Research Based Stewardship:
Auburn Research and the Work of the CFO

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Auburn Research

Pathways to Seminary
- Enrollment trends and the future
- Interviews at 24 schools of 240+ students identified as “best and brightest.”

Student Educational Debt

The Financial Story 2001-2011
- The Numbers
- Lessons from Success Stories and the Economic Equilibrium in Theological Schools projects.
Total Head Count and Full Time Equivalent Enrollment.
Same 205 theological schools reporting for twenty years.

Source: Commission on Accrediting of the Association of Theological Schools.
Head Count Enrollment Aggregated by Degree Groups.
Same 244 schools reporting for ten years.

Source: Commission on Accrediting of the Association of Theological Schools.
Figure 3: Total Head Count Enrollment Index by Denominational Classification. 205 Schools Reporting 1992-2011. 1992=100
Total Head Count Enrollment Index by Denominational Classification.
205 Schools Reporting 1992-2011. 2006=100
Head Count Enrollment of Men and Women in Master's Programs. Same 205 Schools Reporting.
Head Count Enrollment Index of Men and Women in Master's Programs. 2006=100
Same 205 Schools Reporting.
Figure 6: Head Count Enrollment in Master's Degree Programs by Age Cohort. Same 198 Schools Reporting.

Source: Commission on Accrediting of the Association of Theological Schools.
Figure 5: Total Head Count Enrollment by Race/Ethnicity.
Same 244 Schools.
Figure 5: Total Head Count Enrollment by Race/Ethnicity.
Same 244 Schools.
Figure 21: Masters Degrees for Ministerial Leadership by Race and Gender, Roman Catholic and Orthodox Schools (Same schools reporting for twenty years)

Source: Commission on Accrediting of the Association of Theological Schools.
Figure 22: Masters Degrees for Ministerial Leadership by Race and Gender, Mainline Protestant Schools (Same schools reporting for twenty years)

Source: Commission on Accrediting of the Association of Theological Schools.
Figure 23: Masters Degrees for Ministerial Leadership by Race and Gender, Evangelical Protestant Schools (Same schools reporting for twenty years)

Source: Commission on Accrediting of the Association of Theological Schools.
Figure 8: Head Count Enrollment in Master's Degree Programs by Age Cohort. Same 198 Schools Reporting.

Source: Commission on Accrediting of the Association of Theological Schools.
Head Count Enrollment in Distance Education Courses 1999/2000-2010/11

Source: Commission on Accrediting of the Association of Theological Schools
Total Courses in Ongoing Distance Education Offerings and Distance Education Programs, 2000/01-2010/11

Source: Commission on Accrediting of the Association of Theological Schools
5 Year Growth and Size, Mainline and Anabaptist Schools. Distance Education Leaders in Yellow.

- Small, growing
- Large, growing
- Large, shrinking
- Small, shrinking

2011 FTE
Average per School Increase in MDiv Tuition by Ecclesial Family, 2001-2011

- Evangelical Protestant Schools: 59%
- Mainline Protestant and Anabaptist Schools: 57%
- Roman Catholic and Orthodox Schools: 68%
- Consumer Price Index: 27%
- Higher Education Price Index: 38%

Source: Commission on Accrediting of the Association of Theological Schools
Discount Rates, i.e., the Percentage of Tuition Awarded as Financial Aid, by Denominational Classification.

Source: Commission on Accrediting of the Association of Theological Schools
Master's Degree Tuition Discount Rates, 2011 Fiscal Year. Independent Schools.

Source: Commission on Accrediting of the Association of Theological Schools
Study of the Best Students - Pathways to Theological School

- Students come from religious homes and examples of service
- Sustained by the ecology of religious institutions
- Active as youth and young adults
- Had positive role models
- Their peers affirm their calling
- Disruptive experiences
- “The pathway to seminary is the long, slow nurture of faith in community.”
Enrollment notes

- Overall decline.
- Little or no growth by *product*, i.e., degree program.
- Little or no growth by *brand*, i.e., denomination or religious tradition.
- Some growth among non-white groups.
- A little growth among late-career students.
- Growth in distance learning.
  - Does not correlate strongly to enrollment growth.
  - May divert enrollment from extension centers or residential classes.
- The significance of net price increases or decreases will vary.
- Students most likely to attend and persist in seminary have long involvement with the church.
  - Recruitment is long term; no quick fixes.
Some strategic reflections from research.

- Build good analytics; know who your students are, where they come from, and what they need.
- Build stronger relationships with prospective students and key influencers.
- Develop *long-term* relationships with growing populations and segments.
- Product diversification and innovative delivery may be ways of growing mission in an uncertain future.
Average Reported Undergraduate Debt, 1991-2011 Theological School Graduates
Average Reported Theological Debt of M.Div. Graduates

- **All**
  - $5,267
  - $15,599
  - $24,917
  - $25,018
  - $38,704

- **Borrowers only**
  - $5,000
  - $10,000
  - $15,000
  - $20,000
  - $25,000
  - $30,000
  - $35,000
  - $40,000
  - $45,000

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<th>Year</th>
<th>Amount</th>
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<td>1991</td>
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<td>2001</td>
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MDiv Theological Debt 2011

- No debt: 36%
- $1 to $10K: 8%
- $10K to $20K: 10%
- $20K to $30K: 11%
- $30K to $40K: 9%
- $40K to $50K: 7%
- $50K to $60K: 6%
- $60K to $70K: 5%
- $70K to $80K: 3%
- $80K and up: 5%
Average Theological Debt Per School
M.Div. Graduates – 2011

$0
$10,000
$20,000
$30,000
$40,000
$50,000
$60,000
$70,000
2011 MDiv Graduating Class School A
Average total debt: $21,375; Borrowers only: $45,600

Undergraduate Debt
Theological Debt
Average Theological Debt Per School
M.Div. Graduates – 2011
2011 MDiv Graduating Class School B
Average total debt: $57,600; Borrowers only: $80,000
Any Regrets?

I now wish I had borrowed more.  
I now wish I had borrowed less.

[Bar chart showing responses to the question]
Lack of Knowledge

I was aware of the monthly repayments

- 0% Strongly agree
- 10% Agree
- 20% Strongly disagree
- 30% Disagree

I had knowledge of my future compensation

- 10% Strongly agree
- 50% Agree
- 40% Strongly disagree
- 0% Disagree
Effects of Debt

Loan debt has substantially influenced my standard of living.

Disagree   Strongly disagree   Agree   Strongly agree
School Culture Regarding Debt

- Administration or faculty discouraged borrowing
- Borrowing was common among students

[Bar chart showing percentages of responses to the above statements]
Example of Monthly Payments on Stafford Loan Debt of $50,000
Standard Repayment (10 years @ 6.8%) vs. Income Based Repayment (IBR) and Pay As You Earn (PAYE)

- **Single, with $40K in Discretionary Income**
  - Standard: $576
  - IBR: $291
  - PAYE: $194

- **Family of four with $40K in Discretionary Income**
  - Standard: $576
  - IBR: $68
  - PAYE: $45
Debt issues

- Undergraduate debt is rising rapidly.
- Students increasingly rely on debt for expenses while in seminary.
- Ordinary repayment schedules are difficult to meet on graduates’ compensation levels.
- Income-based repayment arrangements (e.g., Income Based Repayment, Pay As You Earn) may extend the debt to 20-25 years.
Reflections on research – student debt

- Debt provides strong incentive to move to higher paying professions. Insofar as this affects Church-related occupations the mission of the school may be diminished.
- Discouraging borrowing may discourage full-time attendance – an ambiguous position for the school to be in.
- Part-time tracks may retain students with lower levels of debt.
- Screening, education, and counseling can reduce the acquisition of unmanageable or unwanted levels of debt.
Average Annual Return From Stocks (S&P 500) by Decade. Decades ending June 30.

- 1971-1981: 7.3%
- 1981-1991: 15.6%
- 1991-2001: 15.1%
- 2001-2011: 2.7%
Profile of a $10,000,000 Endowment 2001-2011. Invested 60% in Stocks (S&P 500), 40% in Long Term Bonds. Spending rate of five percent of the prior year market value.
Profile of a $10,000,000 Endowment 2001-2011. Invested 60% in Stocks (S&P 500), 40% in Long Term Bonds. Spending rate of five percent of the prior year market value.

Spending 5 percent

2001 Times Inflation
Successful schools built endowment
  - Gifts
  - Low spending rates
  - Limited use of bequests for operations

Used highly stable spending formulae, e.g., Yale formula, Snake in the Tunnel.

Did not become complacent; continued active cultivation of donors.
Gifts and Grants Reported by All Schools to the ATS from Religious Organizations

Source: Commission on Accrediting of the Association of Theological Schools
Percentage of Theological Schools' Operating Expenditures Funded by Religious Organizations, by Denominational Classification.

Source: Commission on Accrediting of the Association of Theological Schools
Total Gifts and Grants Reported by All Schools to the ATS, by Source

Source: Commission on Accrediting of the Association of Theological Schools
Gifts From Individuals, 2002-2011

- Gifts from Living Individuals of $5,000 or more, 58%
- Bequests of $5,000 or more, 27%
- Smaller gifts and bequests, 16%

Source: Commission on Accrediting of the Association of Theological Schools
Per School Average Number of Living Donors Contributing $5,000 or Greater

Source: Commission on Accrediting of the Association of Theological Schools
Reflections on research - fundraising

- Relationships are critical. “Provide constant attention to building relationships and the money will follow.”

- One successful president has three rules:
  1. Help the donor give their proudest gift to what they care most about.
  2. People support what they help create. Do not develop a project and then try to sell it. Find what connects to the donor.
  3. The donors do not want to fill your deficit hole – they want to help you build a mountain.
Cost Per FTE Student by Size of School, 2011

Source: Commission on Accrediting of the Association of Theological Schools
Faculty Members by Rank, 2001-2011. Same 230 Schools Reporting.

Source: Commission on Accrediting of the Association of Theological Schools
Relative Surplus/Deficit in Freestanding Schools (Adjusted Revenues—Expenses)

Source: Commission on Accrediting of the Association of Theological Schools
Summary of Tribulations 2001-2011

- Enrollment, tuition and fees
  - 9.3 percent fewer students despite growth of alternate delivery systems.
  - 20-30 percent real increase in tuition.
  - No percentage increase in financial aid grants.

- Debt
  - Continues to grow. A thorny, difficult issue.

- Investments
  - Two bear markets; difficult to keep pace with inflation of 27 percent.
  - Compounded by overspending in some schools.

- Gifts and grants
  - 24.3 percent decline in church support since 2006.
  - 18.3 percent decline since 2008 from all other sources.

- Costs
  - High fixed costs.
  - Increased educational and administrative demands.
Twenty schools showing 40 percent or greater improvement.

<table>
<thead>
<tr>
<th>Evident Method</th>
<th>Number of Schools</th>
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<tr>
<td>Gifts and bequests to endowment from individuals.</td>
<td>10</td>
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<tr>
<td>A low investment spending rate; high reinvestment of surpluses</td>
<td>5</td>
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<tr>
<td>Sale of property</td>
<td>3</td>
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<tr>
<td>Superior investment gains</td>
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<td>Gifts from foundations</td>
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<tr>
<td>Merger</td>
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<tr>
<td>Other – not determinable from statements</td>
<td>2</td>
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<tr>
<td>Improvement despite deficits</td>
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How the Mighty Fall, 2009, Jim Collins
Stage 3: Denial of Risk and Peril

- Internal warning signs begin to mount.
- Difficulties are
  - “Temporary.”
  - “Not that bad.”
  - “Nothing is fundamentally wrong.”
- Blaming external factors for setbacks.
- Vigorous, fact-based dialogue that characterizes high-performance teams dwindles or disappears.
Reflections on research – successful schools and the ATS’ Economic Equilibrium project.

- Educated their administration and board on what the numbers meant and signified.
  - Leadership was willing to learn.
- Board and administration attacked their financial problem.
  - Attitude was to solve the problem and become healthy as soon as possible.
- There was a high degree of transparency between administration and board.
- Excellent teamwork and honest exchanges fostered engagement.
“Organizational health will one day surpass all other disciplines in business as the greatest opportunity for improvement and competitive advantage.”