Economics of the College

Carleton Alumni Volunteer Experience
August 2022
Economics of the College:

1. Resources and stewardship
2. Budget and main budget drivers
3. Cost of Carleton
4. Endowment
5. Resources relative to peers
Poll / Participation:

Join by Web

1. Go to PollEv.com
2. Enter JRIZZO467
3. Respond to activity

Join by Text

1. Text JRIZZO467 to 37607
2. Text in your message
Sample Question: Carleton Class Year

1969 and prior
1970 - 1979
1980 - 1989
1990 - 1999
2000 - 2009
2010 and later
Key Resources

- Financial: income / expense, reserves, endowment
- Human: talent, experience, dedication
  faculty, staff, students, alums, parents, trustees
- Physical: land, buildings, equipment, technology
- Reputational: competitive position to attract resources

Carleton
Stewardship of Resources

Strategic Planning

- Benchmarking, Metrics & Peer Comparisons
- Fundraising Goals

Shared Governance

- Dialog, Strategy, Adaptation
- Internal & External Reviews
Budget Committee

College Council

Budget Committee = faculty, staff, students
College Council = faculty, staff, students, alums, parents, trustees
Budget Development

- Create a financial plan that reflects Carleton’s priorities & values
- Plan one year at a time, within a five-year context
- Engage campus constituents to make informed decisions
- Utilize realistic assumptions and inputs
- Follow guidance from college fiduciaries (trustees) and financial best-practices
- Propose a balanced budget for fiscal responsibility
What is Carleton's total operating budget?

- $5.9 M
- $59 M
- $159 M
- $590 M
What are Carleton's top two sources of revenue in the budget?

Endowment
Annual Fund / Gifts
Summer Programs
Government Grants
Student Fees
Space Rental
What is Carleton's largest expense?

- Food Service
- Travel for OCS
- Compensation
- Utilities
- Debt
Carleton’s Budget Drivers: Expense

FY23 Expense Budget
What is the current Comprehensive Fee?

How much does the average student pay?

<table>
<thead>
<tr>
<th>Fee</th>
<th>Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$78,624</td>
<td>$49,016</td>
</tr>
<tr>
<td>$78,624</td>
<td>$69,016</td>
</tr>
<tr>
<td>$58,624</td>
<td>$49,016</td>
</tr>
<tr>
<td>$88,624</td>
<td>$69,016</td>
</tr>
</tbody>
</table>
Cost of Carleton

Carleton’s comprehensive fee for 2022-23 is $78,624
The average price per student, after financial aid, is $49,062

Average = 62% of “sticker price”

Typical pricing model for institutions like Carleton
All students benefit from Endowment and Gifts

Income and Expense Comparison

FY23 Operating Budget

- Student Fees
- Endowment
- Gifts
- Scholarships
- Operating Expense
<table>
<thead>
<tr>
<th>Option</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.1 Million</td>
<td></td>
</tr>
<tr>
<td>$1.1 Billion</td>
<td></td>
</tr>
<tr>
<td>$110 Million</td>
<td></td>
</tr>
<tr>
<td>$11 Billion</td>
<td></td>
</tr>
<tr>
<td>I have no idea</td>
<td></td>
</tr>
</tbody>
</table>
How does Carleton determine how much to spend from the Endowment each year?

A. Annual decision by Board of Trustees
B. Annual decision by the President
C. Determined by formula
D. Based on the results of the Kentucky Derby
Endowment

**Restricted**
Endowment is not a rainy-day fund

**Perpetual**
Designed to keep the principal intact while spending only proceeds; encourages legacy gifts

**Complex**
Endowment is not one fund but 800+ different funds, each with unique directives on their use; Majority are donor restricted (scholarships, professorships, faculty development, etc.)

Carleton
Endowment

**Regulated**

Spending is calculated using a Board of Trustees policy: the rate changes annually, but the formula does not.

**Stable**

Policy is a long-term tool that separates budget discussions from short-term investment results and vise-versa, in order to provide smoother and more predictable income to the operating budget.

**Equitable**

Investment returns (7%) and responsible spending (5%) in order to keep up with inflation (2%) leads to equity between generations.

Carleton
Relative Resources

Spending Rate: Carleton is on par with peers

M49 - Endowment Spending Rates
Carleton and 25 Peers

Source: Compiled from annual NACUBO Commonfund Study of Endowments and NACUBO-TIAA Study of Endowments special data request. Please note that one of the colleges reported an endowment spending rate of 38.6% and is well outside the normal range of the chart.
Relative Resources

Gifts: Carleton is better than average

Great measure of alumni / student experience

Source: As reported on Council for Aid to Education, Voluntary Support of Education Surveys. Includes gifts where spending is restricted and unrestricted. Note: A ten-year annual average is used to compensate for typical annual fluctuations in giving amounts.
Relative Resources

Per Student:
Carleton is middle of the pack

Larger endowment = more opportunities

Sources: NACUBO-TIAA Study of Endowments, January 2021 (FY2020 and IPEDS Fall 2019).
Economics of the College:

1. Strong stewardship and comprehensive planning processes

2. People-focused budget drivers
   *(income is tuition dependent, compensation drives expense)*

3. Cost to students is determined by need

4. Endowment is a vital resource for longevity and stability

5. Under-resourced, but competitive, compared to our peers
Questions?