Two-phase project shows economic equilibrium requires constant attention and prompt response

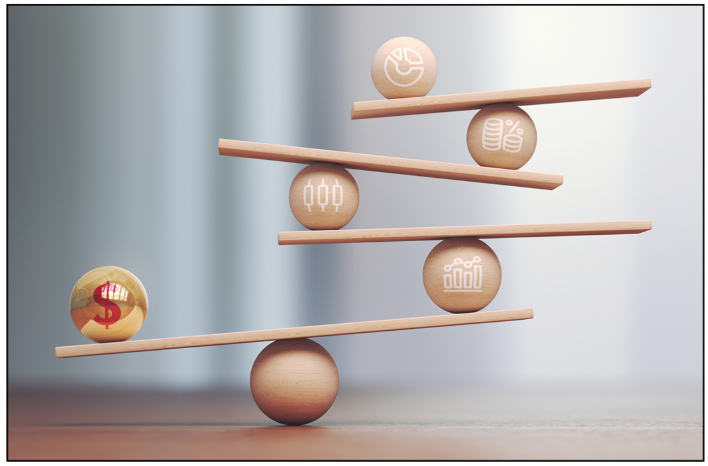
By Stephen Graham

To say that theological schools face financial challenges is, for those closely involved in the enterprise, merely repeating the obvious and bordering on the tedious. As long as theological schools have existed in something of their current forms in the United States and Canada, with few exceptions, they have faced realities of not having the resources they wish they had or needed.

In the mid-nineteenth century, for example, Philip Schaff, who would eventually become a widely recognized and extensively published scholar, while a young professor at tiny Mercersburg Seminary in south central Pennsylvania, traveled the country on summer preaching tours. He received offerings to support the seminary that sometimes barely covered his travel expenses.

Nearly a century later, the *Standards of Accreditation*, adopted by the Commission on Accrediting of The Association of Theological Schools in 1936, noted, "An accredited Theological Seminary or College should have sufficient income from endowment or reliable general gifts or fees to support fully the program which the institution offers, including an adequate support for its staff, its library, and the maintenance of its equipment." Since that time, revisions of the Standards have amplified this basic expectation to include balanced and reliable revenue streams and budgets that regularly reflect surpluses.[1]

Over the years, theological schools have been affected by periods of widespread economic stress. Those periods are sometimes driven by dramatic stock market downturns such as that in 2008–09 related to the collapse of the US housing bubble.



The ATS response

That economic downturn impacted nearly all ATS member schools. As schools acted to address their economic challenges, the Association provided assistance. ATS collaborated with the Auburn Center for the Study of Theological Education in a two-phase program of research and dissemination focused on economic challenges facing the schools. Auburn systematically researched ATS data and published regular studies of faculty, finances, governance, and administrative leadership. Lilly Endowment Inc. swiftly provided funding for the project with two grants totaling nearly $1.75 million.

Project goals

Designed to help schools fulfill "the *Standards of Accreditation* in relation to financial practices," the project's ultimate goals may be summarized as follows:

The project would provide in usable and effective form the information needed by schools in financial difficulty to attain financial strength, provide coaching for leaders and their school's teams to interpret and use these data as good stewards of their institutions by developing structures and models that would be financially sustainable, shift thinking beyond the assumption that "normal" solutions were adequate to the present challenge, and generate ideas, gather best practices, and discover effective and sustainable financial models for theological schools.

Project scope and activities

In two phases, the project included 27 schools from across ATS, representing the membership's three ecclesial families, differences in size (both enrollment and budget), schools from Canada and the United States, and schools with different combinations of revenue sources.

The project included seven primary activities:

1. An intelligence gathering meeting involving staff from ATS, the Auburn Center, and the In Trust Center for Theological Schools, and selected experienced chief financial officers;
2. An online survey of ATS schools to ascertain responses by schools within the 2008–09 budget year and plans for the 2009–10 budget year;
3. Selection and training of "coaching faculty" to provide education and consultation for school teams (normally the board chair, the chief executive officer, and the chief financial officer);
4. An intensive process of education and consultation for a group of 15 schools from 2009–12 and a second group of 12 schools from 2012–14;
5. Immediate dissemination of findings by the Association;
6. A final meeting to gather, clarify, and prepare to publish learning from the project;
7. Revision of the Strategic Information Report (SIR) to make its information reflect norms and become more flexible and usable.

Survey results

According to the survey, nearly two-thirds of the schools had already cut their expense budgets for 2008–09. In addition:

- More than half reported that the value of their school's endowment had decreased between 21 and 30 percent between June 2008 and March 2009.
- Fifty-one percent of the responding schools had reduced administrative and/or staff personnel during 2008–09, while 27 percent had reduced the number of faculty that year.
- Roughly similar percentages of schools planned reductions in these areas for 2009–10.
- Despite these cuts, only 45 percent projected ending 2008–09 with a balanced budget.

Respondents did anticipate a much-improved picture for 2009–10, with 73 percent expecting a balanced budget at the end of that year.[2] The first cohort of 15 project schools reflected this prediction fairly accurately for 2008–09, with 47 percent achieving a balanced budget or surplus. But the results for 2009–10 were considerably worse than the survey respondents anticipated, with only 33 percent of the project schools ending that period with a balanced budget or surplus.

Project schools didn't hit bottom until 2010–11, when only one school out of the 15 (seven percent) showed a surplus, and one other school balanced its budget that year.

Project impact

While measuring the impact of a project of this kind on the economic performance of schools is at best highly complicated and dependent on multiple factors, some project outcomes are broadly instructive.

Each school submitted a final report on its activities, learning, and results of its efforts. Learning was shared with the broader membership through publications in the ATS journal *Theological Education*, and print and digital newsletter *Colloquy*. ATS and Auburn staff also shared project findings at ATS leadership education events for student services personnel, chief financial officers, chief academic officers, and chief executive officers.

For some of the project schools, dramatic action brought about financial stability. Several restructured their operations utilizing more efficient business models. Some sold major assets such as buildings or land. Others merged or otherwise affiliated with other entities, such as colleges or universities. Many developed new programs to reach previously untapped constituencies, and a few utilized creative educational delivery methods that revitalized their institutions.

In a general sense, the project contributed to the well-being of member schools in numerous ways. Not least, the project maintained the Association's ongoing attention to financial issues and the support of member schools. The revised SIR became an even more valuable resource including additional information, benchmarking, and measurement of each school's performance within its particular ecclesial, financial, and structural context. Participants appreciated the idea of "economic equilibrium" as providing a conceptual framework adaptable to their school's particular circumstances. It also appears to be the case that fewer of the participant schools have been resigned to patterns of budget deficits. Those deficits appear, but in most cases, school leadership takes action to reverse the direction before deficits become chronic.

The following represent some of the findings listed more expansively in the project report in *Theological Education*.

1. Achieving financial stability is possible, but it comes at a cost. Change can be difficult and some necessary change quite painful.
2. Long-range planning is essential.
3. The vast variety of schools, traditions, contexts, and models within ATS makes it difficult to construct models that are transferable. Different contexts often require customized solutions.
4. Sustaining economic equilibrium requires constant attention and prompt response.
5. Merger, affiliation, or partnership has been beneficial for some schools as a means to sustain their missions. Such arrangements, however, are neither easy to develop nor do they come without sacrifice of highly valued qualities, such as a measure of autonomy.
6. It is crucial for schools to understand the fundamental impact of external factors and broader contexts.
7. "Normal" solutions such as enrollment growth or greater fundraising can work, but such efforts are often limited in duration.
8. Program participants appreciated ATS as a resource and a supporter of innovative work. That support is reflected in the 2020 *Standards of Accreditation* that are based on principles that allow schools to fulfill them through a variety of practices.

[1] The 2020 Standard 10.3 requires a "consistent pattern of surpluses over time."

[2] Interestingly, the survey respondents' prediction for 2008–09 was close to the actual 45 percent of reported surpluses. For 2009–10, however, the actual of reported surpluses was 49 percent, far less than the respondents' anticipated 73 percent.

Stephen R. Graham *is strategic director of context and continuity; director of accreditation at The Association of Theological Schools in Pittsburgh, Pennsylvania.*