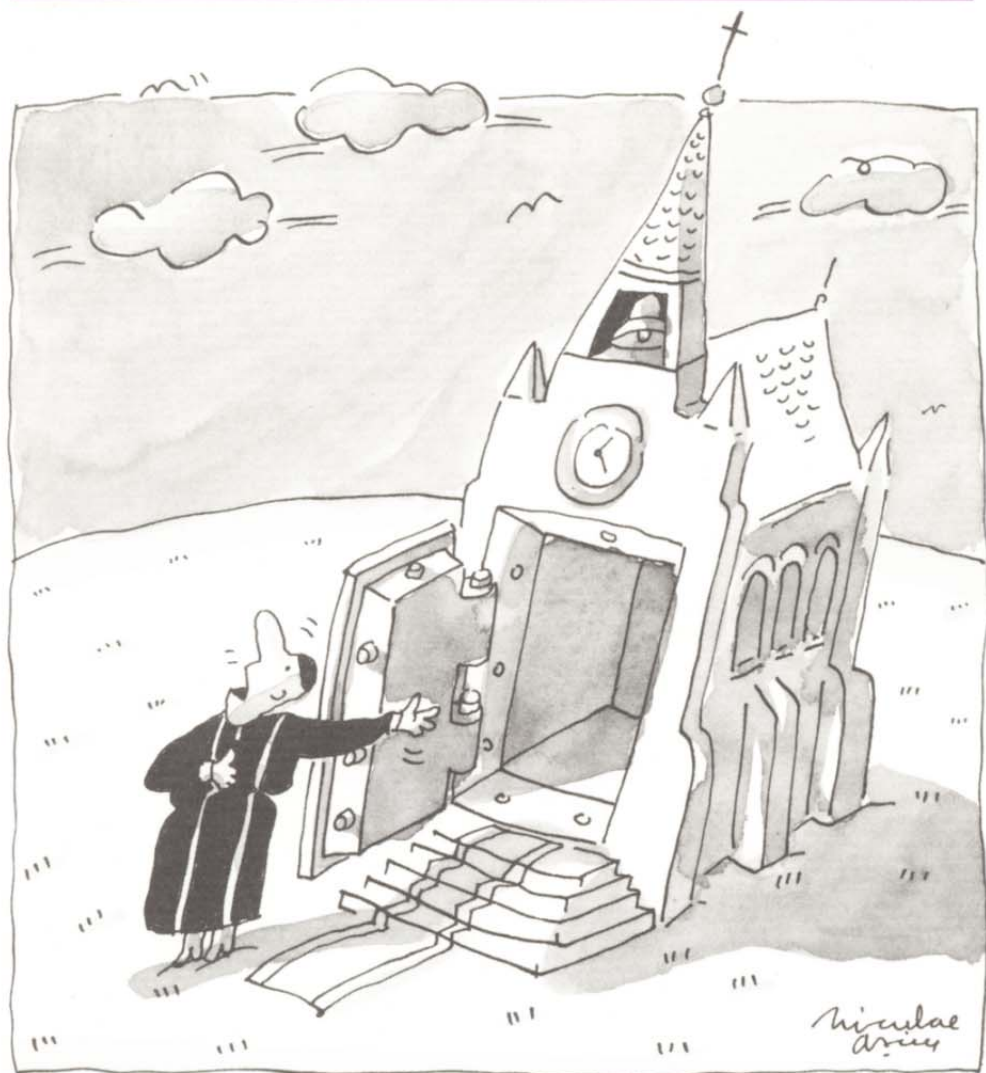


AUBURN STUDIES

A SPECIAL REPORT



LEAN YEARS FAT YEARS

CHANGES IN THE FINANCIAL SUPPORT OF
PROTESTANT THEOLOGICAL EDUCATION

BY ANTHONY RUGER / DECEMBER, 1994

About this Issue

This special report for Auburn's Center for the Study of Theological Education both continues an established tradition and begins a new one. As the third in a series of decennial studies of revenue sources for Protestant theological education, the present report builds on the work of Badgett Dillard who published the first such report in 1973. As the first research report to be issued by the Auburn Center, the report initiates a new tradition of occasional research bulletins, published as *Auburn Studies*. (The first issue of *Auburn Studies*, [Summer 1993] described the origins and mission of the Auburn Center.)

The Auburn Center was founded in 1991 to study theological education across the spectrum of religious traditions and in its many institutional forms. Accordingly, most research reported in *Auburn Studies* will cover a broad range of religious and institutional types. This special issue, however, because it replicates earlier research, focuses on a limited number of Protestant seminaries. Nevertheless, the experience of this group, reflecting as it does pervasive economic conditions during the last decade, will be of interest to all who lead and support theological schools.

Single copies of this report are free. Multiple copies will be provided for a modest fee. To be placed on the mailing list of the Center or to request copies of this issue, write to: Darla Fjeld, Auburn Center for the Study of Theological Education, 3041 Broadway, New York, NY 10027.

Barbara G. Wheeler
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About the Author

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*P*rotestant theological education suffered lean years in the 1970s and enjoyed fat years in the 1980s. The changes in financial support over these decades suggest directions for seminary and denominational policy.

A Summary of Findings

This report is the third in a series. In 1973, Badgett Dillard, Vice President of Southern Baptist Seminary in Louisville, submitted a doctoral dissertation on trends in the revenue sources of theological schools affiliated with nine large protestant denominations. A decade later, a parallel study, focusing on changes between 1970/71 and 1980/81, was conducted by Dillard (who died in 1986) and Anthony Ruger. This present study by Anthony Ruger uses data for the fiscal year 1990/91.

The increases in revenue in the most recent decade look very good, especially compared with the data reported by Dillard and Ruger in the previous study.

That report told the story of a difficult period (1970/71-1980/81) that paired high inflation with sluggish investment performance. Amid the difficulty was some positive news, as revenues from student fees (including tuition) showed real (after-inflation) increases. The growth of student fee receipts reflected increasing enrollment in all degree programs during the decade (partly the result of sharply increased numbers of women enrolled), but especially increases in Doctor of Ministry and two-year masters degree programs. Endowment receipts grew modestly in real terms in the decade. Despite these gains, most denominational groups found the decade

difficult, as gifts and grants declined in real (after-inflation) value. Moreover, the proportions of gift support began to shift: the percentage of gift revenue from church sources began to decline; gifts from individuals—which usually require more effort and expense to raise—increased.

By contrast, the economic conditions of the second decade, from 1980/81 to 1990/91, were much brighter. Inflation declined markedly and investment markets provided excellent returns. Revenues from endowments consequently grew more rapidly than revenues from all other sources: for three denominational groups, endowment provided the largest proportion of current educational and general revenue. Student fees (including tuition) grew despite a slowing of enrollment growth, but student aid expenditures also grew rapidly. As a result, most denominational groups relied much more on gifts and endowment than they did on net income from charges to students. Gifts and grants also showed healthy growth during the decade, remaining the primary source of revenue for six of the nine denominational groups. Gifts from individuals became increasingly important for operating revenues, and overwhelmingly important in capital giving, that is, in donations for facilities or endowment.

The present study includes a new feature: analysis of data from schools affiliated with smaller protestant denominations and from nondenominational schools. Since these institutions' revenue profiles are studied here for the first time, comparisons over time cannot be made. But the differences between these two school types and the seminaries of larger protestant denominations are instructive. The schools of smaller denominations (often these denominations have only one or two schools) had fewer endowment resources than those of the larger denominational groups, and they consequently depended primarily on gifts and secondarily on student fees. Interdenominational and nondenominational schools contrast sharply with denominational seminaries: they obtain over forty percent of their educational and general revenue from student fees.

The generally positive report on the 1980s should create more caution than optimism about the future. The long-term history of investment markets shows that the last decade's vigorous performance is not typical. Therefore, schools that have not done so should institute disciplined policies governing spending from endowment; and schools cannot expect that exceptional market performance will offset other problems and challenges that they face. One such challenge is the now-evident leveling off of enrollments in all programs and all school types. This trend, combined with sharply increased tuition levels and student indebtedness in some schools, makes it inadvisable for most schools to count on substantial increases in revenue from student fees. Further, the increased prominence of the individual in gift-giving

and the decreasing significance of denominational support will continue to demand major efforts to generate gifts and grants: cultivation of individuals is slow and strenuous labor. Simultaneously, leaders of denominational seminaries must engage their sponsoring church bodies in serious conversations about the shape of a mission partnership in which financial support will play a smaller role. Taken together, these factors suggest that caution, prudent spending, and hard work will be required of any theological school that wants to consolidate and build on the gains of the 1980s.

Two Decades of Change

This report examines the sources of revenue for protestant theological schools as measured by three separate studies in the fiscal years 1970/71, 1980/81, and 1990/91. The report necessarily focuses on empirical data that measure the flow of dollars schools receive from a variety of sources. Changes in revenue amounts and sources alone do not, however, determine the well-being and future course of theological schools; other forces are at work also. Changes taking place in the associated denominations, and trends and events in the American society and economy directly and indirectly shape the institutions. Further, the schools are more than passive recipients of revenue: they help to determine the flow of money by influencing the theological and ecclesial context of their affiliated denominations and through

such efforts as fund-raising and wise policies for the investment and consumption of endowment returns. The complexity of influences on a school's revenue is enough to challenge the most intrepid of institutional biographers. Several of the contextual influences affecting many schools deserve brief mention.

One of the events encountered by theological schools in the last decades is an altered demographic mix of students. Joseph O'Neill and Richard Murphy, studying enrollment patterns, concluded that "the demographic profile of the North American seminarian has changed more in the twenty years since 1970 than in the prior two hundred years."¹ Many institutions

FIGURE 1: Consumer Price Index—U.S. City Average—Annual rate of Inflation

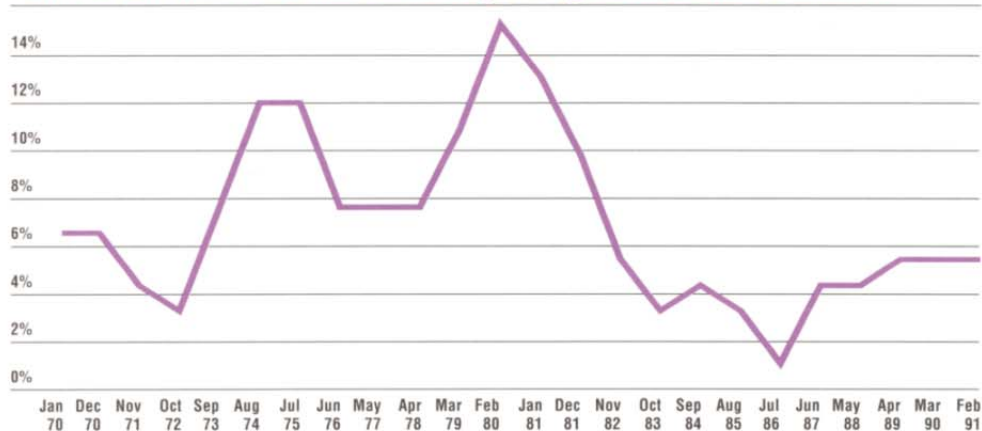
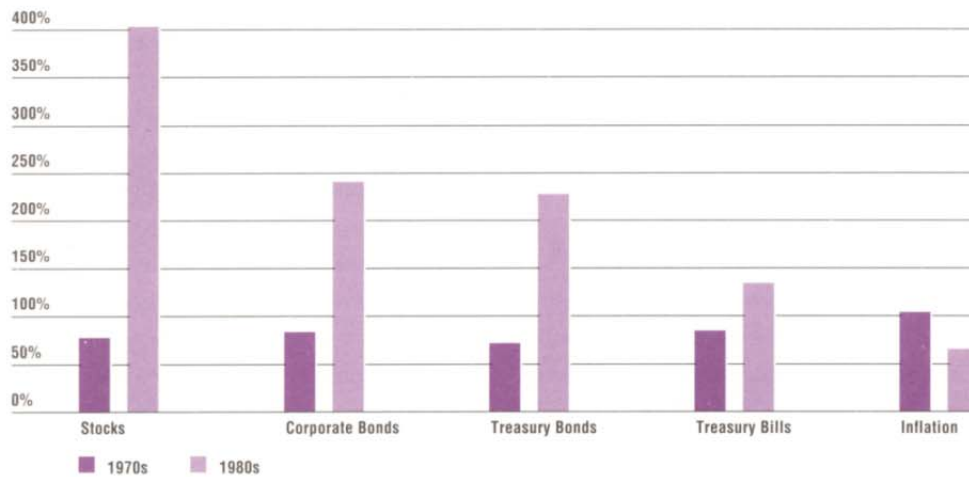


FIGURE 2: Investment Returns (and Inflation) by Decade.



enrolled larger numbers of women, racial and ethnic minorities, and older or “second-career” students in the past two decades. The enrollment mix has further changed through the addition of Doctor of Ministry degree programs and off-campus “distance learning” programs.

Changes in affiliated denominations have affected schools. Scholars have described broad social and historical changes that contributed to decreased denominational loyalties and church attendance in “mainline” religious traditions.² As we shall note in this report, changes in funding seem to reflect some of these trends. In addition, denominational conflicts—such as that experienced by the Southern Baptist Convention—have frequently focused on and affected a denomination’s theological schools.

The last decade has also seen two mergers among the denominations we have tracked since 1970. The Presbyterian Church, U.S. and the United Presbyterian Church in the USA reunited in 1983. The American

Lutheran Church, the Lutheran Church in America, and the Association of Evangelical Lutheran Churches merged to form the Evangelical Lutheran Church in America in 1988. Each of these reconstituted denominations undertook strategic studies of their theological schools and reexamined their funding formulae, as did others.³

The national economy has hindered and helped theological schools over the past two decades. Inflation—arguably seminaries’ single greatest economic enemy—reached an annual rate of more than fourteen percent in 1980 and subsided to less than three percent by 1991. Investment markets in the 1970s failed to beat inflation, yet rebounded strongly during the 1980s, even overcoming the effect of the October 1987 “crash.” For seminaries, inflation and poor investment results made the 1970s economically grim and dismal; by

contrast, the 1980s were almost entirely positive and salutary.

Yet finances remained a source of constant concern in theological education and, often, an abiding problem. In 1971, forty-six percent of accredited schools in the American Association of Theological Schools reported operating deficits ranging up to twenty percent of expenditures.⁴ Twenty years later, in 1991, at least forty percent of theological schools showed operating deficits, with ten percent of all schools showing deficits of more than twenty-six percent of revenues.⁵ Balancing the budget was not the only challenge. Schools also became increasingly aware of the need to confront aging and deteriorating buildings and equipment. Experts estimate that theological schools' capital renewal and deferred maintenance needs equal eleven percent of the replacement value of their facilities.⁶ Little wonder, then, that seminaries have developed sophisticated fund-raising operations and launched ambitious capital campaigns during the past two decades.

Two decades of multifaceted change in the internal and external environment of theological education have thus shaped theological schools. Although changes in revenue are significant in and of themselves, they can also prompt reflection on issues of seminary management and purpose.

Research Method

This research builds on the doctoral work of L. Badgett Dillard, the long-time Executive Vice-President of the Southern Baptist Theological Seminary in Louisville, Kentucky. In 1972, with the help of the American Association of Theological Schools, Dillard studied the

sources of funding for sixty-seven protestant theological schools, using data from the 1970/71 fiscal year, and reported the results in his dissertation.⁷ Interest in the results prompted a replication of the study ten years later, again with the help of the Association of Theological Schools (ATS) and with a supporting grant from Lilly Endowment Inc.⁸ In both 1971 and 1981, additional data gathering instruments were distributed with the forms that ATS member schools are required to complete annually. Anthony Ruger, who had collaborated with Dr. Dillard on the 1981 study, undertook the 1991 version of the study, again with the cooperation of the Association of Theological Schools, a supporting grant from Lilly Endowment Inc., and the sponsorship of the Auburn Theological Seminary Center for the Study of Theological Education. The same denominational groupings of schools were used in all three studies to assure accurate comparisons between 1971, 1981, and 1991.

Long Term Changes

Over the long term, the revenue sources of theological education appear to have changed markedly. Table 1 and Figure 3, based on seven studies spanning sixty-two years, shows a decreasing dependence on endowed wealth and a growing reliance on student fees and gifts.⁹ Over the years, the share of revenue from student fees grows until 1980/81, when it nearly equals endowment's contribution to revenues. In 1990/91 student fees (which include

TABLE 1: Changes in the Sources of Educational and General Revenue for Theological Schools Between 1929 and 1991, in Percentages.

Revenue Source	Fiscal Year						
	1928/29	1934/35	1954/55	1966/67	1970/71	1980/81	1990/91
Student fees	11.4%	13.0%	18.0%	18.0%	18.9%	24.0%	22.5%
Endowment	61.1%	54.0%	32.0%	31.3%	22.6%	24.5%	30.0%
Gifts and Grants	14.6%	24.0%	35.6%	42.3%	52.1%	43.9%	41.7%
Other	7.7%	8.1%	14.4%	8.4%	6.4%	7.7%	5.9%

SOURCES OF DATA:

1928/29:

Financial tabulation from 37 seminaries, M.A. May and F.K. Shuttleworth, *The Education of American Ministers*, volume 4, p.227.

1934/35 and 1954/55:

Financial tabulation from 27 typical seminaries, H.R.Niebuhr and others, *The Advancement of Theological Education*, p.30.

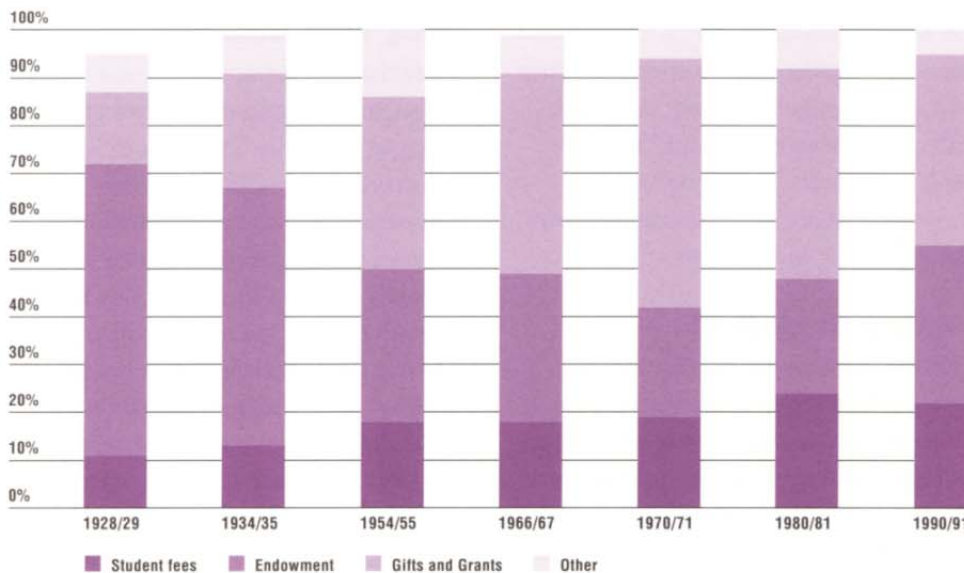
1966/67:

Operation income components from 53 accredited seminaries, Arthur D. Little, Inc., AATS data compilation.

1970/71, 1980/81, and 1990/91:

Financial data from seminaries of eleven selected denominations included in the Dillard study and this study.

FIGURE 3: Changes in the Sources of Educational and General Revenues for Theological Schools Between 1929 and 1991, in Percentages.



tuition) returned to their long-term role as the third largest revenue source. Gifts and grants for current operations grew from fifteen percent of revenues in 1928/29 to fifty-two percent of educational and general revenues in 1970/71, but have diminished since then, as endowment, again becoming prominent, and student fees have outpaced the growth of current gifts over the past twenty years.¹⁰

While changes in the *proportions* of revenue show the relative contribution of various sources of revenue, the absolute contributions in dollar amounts are not shown on Table 1 and Figure 3. One also wants to know if revenues are growing and, if so, how much? Table 2

and Figure 4 show that educational and general revenues to the theological schools more than quintupled in the past twenty years—from fifty-one million dollars in fiscal 1971 to nearly 278 million dollars in fiscal 1991.

Not all growth, however, is real. Have revenues kept up with inflation? Does the revenue purchase as much as it once did? Figure 5 shows that the subject schools achieved real growth in educational and general revenues over the two decades measured.¹¹ Figure 5 also shows that the decade ending in 1991 achieved more than four times the real growth of the preceding decade. One may speculate that the high inflation of the late 1970s contributed to

TABLE 2: Sources of Educational and General Revenue for Theological Schools Associated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91.

	1970/71	1980/81	1990/91
Tuition	\$9,661,808	\$30,010,213	\$62,377,719
Endowment	\$11,561,946	\$30,694,052	\$83,337,443
Gifts & Grants	\$26,596,754	\$55,028,260	\$115,781,791
Other	\$3,256,616	\$9,591,571	\$16,353,583
Total	\$51,077,124	\$125,324,096	\$277,850,536

FIGURE 4: Sources of Educational and General Revenues for Theological Schools Associated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91.

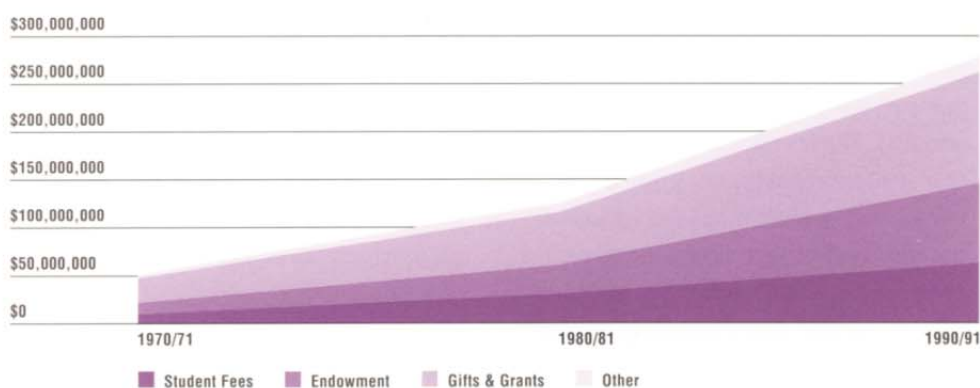
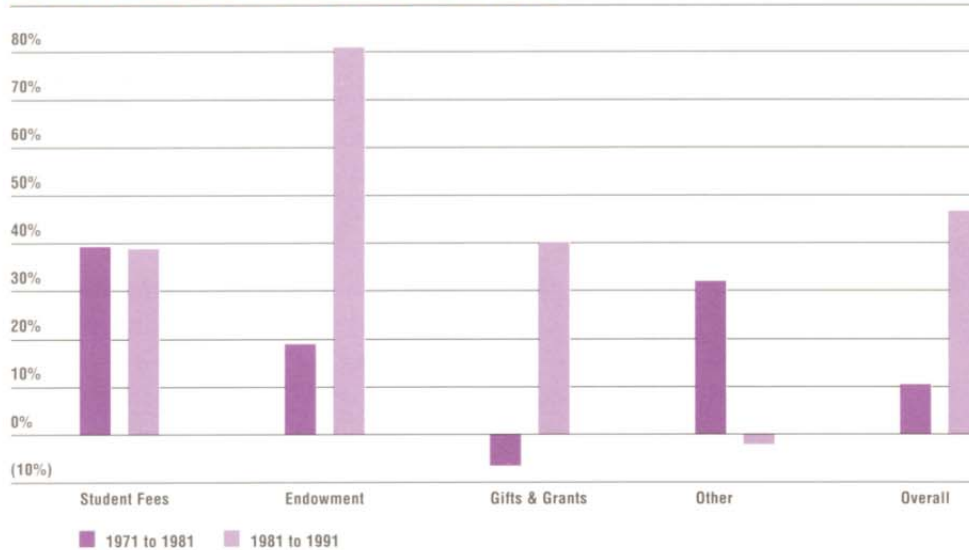


FIGURE 5: Real (After-Inflation) Growth in Educational and General Revenue for Theological Schools Associated with Nine Protestant Denominations, by Source, for the Periods 1971 to 1981 and 1981 to 1991.



the real decline in purchasing power of gifts in that decade, while the excellent performance of investment markets in the 1980s fueled much of that decade's real growth in endowment revenue. Student fee revenues showed consistent growth in both decades. For theological schools, in the aggregate, the 1971-1981 decade showed slight real growth, about one percent per year; the 1981-1991 decade saw substantial real gains.

Student Fees

In Table 1 and Figure 3 we saw that, overall, student fee revenue (including tuition) constituted a slightly smaller percentage of revenue in 1990/91 (22.5 percent) than it did in 1980/81 (24.0 percent). We also saw, in Figure 5, that student fee revenues grew in real terms, that is, they outpaced inflation, but that endowment revenue grew at a faster rate. Thus student fee revenues did not decline, but provided a smaller proportion of revenue because of the dramatic growth of endowment.

In the aggregate, student fee revenues are not the most important revenue source. In strong contrast to colleges and universities, no denominational group in our long-term study relies primarily on student fees as a source of revenue. Put another way, the schools are not primarily tuition-driven.

Figure 6, however, shows that the experiences of some individual denominations vary from the overall pattern. There are differences in the degree of dependence upon student fees. Five of the nine denominational groups have moderately low dependence on student fees; for them, such fees constitute twenty percent or less of educational and general revenues. The United Methodist schools (thirty-five percent of revenues from tuition and fees) and the American Baptist schools (twenty-eight percent) rely most heavily on charges to

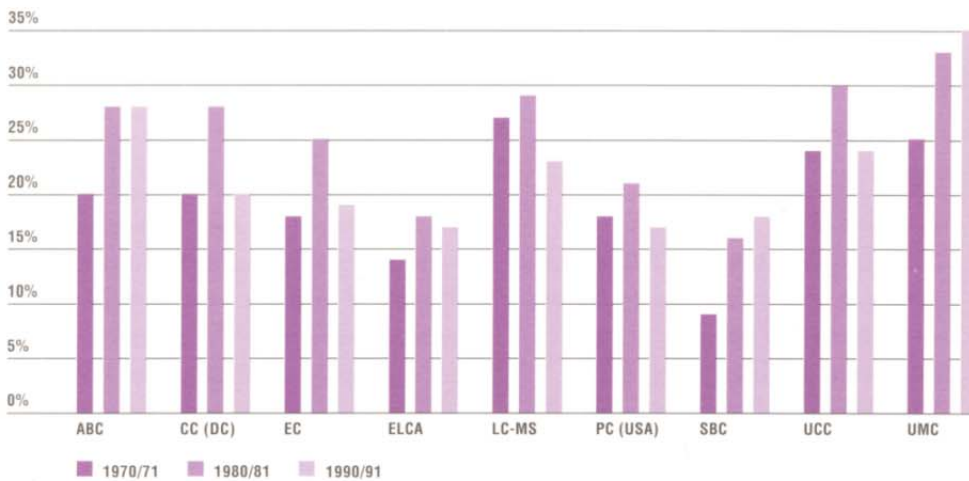
students. Figure 6 also confirms the aggregate trend: six of the nine denominational groups showed a decrease or little change in their dependence on student fees.

Figure 7 shows the real (inflation-adjusted) growth in student fees for the nine denominations. Each denomination posted real increases in student fee revenue in each of the two decades studied. The increase in fee revenue at Southern Baptist schools in the 1971-1981 period stands out, at over 140 percent. This can be misleading. The large percentage increase occurred because only nominal fees had been charged in 1970/71. Nine percent of Southern Baptist educational and general revenue was generated by fees that year. Even in 1991 the Southern Baptist percentage of educational and general

revenues from fees is among the lowest of the denominational groups, at eighteen percent. The fees charged to Master of Divinity students are among the lowest in the country.¹²

The real increases in student fee revenue may be caused by increases in rates, i.e., the amount charged to the student, by increases in volume, i.e., the number of students enrolled, or by a combination of rate and volume changes. The limits of our research do not permit us to track down the fee and enrollment changes among our subject schools, but we can speculate a little bit. Figure 8 shows the head count enrollment for all the schools reporting to the Association of Theological Schools over the past two decades. Figure 8 includes our sixty-two schools among the approximately 208 schools

FIGURE 6: The Percentage of Educational and General Revenue Provided by Student Fees for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.



KEY

ABC: American Baptist Church
 CC (DC): Christian Church (Disciples)
 EC: Episcopal Church
 ELCA: Evangelical Lutheran Church in America
 LC-MS: Lutheran Church—Missouri Synod

PC (USA): Presbyterian Church (U.S.A.)
 SBC: Southern Baptist Convention
 UCC: United Church of Christ
 UMC: United Methodist Church

FIGURE 7: Real (Inflation-Adjusted) Increases in Student Fee Revenue for the Ten Year Periods 1971 to 1981 to 1991, in Percentages.

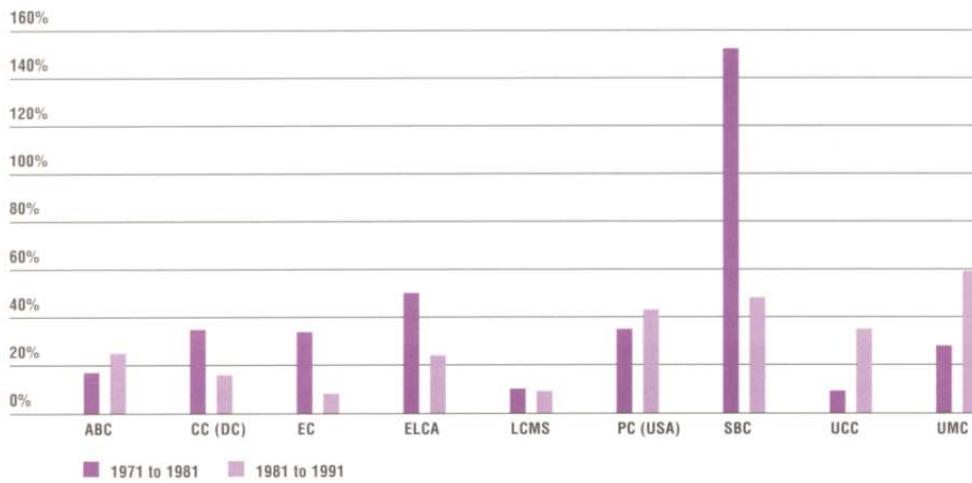
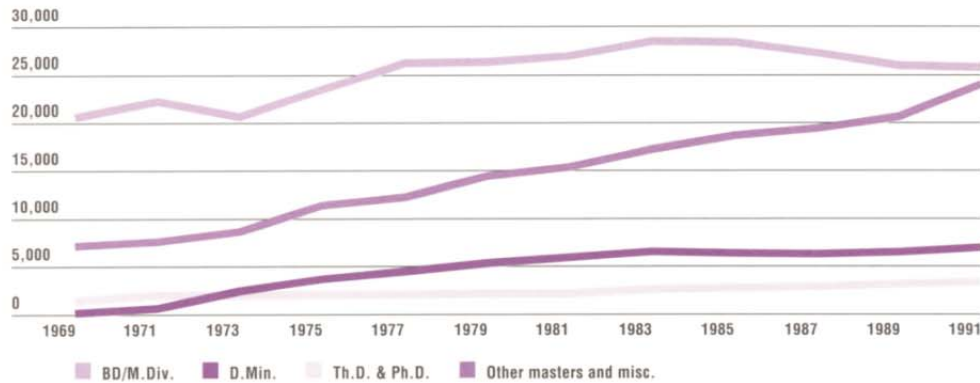


FIGURE 8: Head Count Enrollment in Schools Reporting to The Association of Theological Schools, by Degree and Year.



that report to the Association.¹³ We see that enrollment in the Master of Divinity degree, other masters degrees, and the Doctor of Ministry degree showed considerable growth in the 1970s. While the “other” masters degrees continued to grow strongly in the 1980s, we note that enrollments in Doctor of Ministry degree programs grew more modestly, while Master of Divinity enrollment began to decline.¹⁴

As mentioned, our data limitations prevent us from measuring the root causes of the real increases in student fee revenue. We speculate that enrollment increases played a strong role in the 1970s, with rate increases ascending in the 1980s.

Financial Aid

Financial aid grants offset some of the increases in charges to students. Table 3 and Figure 9 show the percentage of educational and general revenues provided by *net* income from student fees, that is, tuition and fees less all financial aid expenditures. While the trend from 1971 to 1981 was an increase in net tuition's financing of the schools, that trend was reversed over the 1981 to 1991 period. Figure 9 shows that seven of the nine denominations obtained a lower percentage of revenue from net tuition over that time. Clearly, the widespread granting of financial aid further erodes the financial importance of student fee revenue.

Despite this trend, many theological school administrators express great concern about the growing debts incurred by theological students. Throughout the 1980s theological school participation in federal loan programs expanded, to a point where, in 1991, slightly

more than half of Master of Divinity degree recipients graduated with outstanding educational loans.¹⁵ Finding affordable and non-burdensome methods of providing theological education should continue to command effort and imagination in the near future.

Endowment

The denominational groups vary widely in their dependence upon endowment. The schools affiliated with the Lutheran Church–Missouri Synod are the least dependent, relying on endowment for eight percent of educational and general revenues, as shown on Figure 10. Schools of the Presbyterian Church (U.S.A.), the Christian Church (Disciples of Christ), and the Episcopal Church all rely on endowment revenue for more than forty percent of educational and general revenue. Endowment revenue is, for those three denominational school groups, the largest source of educational and general revenue.

TABLE 3: The Percentage of Educational and General Revenue Provided by Student Fees for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91, and the Net Percentage after Deducting Student Aid Expenditures.

	<i>Percentage of Educational & General Revenue From Student Fees</i>			<i>Net Percentage of Educational & General Revenue After Deducting Student Aid</i>		
	1970/71	1980/81	1990/91	1970/71	1980/81	1990/91
American Baptist Churches	20%	28%	28%	7%	19%	16%
Christian Church (Disciples)	20%	28%	20%	0%	5%	2%
Episcopal Church	18%	25%	19%	3%	10%	8%
Evangelical Lutheran Church	14%	18%	17%	10%	12%	7%
Lutheran Church - Missouri	27%	29%	23%	20%	20%	5%
Presbyterian Church (U.S.A.)	18%	21%	17%	4%	4%	1%
Southern Baptist Convention	9%	16%	18%	5%	10%	10%
United Church of Christ	24%	30%	24%	13%	21%	16%
United Methodist Church	25%	33%	35%	6%	15%	17%

FIGURE 9: The Percentage of Educational and General Revenue Provided by Student Fees Minus Student Aid Expenditures for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.

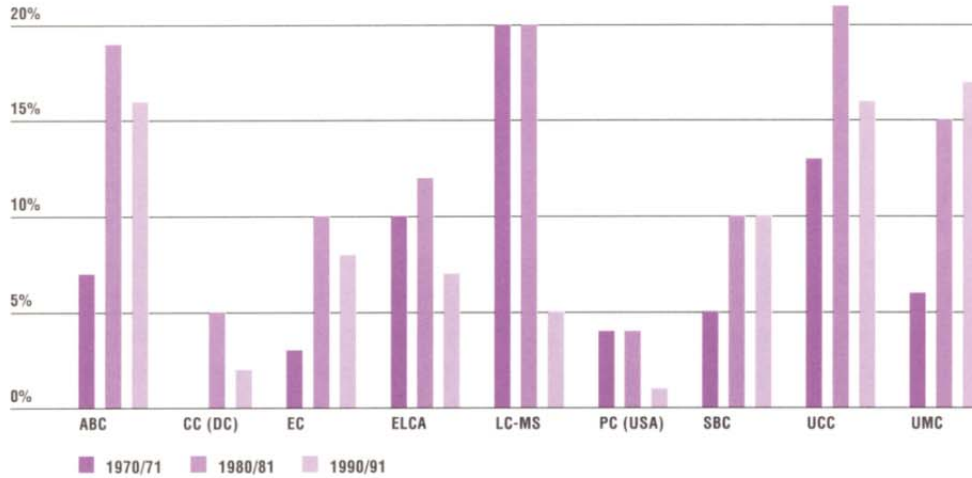


FIGURE 10: The Percentage of Educational and General Revenue Provided by Endowment for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.

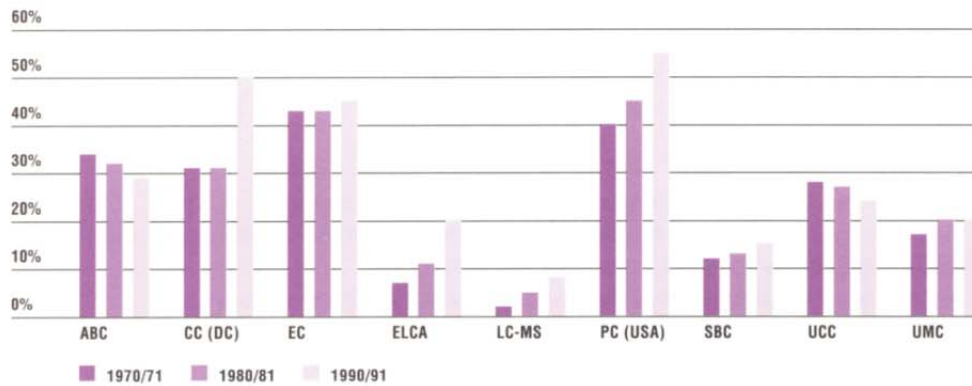


Figure 10 shows endowment revenue increasing in importance for seven of the nine denominational groups during the 1981-1991 decade, but declining in importance for two, namely, the schools of the American Baptist Churches and the United Church of Christ. Figure 11 provides a more accurate picture, however, because it shows that every denominational group experienced a

real (inflation-adjusted) increase in endowment revenue in the most recent decade. The fact that endowment revenue in two denominations declined in its percentage of educational and general revenue simply indicates that other types of revenue (student tuition, fees

and gifts) increased more rapidly than endowment revenue.

Figure 11 also shows that the real growth of endowment revenue from 1981 to 1991 varied widely among the schools, from as little as ten percent for American Baptist schools to as much as 164 percent for Christian Church (Disciples of Christ) schools. Why has there been so much variance? There are several possible reasons.

First, schools have different investment strategies. Over the course of the 1981-1991 period, stocks, as in most decades, outperformed bonds, even taking the October 1987 “crash” of the stock market into account. Schools that emphasized stock investments probably saw greater growth than those that emphasized fixed-income investments such as bonds. Investments in bonds also did well in those years; there is thus little surprise in observing across-

the-board real increases in endowment revenue over the decade.

Second, the revenue figures reported in 1981 and 1991 in part reflect the interest rates that schools were able to earn. Interest rates were much higher in 1981 than in 1991. For example, the 91 day Treasury rate was 14 percent in 1981 and 5.4 percent in 1991.¹⁶ The endowment revenue figures of 1981 may have reflected the high yields available at that time, while the 1991 figures may reflect lower interest rates and, perhaps, a greater investment allocation in lower-yielding equities.

Third, the amount of endowment revenue one has in the present reflects the school’s past decisions to spend or reinvest endowment returns. Small changes in the amount of total return that is spent or reinvested can make a large difference over a long term. Figure 12 illustrates how different

FIGURE 11: Real Increase in Endowment Revenue for the Ten Year Periods 1971 to 1981 and 1981 to 1991, in Percentages.

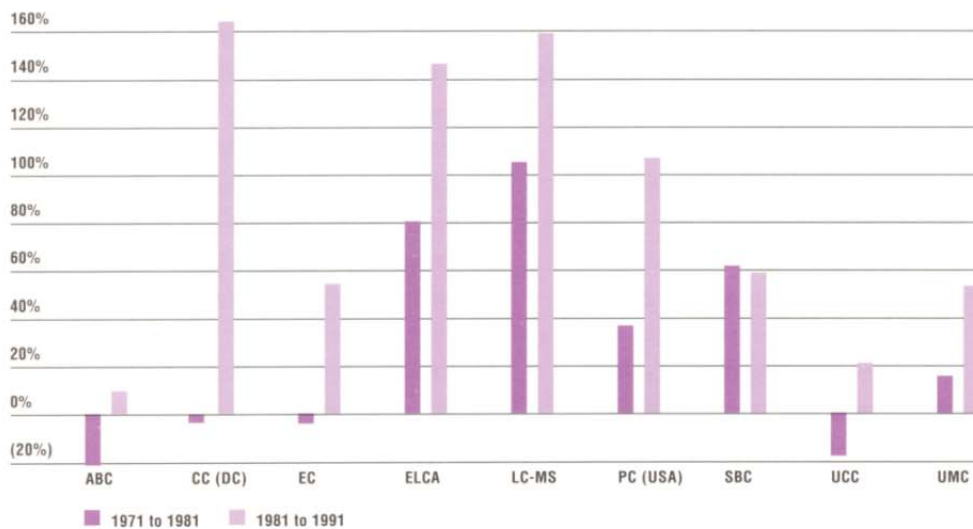


FIGURE 12: Pro Forma Effect of Differing Endowment Spending Rates 1981-1991.
**Investments Allocated 60% to S&P 500, 40% to Lehman Corporate/
 Government Bond Index. Spending Rates Expressed as a Percentage of
 the Endowment Market Value Spent Each Year.**



spending rates over the ten years from 1981 to 1991 could have affected the value of an endowment. In addition to the other factors cited, the variations we see between denominations in endowment revenue growth reflect different decisions schools made regarding the proportion of total return they chose to consume or reinvest.

Fourth, some of the differences among the denominational groups in the growth of their endowment revenue reflect the different amounts that schools were able to add to their endowments from gifts and bequests. While many schools sought to build their endowments through direct and

deferred gifts from friends of the school, the efforts and results were uneven.

The dynamics of market returns, asset allocation, spending/reinvestment rates, and the addition of new capital will continue to play a major role in financing protestant theological education. Because long-term market trends historically show lower returns than those experienced in the 1980s, seminary trustees and administrators will be likely to review their asset allocation, spending rate, and reinvestment rate decisions, as well as cultivate new endowment gifts.

Gifts and Grants

Gifts and grants remain the single largest source of revenue for six of the nine denominations we have studied over twenty years. As shown on Figure 13, however, the dependence on gifts has moderated since 1971. In fiscal 1970/71 the proportion of educational and general revenues provided through gifts was at its peak for all nine of the denominations under study. As may be seen on Figure 13, the largest drop in the percentage occurred in the 1971-1981 decade. The last ten years under study show a mixture of increases and decreases, depending on the denomination, in the role played by gifts.

Figure 14 documents the strengthening of the revenue stream from gifts over the 1981-1991 period. When measured against inflation, gifts to the theological schools declined in value from 1970/71 to 1980/81, with the sole exception of the schools of the Southern Baptist Convention. The 1980/81 to 1990/91 period was much happier.

Gifts increased while inflation declined, permitting each of the denominational groups to show real gains in gift revenue.

Why were Southern Baptists the only denomination able to maintain real growth in contributions in the 1970/71 to 1980/81 period? The answer may lie in the Southern Baptist seminary funding formula, in which denominational contributions are linked to an average per-student cost.¹⁷ By this linkage, the Southern Baptists provided an automatic adjustment for inflation.

The sources of gift support for current operations continue to evolve. For most of the denominations the story is the same: years ago denominational support, in the form of gifts from local churches, regional judicatories, and national church entities, supplied most revenue. Over the years, though, gifts provided a smaller portion of operating revenue, and church sources (as opposed to gifts from individuals, foundations, corporations and fund-raising consortia) provided a smaller and smaller propor-

FIGURE 13: The Percentage of Educational and General Revenue Provided by Gifts and Grants for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.

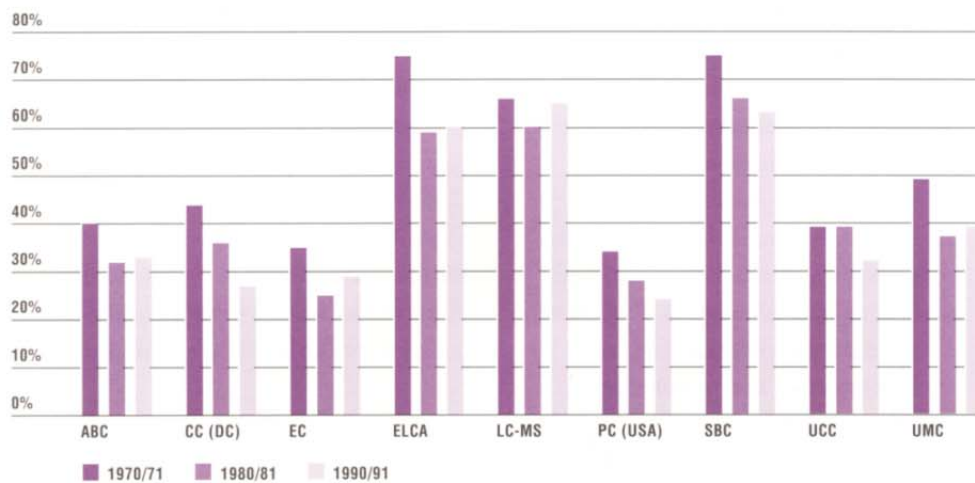
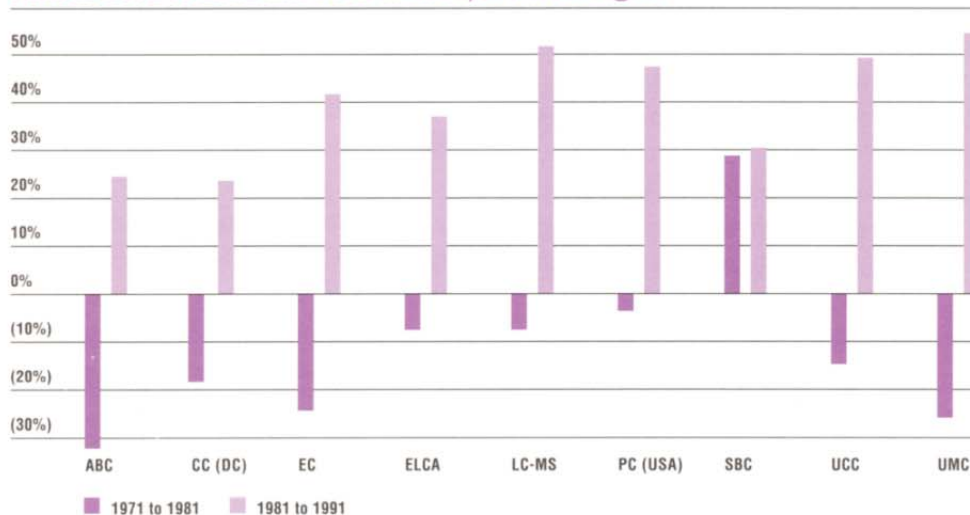


FIGURE 14: Real Increases in Gift and Grant Income for the Ten Year Periods 1971 to 1981 and 1981 to 1991, in Percentages.



tion of total gifts. Figure 15 documents this evolution by comparing the proportion of gifts by source for each of the nine denominations over twenty years. One may see on Figure 15 that the proportion of church gifts declined from 1981 to 1991 for eight of the nine denominations. Most of the denominations concurrently showed an increase in gifts from individuals.

The schools associated with the Episcopal Church run counter to this trend. This may reflect the growing success of a denominational funding plan initiated in the early 1980s that encouraged congregations to send “1 percent” contributions to Episcopal schools of their choosing.

Two factors, in varying degrees, can be said to have contributed to the evolution away from denominational funding to individual gifts. First, several denominations experienced financial strain at regional and national levels, with varying reasons being offered as explanations. Some of the factors most

often cited include membership stagnation, a multitude of denominational programs competing for funding, a loss of continuity associated with reorganization or restructure, and disaffection or controversy.

The second reason is more positive: theological schools have become more intentional and skilled at finding and developing a constituency of support among clergy and laity. This skill is evident in the growth of gifts from individuals, as shown on Figure 15, and when one looks at the sources of capital gifts, that is, gifts for buildings and endowment. In aggregate, eighty percent of 1990/91 capital gifts came from individuals, as may be seen on Figure 16. Fifteen percent of capital gifts came from foundations and corporations, some of which (in the case of family foundations and corporate matching gifts) were initiated by an individual.

FIGURE 15: Sources of Current Gifts for Theological Schools Affiliated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91.



Local churches and regional and national campaigns provide comparatively little (five percent on Figure 16) of the capital contributions. While some local churches are quite successful in raising capital funds for both their own needs and for denominational projects such as theological education, such campaigns are, evidently, either rare or focussed on mission needs other than theological education. Regional and national campaigns for theological education are welcomed by school administrators, but the dollar total is clearly eclipsed by the amounts individuals are able to give directly. Despite this, denominations play a powerful role in institutional fund raising, because the church's membership provides a natural and definable constituency to which the school may appeal for support. Schools with positive relations with their denominational

constituencies often benefit from official blessings and unofficial but crucial opening of doors to donors. The denomination's capital contribution is more significant than the dollar amounts suggest.

Interdenominational Schools and Schools Affiliated with Other Denominations

All data presented to this point pertain to the schools affiliated with the large protestant denominations Dillard studied in 1971. In this section we will contrast the revenue proportions of the nine denominational groups with the protestant schools Dr. Dillard left out: those of other denominations, and interdenominational or non-denominational schools. These other protestant schools are highly diverse in their character; their single prominent features in common are that the denominations they are affiliated with are relatively small, and there are usually only one or two schools affiliated with the denomination. Schools whose self-designation is inter- or non-denominational make up the final group. These schools are also diverse in character and heritage.

Figure 17 compares the proportions of educational and general revenues for the three groups of schools. The schools of smaller denominations have few endowment resources, and are thus principally dependent on gifts. Tuition and other student fees are their second largest source of revenue. Inter- or non-denominational schools are more heavily dependent on student fees than other types: tuition and fees are their largest educational and general revenue source, constituting forty-two percent

FIGURE 16: Sources of Capital Gifts for Theological Schools Affiliated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91.

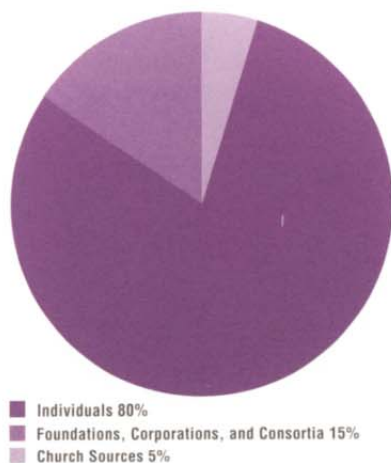
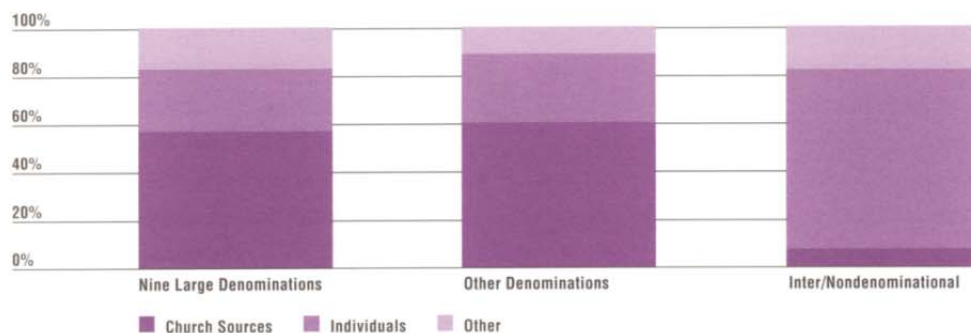


FIGURE 17: Proportionate Sources of Educational and General Revenue for Protestant Theological Schools in 1990/91, Comparing the Nine Large Denominations of the 1971-1991 Studies with Other Denominational Schools and Interdenominational Schools.



FIGURE 18: Proportionate Sources of Current Gifts and Grants for Protestant Theological Schools in 1990/91, Comparing the Nine Large Denominations of the 1971-1991 Studies with Other Denominational Schools and Interdenominational Schools.



of educational and general revenue. Gifts are their next largest component of revenue, providing about one-fourth of educational and general revenues, with endowment providing one-fifth. Naturally these gifts, as shown on Figure 18, are predominantly from individuals, since denominational support is linked to denominational affiliation.

Issues for the Next Decade

The revenue trends that we have reported suggest some directions for policy:

ENROLLMENT

Master of Divinity enrollments, in aggregate, are leveling off in North American theological education. Particular schools and denominations experience this stagnation first hand, and in some instances see declines in their full-time-equivalent enrollment, if

not in total number of students enrolled. We also saw that the revenue implications of this stagnation or decline have been modest, because theological schools are not principally dependent on student fee revenues. The modest significance of this revenue stream is further diminished when one considers the seminaries' large and growing grants for financial aid.

The most important implication of enrollment stagnation is not its impact on revenue, but, rather, its implications for the mission of the school. If a school finds itself working harder and harder to maintain a desired level of enrollment and finds that the number of full-time-equivalent students declines despite their best efforts, then it must consider the possibility that the school is no longer competitive, or, by the criterion of growth, successful. Options for such institutions include trying to grow by testing new programs or program forms designed to attract new constituencies; or continuing present programs in greatly reduced form, a difficult step that requires painful cuts in faculties, staff and facilities. Whether or not the school seeks to grow, the institutional mission is at the heart of the matter: whom will the institution seek to serve, and how will it seek to serve them?

ENDOWMENT

The last two decades' experience with endowment is instructive, as a series of gaunt and lean investment years were followed by a sleek and fat period of high returns. Schools must learn to handle both situations wisely. Two disciplines in endowment management are

crucial. The first is *investment* discipline. Trustees and administrators should have a well-thought-out approach to asset allocation, that is, to the decision to invest in different types of instruments. The history of investment returns has yielded sound procedures for allocating investments among stocks of large companies, small company growth stocks, international stocks, fixed income securities, real estate, venture capital, and other asset classes.¹⁸ Investment discipline means persevering with a sound strategy, and not overreacting to short-term, fear-inducing fluctuations in financial markets.

The second discipline is to balance present and future needs through a sound *spending* policy. Instead of simply spending all interest and dividends generated by the investments, trustees should adopt a policy of spending a specified amount of the total return (i.e., earnings plus appreciation) from investments. A carefully designed formula determines the amount to be spent. Such a policy theoretically

- 1) permits the trustees and investment managers to invest the assets for the best long-range total return for school, rather than for short-term cash flow needs;
- 2) provides a stable and predictable source of revenue for operations;
- and 3) permits the unspent balance of the total return to be reinvested to protect the investment principal from erosion by inflation. Such policies are common in colleges, universities, and theological schools, with a spending

rate of five percent of a three-year average of the endowment market value functioning as a “norm” if not a standard formula.¹⁹ Elaborations of this simple formula attempt to further smooth the revenue stream and restrain spending, while remaining responsive to long-term market trends.²⁰

The determination of a prudent amount to spend requires recognition that the excellent market returns obtained since 1982 are not typical of the returns over the course of the century. For this reason one finds little support among experts for spending any more than five percent of the endowment market value if the goal is to preserve the purchasing power of the endowment.²¹ Schools spending more than five percent in the 1990s may erode their basic financial foundation if, as many expect, returns in this period are closer to historical averages than to the excellent returns of the 1980s.

GIFTS AND GRANTS

Most theological schools find that current and capital gifts from individuals are growing faster than total gifts from church sources. The economic or financial implications of this trend are probably salutary: schools are able to use the real growth in gifts to repair aging facilities or expand instruction and research; at the same time hard-pressed denominational budgets are relieved of the burden of heavy support of their affiliated schools.

The ecclesiological implications of the trend, however, may be more significant than the economic flows. The trend in gifts away from overwhelming reliance on denominational funding

changes the relationship between the school and the denomination. Schools that develop donor constituencies (and endowments and reputations that attract students) are, naturally, no longer as financially dependent on the denomination as they may have been in the past. Such institutions cannot be seen as wholly-owned subsidiaries of the denomination and their willingness to submit to denominational control is no longer guaranteed by financial dependence. As financial patterns change, relationships change.

Most denominational seminaries are moving toward this kind of financial independence. Often the movement is gradual and unnoticed, although in the cases of the newly-formed denominations (the Presbyterian Church [U.S.A.] and the Evangelical Lutheran Church in America), the situation was carefully studied before new funding structures were adopted. Seminary-denomination relationships are also the focus of direct attention among Southern Baptists, although the doctrinal and ecclesial issues are far more prominent than issues of finance and funding.

Most denominational schools will correctly point out that their relationship and fealty to their denomination does not depend on the question of who controls the purse strings. Boards of trustees are often overwhelmingly composed of the denomination's clergy and laity, and faculty are explicitly sought for their understanding of and commitment to furthering the denomination's

intellectual heritage. The values and identity of a school may indeed be wholly compatible with the affiliated denomination even though the denomination does not have either formal authority over or financial control of the school. Even so, the erosion of financial dependence upon a denomination raises questions about their present and future relationship. Because it is unlikely that funding levels and authority patterns from decades ago will be reestablished, school and denominational officials should focus their discussions on new patterns of relationship that benefit both seminaries and the denominations they serve.

Notes

1. Joseph P. O'Neill and Richard T. Murphy, "Changing Age and Gender Profiles Among Entering Seminary Students: 1975:1989," *Ministry Research Notes*, Spring 1991. Princeton: Educational Testing Service, p. 2.
2. See, for instance, Wade Clark Roof and William McKinney, *American Mainline Religion*, New Brunswick: Rutgers University Press, 1987; Robert Wuthnow, *The Restructuring of American Religion*, Princeton: Princeton University Press, 1988; Milton J. Coalter, John M. Mulder, Louis B. Weeks, editors of six volumes under the series title *The Presbyterian Presence: The Twentieth-Century Experience*, Louisville: Westminster/John Knox Press, 1990 to 1992.
3. The United Church of Christ studied their method of funding theological schools in the last decade as well, and the Episcopal Church, in the 1980s, promoted a new funding plan.
4. Jesse H. Ziegler, "Key Issues Facing AATS in 1972," *Theological Education 9:1*, Vandalia, OH: American Association of Theological Schools, pp. 26-27.
5. Gail Buchwalter King, editor, *Fact Book on Theological Education for the Academic Year 1991-92*, Pittsburgh: The Association of Theological Schools, p. 135.
6. Walter A. Schaw, et. al., *Today's Challenge To Tomorrow's Vision*, APPA and Lilly Endowment Inc., 1991, p. 3.
7. L. Badgett Dillard, *Financial Support of Protestant Theological Education*, Ed.D. thesis, Indiana University, 1973.
8. Badgett Dillard and Anthony Ruger, *Changes in the Financial Support of Protestant Theological Education, 1971-1981*, Louisville, KY: Badgett Dillard and Anthony Ruger, 1983.
9. The seven studies use data from at least four different but overlapping samples of seminaries, as may be deduced from the listing of sources of data. While the 1971, 1981, and 1991 studies are directly comparable, findings from comparisons with and among the earlier studies may be biased because of sample selection. For instance, the heavy dependence on endowment in the twenties and thirties may reflect institutional samples predominantly composed of older, wealthier mainline protestant schools.
10. On Figures 3, 4, and 5 the category of "other" educational and general revenue appears. This revenue is from miscellaneous and varied sources such as sales of educational materials and services and interest from current fund investments. The sources of this revenue vary a great deal from seminary to seminary.
11. In measuring real growth of revenues we adjusted dollar amounts by the Consumer Price Index—U.S. City Average. When comparing schools across decades we included revenues from schools that merged to form a successor school. When comparing real income across decades we did not include revenues from schools that were added to denominational groups since the 1970/71 study.
12. See, for instance, Table 4.01 in Gail Buchwalter King, editor, *Fact Book on Theological Education for the Academic Year 1992/93*, Pittsburgh: Association of Theological Schools, 1993, p. 138ff. Master of Divinity tuition is typically between \$3,000 and \$8,000 per year. Southern Baptist schools charge about \$1,000 to \$1,200 per year.
13. Schools included in the Association's data that are not included in most of this study are interdenominational schools, Roman Catholic schools, Canadian schools, schools affiliated with smaller protestant denominations, and others. Dr. Dillard selected the eleven protestant denominations in his initial study based on their membership size, the amount of members' donations, the number of churches, the number of theological students, and the affiliation of the school or schools with the American Association of Theological Schools.

14. Some of the growth shown on Figure 8—especially that in the 1970s—should be attributed to an increased number of schools reporting to the Association of Theological Schools. Nonetheless, the 1987-88 *Fact Book* looked at both the institutional and student enrollment growth rates and reported that the enrollment growth rate from 1969 to 1987 (87 percent) exceeded the institutional growth rate (18.3 percent). We could have confidence that enrollment growth was larger than institutional growth if the newly-admitted schools were average sized or smaller.

15. Anthony Ruger, *The Educational Debt of Theological and Rabbinical Students*, unpublished manuscript. Forthcoming publications on theological student debt will be available from the Auburn Theological Seminary Center for the Study of Theological Education.

16. Dan Wingerd, editor, *A Chartbook of Trends Affecting Higher Education Finance 1960-1990*, Westport, CT: The Common Fund, 1992, p. 68.

17. This denominational formula, as well as those in use by other denominations, is included in a research paper by Joseph P. O'Neill available through Auburn's Center for the Study of Theological Education. (See p. 28 in this issue—ed.)

18. Helpful publications include J. Peter Williamson, *Funds for the Future: College Endowment Management for the 1990s*, Westport, CT: The Common Fund Press, 1993, and the Academy for Educational Development, *Improving Endowment Management*, Washington, D.C.: Association of Governing Boards of Universities and Colleges, 1985.

19. J. Peter Williamson, *Funds for the Future: College Endowment Management for the 1990's*, pp. 5-111.

20. Samuel H. Ballam III and Robert T. Forrester, "Endowment Spending Rates," *Higher Education Management Newsletter*, Boston: Coopers & Lybrand, May 1988.

21. The amount one can spend while preserving the purchasing power of the assets is directly related to the decisions made on asset allocation. That is, an emphasis on fixed-income investments, with their lower total return, would require a low spending rate. The five percent spending rate assumes that about 65 percent of invested assets are in equities. For descriptions of spending rates and their underlying models, see the Advisory Committee on Endowment Management, *Managing Educational Endowments*, New York: Ford Foundation, August 1969, and Richard M. Ennis and J. Peter Williamson, *Spending Policy for Educational Endowments*, Westport, CT: The Common Fund, January 1976.

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The author is grateful for the extensive help he received. Lilly Endowment Inc. provided support for this research, demonstrating again their concern for the vitality of theological education. Auburn Theological Seminary and its Center for the Study of Theological Education provided a home for the research, as well as the extensive help of Barbara Wheeler and Mark Wilhelm in all phases of this project. The Advisory Board of the Auburn Center provided constructive comments on the earliest results as well. We thank the Association of Theological Schools for providing the data, noting especially the contributions of James Waits, Gail Buchwalter King, and Deena Anundsen. Joseph P. O'Neill again proved himself an invaluable colleague through his research and report on denominational funding formulae. Virginia Clifford provided a careful and necessary reading of the draft, for which we are thankful. Deborah Kapp was supportive in innumerable ways. Lastly, we acknowledge a debt to our friend and colleague, the late Badgett Dillard. His research is the foundation from which we gain two decades' vision.

Appendix A: Theological Schools Affiliated with Participating Denominations

The seminaries listed below provided the data for the foregoing report.

They include all the schools offering the Master of Divinity that are clearly identified with one or two of the selected denominations.

American Baptist Churches in the USA

American Baptist Seminary of the West
Andover Newton Theological School¹
Central Baptist Theological Seminary
Colgate Rochester Divinity School/
Bexley Hall/Crozer Theological Seminary²
Eastern Baptist Theological Seminary
Northern Baptist Theological Seminary
Virginia Union University School of Theology

Christian Church (Disciples of Christ)

Brite Divinity School
Christian Theological Seminary
Lexington Theological Seminary
Phillips Graduate Seminary

The Episcopal Church

Church Divinity School of the Pacific
Colgate Rochester Divinity School/
Bexley Hall/Crozer Theological Seminary²
Episcopal Divinity School
Episcopal Theological Seminary of the Southwest
General Theological Seminary
Nashotah House
Protestant Episcopal Theological Seminary
in Virginia
Seabury-Western Theological Seminary
Trinity Episcopal School for Ministry
University of the South School of Theology

Evangelical Lutheran Church in America

Luther Seminary³
Lutheran School of Theology at Chicago
Lutheran Theological Seminary at Gettysburg
Lutheran Theological Seminary at Philadelphia
Lutheran Theological Southern Seminary
Pacific Lutheran Theological Seminary
Trinity Lutheran Seminary
Wartburg Theological Seminary

The Lutheran Church—Missouri Synod

Concordia Seminary (St. Louis)
Concordia Theological Seminary (Fort Wayne)

Presbyterian Church (U.S.A.)

Austin Presbyterian Theological Seminary
Columbia Theological Seminary
Louisville Presbyterian Theological Seminary
McCormick Theological Seminary
Pittsburgh Theological Seminary
Princeton Theological Seminary
San Francisco Theological Seminary
Union Theological Seminary in Virginia
University of Dubuque Theological Seminary

Southern Baptist Convention

Golden Gate Baptist Theological Seminary
Midwestern Baptist Theological Seminary
New Orleans Baptist Theological Seminary
Southeastern Baptist Theological Seminary
Southern Baptist Theological Seminary
Southwestern Baptist Theological Seminary

United Church of Christ

Andover Newton Theological School¹
Bangor Theological Seminary
Chicago Theological Seminary
Eden Theological Seminary
Lancaster Theological Seminary
Pacific School of Religion
United Theological Seminary of the Twin Cities

United Methodist Church

Boston University School of Theology
Candler School of Theology
School of Theology at Claremont
Drew University Theological School
Duke University Theological School
Garrett-Evangelical Theological Seminary
Iliff School of Theology
Methodist Theological School in Ohio
Perkins School of Theology
Saint Paul School of Theology
United Theological Seminary
Wesley Theological Seminary

1. *Andover Newton Theological School is affiliated with both the American Baptist Church and the United Church of Christ.*

2. *Colgate Rochester Divinity School/Bexley Hall/Crozer Theological Seminary is affiliated with both the American Baptist Church and the Episcopal Church.*

3. *Prior to 7/1/94, Luther Seminary was known as Luther Northwestern Theological Seminary.*

Appendix B: Data Sources for Figures

Source of Data for Figure 2: Investment Returns (and Inflation) by Decade.

	1970s	1980s
Stocks	77%	403%
Corporate Bonds	83%	240%
Treasury Bonds	71%	227%
Treasury Bills	84%	134%
Inflation	103%	65%

Source of Data for Figure 5: Sources of Educational and General Revenue for Theological Schools Associated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91. Dollar Amounts are Adjusted for Inflation and Shown in 1991 Dollars. Figure 5 shows increases by decade.

	1970/71	1980/81	1990/91
Student fees	\$31,725,006	\$44,175,297	\$61,308,652
Endowment	\$37,970,212	\$45,181,914	\$81,740,483
Gifts & Grants	\$86,661,326	\$81,002,082	\$113,490,665
Other	\$10,700,835	\$14,118,877	\$13,807,616
Total	\$167,057,379	\$184,478,170	\$270,347,416

Source of Data for Figure 6: The Percentage of Educational and General Revenue Provided by Student Fees for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.

	1970/71	1980/81	1990/91
American Baptist Churches	20%	28%	28%
Christian Church (Disciples of Christ)	20%	28%	20%
Episcopal Church	18%	25%	19%
Evangelical Lutheran Church in America	4%	18%	17%
Lutheran Church—Missouri Synod	27%	29%	23%
Presbyterian Church (U.S.A.)	18%	21%	17%
Southern Baptist Convention	9%	16%	18%
United Church of Christ	24%	30%	24%
United Methodist Church	25%	33%	35%

Source of Data for Figure 7: Real (Inflation-Adjusted) Student Fee Revenues for Theological Schools Associated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91. Amounts Shown in 1991 Dollars. Figure 7 shows percentage increases by decade.

Student Fee Revenues	1970/71	1980/81	1990/91
American Baptist Churches	\$2,860,532	\$3,358,158	\$4,200,118
Christian Church (Disciples of Christ)	\$1,446,025	\$1,956,166	\$2,271,322
Episcopal Church	\$3,644,569	\$4,873,459	\$5,281,154
Evangelical Lutheran Church in America	\$2,547,270	\$3,816,165	\$4,747,393
Lutheran Church—Missouri Synod	\$2,278,868	\$2,513,845	\$2,752,451
Presbyterian Church (U.S.A.)	\$5,216,402	\$7,035,553	\$10,061,255
Southern Baptist Convention	\$2,469,491	\$6,214,117	\$9,210,492
United Church of Christ	\$2,717,060	\$2,973,023	\$4,015,972
United Methodist Church	\$10,275,142	\$13,141,011	\$20,915,140

Source of Data for Figure 10: The Percentage of Educational and General Revenue Provided by Endowment for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.

	1970/71	1980/81	1990/91
American Baptist Churches	34%	32%	29%
Christian Church (Disciples of Christ)	31%	31%	50%
Episcopal Church	43%	43%	45%
Evangelical Lutheran Church in America	7%	11%	20%
Lutheran Church—Missouri Synod	2%	5%	8%
Presbyterian Church (U.S.A.)	40%	45%	55%
Southern Baptist Convention	12%	13%	15%
United Church of Christ	28%	27%	24%
United Methodist Church	17%	20%	20%

Source of Data for Figure 11: Real (Inflation-Adjusted) Endowment Revenues for Theological Schools Associated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91. Amounts Shown in 1991 Dollars. Figure 11 shows percentage changes by decade.

Endowment Revenue	1970/71	1980/81	1990/91
American Baptist Churches	\$4,898,088	\$3,855,724	\$4,234,652
Christian Church (Disciples of Christ)	\$2,239,046	\$2,158,586	\$5,699,128
Episcopal Church	\$8,739,135	\$8,371,461	\$12,911,480
Evangelical Lutheran Church in America	\$1,263,987	\$2,277,103	\$5,605,447
Lutheran Church—Missouri Synod	\$189,630	\$389,167	\$1,006,919
Presbyterian Church (U.S.A.)	\$11,229,698	\$15,334,532	\$31,742,579
Southern Baptist Convention	\$3,001,973	\$4,846,019	\$7,686,646
United Church of Christ	\$3,200,619	\$2,625,432	\$3,173,130
United Methodist Church	\$6,865,680	\$7,929,158	\$12,145,911

Source of Data for Figure 13: The Percentage of Educational and General Revenue Provided by Gifts and Grants for Theological Schools Affiliated with Nine Protestant Denominations in 1970/71, 1980/81, and 1990/91.

	1970/71	1980/81	1990/91
American Baptist Churches	40%	32%	33%
Christian Church (Disciples of Christ)	44%	36%	27%
Episcopal Church	35%	25%	29%
Evangelical Lutheran Church in America	75%	59%	60%
Lutheran Church—Missouri Synod	66%	60%	65%
Presbyterian Church (U.S.A.)	34%	28%	24%
Southern Baptist Convention	75%	66%	63%
United Church of Christ	39%	39%	32%
United Methodist Church	49%	37%	39%

Source of Data for Figure 14: Real (Inflation-Adjusted) Gift and Grant Revenues for Theological Schools Associated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91. Amounts Shown in 1991 Dollars. Figure 14 shows percentage changes by decade.

Gifts and Grants	1970/71	1980/81	1990/91
American Baptist Churches	\$5,718,102	\$3,869,857	\$4,818,659
Christian Church (Disciples of Christ)	\$3,047,284	\$2,486,931	\$3,073,938
Episcopal Church	\$6,426,109	\$4,856,796	\$6,883,121
Evangelical Lutheran Church in America	\$13,475,183	\$12,453,749	\$17,065,465
Lutheran Church—Missouri Synod	\$5,542,103	\$5,122,630	\$7,772,293
Presbyterian Church (U.S.A.)	\$9,774,028	\$9,404,911	\$13,858,522
Southern Baptist Convention	\$19,663,561	\$25,306,799	\$33,006,068
United Church of Christ	\$4,468,797	\$3,811,234	\$5,689,053
United Methodist Church	\$20,185,124	\$14,938,778	\$23,051,406

Source of Data for Figure 15: Sources of Current Gifts for Theological Schools Affiliated with Nine Protestant Denominations, 1970/71, 1980/81, and 1990/91.

<i>ABC</i>	1970/71	1980/81	1990/91	<i>PC (USA)</i>	1970/71	1980/81	1990/91
Church Sources	41%	45%	32%	Church Sources	76%	57%	35%
Individuals	44%	33%	33%	Individuals ¹	8%	31%	40%
Other	15%	22%	35%	Other	6%	12%	25%

<i>CC (DC)</i>	1970/71	1980/81	1990/91	<i>SBC</i>	1970/71	1980/81	1990/91
Church Sources	67%	65%	58%	Church Sources	95%	97%	86%
Individuals	19%	24%	25%	Individuals	4%	3%	12%
Other	14%	11%	18%	Other	1%	1%	3%

<i>EC</i>	1970/71	1980/81	1990/91	<i>UCC</i>	1970/71	1980/81	1990/91
Church Sources	24%	24%	50%	Church Sources	73%	49%	30%
Individuals	50%	44%	36%	Individuals	19%	35%	32%
Other	26%	31%	14%	Other	8%	16%	38%

<i>ELCA</i>	1970/71	1980/81	1990/91	<i>UMC</i>	1970/71	1980/81	1990/91
Church Sources	87%	70%	63%	Church Sources	82%	68%	56%
Individuals	5%	17%	29%	Individuals	6%	12%	24%
Other	8%	13%	8%	Other	12%	20%	20%

<i>LC-MS</i>	1970/71	1980/81	1990/91
Church Sources	91%	63%	36%
Individuals	5%	29%	31%
Other	4%	8%	33%

Source Data for Figure 16: Sources of Capital Gifts for Theological Schools Affiliated with Nine Protestant Denominations in 1990/91. All Capital Gifts Aggregated.

<i>Church Sources</i> 5%	<i>Individuals</i> 80%	<i>Foundations, Corporations, and Consortia</i> 15%
\$5,224,865	\$83,441,454	\$15,989,303

Source Data for Figure 17: Sources of Educational and General Revenue for Protestant Theological Schools in 1991, Comparing the Nine Large Denominations of the 1971-1991 Studies with Other Denominational Schools and Interdenominational Schools.

	<i>Nine Subject Denominations</i>	<i>Other Denominational Schools</i>	<i>Inter/Non Denominational Schools</i>
Student Fees	22.5%	34.9%	42.0%
Endowment	30.0%	8.3%	21.0%
Gifts & Grants	41.7%	50.6%	25.9%
Other	5.9%	6.3%	11.1%

Source of Data for Figure 18: Sources of Current Gifts and Grants for Protestant Theological Schools in 1991, Comparing the Nine Large Denominations of the 1971-1991 Studies with Other Denominational Schools and Interdenominational Schools.

	<i>Nine Subject Denominations</i>	<i>Other Denominational Schools</i>	<i>Inter/Non Denominational Schools</i>
Church Sources	\$57,574,932	\$19,840,797	\$3,880,553
Individuals	\$26,274,815	\$9,538,298	\$41,182,073
Other	\$16,895,130	\$3,571,264	\$9,608,395

Background Report Summary: Denominational Funding Patterns in Protestant Theological Education *by Joseph P. O'Neill*

In a companion essay to this report, Joseph P. O'Neill examines formulas used by denominations to allocate funds among their seminaries. A summary of the essay follows below. A copy of the complete essay may be obtained from the Auburn Center (Auburn Theological Seminary, 3041 Broadway, New York, NY 10027) for \$3.00 (U.S.) postage and handling.

Funding of seminaries has changed since 1971: Denominational subsidies have declined as a percentage of total gifts and grants to seminaries, and schools have increasingly sought gifts from individuals for current and capital purposes, incurring the high cost that this kind of fund raising carries. Denominational funds that are provided are now likely to be distributed among seminaries according to formulas rather than as block grants that cover fixed costs.

O'Neill looks at the economic characteristics of the various formulas for funding seminaries, and notes the peculiar effects each formula could have. He groups denominational funding systems into three types: market economies, in which local congregations contribute directly to seminaries without regional or national offices acting as an intermediary; planned economies, in which a regional or national denominational office collects funds from local congregations and other sources and dis-

tributes these funds to the theological schools according to a predetermined formula; and mixed economies, in which support comes directly from congregations as well as from a regional or national denominational fund.

Market systems place a premium on direct communication with congregations, on the reputation of a school, and the congregation's habit of giving. The chief criticism of market systems is that they are not equitable: schools with meritorious but unknown programs, schools in poor regions, and schools lacking fund raising skills may all suffer harsh judgment from the market.

Planned economies are designed for rationality and equity, embodying explicit priorities of the denomination. Incentives or rewards are commonly built into formulas, encouraging schools to increase enrollment, output, quality, and innovation. Planned economies have to cope with details such as whether to subsidize students from other denominations at the same rate as one's own students, and the assignment of responsibility for publicity. Lastly, planned economies contain the real or imagined danger that a centralized funding system causes schools to lose sensitivity to the concerns of local churches.

About Auburn Theological Seminary

Auburn Seminary was founded in 1818 by the presbyteries of central New York State. Progressive theological ideas and ecumenical sensibilities guided Auburn's original work of preparing ministers for frontier churches and foreign missions. After the seminary relocated from Auburn, New York, to the campus of Union Theological Seminary in New York City in 1939, Auburn ceased to grant degrees, but its commitment to progressive and ecumenical theological education remained firm.

As a free-standing seminary working in close cooperation with other institutions, Auburn found new forms for its educational mission: programs of serious, sustained theological education for laity and practicing clergy; a course of denominational studies for Presbyterians enrolled at Union; and research into the history, aims and purposes of theological education.

In 1991, building on its national reputation for research, Auburn established the Center for the Study of Theological Education to foster research on current issues on theological education, an enterprise that Auburn believes is critical to the well-being of religious communities and the world that they serve.