Swarthmore College
Budget and Construction Update
November 16, 2017

Gregory Brown, Vice President of Finance and Administration and Treasurer
Operating Budget Goals

Guiding Principles:

- Access and Inclusion
- Academic rigor and creativity
- Education for Impact
2017-18 Approved Budget by Source

$163M

- 53%: Endowment Distribution
- 39%: Net Student Charges
- 5%: Gifts in Support of the Budget
- 3%: Other Revenue
Swarthmore College Graduation Rates
Students Entering 2009-2011

- Grad beyond 6 years
- Grad >4 but by 6 years
- Grad by 4 years

<table>
<thead>
<tr>
<th></th>
<th>No Need</th>
<th>Lower Need</th>
<th>Moderate Need</th>
<th>Substantial need</th>
<th>High need</th>
<th>Very high need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grad beyond 6 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grad &gt;4 but by 6 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grad by 4 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Historical Endowment Spending

Spending Rate By Fiscal Year

- Historical spending rates range from 2.50% to 4.75%
- The spending rate shows variability from year to year
- 2018 estimated spending rate is 4.75%

Spending Rate

Endowment Spending Sensitivity

Projected FY18 Endowment Spending Rate at Various Investment Return Assumptions

-10% = 5.5% SR
-5% = 5.2% SR
0% = 4.7% SR
+5% = 4.4% SR
+10% = 4.2% SR
2017-18 Approved Budget by Use

$163 M

- Faculty & Staff Compensation: 41%
- Employee Benefits: 13%
- Debt Service: 13%
- Other Uses: 33%
Budget Considerations

Expenditure Challenges

• Inflation
• Student enrollment
• Staff and faculty size
• Technology and program changes
• Compliance requirements
• Energy Costs/Physical Plant
• Other
2018-19 Budget Calendar

- November 20: Budget Call letter distributed to financial managers
- Early January: All new position requests and modifications submitted to HR
- January 22: Deadline for non-personnel budget requests
- February 22: Board of Managers adopts the revenue budget
- March-Early April: Meetings to review budget requests
- May 3: Board of Managers adopt Operating and Capital Expenditure Budgets
- July 1: Start of the new fiscal year
Evaluation Factors

- How will this initiative advance the mission and core values of Swarthmore College?
- What will this request enable us to do that we can’t do now?
- What are the consequences of not acting on this request?
- What trade-offs or reductions in other areas can we make in order to accommodate this new initiative?
- How will we measure success?
External Factors

Tax Cuts and Jobs Act of 2017
Provisions that Affect Higher Education

- 1.4% Excise tax on college and university endowments
- Elimination of access to tax-exempt debt markets
- Repeals associated with student loans:
  - Exemption for repayment of student loans
  - Hope Scholarships Tax Credit
  - Lifelong Learning Credit
- Elimination of itemized deductions and the estate tax for most taxpayers could adversely affect contributions
- Taxing college employee benefits, including tuition for dependents and employees, and wellness incentives
What can you do?

- Learn more about the proposals
- Contact your representatives in Congress
Capital Projects
BEP
BEP Site Plan

Winter 2017-2018

Whittier Place Widening
June – August 2017

BEP PHASE 1
2017-2019

Site Electrical
May – June 2017

BEP PHASE 2
2019-2020

Meetinghouse & Whittier House
Heating System Replacement
June – September 2017

Meetinghouse Turnaround
June – August 2017

Pearson Hall Renovation

House – 2nd Site Entry
May 2017
Hormel/Nguyen Intercultural Center
Main Floor
Hormel/Nguyen Intercultural Center
Upper floor
PPR Apartments
PPR Apartments
Whittier Place Academic Building
Whittier Place
Whittier Place
Future Capital Projects

• Renovation and reuse of Martin Hall
• Expansion of student dining and gathering spaces on campus
• Creation of collaborative maker spaces
• Implementation of Energy Master Plan
• Library renovations
• Athletics Master Plan
Questions?