ATS schools' spending amid pandemic sheds light on tough decisions made by leaders

By Chris Meinzer

An analysis of expenditures over the last year and in the midst of the pandemic provides some insight into the challenging and important decisions ATS school administrators had to make and continue to make to navigate through these unchartered waters.

In recent months, I have written about enrollment changes during fall 2020. This month, I want to provide some analysis of trends in spending among ATS schools. The pandemic began to impact Canada and the United States in early 2020, which would have been the second half of most fiscal years of our schools. In this article, I will focus on expenditures within schools and look for some broad trends.

For fiscal 2020 (data reported to ATS in fall 2020), about half of ATS schools had increased expenditures and about half decreased expenditures between fiscal 2019 and fiscal 2020, while the median change across all schools was flat. This seems to demonstrate a change across the membership. In the most recent five years (fiscal 2016 to fiscal 2020), six out of ten schools would have had increased expenditures and the median change would have been just over 2% annually. When comparing the most recent one-year change to the most recent five-year change in expenditures, it appears that many member schools took action to hold or lower spending in response to the pandemic. Even so, this change was certainly not universal.

There are some interesting findings when spending is broken down to certain institutional characteristics. The figures below reflect increases in expenditures from fiscal 2019 to fiscal 2020—the most recent one-year change. In looking at ecclesial family, 55% of evangelical schools, 50% of mainline, and 40% of Roman Catholic/Orthodox schools increased expenditures from fiscal 2019 to fiscal 2020. Regarding structure, 50% of freestanding schools and 50% of schools related to a college or university had increased expenditures. In terms of country, 65% of Canadian schools and just under 50% of US schools had increased expenditures.

Perhaps the most interesting analysis is found when looking at the majority revenue stream found among schools. Within ATS, schools are either mostly dependent

Majority Revenue	% Schools Majority Revenue	% Schools Increased Exp FY19 to FY20	Median Change in Exp FY19 to FY20	Avg Annual Change in Exp FY16 to FY20
Net tuition	35%	45%	-1.2%	1%
Endowment	15%	53%	0.2%	1%
Giving	20%	60%	0.3%	3%
Other	10%	50%	0.0%	2%
Balanced	20%	55%	0.7%	2%

upon net tuition (35% of ATS schools), endowment (15%), giving (20%), or other revenue sources (10%). In addition, some schools (20%) have a balanced revenue portfolio, which means they are not significantly dependent on any one revenue stream.

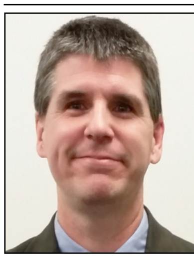
Of the schools that are tuition-dependent, 45% of them had expenditure increases. ATS schools that are dependent upon endowment for their majority revenue increased their spending about 53% of the time. Schools that rely on giving for their major revenue source increased their spending in 60% of the cases. Schools that had a balanced revenue portfolio increased spending 55% of the time.

Clearly, the data shows that schools that are tuition dependent were more inclined to cut or hold their expenditures when the pandemic hit. This most likely would have been due to the uncertainty surrounding their students' abilities to continue their education and pay tuition. In the five years from fiscal 2016 to fiscal 2020, these schools increased their median spending about 1% annually. In fiscal 2020, in light of the pandemic, the median spending declined by 1%.

Schools with majority dependence on endowment and giving were more likely to continue to show an increase in spending, but the overall median growth in expenditures was just above 0% in these schools. By comparison, both groups reflected increases of 1% and 3%, respectively, in the five-year period. Although the schools still experienced expenditure increases, those increases were nominal when compared to prior years. These schools appear to have proceeded with some caution but were not as cautious as those dependent upon net tuition. When decisions had to be made, the stock market had fallen precipitously, which impacts endowments and potential giving from constituencies.

Schools with a balanced revenue portfolio actually had the highest expenditure growth from fiscal 2019 to 2020, with a median change of 0.7%. This growth was still down from the annual five-year average increase of 2%, but it was not as drastic as in the other subsets. With a balanced revenue portfolio, these schools could depend upon each source to assist them through the challenging times, and perhaps this lessened the need to take action to lower expenditures more.

As time went on in 2020, we saw that enrollment held, the stock market recovered, and the virus continued to spread. Fall 2020 reflected more schools than not growing their enrollments. As schools settle into another fiscal year of spending and revenue generation, time will tell how longer-term resource allocation supports the mission through this unique time.



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ATS resources for understanding your school in the broader context of theological education:

Member school CEOs should look for their ATS ***Institutional Peer Profile Report (IPPR)*** and ATS ***Strategic Information Report (SIR)*** via email in early March to assist them with resource analysis and benchmarking. Generated by ATS, these annual reports can offer deeper insight into how your school is performing relative to other member schools. Interested in seeing where spending in this most recent year compares with spending over the last two decades? Participate in a self-paced class titled **Mission & Money in These Unique Times**. Interested in a more nuanced and specific presentation of data about your school and how it compares to other ATS schools? Consider using the **Identity & Mission** framework for your school. Please email **meinzer@ats.edu** with questions about any of these resources.