

What is the State of the College?



We have a distinctive Program at St. John's College. It is unlike any other college education in the United States. The realities of preserving and sustaining such a unique program in the 21st century have proven financially challenging. This report intends to shed light on the state of the college and how we can work together to address our challenges.

In the fall of 2017, St. John's presidents **Mark Roosevelt** and **Panayiotis Kanelos** met to engage in an open and wide-ranging dialogue. The intention: to provide you with a transparent look into the current state of the college and to illuminate a path forward—and the important roles we all have in reaching our destination.



Panayiotis Kanelos President of St. John's College in Annapolis

Mark Roosevelt President of St. John's College in Santa Fe

A Dialogue

Mark Roosevelt America is engaged in an important conversation about the current state of higher education, particularly for four-year liberal arts colleges. It is a conversation that has engrossed the two of us since you began your tenure as the Annapolis president, and many in our St. John's community as well. Do you see it as a crisis or as something else?

Panayiotis Kanelos I think there's mainly a crisis of perception: That the role of higher education has shifted from forming young people into flourishing individuals and citizens towards focusing on pre-professional training. I think this arises out of a sense of financial chaos and unease, a feeling that the world doesn't quite make sense in the way that it used to—that pathways to careers aren't as open or stable as they used to be. So there is this perception that colleges are no longer an important stage in one's personal journey, but rather serve exclusively as gatekeepers to financial security. But I don't think this narrative is right.

Most of what one learns in college does not actually pertain to one's professional advancement. Seventy percent of people who are employed professionally are working in fields that have nothing to do with what that they majored in during college. So the idea that college somehow controls a tap for future employment is not entirely right. What colleges do is act as a kind of filtering mechanism. Future employers are not necessarily looking for young people to receive narrow training in college; they want to see a maturation from high school through college. The more challenging their college experience, the more evidence there is that this person has the skills they need to succeed both as professionals and citizens.

There's often a perception that liberal arts colleges are somehow soft and that professional STEM-oriented colleges are hard. This is where the narrative is badly mistaken. We know that St. John's is as rigorous as, if not more rigorous than, any of the research-oriented or technical schools. We just have to make that case clearly.

MR I agree with a lot of that, but I do think there is a crisis. There is a crisis in American life that higher education is a part of and contributes to. The up escalator in America has stopped working. We have less social mobility now than we've almost ever had before and colleges are a contributor to that. They've generally served very well-off people. We can certainly debate the educational outcomes, but they are networking factories. A place like Harvard is a giant networking factory and a very successful one. I think there's also a crisis of affordability. There is also a perception about affordability that is an even bigger crisis than the reality of affordability.

In terms of outcomes: I'm not sure all or even most liberal arts colleges are still rigorous. St. John's is rigorous, but I think many colleges are soft. The book *Academically Adrift: Limited Learning on College Campuses* by Richard Arum and Josipa Roksa found that approximately 35

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percent of college students learn virtually nothing in college. The book *Paying for the Party: How College Maintains Inequality* discusses “party pathways,” wherein there is essentially an exchange of full tuition for an easy ride towards graduation. The average student that *Academically Adrift* references works about 12 hours a week on academics.

Thankfully, St. John’s has refused to follow most of these trends. But we are part of the affordability issue—and even more a part of the perception-of-affordability issue.

PK So we’ve been drilling down a lot lately on affordability questions. What do you think our alumni and friends should understand about our current financial model?

MR It’s unsustainable, so we must adapt. If we don’t, it will only be the very rich students at the very rich schools that are afforded this kind of intellectual abundance in their lives. I think that it’s rather amazing that it has taken so long to look at how colleges might adapt.

PK For a college like ours, that is so steeped in tradition, and so informed by the past, how do we adapt?

MR This is our perennial question, isn’t it? I would start by asking: How much does our published tuition of \$52,000 scare away potential applicants for whom St. John’s may be exactly the right place? How much have we allowed our costs to escalate because of one aberrational decade—1998 to 2008—in which everybody in America, certainly in higher education, assumed that there would always be more money? During this time, our income and expenses doubled. Although we’ve proudly bucked a lot of trends in higher ed, we were guilty of raising tuition at a brisk, annual clip along with everybody else until it reached a level that is far beyond the resources of most families. Now, all of this looks fairly shortsighted.

PK I think that’s right. This affordability question is a critical one. One of the reasons that the price of college has gone up is that there’s a war of attrition between colleges, where it’s become an industry standard that you raise your tuition every year and, if you don’t, it somehow looks like you are compromising the quality of the institution. So that’s the perception-of-affordability issue we’re referring to.

In other words, there are many people out there who believe that an elite institution has to have an elite price tag—and if you don’t, it raises eyebrows. Now that’s not very straight thinking as far as I’m concerned, but many people make that argument. And so institutions have been driving their tuition up, not because they necessarily believe that higher tuition will grow their revenue streams, but because they perceive that the market demands increases.

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MR Exactly, and this is very important for our community to understand: while most colleges’ “sticker prices” get higher and higher, behind the scenes, the discount rates—or the institution’s own grants and aid—expand at an almost equal or even higher rate. What students are paying, and what institutions are receiving in revenue, isn’t actually growing. At most colleges, including ours, it’s been declining over the last decade. What you are left with is this perception of very high tuition that is dramatically out of alignment with what students actually pay. This perception issue becomes as much of a barrier to college access as the cost itself. (See *Fig. 1 and 2, p. 13*)

The Chronicle of Higher Education just published a report on tuition that is full of insights that are relevant to us. It surveyed almost 500 private college presidents and CFOs. What they found is that college leaders and CFOs have an embarrassing lack of understanding when it comes to prospective students’ perceptions and behaviors around tuition pricing.

Sixty percent of surveyed leaders said “none” or “few” perspectives stop looking at colleges

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because of sticker price. But in reality, 40 percent of students say they stop looking altogether at colleges based only on sticker price.

Sixty-six percent of leaders think that “most” or a “moderate” amount of students assume they will get a tuition discount. But when students were asked if they were “aware that most four-year private colleges discount their published price so that incoming freshmen pay less than what is published,” 60 percent said, “no.”

PK The truth is that every college outside of the top 20 is struggling to bring in students, many because of the gap between perception and reality when it comes to tuition discounting. We can lead in this area by making it clear that we are an accessible choice, financially and otherwise, for those families who think otherwise.

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MR One thing I struggle with is how to gain insights into what we are doing well or poorly. Most colleges have counterparts to compare themselves against. But this is difficult for an institution as unique as St. John’s. We don’t have an obvious peer group. Granted, there are schools that have great books programs, and there are hundreds of other schools that call themselves liberal arts colleges. But are we really like Harvard? I say that we’re as different from Oberlin as Oberlin is from Ohio State.

We’re one of a few distinctive schools that have an absolutely essential place in American higher education, which is increasingly homogenized and undifferentiated. We’re one of a kind. As you say, we are “best in class.” I don’t think we need to be sharp-elbowed about it, but I do think we offer one of the best undergraduate educations in the nation. I don’t think we’ve been bold enough in staking out that territory.

PK That’s right. It is imperative that we assert the exceptional, superlative, quality of a St. John’s education. I find affirmation for this every single day, both as I witness what transpires on our

campuses, and from those outside our community who look to us as the exemplary liberal arts institution, not only in the U.S., but in the world.

MR Yes, and that’s the good news. We also need to be able to compare favorably our cost structures to other schools with whom we compete. Often we look at what is called the Franklin and Marshall College group. This includes schools such as Amherst, Smith, Wellesley, Pomona, Carleton, Grinnell, and Kenyon. There are many reasons this is a good comparison group, but most of these schools have far greater resources than we do. So I think it also serves us well to look at the colleges in *Colleges That Change Lives* by Lauren Pope. These schools include Hampshire, Evergreen, Reed, Antioch, Beloit, Lawrence, Denison, and St. Olaf.

In terms of sticker price we’re right in the center of some very expensive schools in the Franklin and Marshall group. And we are more expensive than Wellesley, Smith, Pomona, Mount Holyoke, Bryn Mawr, and Grinnell. We have the second highest tuition in the *Colleges That Change Lives* group.

PK It is staggering when you begin to compare. How important of a symbol do you think the expense of higher education is for some people—of quality? Of prestige? How can we attract the aspirational young and their parents without pricing out those who would thrive at St. John’s?

MR I don’t like the word prestige. I rebel against it. I think prestige in American higher education is a misallocated concept. It applies to schools that are hard to get into or have exceptionally large endowments and are very different from us. We have all spent a lot of time trying to discover the right words for describing us, whether it’s uncompromising, or rigorous, or authentic, or honest, or real. These words are far more important than prestige. The kind of student who chooses to come here is choosing authenticity

over appearance, or depth over superficiality. They are making a very gutsy decision because they know they're going to work really hard. They are going to work across different disciplines, which very few other places make them do anymore at all.

Take Warren Spector, one of our great alumni and board members. Warren was admitted to Princeton and his family was extremely proud. They know what Princeton is; Princeton is prestige. And he goes there and he finds that he does not feel at home. And he decides to transfer to St. John's. And that is a fairly common and powerful story: that he gave that up to embrace a place that wasn't going to give him the same kind of elite degree or prestige, but that was going to give him an incredible education.

PK I agree. Regarding prestige, I think there's a word that we want to put in that slot that refers to St. John's and we haven't captured it yet.

I was having tea with donors on Saturday—a family that loves St. John's College. The father is one of the world's leading neurosurgeons. His oldest daughter, a national merit scholar who could have gone to any college she wanted, came to him and said, "Dad, I want to go to St. John's." He looked at her and said, "What are you talking about? I've never heard of this place. You should be going to Yale, Harvard, or Princeton." She said, "No, no, I really want to go to St. John's." He was so upset that he called a friend, who was the president of one of the nation's leading research universities, and said, "I need your help. My daughter wants to attend this little school in Annapolis called St. John's College." The president of the university responded that "if she wants to go to St. John's College, you should let her. It is the best undergraduate education in America." So she came, then her brother came, then the sister and mother came as graduate students.

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MR I think the false correlation between cost and quality can stand in the way of stories like that.

PK I think that the prestige pricing infrastructure is about to collapse. It's become too top-heavy, and I think that we all know that there is a gap between who we claim to be and who we represent ourselves to be through our pricing. St. John's embodies the promise of democracy: that liberal education should be available to all. It's not about folks trying to buy their way in to move up. I don't think our price is aligned with our values.

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"The goal has always been to offer the Program, which is the heart of this whole endeavor, to as many people as possible."

MR Absolutely. And to be accessible, we have to look not only at our published tuition price, but at everything that we do and everything that we are. We are one school, with one Program, with incredibly minor deviations between two campuses, that happens to be offered in locations that are nearly two thousand miles apart. While this can present some challenges, the goal has always been to offer the Program, which is the heart of this whole endeavor, to as many people as possible, and to have alternative locations for them to go to. It is to ensure that both the American East and the American West have access to this powerful experience. So as with most things in life, I think our strengths are the flip-side of our weaknesses.

From an affordability standpoint, two campuses can create some redundant administrative costs. We are working hard at addressing those. It can sometimes create tensions, and we are working on that as well. None of the issues are insurmountable. I think the two-campus concept, and its execution, is a rather beautiful one, and it's one that we're very committed to maintaining.

AFFORDABILITY

Although advertised tuition has increased each year, student-derived revenue has dropped significantly, due to the necessity of dramatically increasing institutional aid. The decrease in student revenue is nearly equal to our structural deficit.

Increasing student-derived revenue is one of three integral parts of balancing our budget, along with increasing the endowment and continuing our work to decrease expenses. Measures we took from January 2016 to the end of FY17 reduced the structural deficit from \$12 million to \$7.5 million, and we have reduced it even further since.

Figure 1—Advertised Tuition vs. Net Tuition FY02–17

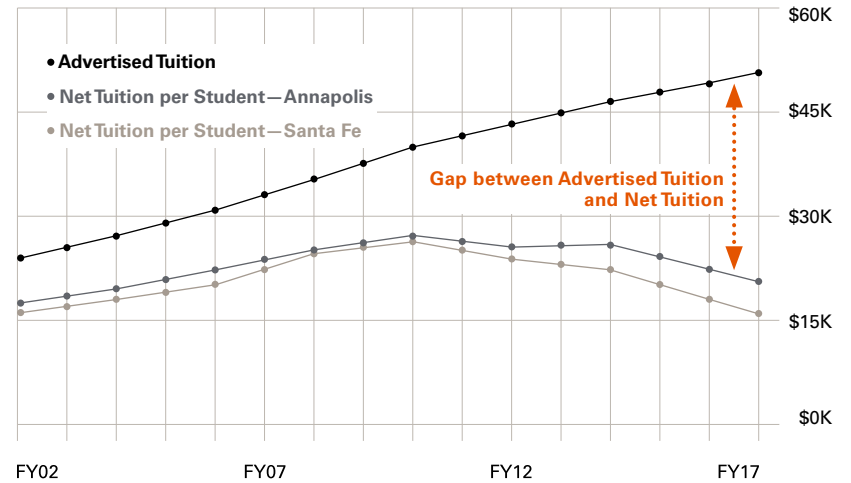
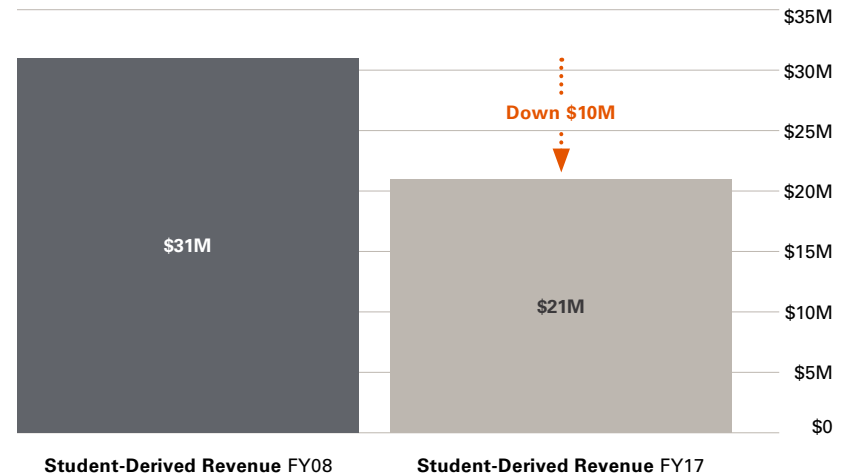


Figure 2—Student-Derived Revenue FY08–17*



*Student-derived revenue includes net tuition and room and board.

PK I echo that. It also keeps us honest and authentic. It is part of what makes St. John's so distinctive. If we were a single college and a single campus, we could find ourselves doing an awful lot of navel-gazing. It would be very easy to be cut off and isolated. St. John's is all about a dialectic. It's all about things in conversation and keeping questions alive. Two campuses make us constantly probe what we're doing. We question, check, and sometimes challenge each other. It keeps things dynamic for us, that might otherwise become dormant.

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MR And as co-leaders, we keep this dialectic going. We make each other and our respective campuses move beyond our comfort zones. While we don't always see eye to eye on tactical issues, we agree on all of the essential, fundamental questions. We arrive at a consensus that is built not out of automatic agreement but out of a significant sharing of views, even when the views are different. You're right, it is a dialectic.

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Now I will say this. Historically, I do think our processes for change might have been slow and therefore we might not have been so nimble. I think that's what you and I have to work very hard to avoid, especially in a time like this, in which some of the issues that we have already discussed—tuition and other such matters—are so crucial. I'm not sure that slowness is going to be rewarded, so I think that there are great advantages to having a colleague with whom you share ideas and with whom you have a healthy debate, and then come out somewhere productive and in a place of moving forward.

PK I thrive on conversation. I think one of the dangers for a college president is the bubble. But that cannot be the case when you have two presidents. You and I agree on just about everything fundamental, but we also provide a helpful contrast. We have mutual respect so that we can share our opinions and know at the other end that we're going to come up with some sort of synthesis or

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agreement about what way we should go. I would be nervous to lead an organization and not have at least one person who could assess me honestly and say, “You're wrong” or “You need to make an adjustment.” So I take great comfort from you.

MR I have this theory that most people have many positive attributes but they have one core competency. Yours is that you are a creative problem solver. That's an awfully good core competency to have in this place at this time.

I don't mean to diminish your sartorial splendor, but what sold the board on you during the interviews is that you're a creative problem solver. Those are two attributes that relate to each other but have separate meanings. Someone can be a problem solver but not particularly creative. Someone can be creative but not a problem solver. And you're also outrageously articulate about communicating what St. John's is. You demonstrated this in your inaugural address. It was very obvious that you are deeply knowing about what St. John's is, about what's valuable here. That is essential at this time, because as liberal arts colleges are under intense pressure, it is our distinctive, but lonely, place in American higher education that we're going to have to expand on.

PK The heart of what you bring to the institution is an ability to see clearly what's most essential, what's necessary, and not to be distracted by the kind of fog of indecision that other people face.

You cut through everything, you get to the core and say, “This is the issue at hand. This is the real deal. This is what we must address.” You have a dogged discipline in identifying deep problems and the courage to face them while in situations that other people would find too uncomfortable or overwhelming.

Over the last couple of years, you have identified the college's biggest challenges, and through very trying circumstances you have compelled us to continue to work with you on the essential issues. I don't know many people who would have

the persistence to weather the storm we've been in the past two years. We're a good match actually. Together, we find a balance—through individual efforts and joint undertakings.

MR That reminds me of when you arrived, when we did something that we wanted to be indicative of how we were going to work together. You took primary responsibility for admissions and the Graduate Institute and I took primary responsibility for our fiscal health and the capital campaign. It's a very good division of responsibilities and demonstrates that we are one college on two campuses through the way that we do our work. It's a new way of sharing governance across campuses while having individual responsibility.

PK Being tasked with admissions and the Graduate Institute, I've tried to reframe what we should be trying to achieve, what we can achieve, and how we will achieve it. In the case of admissions, we have been more strategic than we have in the past, thinking more specifically about where future Johnnies might be and how to reach out to them. Although this is a terrible analogy, I would say that rather than casting a huge net over a wide-open sea, we are dropping crab traps where we know the crabs are. It's a strategic decision, because as a small school we don't have the resources to be strong everywhere all the time. We have to think about how we deploy our resources in the most effective and efficient way.

Our first order of business, nationally and internationally, is finding the places that are going to yield more and better students for us. One area of focus is those students who have been homeschooled, or who have attended classical schools, or perhaps International Baccalaureate programs. This is not to the exclusion of other areas, but these are definitely some of the key areas of priority.

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“We want to be more open with our alumni community and more honest.”

PK Speaking of transparency, what do you think our community needs to know about our current financial situation?

“It means trusting our alumni to handle hard truths and help us move forward.”

MR And an initiative over which we bear equal responsibility is our transparency initiative. We've had some good successes, but we have a long way to go. We want to be more open with our alumni community and more honest. I think our alumni can handle the truth about our current state and the challenges to our continued prosperity.

Some of our transparency initiatives include JohnnieCast, our quarterly phone-cast update with alumni, and the emails we send after every board meeting summarizing the proceedings. We have asked alumni for input on various things from campaign names and school colors, to communications preferences, to campus culture issues. We will also consult with some of our alumni on our tuition pricing challenges and possible solutions. I hope transparency will be a hallmark of our time here. Transparency is tied to almost everything else that we're doing.

MR It's challenging. Words matter a great deal at St. John's, so please note that I didn't say “dire” or “in crisis.” I said “challenging” because that's really what it is. If unattended to, it could become dire. It needs addressing and it's getting addressed. It's not easy because real people, real lives, and real economic futures are at stake. We have to make hard cuts with the greatest respect for the people who work here, while protecting the core of the institution: The Program.

Now it is better to be in our situation, where there are some financial challenges with a core Program that everybody believes in, rather than the converse. The scaffolding that supports the Program needs significant upgrading, and that can be hard. It means we need to lend more focus to career services. It means rethinking our admissions work and pricing models. It means looking honestly at some of our campus culture issues. It means trusting our alumni to handle

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PK I agree; I think it’s a great summary of where we are and what we are actively addressing. But we also need to look at other measures of an institution’s financial health—such as the size of its endowment and its alumni giving rates—and ask how we can improve.

hard truths and help us move forward. But let’s all celebrate the fact that the Program is as healthy as it is.

Now here is the sobering part: about ten years ago, we received \$31 million from student-derived revenue. Today that number is just \$21 million. That is a huge drop. From 1998 to 2008, our expenses doubled. Within another decade, student revenue dropped by a third. Those two realities came to a head over the last two years. We had to wake up. Now we must adjust and get as lean as possible while protecting our foundation: The Program. This is our challenge.

MR Absolutely. Looking at the endowment as a marker is particularly telling. For anyone who doesn’t understand how endowments work, and why they are so important, let me try to explain. An endowment is a pot of money that a college has accumulated, usually through the generosity of its alumni and supporters, that, ideally, gives off enough interest that it serves as a substantial support for college operations.

Right now, our total endowment is approximately \$170 million, and we generally assume that we will have earnings of 5 percent from it. We can spend that 5 percent without the principal amount dropping. That’s why prioritizing giving to an endowment, and building an endowment, is the hallmark of a financially healthy college. The bigger that pot is, the bigger the draw off of it. (See Fig. 3, 4, and 5, p. 23)

Unfortunately, because of our financial challenges over the last decade, we got into the bad practice of taking more than our 5 percent draw to cover costs. This is not a good practice and one we must end as soon as possible. It is, however,

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PK The visible resources of an institution are the faculty, the staff, and the buildings. The invisible resource is the endowment. It’s the infrastructure that supports everything else, allowing a college to weather the vicissitudes of an unpredictable economy. Fiscal health is no longer as much about tuition revenue. Institutions that build endowments in proportion to their needs will survive. Those that don’t, won’t. Healthy endowments are essential for today’s colleges. Building ours will allow us to be accessible to deserving students who want to attend.

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necessary right now so that we don’t have to borrow more money to cover expenses.

The good news is that the value of our endowment has been rising rapidly during the last several months. Yet, while it is not a small endowment, it is not sufficient to protect us from the winds of change in higher education—such as a \$10 million decline in student-derived revenue.

To continue to do what we do here will require us to build our endowment—and I should note that we actually have three endowments: One for Annapolis, one for Santa Fe, and one that is collegewide. Together, these endowments are worth the \$170 million I referenced earlier. Because Annapolis’s endowment is significantly larger than Santa Fe’s, they get a bigger draw, so they have more funding to work with.

Some colleges have endowments that are large enough to ensure that every deserving student has the aid they need to attend. Can we get to such a place? I think we can. This is one of the reasons we will be launching our capital campaign in the near future. The campaign will focus on increasing our endowment.



ENDOWMENT

Though our endowment has grown, its growth does not yet make up for the losses in student-derived revenue and increased expenses.

Our endowment must be significantly larger to play its part in eliminating the structural deficit by 2021, which will allow for a more sustainable, more accessible St. John's College.

Figure 3—Endowment Growth FY12–17

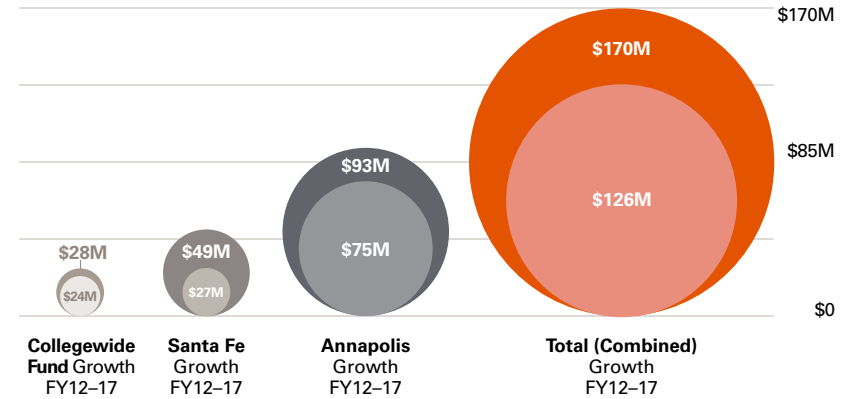


Figure 4—Gap between Endowment Draw and Income Needed

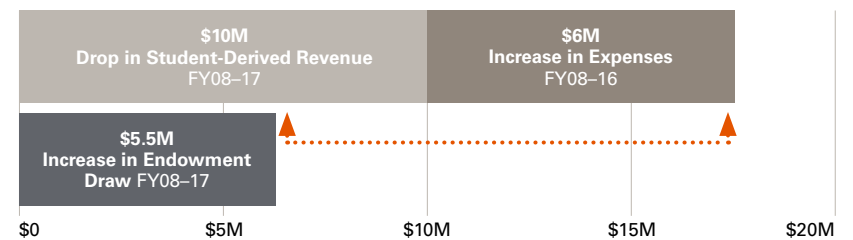
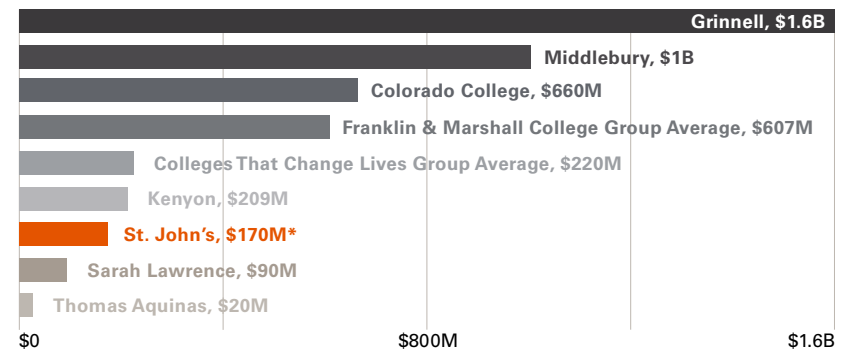


Figure 5—Endowment Size Comparison



*St. John's data is from FY17. Comparison data is latest available from other institutions.

MR Then there's the Annual Fund, which is different from an endowment. Together, the two are our main philanthropic sources of revenue and are vital to our fiscal health. Unlike the endowment, where we are trying to build our principal in order to yield larger interest draws, gifts to the Annual Fund get spent in the year they are given for more immediate needs.

PK The Annual Fund is important because it demonstrates the commitment of our alumni, their passion for the Program, and their belief that it should be available to as many students as possible regardless of their financial status.

“Why is our alumni participation rate at about 19%?”

MR Which leads us to a vexing problem that we've been studying: Why is our alumni participation rate at about 19 percent? It's quite low—considerably lower than the other institutions we've discussed. Many of our peers are in the 40 percent range. If they fall to 35 percent, they become concerned. (See Fig. 8, p.29)

PK Exactly. So why are we at 19 percent? That's a hard question to answer, isn't it?

“When you ask our alumni where they think the college let them down, they overwhelmingly express feeling less prepared for the world they entered than they would have liked.”

MR Yes, and it's one that we've been examining intensely. A lack of trust, meaningful engagement, and transparency are central to this question.

And there are other reasons. When we did our first JohnnieCast, we asked our alumni: If you had \$10 million to give to St. John's, what would you want us to spend it on? Anywhere else, the answer is financial aid by a mile. But our alumni are equally passionate about career services. Why? Well, when you ask our alumni where they think the college let them down, they overwhelmingly express feeling less prepared for the world they entered than they would have liked. We're moving aggressively on this. In Santa Fe, thanks to a very generous donor, we have an expansive pilot program that will build on the good work done over the last decade, on both campuses, with Hodson, Ariel, and Pathways fellowships and internships.

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Our campus culture issues have held people back. Many believe it is difficult to be a woman on our campuses—that the college has not been sufficiently responsive in addressing concerns about safety and support. We're acting on this.

There's something else at work that is unique to St. John's, that I don't pretend to fully understand. Most alumni report that they love the faculty, but many are lukewarm about the college. There's something there that we need to address.

When the capital campaign launches, we will discover whether or not we have earned our alumni community's trust. It's a lot easier to lose trust than to regain it. It takes time. I remember realizing that alumni were confused about governance changes that were made a couple years ago because nobody had kept them well-informed of our deteriorating financial condition. And the theory, which I think was mistaken, was that alumni might not be able to handle the truth: that if alumni think we have real challenges, they'll walk away. I think it's the opposite. Our alumni will rise to this occasion.

PK I agree. And the Annual Fund is one way for alumni to connect to St. John's in a way that pays it forward to other Johnnies. It can help provide funds to address some of these real concerns in real time, using gifts big and small.

MR Yes. This is important because colleges rely more on philanthropy and less on student-derived revenue. We have to change our over-reliance on a few large gifts—mostly from board members—and our under-reliance on small and medium-sized gifts. (See Fig. 6 and 7, p.29)

PK We have a culture of giving, not a culture of asking. We offer many programs and seminars for alumni; we are out there in the world with them. We model a spontaneous generosity and our alumni are generous to us in turn, spontaneously so. We haven't created a culture of systematic, consistent, and strategic generosity.

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MR We’re beginning to turn that, and a lot of other things, around. Our job now is to take this beautiful Program that we’ve been privileged to inherit and make the scaffolding that surrounds it more sustainable so that it can transform many generations to come. That may seem broad, sweeping and (in a sense) vague, but that’s the task at hand. It’s going to take a lot of care, gentle touch, love for the institution, and sacrifice from many quarters. It’s going to take us all motivating each other to fight the good fight.

PK To build upon that, we must also affirm and assert the importance of St. John’s in the greater landscape of higher education. We tend to be inward-looking—not always acknowledging our responsibility to the broader culture. For example, civil discourse has broken down in our country. St. John’s is one of the places where civil and open conversation still lives. We must continue to shine forth as a model of such discourse, and send as many Johnnies into the world as possible who are prepared to lead others.

“St. John’s is one of the places where civil and open conversation still lives. We must continue to shine forth as a model of such discourse.”

MR I agree. And to win over the hearts and minds of our alumni on this matter will require engaging them on issues other than just fundraising. We must listen. There’s a belief, right or wrong, that alumni who have expressed misgivings about St. John’s have gone unheard. There is justification for that sentiment. That has to change.

It’s one thing to reach out, another to listen, and still another to act. We’re now acting. It’s hard because it means pushing a culture, an institution, a bureaucracy, to do uncomfortable things. To stretch. To look at one’s own weaknesses. That isn’t fun, but it must be done.

For example, the board created the Campus Culture Committee to work through the policies and processes of dealing with issues of sexual harassment or sexual misconduct on the campuses. You and I must personify the commitment of the college to take those issues extremely seriously. I sat in front of our students after we had an

incident on this campus, and I said “It is my job to make sure that there are not people on this campus of whom you have to be afraid or represent a danger to you.” And it is my job.

The same goes for career services. Some fear that if we emphasize them too much it will diminish the Program and the belief that you come here for your once-in-a-lifetime chance to immerse yourself in these big questions. But to me, that’s a false dichotomy. We should recognize that people need summer jobs, internships, and the opportunity to do job shadowing. Our alumni are eager to help provide that, so let’s find an effective, strategic way to engage them.

The same is true in admissions. We need to figure out a way to use our great assets, which include our alumni. They understand the Program and can communicate its value. This isn’t simple. It’s hard work to create a structure that works for alumni, students, and the college.

PK Yes, we have to really bring in our alumni community. We have this tremendously varied alumni group. They go in so many different directions. That’s a strength and a challenge. It’s a challenge insofar as the alumni tend to fan out, professionally and geographically, and often lose touch. It’s a strength in that they are engaged in so many different areas, from finance to film to winemaking to publishing. We need to think about how those varied resources can be brought back to bear upon the institution. It’s not simply asking for money from those who have been successful, it’s asking something more fundamental: How do we treasure our talent? How do we connect with our wonderful alumni to participate in the continued life of St. John’s? We need to do some creative thinking around that.

“It’s asking something fundamental: How do we treasure our talent? How do we connect with our wonderful alumni?”

MR Yes, and after addressing all of the issues we need to address—as we build trust, become more transparent, build relationships, and make hard but thoughtful choices and changes—one outcome will be financial stability for the college.

PHILANTHROPY

Philanthropy is the bedrock of strong private colleges. All gifts from alumni and friends keep the Program strong and positively impact every aspect of the Johnnie experience.

We are grateful to all of our donors who support the ongoing work of the college. We need others to join them, giving at all levels, to ensure a sustainable financial future and enable St. John's to maintain its distinctive place in higher education.

Figure 6—Heavy Reliance on Board Member Gifts

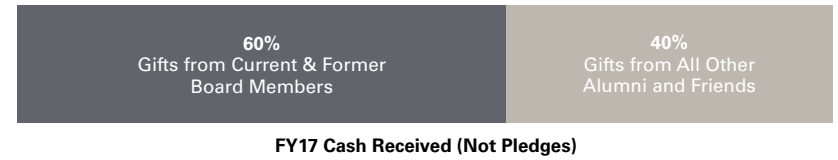
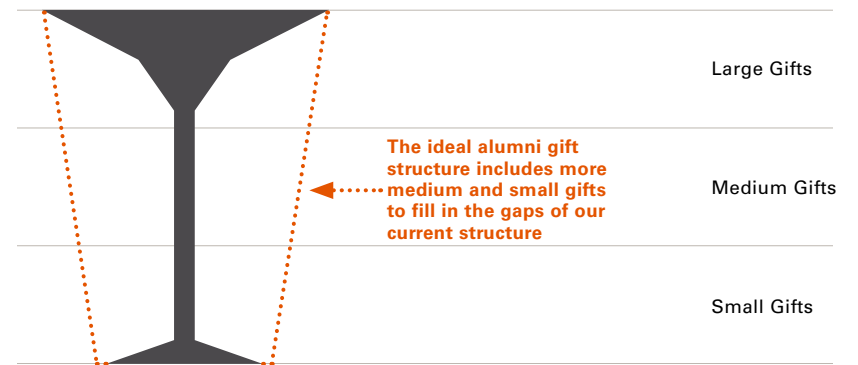


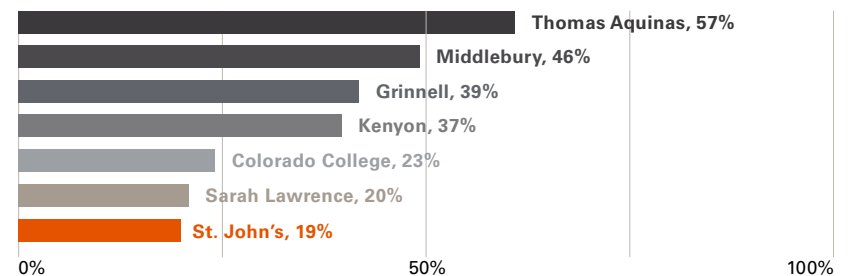
Figure 7—Current vs. Ideal Gift Structure*



Current vs. Ideal Alumni Gift Structure

*This is an illustration showing overall gift trends, not a 1:1 representation of data.

Figure 8—Alumni Giving Rate Comparisons



*St. John's data is from FY17. Comparison data is latest available from *U.S. News & World Report Best Colleges* rankings.

PK Speaking of hard choices and challenges, shall we talk about our balancing our budget?

MR Everybody knows that's my favorite topic.

PK That is certainly true!

MR So we have been charged by the board with ensuring that we have a balanced budget by 2021. There are three pillars that are central to getting there. One is obviously reducing our expenses, which we've made significant progress on in two years. The second is achieving greater student-derived revenue, a project that you are leading. The third is increasing philanthropic support to the endowment and the Annual Fund, which we are doing as we ramp up to campaign launch. These three things must work in concert. None alone can bring us financial stability, but together they can bring us to a healthier place.

I keep asking people to imagine what it would be like to have a balanced budget, and to be able to take any unexpected donations that we receive and do something positive with them—instead of using it to patch holes. We've been spending our future on deficits. Now, 2021 is just three years away, and although we have already cut a \$12 million deficit in half, we have more savings to find on a budget of \$52 million. There is still more pain ahead, and it is being borne by our staff and faculty, who are working hard with less.

To define the financial problems more concisely, let me clarify that I am talking about our structural deficit, which is different from our audited financials. It gets very complex when you're trying to talk about different deficits, but if you look at our audited financials you would not see a deficit. You would see a much better number, and the reason is that you're allowed to include things in the audited financials like one-time gifts or bequests. *(See Fig. 9, p.35)*

For instance, Annapolis has an estate gift coming in that's going to be more than \$900,000. That's a one-time gift that we won't be

“We have to face reality and right our ship, and we are.”

getting again, so we can't assume that we'll have \$900,000 annually in income from this gift. But on our audited financials, we get to include it in the revenue column, which makes us look good. A big one-time gift can magically erase a deficit from an audited financial statement. But when we account for our structural deficit—the difference between what our regular, set expenses are and what our regular income is—that gift will not be included, because it's a one-time gift.

From a structural deficit standpoint, there are three things that we can count as income: our endowment draw, our student-derived revenue, and our Annual Fund. These amounts get combined and compared to operating expenses. The difference between them is the structural deficit. In the past, we have been loose about these kinds of things, and now we're being very tight so that we can have a clearer understanding of where we stand. We have to face reality and right our ship, and we are. *(See Fig. 10, p.35)*

PK We've talked a lot about our alumni being part of the solution, and so are our faculty. What do we see as their role and place at St. John's?

MR The faculty are central to everything. We had a conversation at Homecoming debating what the core of St. John's College is. Is it the faculty or the alumni? I made the mistake of saying that the faculty are the core of the college and a faculty member got up and said, “No, Mark, the alumni are the core of the college.”

Either argument can be made, but I doubt if there is a place in American higher education where the faculty are as essential to the institution as they are here. We had a meeting recently with students in Santa Fe to talk about community life. And for us, community life is mostly defined as the classroom and what happens in the classroom. It's difficult to overestimate the importance of the classroom, and of the faculty and their distinctive delivery of the Program.

“I keep asking people to imagine what it would be like to have a balanced budget, and to be able to take any unexpected donations that we receive and do something positive with them.”

PK What I would say is this: I've worked at several institutions in higher education. There's no place else that I've seen where the faculty have made their life's calling a continuous learning process. At most institutions, faculty arrive as an expert in a field and then spend the rest of their time sharing their expertise. They arrive fully formed, which can lead over time to stagnancy and complacency. Here, the faculty arrive committed to a lifelong process of learning new things and studying beyond their field of expertise. They must open themselves up to areas of knowledge that are often far afield from what they have studied in graduate school.

I think the reason the Program works is not because we have a set of books; you could hand the reading list to a group of young people and say, "Go read these books." But that wouldn't be the Program. The Program involves sitting around the table, guided by tutors who have spent their lifetime modeling a passion for learning and for inquiring; that's what the students take away from it. Let's put it this way: If all of our faculty disappeared one day, there would be no more St. John's College. We couldn't just hire 140 new people and keep going. It wouldn't work. We have this generational process here—of learning the Program, of passing on what is known to younger faculty.

We think of the Program as part of the great conversation, using the great books as a basis for conversation across time. Here are the books and here are the students; yet it's the faculty that forms the intermediary layer that keeps the conversation going year after year. I often say we don't have a faculty, we have a monastic order. They've given their lives to this at the expense of other things, at the expense of other options and choices, and their commitment is total. And it's our total commitment to learning that really infuses this place with this distinct character.

"The Program involves sitting around the table, guided by tutors who have spent their lifetime modeling a passion for learning and for inquiring."

"It's our total commitment to learning that really infuses this place with this distinct character."

MR I agree. We can't take the Program, or any of those who guide it, for granted. The Program is why we're all here. It's what we're working so hard to preserve. We are seeing progress, in all three of our areas of focus. Our applications keep climbing, we are seeing strong trends in terms of retention, our endowment is growing, our alumni participation rate is crawling upward, and our expenses are dropping. I really do believe that in five years, St. John's will be in a very good place.

PK In five years St. John's will be very much the same: tutors and students sitting around the seminar table discussing timeless ideas, engaged in the great conversation. But around the core will be a more supportive structure, so that we can focus on our essential mission: delivering the Program without the distraction of financial concerns.

In addition, we will have a thriving Graduate Institute that will continue to offer the Program to students at varying points in their lives. We will likely have even more robust co-curricular programs like our Summer Academy for prospective students, our Summer Classics, and our community seminars.

We will continue to have a thriving presence in the general community, as well as a faculty and staff who feel that they are flourishing, who feel that they're supported, who feel that they have the resources they need to succeed and continue their total commitment to the Program. Ultimately, we will be slightly brighter and shinier because we will have taken care of our deferred maintenance issues. We will have the ability to think about some of the structural needs we have. We have talked for a long time about a student center, and we could begin thinking about this along with other sorts of things that will better support current and future students, the alumni, the faculty, and the Program.

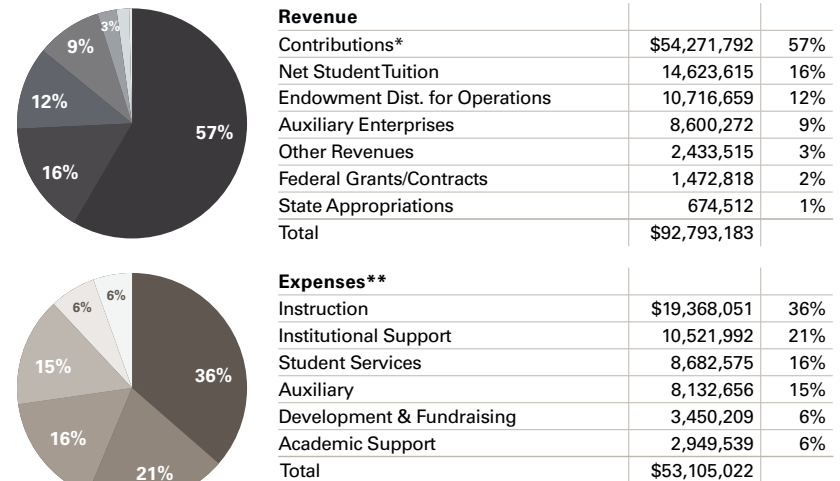
"Our applications keep climbing, we are seeing strong trends in terms of retention, our endowment is growing, our alumni participation rate is crawling upward, and our expenses are dropping. I really do believe that in five years, St. John's will be in a very good place."

Though two \$25-million pledges made in FY17 must be recorded in that year’s audited financial statement, the money will actually arrive in installments over the next several years. What looks, in Figure 9, like a \$40-million surplus on our balance sheet is, in fact, a \$7.5-million structural deficit, as seen in Figure 10.

The net student tuition total in Figure 9 represents gross tuition (the amount we would receive if all students paid full tuition) less institutional aid.

In FY10, the college spent \$14.3 million on aid. Just seven years later, total institutional aid was \$26.8 million.

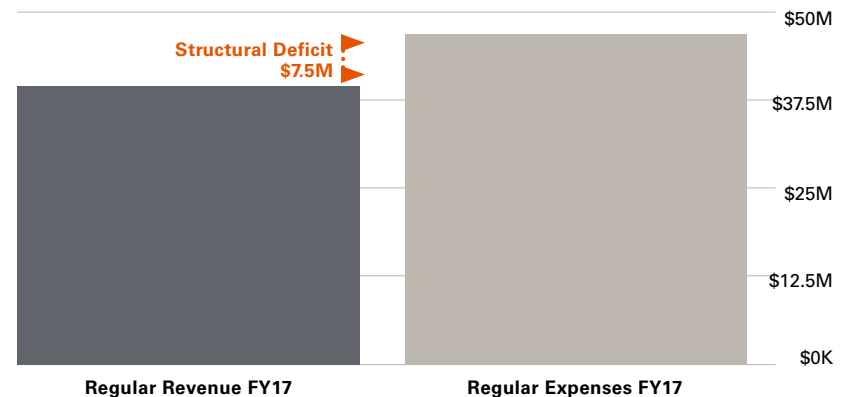
Figure 9—Audited Revenue and Expenses



* Includes cash received and pledges to be paid in future years.

** **INSTRUCTION:** Tutors, Laboratories, Lectures, Community Programs, GI Tutors, Summer January Freshman Tutors, Study Abroad, Mellon Grants
INSTITUTIONAL SUPPORT: Collegewide Operations, Treasurer’s Office, Information Technology, Public Safety, Human Resources, President’s Office, Office Services
STUDENT SERVICES: Career Services, Internships, Health Services, Counseling, Assistant Deans, Admissions, Graduate Admissions, Registrar, Student Activities, College Activities, Athletics, GI Council, Student Polity
AUXILIARY: Dining Hall, Conference Services, Bookstore, Print Shop, Depreciation
DEVELOPMENT & FUNDRAISING: Alumni Office, Development Office, Board of Visitors & Governors, Communications, Website, Advancement Services, Events
ACADEMIC SUPPORT: Dean’s Office, Library, GI Office

Figure 10—Structural Deficit



“I hope that when people look at St. John’s they understand just how distinctive we are, how uncompromising, how rigorous.”

MR In five years, St. John’s will look a lot like it does now. This can be a difficult vision to galvanize people around, and it’s particularly hard for me because I have spent my whole career as a change agent. That’s what I do. But I think what’s important is, as you mentioned, the scaffolding. We have to get that right. And we’re committed to making St. John’s more affordable.

In five years, I think we will attract even more students from different backgrounds and will be more able to provide access to this education to any student who is qualified. While the Program and pedagogy and the classroom will be the same, I hope that women feel much more comfortable here than they have felt in the past. I hope that students of different socioeconomic and racial backgrounds and orientations will feel more comfortable than they have in the past.

I hope that when people look at St. John’s they understand just how distinctive we are, how uncompromising, how rigorous. And if they really want to go to college, as you said before, and get a real education, there is no place better.

PK Growing the endowment and the Annual Fund will allow that to happen. Getting our tuition right will allow that to happen. Getting to a balanced budget will allow that to happen.

MR And a successful capital campaign will allow that to happen. Ours is going to be a special one, with real vision. When I think about who we are, and about authenticity, I get excited about our campaign. When you look at many really good colleges, their capital campaigns are often pretty uninspiring. They tend to be about expansion and fancier facilities. That is not us. St. John’s has two campuses, and between the two there is not one swimming pool.

I was reading this book about a small liberal arts college out east. Do you know what their campaign priorities were? To make their campus as immaculate as possible. We can laugh about it, but it is a common strategy. That is not us.

St. John’s is—and always will be—all about providing this Program in the most authentic, pure and yet efficient way possible. That must be central to our upcoming campaign: A recommitment to this education. That kind of campaign focus is actually very radical. At the same time, we are considering some bold and inspiring ideas for how to recommit in profound ways to this education.

It’s not going to be a fancy campaign; it’s going to be an inclusive campaign. It’s going to be a transparent campaign, and it is very critical that this campaign succeed if St. John’s is going to be what we all want it to be five and 10 years from now. Our alumni and friends are absolutely central to its success.

At its conclusion, the vision is to make the college available to future generations of Johnnies at a cost they can afford and in an increasingly competitive and difficult financial environment.

PK This campaign is for future Johnnies, and we will need the support of all Johnnies, so that the Program and St. John’s are here for generations to come—and in a way that is accessible and open to all. Let’s do this.

“St. John’s is—and always will be—all about providing this Program in the most authentic, pure and yet efficient way possible.”

Mark Roosevelt

“We will need the support of all Johnnies, so that the Program and St. John’s are here for generations to come—and in a way that is accessible and open to all. Let’s do this.”

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