

# **The Almighty's Dollar: Financing Theological Schools**

## **Session 1**

### ***Introductory comments***

I am most honored to have the opportunity to share with you during this meeting. I have thought a great deal about the areas of focus that have been proposed for our sessions together, but my thinking has been from a North American perspective. There is no reason to assume that what is true for North American theological education is true anywhere else in the world. As we work together this week, I will reflect on what I know, and hope that it will provide the opportunity for you to reflect on what you know and what we can learn together. Thinking about the solutions to problems that African theological education is experiencing is something I am hopeful we will be able to engage this week.

African theological education is situated in a different cultural and economic context, with different understandings of education and pastoral leadership, with unique opportunities that North American theological education does not have. Christianity in Africa, as you know better than I, is growing—rapidly and dramatically—while in North America, Christianity is stable or declining. That is a huge difference—the kind of difference that leads to fundamentally different institutional situations. The opportunities before African theological education are robust, expansive, and full of the fresh breath of the Spirit, and problems are best framed in the context of those opportunities and what God is calling you to do.

In the midst of great differences, however, there is one Lord, one faith, one baptism. All is not different. The Gospel is the Gospel, and human hurt is human hurt, and the first addresses the second. I hope that the issues I raise will spark the issues that you need to raise. I am looking forward to what I can learn from you, and hope that I do not distract you from learning what you most need to learn this week.

Of all the topics we will address this week, financing theological education may be the most different between Africa and North America. From Africa, American theological schools must look rich, while in the context of American higher education, they are among the poorest institutions. As a way of getting our conversation started, I would like to talk about three issues related to financing theological education: a way to consider the “right” way of understanding financial capacity for a theological school, the attitudes of school leaders about money; and the patterns by which North American schools derive their financial support.

### ***What is the economic purpose of a theological school?***

If you were all business people, starting up or expanding a business, you would know your economic goal: to make money. You decide how much money to put into the business based on how much you can reasonably earn from it. You build a new building because you can determine how it will contribute to making money for the business. You hire a new employee based on how

much more work will get done and how much more money the business is likely to make. But what is the economic purpose of a theological school?

There are, of course, many ways to respond to this question. Education and finance mingle in unique ways. Good theological education always costs more than bad theological education. The things that contribute to good education—a dedicated, well-educated faculty; library resources; classroom space; and scholarship support for students all contribute to good theological education—and all of them cost money in any culture. It is almost always cheaper to provide marginal education than good education. The opposite, however, is not true. A school may have a lot of money to spend, but that does not guarantee that it will provide good theological education. So, while too little money often contributes to less good theological education, a lot of money does not necessarily contribute to good theological education. Limited resources, with an underpaid but highly dedicated and well-educated faculty, will always out-produce a well-paid faculty that is under-motivated and unconcerned about students.

Because there is not an automatic connection between resources and educational effectiveness, what should be the economic purpose of a theological school? Some people think that the economic goal is to balance the budget—the amount being spent does not exceed the amount coming in—whatever that amount may be. Balancing the budget is a good thing—no institution can go very long without balancing it—but a budget can be balanced for all the wrong reasons. A school can have a balanced budget by never buying a book for the library or by never fixing a leaking roof. If the budget is being balanced by not spending money that really should be spent, it is not truly balanced. A school with a lot of money could have a balanced budget because it has enough money to purchase a lot of stuff that it doesn't really need—like a big BMW for the president. It is not spending more than it has, so the budget is balanced, but it is not buying the things that are crucial to good theological education.

If a balanced budget is not the economic goal of a theological school, what is? We have thought about this a great deal at ATS with our partners at the Auburn Center for the Study of Theological Education, particularly its senior research fellow, Tony Ruger. Tony argues that the economic goal of a theological school is “equilibrium.” Here is the definition of economic equilibrium we use with ATS schools:

A theological school should have sufficient revenue (1) to implement its mission effectively, (2) to maintain the facilities its mission requires in good and useable condition, (3) to pay its faculty and staff fairly, and, at a minimum, (4) to maintain the purchasing power of its savings or endowment accounts.

Let's consider each of these elements.

(1) Implementing the mission effectively requires careful thought and assessment. What is truly necessary to educate pastors and other Christian leaders? What kind of faculty? What kind of financial support for students? What kind of facilities? Notice that the question is not how much of these can the school afford, nor is it how much would the school like to have. It is “how much does the school *need* to implement its mission effectively?”

(2) Merely maintaining its facilities in good and useable condition is not enough. Does the school

have the right facilities? What is the relationship between the facilities and the mission? If you have buildings that are not crucial to the mission, then spending money to maintain them is no virtue. To have the buildings that you need in such poor shape that they can't be used in the rain or are barely safe for the people who study or live in them reduces overall educational effectiveness. The school should have enough money to keep the facilities that are crucial to its educational mission in safe and useable condition.

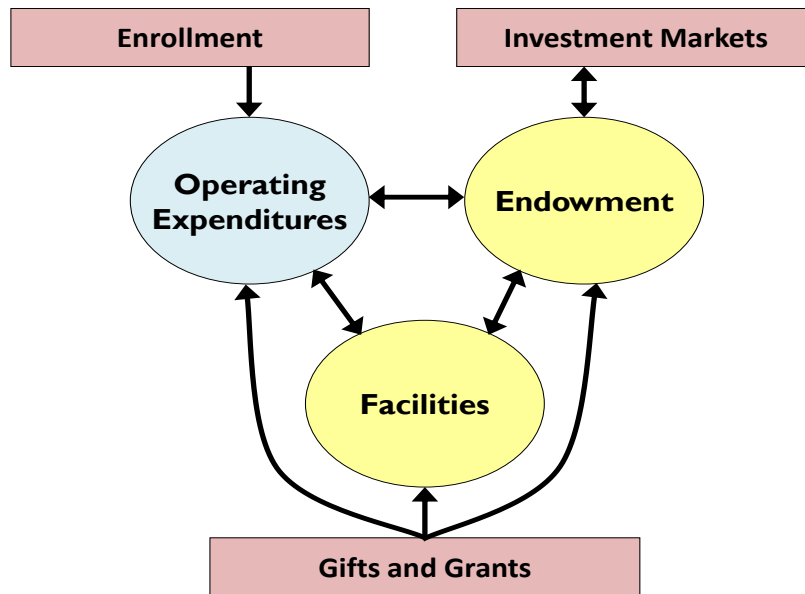
(3) Paying faculty and staff fairly is never easy. There are many definitions of fair, and you have to identify what the definition should be for your school, in your country, and your denominational or church family. Once you have identified that amount, then the question is: Is your school paying it? Seminaries depend on people who are more dedicated and work harder than they are paid. Good professors could almost always make more money somewhere else. These are givens for theological education in North America and I am sure, in Africa. Given the commitment, the sacrifice, and the service, what is fair and reasonable compensation? To pay less is to put the burden of underfunding the school on the backs of the very people who are most intimately involved in implementing the mission.

(4) Maintaining the purchasing power of savings or endowments is another important part of determining how much money would be enough. Let's say you receive a gift of 1000 British pounds to help support students. The donor wants you to treat it as an endowment so that you spend a little each year but can do that for an indefinite number of years. You invest it in a savings account that pays 12 percent interest. (That amount of interest is likely much higher than possible, but let's assume that is the case, so the 1000 pounds will make 120 pounds of interest.) Let's also assume that inflation is eight percent—also an unlikely assumption for many countries—but let's assume it. To retain the purchasing power of 1000 pounds when inflation is eight percent means that the next year, it will take 80 pounds more to buy the same thing than it bought in the previous year. Since the investment made 120 pounds, you could give a student 40 pounds as a scholarship and keep the other 80 pounds in the bank to make sure that the purchasing power of the endowment is retained. If the school spent all 120 pounds, it would have a decreasing amount to give to students in successive years—at least in terms of what the student could buy with it.

An endowment may be more of a European or American idea than African, and many people raise questions about holding endowments. If the school had 1000 pounds to help students, it could give 40 pounds to 25 students, and the money would be gone. Or it could give it over time, 40 pounds a year, and in 25 years, it would have served the same number of students and at the end of that time, the school would have as much money as it had when it began and would still have given as much money to as many students. In fifty years, the school would continue to have as much money as it had in the original gift, and would have been able to fund fifty students. Endowments, of course, make very little sense in unstable economies or where inflation is rampant. In those situations, it may be better to spend the money currently available, while the school has it, than to put it in the bank and watch inflation erode its purchasing power.

So, what is the right amount of money a theological school should strive to attain? In the ATS perspective, it is enough to implement its mission effectively, in the ways I have noted, and do so with a balanced budget. It doesn't need more than enough money than this. Tony Ruger has a

picture of this pattern of financial equilibrium:



### *Attitudes about money*

A critical element in the finances of theological schools, in my observation, is the attitude that the school's leaders have about money. I took the phrase, "the Almighty's Dollar," as the title of this session from my friend James Hudnut-Beumler, who used it as the title of a book he wrote on the history of finance in American Protestantism.<sup>1</sup> The work of communities of faith cannot proceed without money, but money attracts different attitudes.

I have known some persons who served ATS schools who didn't like money enough. They didn't want to talk about it very much, didn't want to ask people for money, and when the business officer wanted to talk about financial issues, these persons' eyes have a way of glazing over. They treated money as if it were a curse they should avoid whenever possible. They were engaged in the rest of the school's work—with students and faculty, with theological ideas and with the work of the church—but they didn't want to engage about money. They were simply uncomfortable with money. The result was that their schools did not have as much money as they could have had and what they had was not as well-managed as it could have been. Money—the resources necessary to do good work—is God's gift not the Devil's curse.

And, then there have been some people who seemed to like money too much. It was their favorite subject and they talked frequently about the gifts they had secured for their schools.

<sup>1</sup> James Hudnut-Beumler, *In Pursuit of the Almighty's Dollar: A History of Money and American Protestantism*, Chapel Hill, NC: University of North Carolina Press, 2007.

They seemed to travel well and live well, and enjoy both. They seemed to enjoy the company of the wealthiest friends of the school more than the company of those who had fewer means. I have not thought of these persons as less Christian or less committed to their schools—just a little too much in awe of money and a little too impressed by people who had more money than others. This attitude toward money often provided more resources for the schools they served, and sometimes very careful management of finances, but I wanted these people to like money a little less.

I work with a lot of schools that are very financially stressed, and some of their presidents would just like to forget about money. They have worried themselves to death over it; they have struggled with too low of salaries for people working hard for the school, and are discouraged that the school does not have enough money to help students who need and deserve much more help than they are getting. These persons have grown tired of money problems and money issues, and just don't want to deal with it anymore. I have known some people who have left the presidencies of theological schools because they were exhausted by money issues. In the end, money shouldn't be exhausting.

Then there are those leaders who think that the most important thing to do about money is to pray for it and let God provide it. Most schools I know can report a miracle or two about money—the unexpected gift that came just at the right time and made it possible for the school to continue or the building to be completed, or the project to be finished. Theological schools live out of God's generosity. The people I have in mind can end up not planning as thoroughly as they should, not working as diligently as they should, and not managing the school's resources as carefully as they should.

I think it is important for the leaders of theological schools to give some attention to their attitudes about money. Liking it too much is no better than liking it too little, and letting it exhaust you is no improvement either. Theological education requires financial resources, and asking people for money, at least in North America, is an act of stewardship. Jesus said “render to Caesar the things that are Caesar's and to God the things that are God's” not render unto Caesar the things that are Caesar's, but God doesn't need anything. Money is part of the work and leadership of any seminary leader, and I want to challenge you as leaders of schools to live between liking it too little or too much, and because there will never, never be enough, not to let it get the best of you.

### ***Revenue structures in North American schools***

I do not know what the revenue structures of African schools look like, and I am the last one who would propose to you what they should be. I do think that the model ATS uses, which I have discussed, has value in more than one culture. I am not sure about the best way to understand revenue for African theological education, but I want to share the varieties of structures that are evident with ATS-related schools. There are five distinct revenue structures for ATS schools, and they are summarized in the table below.

## Financial Structures of Theological Schools: Summary of Revenue Categories

Revenue Type	Percent of Schools	First Ecclesial Family	Second Ecclesial Family	Average Expenditure
Tuition	30%	Evangelical	Mainline	\$6.4 million
Endowment	10%	Mainline	Catholic	\$12.4 million
Religious Organization	5%	Catholic/ Evangelical		\$3.6 million
Contribution	20%	Evangelical	Mainline	\$3.4 million
Multiple	30%	Mainline	Evangelical/ Catholic	\$8.1 million

The chart shows the percentage of ATS schools that are characterized by different kinds of revenue streams. There are four primary sources of revenue for ATS schools: tuition paid by students, earnings from endowment, grants from denominations and congregations, and current gifts from individuals. You can see that 30 percent of the schools are funded primarily by tuition, 10 percent by endowment, 5 percent by denominational gifts and grants, and 20 percent by current contribution. “Primarily funded” means that 50 percent or more of all funding for theological schools comes from this source. Thirty percent of the schools do not have a primary revenue source but have a combination of these four. You also will notice that seminaries related to different ecclesial families tend to have different patterns of revenue. Evangelical Protestant schools, for example, are dominant among the schools that are funded by tuition or current contribution, while mainline Protestant schools are dominant among the schools that are predominantly funded by endowment.

Those of us who work at ATS do not believe that any one revenue stream is preferable. Schools need to do their work differently, depending on what revenue pattern they have, but no one source is superior to the others. The global economic downturn has been very tough on many ATS schools, in terms of donors less able to give, in terms of endowments whose values fell a great deal, and in terms of students who are more hard-pressed to come up with the money that attending school requires.

### ***Financial status of schools***

ATS schools are experiencing a great deal of financial stress. But, there is no reason to assume that the current economic models are the only models. There will be adequate resources to accomplish what needs to be done. The economic model that many schools have used in the past will not carry them into the future, and we are not sure what the new model will be. What I am

sure of is that providence and hard work and frugal budgets and deep commitments and creative strategies will provide the resources to do what most needs to be done

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