

# Maximizing the Margin: The impact of head-count and full-time enrollments on institutional resources

Institutions live within the tension between mission and margin. By completely focusing on mission without contemplating resource margins, an institution may ultimately put the mission in peril as resources diminish. Alternatively, if margins are the only focus, then mission may be undermined and the goal of an institution's entire work may be relegated to dollars and cents. In simple but critical terms, theological schools must be mission focused and margin aware.



## Start with an environmental scan

As schools seek to maximize their missions and margins, they would be wise to do so considering the broader industry and context in which they do their work. A variety of factors might impact an institution, its mission, and its resource margins. These factors might include, but are not limited to, current and potential students, faculty, and administration; current and potential donors; available financial resources and commitments; ecclesial structures; and national and global economics. These

**margin** (mär'jin) the resources that remain once effort is expended to accomplish a goal.

In terms of finances, margin would be the surplus or deficit of revenues over expenses. In terms of human resources, margin would be the human capacity that remains when goals and mission are accomplished. In terms of physical plant, margin might be excess square footage or extraordinarily high appraised value or deferred maintenance. In the world of theological education, margins tend to be quite thin.

external factors are a reminder of the importance of seeking points of reference beyond the campus when analyzing resource margins and their use to fulfill the institution's mission. Institutions should implement strategic planning processes that include appropriate environmental scans.

At a recent conference for chief financial officers at ATS schools, participants were provided with data within theological education that was intended to inform and also to inspire further questions. A president of one ATS member school who attended the conference commented, "It is easy to allow conversations within our schools to remain 'in-house' and insular; the data given by ATS opened us all to see our own information within a broad, data-rich context."

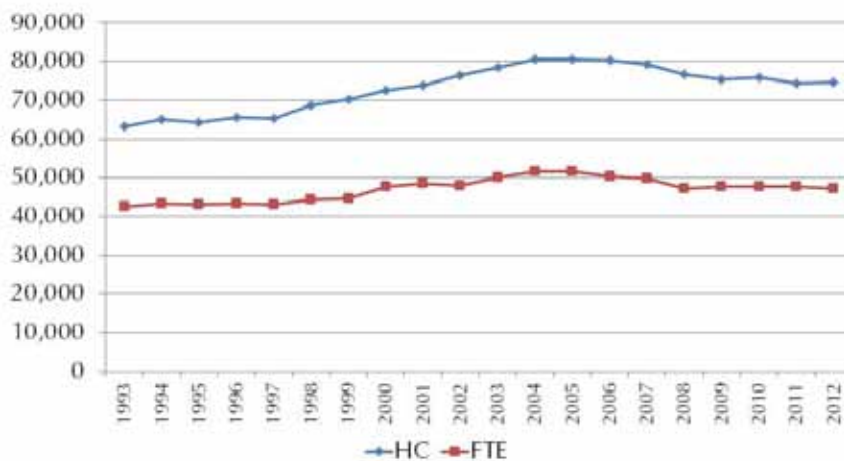
## Head-count enrollment vs. full-time equivalent enrollment

One factor within theological education that is having an impact on margins is the change over time in the ratio between head-count (HC) enrollment and full-time equivalent (FTE) enrollment. Each year, ATS schools provide data on both the total number of students that are enrolled (HC enrollment) and the equivalent measure of full-time students that these enrollees represent (FTE enrollment). Both of these data points are important measures, and their relationship has an impact on both mission and margin.

Many member schools have successfully increased the number of students that are coming to seminary; however, these students are taking fewer classes and steadily equating to a relatively smaller full-time equivalent. The gap between HC enrollment and FTE enrollment is widening.

Looking back twenty years, total HC enrollment in ATS schools increased at a fairly steady rate—averaging 2 percent per year—from about 63,000 in 1993 to nearly 81,000 in 2004. Since 2004, HC enrollment in ATS schools has declined a little more than 1 percent each year, hitting about 74,500 in 2012.

### HC and FTE Enrollment in ATS Schools



During these same years, FTE enrollment grew an average of about 1 percent per year, from about 43,000 in 1993 to slightly more than 52,000 in 2004, before beginning a decline of about 2 percent per year, hitting about 47,000 in 2012. Between 2002 and 2012, nearly 40 percent of member schools saw enrollment increase and about 60 percent saw it decline. The median change in HC enrollment between 2002 and 2012 was -9 percent in all ATS schools.

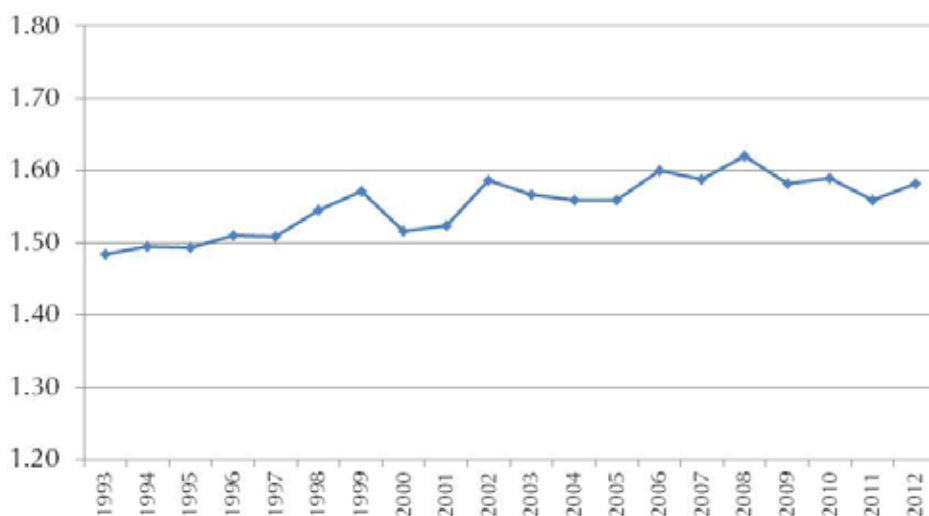
What does this mean for the finances of a school? Put simply, HC growth increases the use of resources, while FTE growth increases the school's ability to raise revenue. If FTE growth is not commensurate with HC growth, the resource margin will be strained.

Increases in HC enrollment over time are certainly good news and are a reflection of the growing reach of ATS schools in terms of their ability to educate persons for various ministries in fulfillment of their missions. At the same time, this HC enrollment growth stretches human, financial, and physical resource margins. It may create greater need in terms of faculty, student services, auxiliary enterprises, and academic and institutional support. This has an impact on all facets of an institution's resources. But, as the data indicate, even as HC enrollment increases, FTE enrollment is not

growing at the same rate. As one measure of potential financial growth, FTE enrollment is an indication of a school's ability to generate revenue and thus add to resource margins. Therefore, the chart provides some indication of the growing resource requirements of member schools while concurrently reflecting a leveling of a revenue factor.

It is the ratio between head-count and full-time equivalent numbers (HC ÷ FTE), however, that reveals one of the most significant trends in the industry. The increase in that ratio over time shows the growing number of part-time students. For example, if all students in ATS schools were full time, the ratio would be 1.0. Since 1993, the ratio has grown from 1.49 to 1.59 students enrolled to equal one FTE. And that growing part-time character of student bodies has implications for both mission and margin.

Ratio of HC to FTE Enrollment in ATS Schools



One final perspective on this enrollment data can be found by looking at some common stratifications—among ecclesial families and between the United States and Canada—for the 1993–2012 period.

	1993 HC Enrollment	1993 FTE Enrollment	1993 HC/FTE Ratio	2012 HC Enrollment	2012 FTE Enrollment	2012 HC/FTE Ratio
All ATS	63,429	42,660	1.49	74,548	47,128	1.58
Evangelical	31,910	20,356	1.57	47,140	26,865	1.75
Mainline	24,017	16,910	1.42	20,006	14,661	1.36
Roman Catholic/Orthodox	7,502	5,394	1.39	7,402	5,601	1.32
United States	58,389	39,510	1.48	69,426	44,467	1.56
Canada	5,040	3,150	1.60	5,122	2,661	1.92

In terms of ecclesial family, HC enrollment in evangelical institutions has increased from nearly 32,000 to slightly more than 47,000 in these twenty years, or about 50 percent. During this same period, FTE enrollment has grown from 20,000 to 27,000, or 35 percent. In 1993, evangelical institutions required 1.57 students to equal one full-time equivalent; by 2012, they required 1.75 enrolled

students. Some of this enrollment growth is certainly due to increases in the number of institutions that belong to the Association, but most of the increase is real in terms of growth within institutions.

When looking at mainline institutions, HC enrollment and FTE enrollment have declined over these twenty years, with the number of institutions remaining fairly constant. Roman Catholic/Orthodox institutions have seen flat enrollment growth in HC enrollment and 4 percent in FTE enrollment during the period, with little change in the number of institutions. In terms of the HC to FTE ratio, both mainline and Roman Catholic/Orthodox institutions have remained about the same.

From the perspective of country, the US schools have experienced growth of 19 percent and 13 percent in HC and FTE enrollment, respectively. For Canadian institutions, HC enrollment has been almost flat over the two decades while FTE enrollment has declined by 16 percent. In both countries, the HC to FTE ratio has grown over time.

This analysis suggests that, even as HC enrollments have grown over the last decade, those students are taking fewer classes. As institutions manage these growing numbers of students during this period, they have likely done so while generating less resource margin from tuition revenue.

Yet the economics driven by students are not the only challenges facing schools. Many ATS member schools have taken significant measures to reduce expenditures to compensate for a loss in revenues from market declines that directly impacted endowment earnings and indirectly influenced contributions. These steps were intended to manage margins to an acceptable level, to preserve and focus remaining resources to meet mission, and to bolster long-term financial viability. As schools continue to manage this new reality, it will be imperative that they do so with mission and resource margins in view.

## Inform planning with data

More and more, ATS member schools are finding value in including industry data as part of their strategic and financial planning. Clearly, one data point that has had an impact on mission and margins is the changes over time in HC and FTE enrollment in ATS schools. Many other factors can be explored with ATS resources and peer colleagues. As one member school president commented after the recent CFO conference, “As a training and orientation process for all budget managers, I have scheduled a finance summit in which we will review the ATS data and place our own information alongside that data. We will also use this information at our next board meeting to broaden their knowledge of financial realities among schools similar to ours in mission. It is imperative that we do our financial planning with contextual information in hand.”

It is crucial for administrators to continue to provide strong institutional and fiscal leadership so that their schools remain both mission focused and margin aware as they plan for a viable future. Through its leadership education and data resources, ATS can be a partner in this important endeavor.



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*Chris Meinzer is senior director of administration and CFO.*