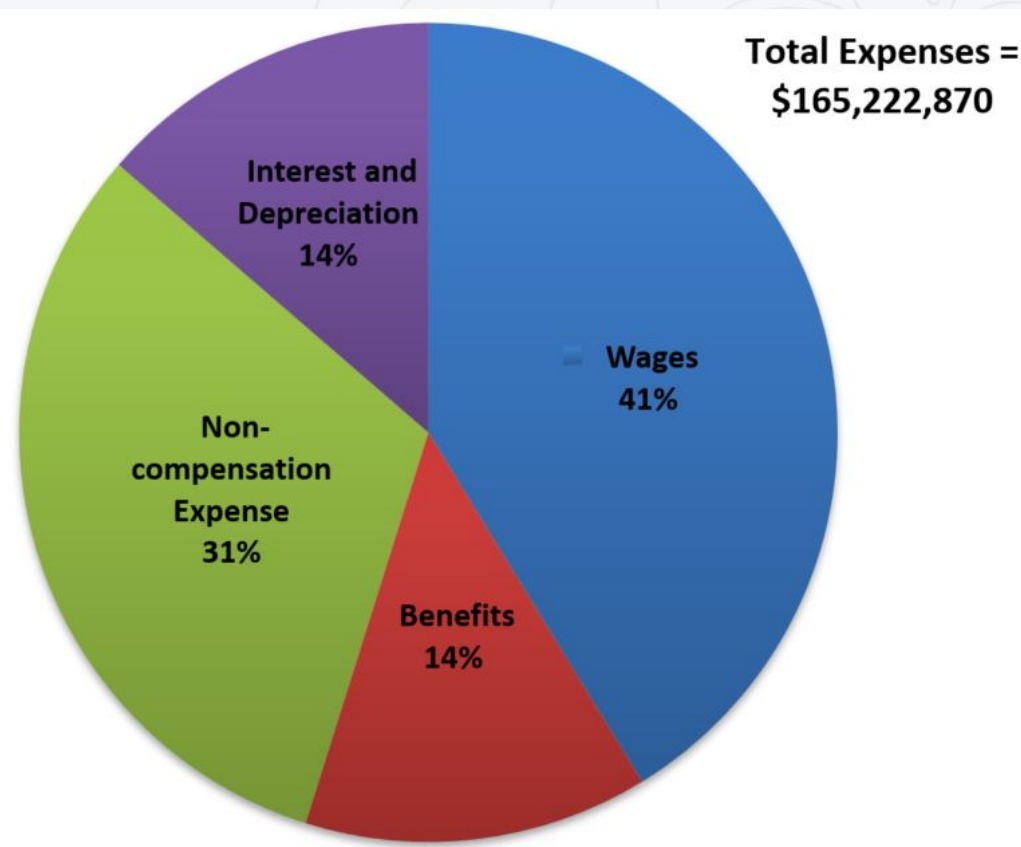
- New Gifts
- Market Returns
- % Endowment Spend to Support Operations

Average Annual Revenue

Growth past 10 years = 2.4%

- Net Comp fee w/Davis = 1.3%
- Endowment = 8.5%

FY 26-27 TOTAL BUDGETED EXPENSES



KEY EXPENSE DRIVERS:

Wages & Benefits

- # of Employees
- Wage Rates/Increases (2%)
- Benefits Offered
- Health Care

Other Expenses

- Utilities, Food Service, Insurance, Study Away
- Program Costs
- Inflationary Pressures

Average Annual Expense Growth
past 10 years = 2.9%

FY27 BUDGET: COST CHALLENGES

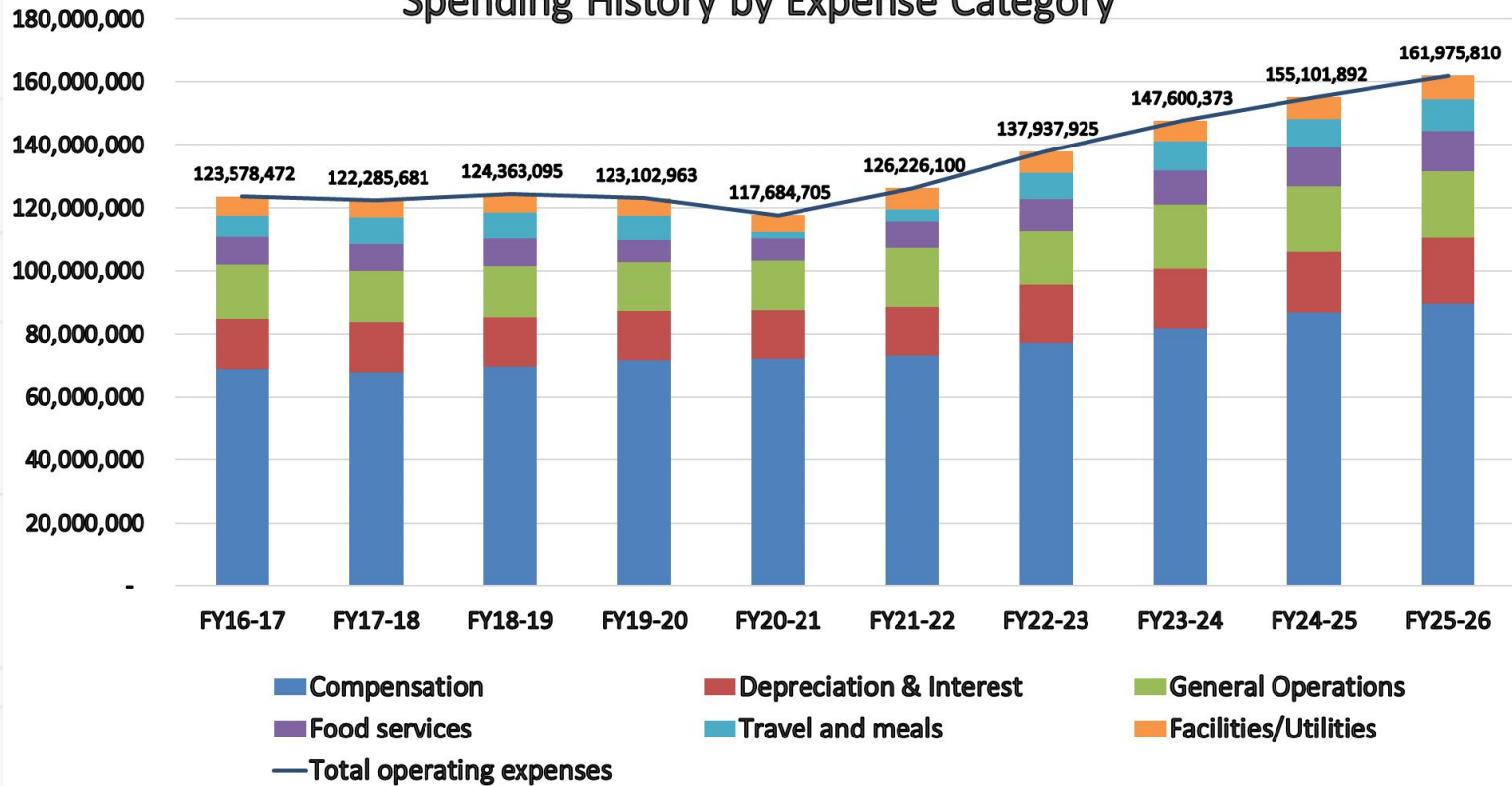
Cost Challenge	Description & Estimated Impact	Amount (\$)
Base Operating Costs	Base Salary plan, health insurance costs, State paid leave program, tuition benefits, utilities, and dining inflation.	\$6,203,990
Added Cost Pressures	Loss of state grants, program costs for Study Away, depreciation, fewer vacancies.	\$3,134,850
Strategic Investments	Admissions marketing, advising software, and student activities.	\$680,250
Total Cost Pressures		\$10,019,090

FY27 BUDGET: SOLUTIONS

Category	Description & Action Plan	Amount (\$)
Cost Avoided	Health care: Joined new Captive, new Pharmacy program, shared costs with employees, program changes.	-\$1,600,000
Cost Reductions	Salary pool (reduced to 2%), position reductions, and program changes.	-\$2,651,870
Revenue Increases	Comprehensive fee increases, new student activity fee, endowment growth, gifts to the endowment, growth in camps, and increased annual fund.	-\$5,297,240
Other Adjustments	Work-study strategies and net operational changes.	-\$469,980
Net Set of Solutions		-\$10,019,090

EXPENSE HISTORY

Spending History by Expense Category

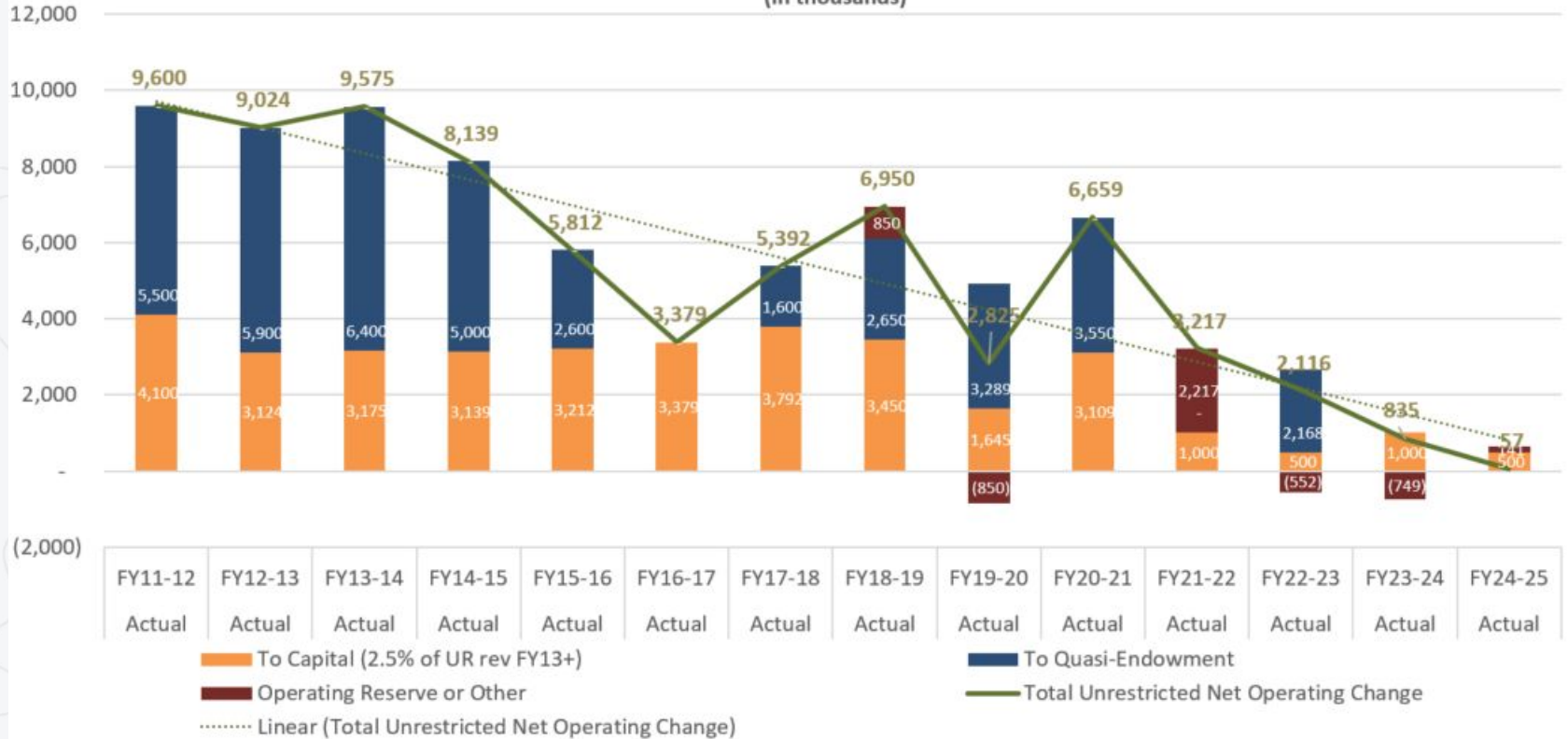


MAJOR INVESTMENTS OVER LAST 5 YEARS

- 6 to 5 Teaching Load Initiative - \$560K annual endowment draw for 10 yrs
- For Every Ole - \$1.5M in FY23 and FY24 (annual ongoing)
 - Success Coaches, reduced class sizes, retention focused positions, Assoc. Dean of Students, Psychiatric Nurse Practitioner, SOAR, technology & programmatic support, etc.
- Debt for New Dorm - \$60M (\$2.1M annual debt service increase)
- Debt for Hill-Kit, Facilities - \$25M (1.5M annual debt service increases)
- Oracle ~ \$400K annual operating increase + \$8M capital investment

History and Distribution of Unrestricted Net Operating Change

(in thousands)



Key Messages:

1. **Importance of Margin** to cover the unknowns (health care, enrollment fluctuations, utilities, etc.)
2. Strategic investments in capital and endowment between FY12 and FY25 from operations.

FINANCIAL POSITION

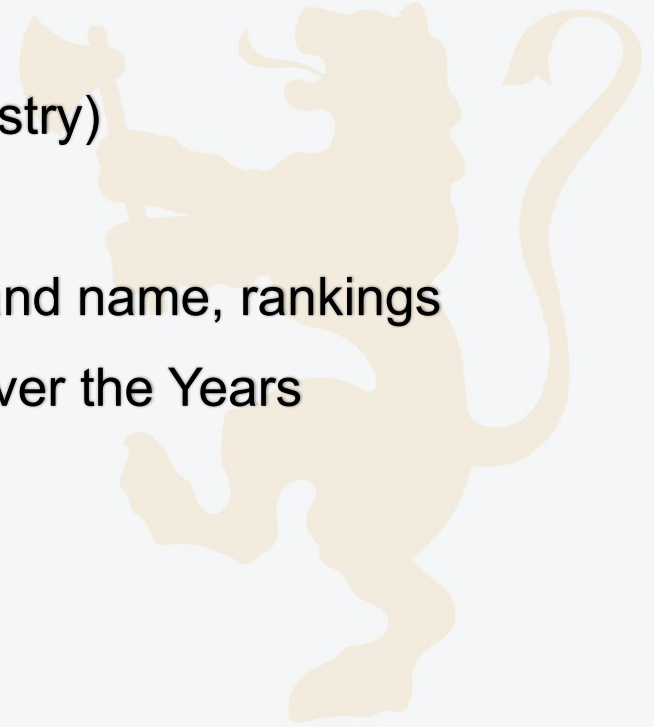
St. Olaf is Financially Healthy

- Over ten straight years of unqualified opinions on the financial statement audit (the highest rating)
- Strong Moody's Credit Rating: A1 Stable (reaffirmed in July 2025)
- Top possible Dept. of Education Composite Score = 3
- Composite Financial Index (CFI) over 6.5 for the past five years (-4 to 10 scale). A CFI score of 3 is the threshold of institutional financial health.



FINANCIAL STRENGTHS

- Strong Enrollment (outperforming industry)
- Endowment Growth
- Market Position - strong programs, brand name, rankings
- Investments in People and Campus Over the Years



FINANCIAL CHALLENGES AND LIMITATIONS

- Net Tuition Revenue Growth ~ Meeting Student Financial Needs
- Supporting Employees: Wages, Benefits, Health Care
- Costs of Maintaining Core Campus Services: housing, dining, registrar, public safety, finance, facilities
- Inflationary Pressures (exceeding revenue growth)
- Fixed Costs: Debt Service, Depreciation
- Deferred Renewal - Ongoing Capital Needs
- Legislation (e.g., State Grant Funds, Federal Programs, International Student Enrollment, Tariffs, Taxes, etc.)
- Student to Faculty ratio: staying below 12:1

KEY MESSAGES

- We have a balanced budget!!
○
- We are in a position of strength compared to most peers
○
- There are still many challenges, impacting our industry - ongoing work is needed to remain financially sustainable

The Deeper Dive

Annual Budget Process
Enrollment, Comprehensive Fee, Discounting
Endowment and Gifts
Wages & Benefits
Debt
St. Olaf's Market Position
Capital Budgets



Annual Budget Process

ANNUAL BUDGET PROCESS

	PHASE 1	PHASE 2	PHASE 3	PHASE 4
TIMELINE	Fall: High-Level Planning for Next Year	Winter: Plan for Next 5 Years	Spring: Develop Next Year Budget Details	Summer - Year-End
COLLEGE	Gather Input from Divisions	PLT Reviews Multi-Year Future Projections and Develops Assumptions	PLT/Budget Managers - Finalize Next Year's Budget Details	Close Last Fiscal Year, Complete Audit
BOARD	October: Sets Comprehensive Fee Rate for the Following Year. Reviews Audited Financials from Previous Year.	February: Reviews 5 Year Budget and Planning Assumptions & Approves Capital Budget.	May: Reviews and Approves Operating Budget for the Following Year.	

PHASE 1 (FALL) – SET TUITION RATES AND GATHER INPUT

BOARD APPROVES COMP FEE IN OCTOBER FOR UPCOMING YEAR

- Recommendation based on preliminary budget projections and enrollment assumptions, as well as market assessment

MEETINGS HELD WITH DIVISIONS - HIGH LEVEL PLANNING:

- Program Goals, Needs, Risks, Opportunities
- Operating Budget Requests
- Capital Budget Requests
- Program Change Ideas – Re-prioritize, Stop Doing, Adjust Scope, etc.
- Program Self Assessment – Maintain, Invest, Reduce, Stop
- Consider recurring vs. non-recurring obligations

PHASE 2 (FALL/WINTER): PLT SETS ASSUMPTIONS

Comprehensive Fee Rate

Net Revenue per Student

Number of students:

- First-Year
- Transfer
- Davis
- Total Enrollment

Retention Rates

Endowment Spending %

Gift Revenue

Faculty/Staff Wages

Student Wages

Benefits (Retirement, Health, etc.)

Non-Comp Expenses/Inflation

- Utilities
- Facilities Repairs/Maintenance
- Food Service
- Travel/Meals
- Software/Contracts/Professional Services
- General Operating

Strategic
Investments

Strategic
Reallocations

PHASE 2 – PLT DEVELOPS FIVE YEAR PLAN BASED ON ASSUMPTIONS

5-year Financial Plan:

- The college annually updates its financial projections out 5 years setting a set of assumptions that can keep the college financially sustainable.

Major Financial Assumptions in last 5-year plan developed in February:

- 4.9% tuition increases
- 810 new first year students
- Salary pool 3.0%
- Health 5.0% (has been trending in double digits nationally)
- Annual Reallocations needed as well as annual investments.

Note: Assumptions are fluid and adjusted throughout the year.

PHASE 3 (SPRING) – DECISIONS AND FINAL BUDGET DETAILS

FINALIZE DETAILS OF THE UPCOMING FISCAL YEAR BUDGET

- Review input gathered from departments with PLT
- Review input gathered from departments and assumptions with Budget Advisory Committee
- Prioritize and finalize assumptions and decisions to balance budget
- Work with department Budget Managers on budget details and opportunities for reallocations
- Board of Regents Approves Final Budget for Upcoming Year in May

PHASE 4 (SUMMER) – YEAR-END ASSESS ACTUAL RESULTS VS BUDGET

Fiscal Year-End:

- Assess where we ended the year compared to budget
- Use actual year-end information to inform budgets, assumptions, and projections for future fiscal years.



COMPREHENSIVE FEE REVENUE

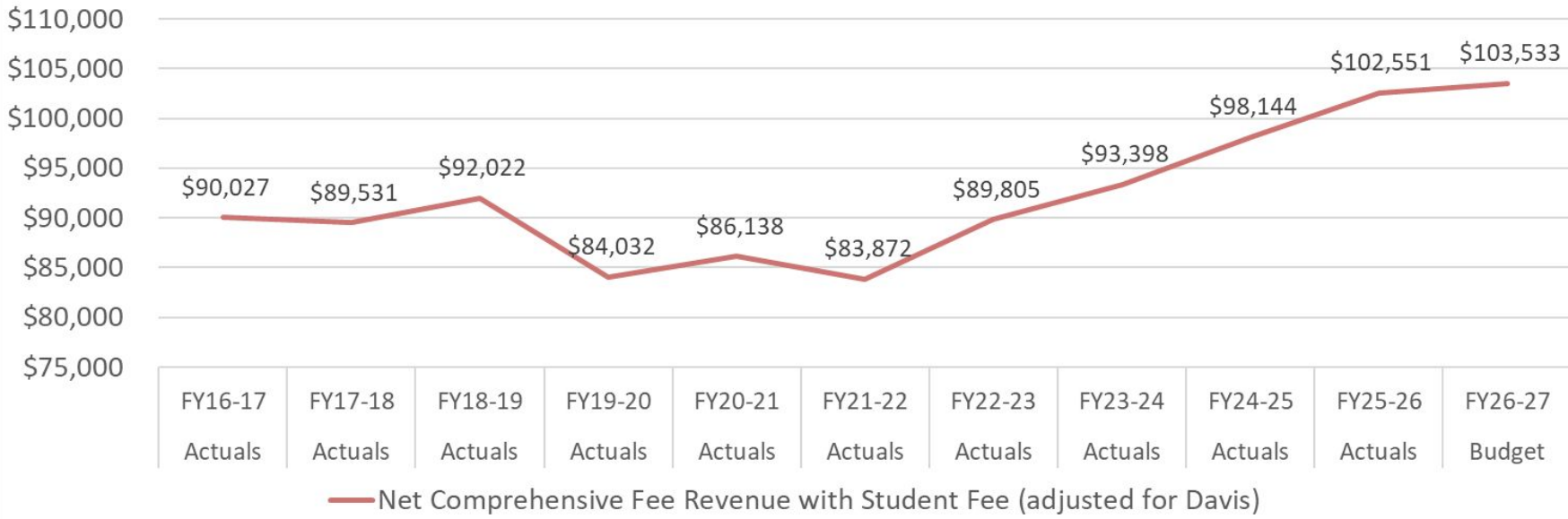
Enrollment
Tuition Rates
Financial Aid Discounting

Comprehensive Fee Revenue History

Comp Fee Revenue Definition = Gross Tuition (sticker price) + Room and Board - Financial Aid

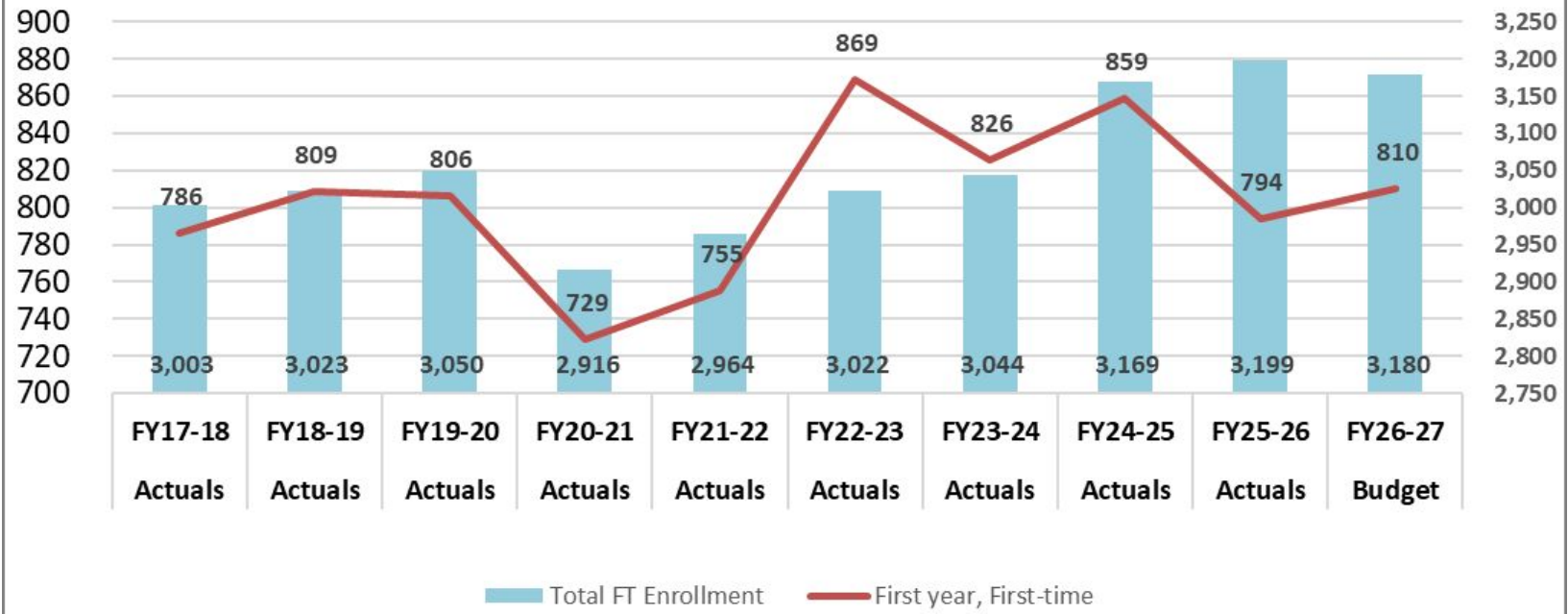
10 Year Average ~ 1.5%/year
5 Year Average ~ 4.3%/year
\$13.5M increase over 10 years
(vs. \$21M compensation increase over 10 years)

Comprehensive Fee Revenue (shown in thousands)



Comprehensive Fee Revenue Driver #1: Enrollment Size

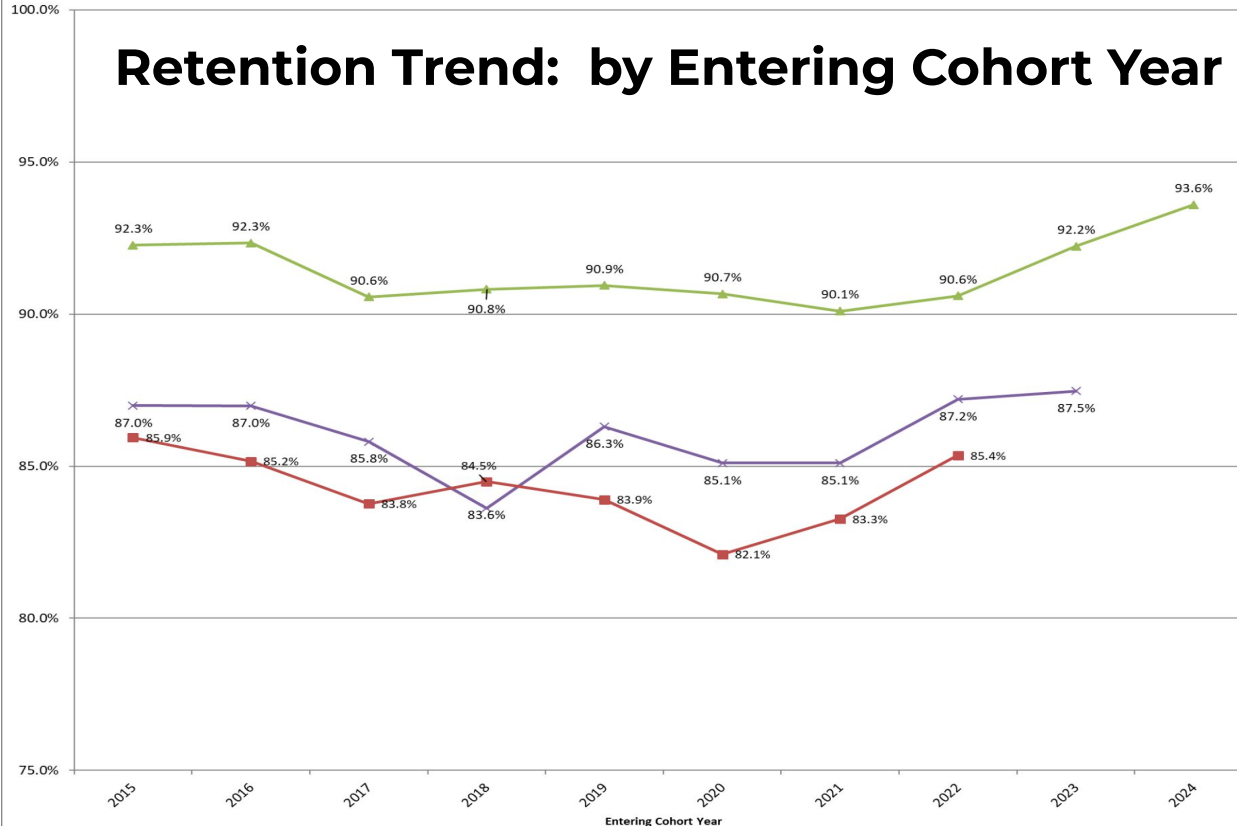
First-Year and Total Full-Time Enrollment



Comprehensive Fee Revenue Driver #2: Retention

**Note: Does not include
Fall 2026 10th day #s.**

Retention Trend: by Entering Cohort Year



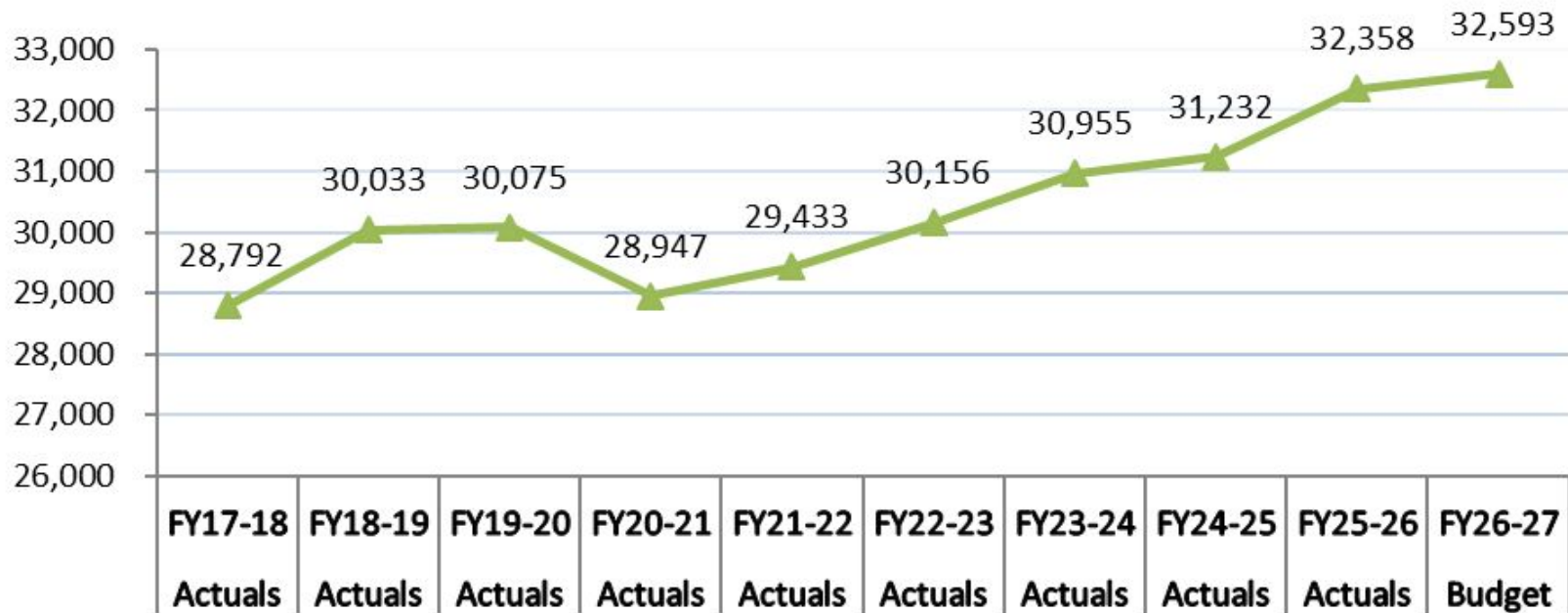
Key Messages:

1. Retention is critical in managing our net tuition revenue.
2. Retention is directly correlated to the overall Student Experience

Comprehensive Fee Revenue Driver #3: Net Tuition Revenue Per Student

**Note: Does not include
Fall 2026 10th day #s.**

First year Net Tuition Revenue per Student (with Davis Gift Revenue)

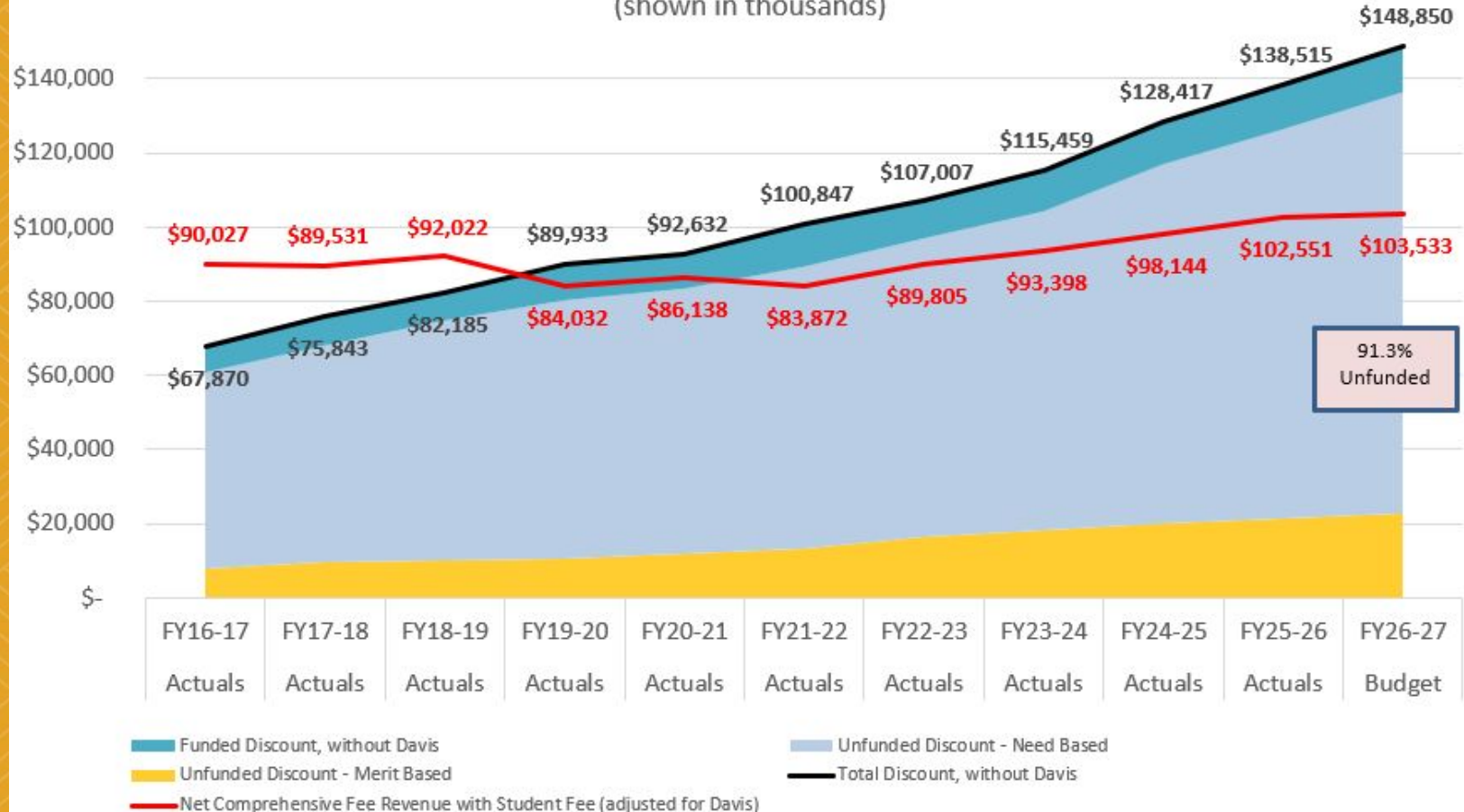


FINANCIAL AID DISCOUNTING

- St. Olaf maintains a commitment to meeting the financial need of incoming students (1 of only about 80 schools that do this).
- Student Financial Aid is considered during application process to meet the tuition revenue goals in the budget.
- Merit Aid is growing as a strategy to remain competitive, and as Families have less willingness to pay a larger amount for college

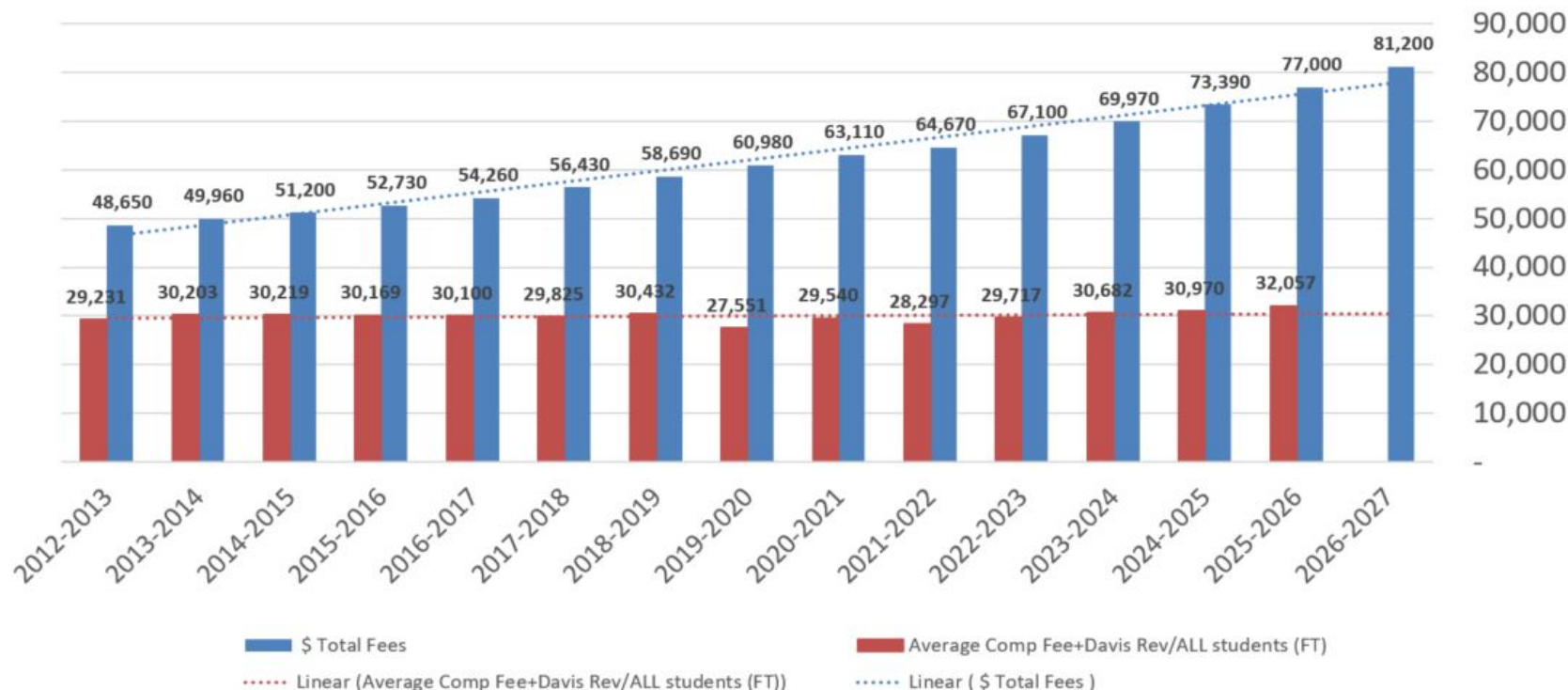
General Higher Ed Note: Schools that are more “elite” typically have the ability to enroll more students with a higher ability/willingness to pay more, so they do not have to provide as much of a financial aid discount. Schools that have a harder time enrolling students may have to provide a greater financial aid discount in order for the student to choose their school.

Discount History (shown in thousands)



COMPREHENSIVE FEE RATE

History: Published Price Vs. Average Net Tuition Revenue/Student



SETTING THE COMPREHENSIVE FEE RATE

2026-27 = \$81,200

The proposed comprehensive fee rate each year is based on a range of factors:

- Market assessment of regional and peer institutions
- College budget parameters (pay plan, etc.)
- Recruiting strategies and recruitment dashboards to date
- Student/family strength of interest and projected financial capacity
- Trends in enrollment and retention

NOTE: A higher price often equates to a perception of a better school. We also gain more revenue from returning students with a larger percentage increase year over year.



COMPARISON SCHOOL “STICKER PRICE” COMPARISON

2026-27 Comprehensive Fee: St. Olaf \$81,200

Sarah Lawrence College (NY)	\$94,016	Allegheny College (PA)	\$75,550
Dickinson College (PA)	\$90,300	Lawrence University (WI)	\$75,357
Gettysburg College (PA)	\$89,070	Knox College (IL)	\$74,757
Hobart and William Smith Colleges (NY)	\$88,600	St. John's University (MN)	\$73,622
Lewis & Clark College (OR)	\$87,983	Gustavus Adolphus College (MN)	\$72,934
St. Lawrence University (NY)	\$87,965	Ohio Wesleyan University (OH)	\$71,922
Wheaton College (MA)	\$85,600	Saint Mary's College (IN)	\$71,654
The College of Wooster (OH)	\$82,340	Agnes Scott College (GA)	\$67,935
Kalamazoo College (MI)	\$79,761	Wheaton College (IL)	\$63,620
Westmont College (CA)	\$76,300	Hendrix College (AR)	\$56,400



ENDOWMENTS & GIFT REVENUE

ENDOWMENT PURPOSE: OVERVIEW

Endowment Definition: A permanent fund of money given to an organization

- The main gift (called the **principal** or **corpus**) is invested and kept intact forever.
- A portion of the investment earnings earned by the endowments (the “endowment spending income allocation”) is spent each year to fund operations, scholarships, or programs, allowing the fund to last indefinitely.
 - St. Olaf spends approximately 4.7% of the 16 quarter average market value of the fund
 - The earnings are allocated to a restricted fund on 6/1 of the fiscal year to support operations.
- The endowment is not a rainy-day fund, but designed to keep the principal intact while only spending proceeds to support the long-term operations ~ the majority is restricted by a donor.

Importance of Growing the Endowment

- In 2026-27, endowment = 22.6% or \$37.3M of the total operating budget vs. 8.6% or \$8.9M in 2006-07.
- Growing the amount of endowment % that is supporting operations helps alleviate pressures of being tuition dependent, as we work to grow tuition revenue.

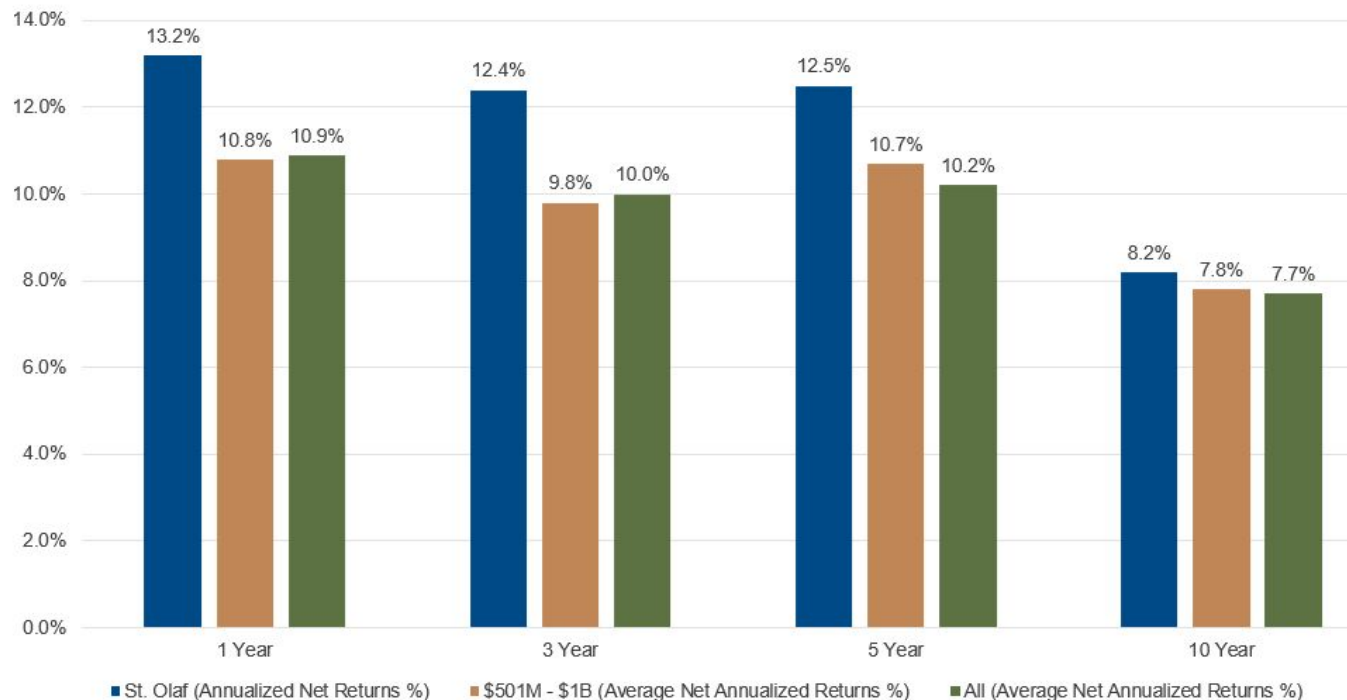
Endowment Market Value at Fiscal Year End

(\$ in millions)



Endowment Performance - NACUBO Study

FY25 Annualized Endowment Returns Across St. Olaf and Peer Institutions

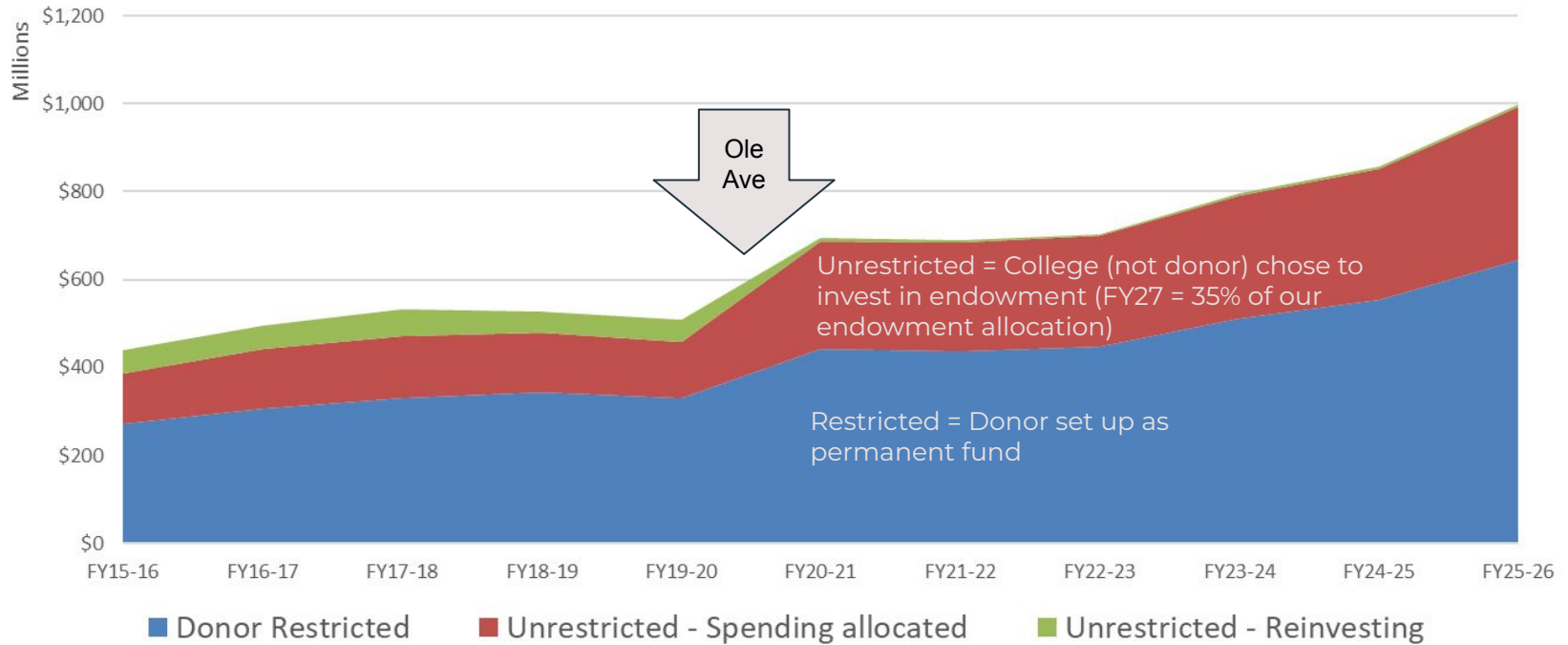


Outsourced Chief Investment Officer (Cornerstone) - assists in investment selection.

Investment Committee of the Board of Regents - sets asset allocation parameters and advises Finance Committee on spending policies.

Both review performance regularly against peer groups and benchmarks.

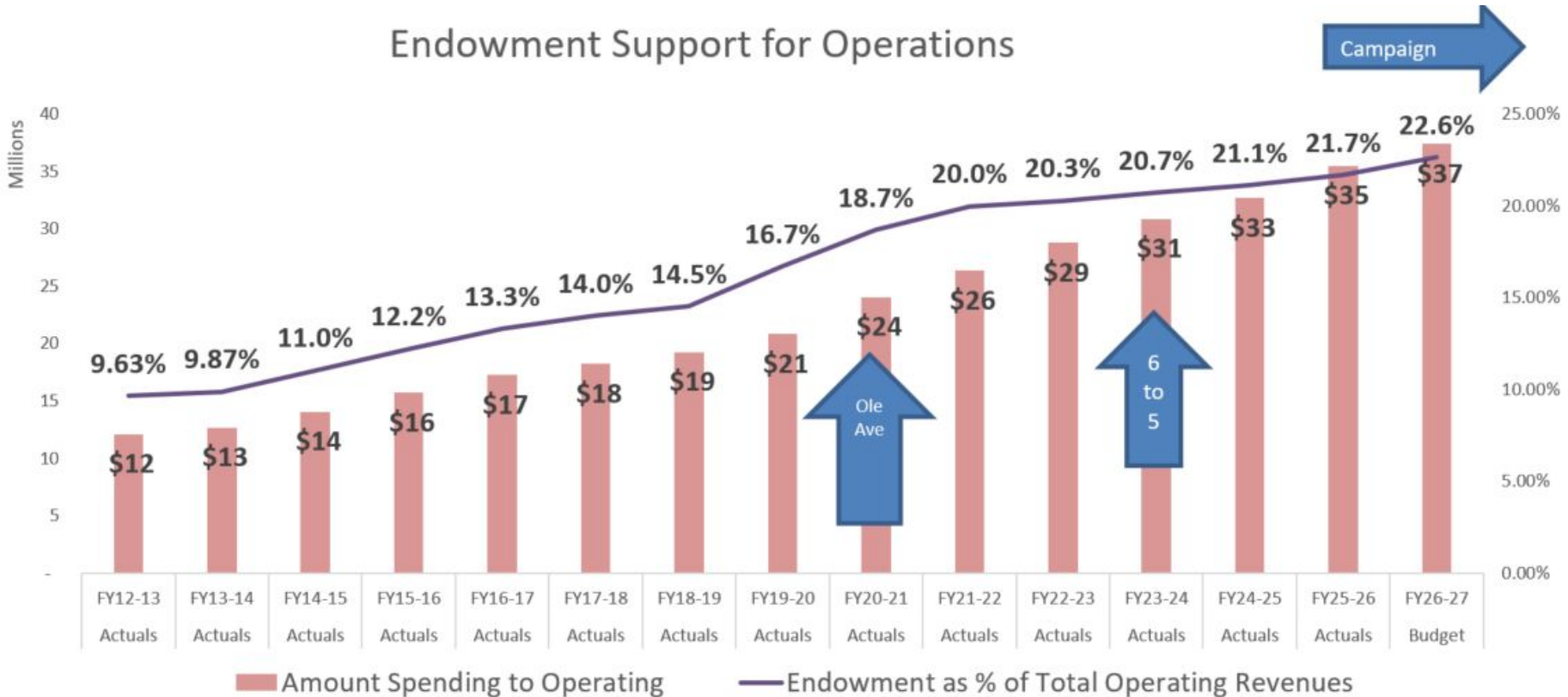
Endowment Market Value by Restriction



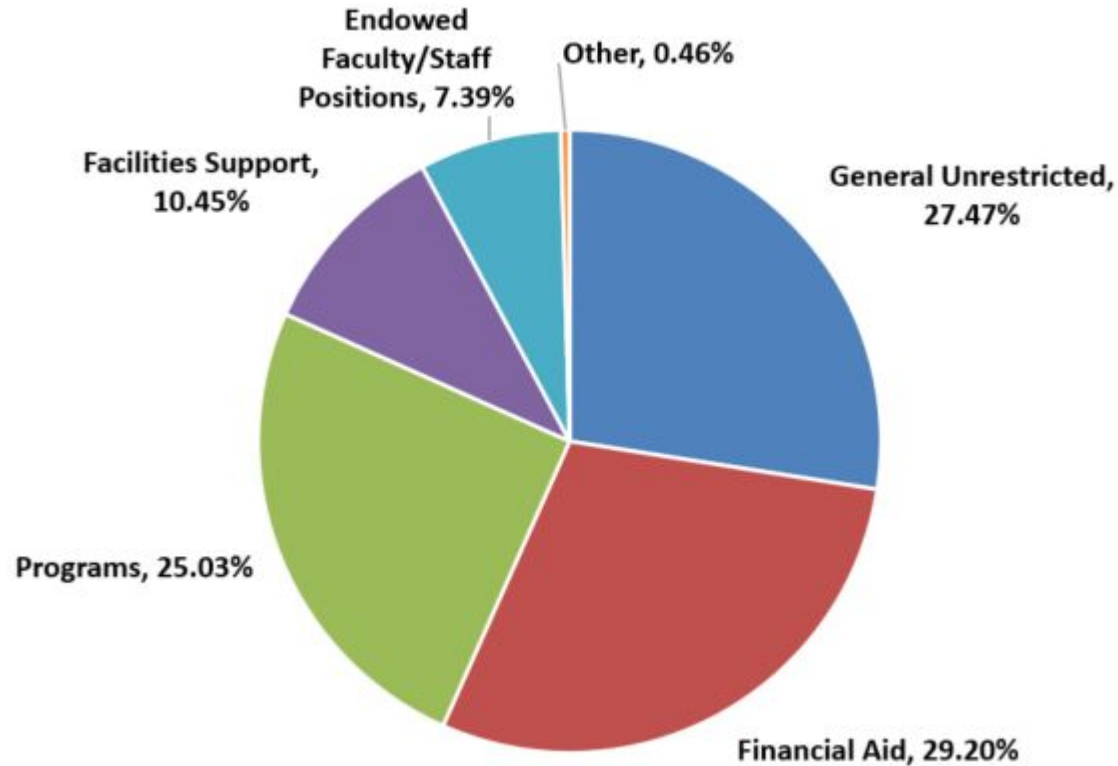
Key Message: Earnings on all Unrestricted funds are now committed and being used to support the operating budget. Reallocating endowment funds would result in a decrease in the amount of endowment earnings supporting the operating budget.

Endowment Operating Support

Spending Policy = 4.7% of a 16 quarter average, in order to provide smoother and more predictable income to the operating budget.



Endowment Operating Support Earnings Allocation - FY2025-26 (\$35M)

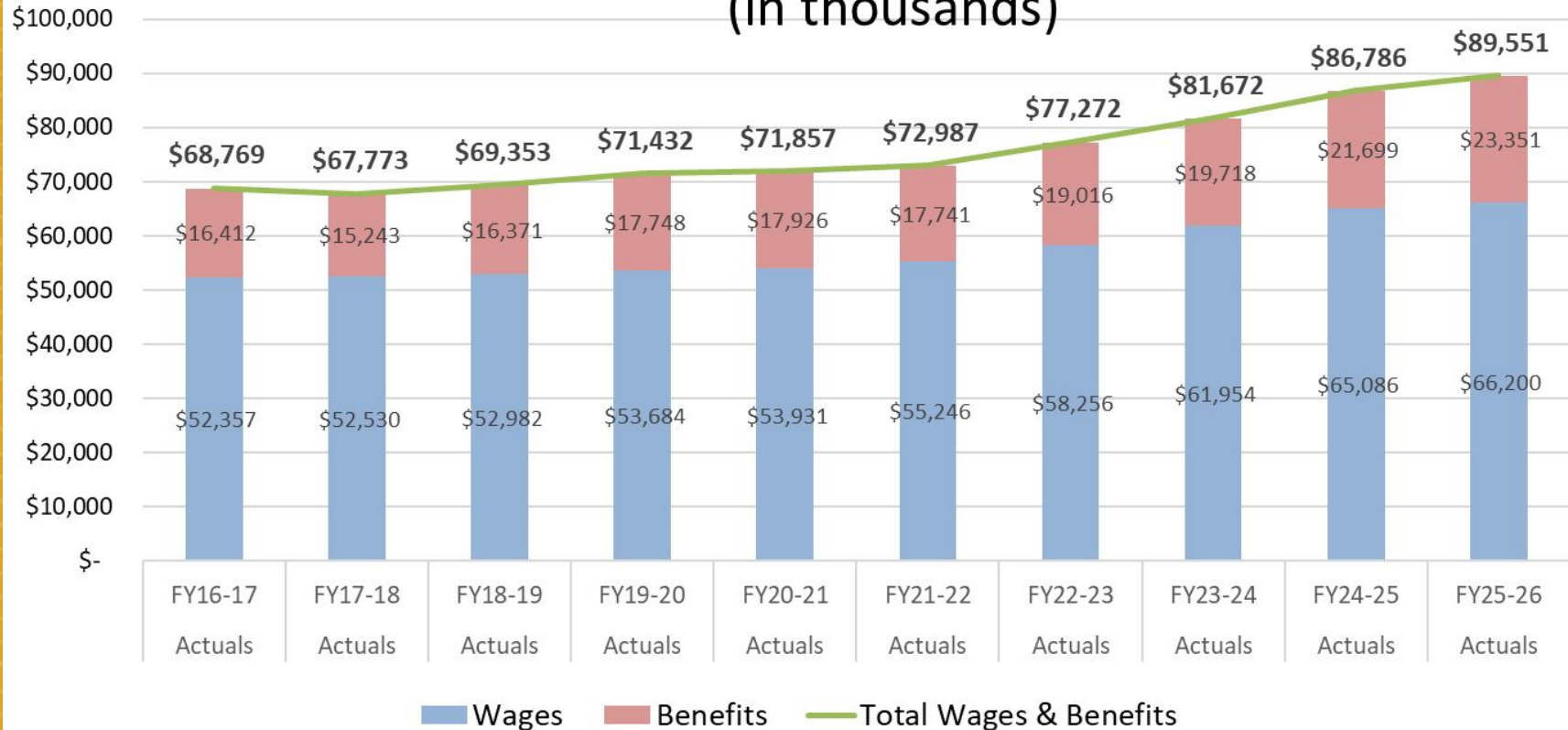




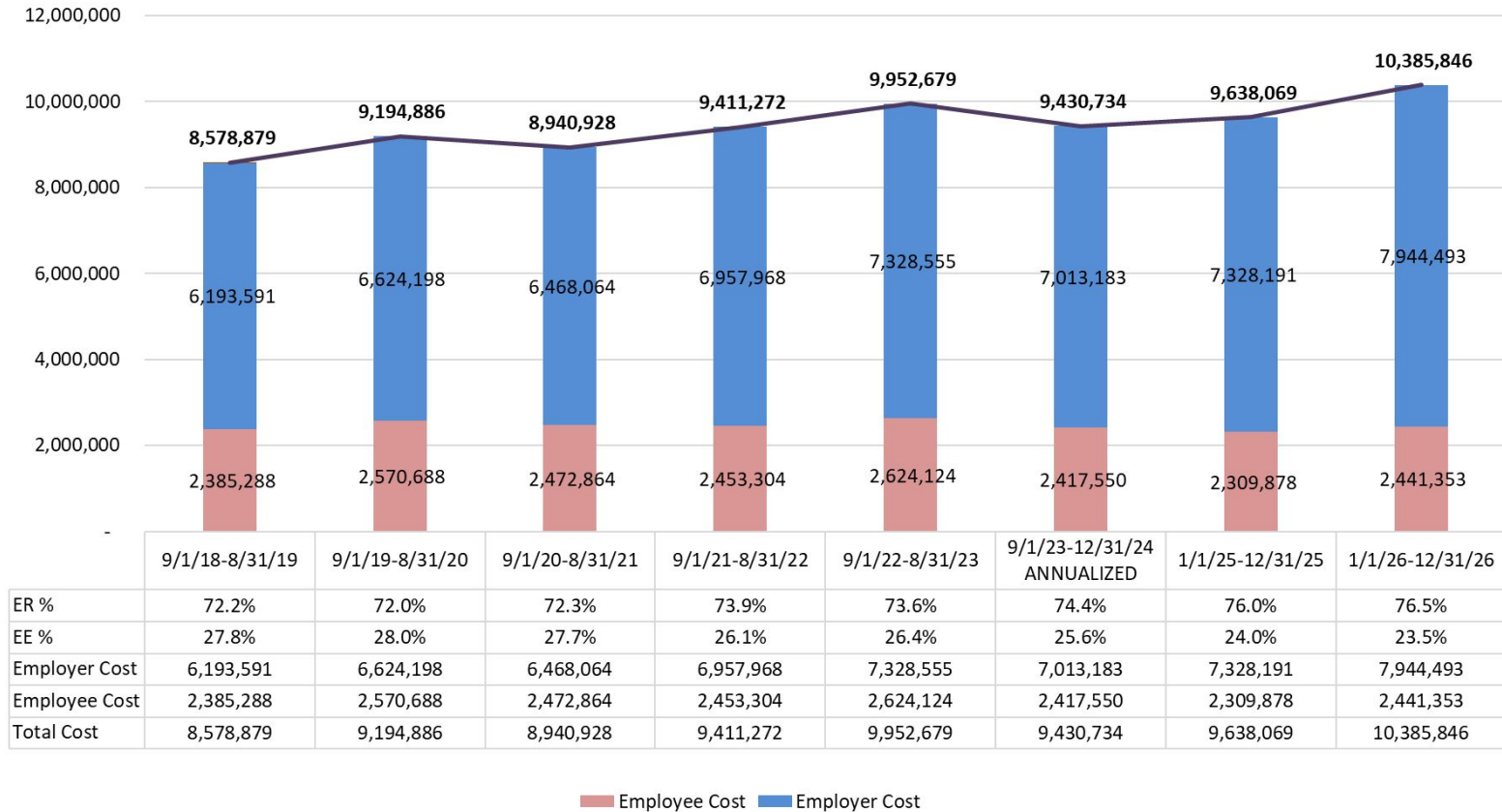
WAGES & BENEFITS

Wages & Benefits (in thousands)

\$21M increase in 10 years
(vs. 13.5M tuition revenue increase)



Health Care Costs: Total, Employee and Employer



National Healthcare Trends

11% Rise Expected in 2027

Health benefits firm Marsh projects total health benefit cost per employee will increase 11% on average without cost savings steps.

Source: CBS News

Unmitigated Growth at ~9%

Employers estimated plan costs would surge nearly 9% on average if no aggressive cost-reduction actions were taken.

Source: Mercer Healthcare Report

4th Year of High Growth

2026 marks the fourth consecutive year of elevated benefit cost increases, following a decade of modest ~3% growth.

Source: Industry Benefits Analysis

KEY COST DRIVERS & UTILIZATION TRENDS

- ✓ **Advanced Therapeutics:** High cost of novel cancer treatments and weight-loss drugs.
- ✓ **General Inflation:** Rising healthcare sector wages driving broader service price increases.
- ✓ **Provider Consolidation:** Larger health systems strengthening reimbursement leverage.
- ✓ **Increased Utilization:** Higher demand and lingering impacts from deferred pandemic care.

Health Care Cost Management

Actions taken to address increase:



**Moved to Captive/
Consortium** for Insurance
Risk Management & new
Pharmacy provider



**Increased employee
premium** based on
overall plan cost.



**Created new plan design
to encourage/ allow**
spouses with health
insurance options other
than Olaf to use them.



**Increased college
funding** to close the
gap

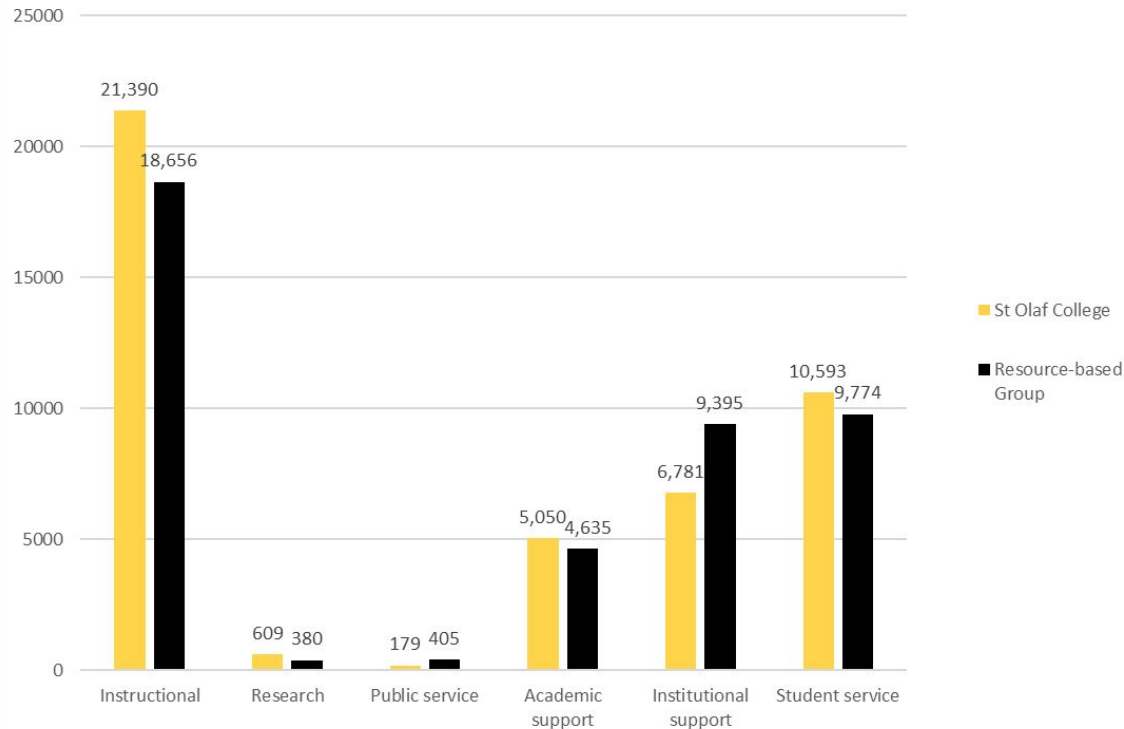


ST. OLAF'S MARKET POSITION

RESOURCE-BASED PEER GROUP

Expenses per student

Core expenses per FTE enrollment, by function: Fiscal Year 2025



	Total expenses per FTE
Allegheny College	60,264
St Lawrence University	55,953
Lawrence University	53,071
Hobart William Smith Colleges	52,970
Kalamazoo College	51,596
Knox College	48,889
Wheaton College (IL)	47,664
The College of Wooster	47,469
Agnes Scott College	46,971
Dickinson College	45,625
Gettysburg College	45,350
Saint John's University	45,271
Sarah Lawrence College	45,061
St Olaf College	44,602
Wheaton College (MA)	42,864
Ohio Wesleyan University	42,256
Gustavus Adolphus College	40,675
Westmont College	40,644
Saint Mary's College	40,575
Lewis & Clark College	36,363
Hendrix College	32,363



Questions/Comments



The End