



## Illinois Wesleyan University Magazine, 2002-2017

---

Volume 21  
Issue 3 *Fall 2012*

Article 2

---

Fall 2012

### Keeping the Promise

Tim Obermiller

*Illinois Wesleyan University*, [iwumag@iwu.edu](mailto:iwumag@iwu.edu)

Follow this and additional works at: <https://digitalcommons.iwu.edu/iwumag>

---

#### **Recommended Citation**

Obermiller, Tim (2012) "Keeping the Promise," *Illinois Wesleyan University Magazine*, 2002-2017: Vol. 21 : Iss. 3 , Article 2.

Available at: <https://digitalcommons.iwu.edu/iwumag/vol21/iss3/2>

This is a PDF version of an article that originally appeared in the printed Illinois Wesleyan University Magazine, a quarterly periodical published by Illinois Wesleyan University. For more information, please contact [iwumag@iwu.edu](mailto:iwumag@iwu.edu).

©Copyright is owned by the University and/or the author of this document.

## Keeping the Promise

**President Richard F. Wilson frankly discusses the mounting need for student financial aid — and calls on alumni to help meet the challenge.**

At the annual faculty–staff breakfast that kicks off the academic year, Illinois Wesleyan President Richard F. Wilson reviewed past accomplishments and spoke of future challenges. There was good news to share, including the strong academic qualifications of the entering class, a record enrollment of first-year MALANA students (see story on page 4), progress in construction of the new classroom building and upgrades of information technology resources.

At the top of Wilson’s list of challenges was the rising need for financial aid among current and prospective students. It’s a need the University is now falling short of meeting.



More than 90 percent of IWU students receive financial aid. Since 2006, the number of students applying for need-based financial aid has grown from 69 percent to 80 percent. The University is now allocating more than \$31 million annually to meet students’ financial needs — “a level we can’t sustain without additional funding sources,” Wilson told the assembled faculty and staff. Even more alarming, he said, was an increased burden on families to find money to pay for their children’s educations beyond what is available in grants, scholarships and federally subsidized loans.

A few weeks later, in his second-floor Holmes Hall office, Wilson explained the University’s financial aid and enrollment difficulties in more detail to *IWU Magazine* editor Tim Obermiller. Though representing a serious challenge, Wilson said they were problems the University would deal with “from a position of considerable strength.” Among those strengths, Wilson is counting on a group that has always been among Wesleyan’s greatest assets: its alumni.

With guidance from alumni leaders (to read more, [click here](#)), the University has launched a plan to yield greater alumni participation in the Wesleyan Fund for Annual Giving. By giving to the fund, in amounts both large and small, alumni “will help the University meet the financial needs of its students and provide a solid foundation to continue our tradition of academic excellence,” Wilson said.

More of his remarks follow.

**Back in 2008, the historic stock market drop dealt a blow to IWU’s endowment and created a deficit in its annual operating budget. How has the University dealt with that setback in the years since?**



*President Richard F. Wilson*

Initially, our attention was focused on making adjustments in our budget to accommodate the decrease in endowment income. We were successful in regaining our financial footing with several belt-tightening measures, including implementation of a two-year salary freeze and a reduction in the retirement benefit, creation of a review process for all replacement hiring, development of a modest fee for May Term, and selected reductions in expense budgets for nonessential items. One important principle guiding our decisions was that all current employees would keep their jobs; the economy was in such bad shape that people who had jobs needed to keep them. However, we filled only essential positions whenever a vacancy occurred. In this way, we were able to adjust our budget in light of the new economic realities and create a solid base from which to work for the long term. Everyone on campus has made sacrifices, and as a result we have weathered the economic crisis and finished every year in the black.

Once the budget was balanced, we could turn our attention to ways we might increase revenue over the long term. Despite the economic gloom and doom, we launched the Transforming Lives capital campaign in 2009. This effort has been very successful, and we crossed the \$100-million mark in gifts and commitments in July and are on track to meet our goal of \$125 million by 2014. Thanks to the generosity of alumni and friends and favorable market conditions recently, our endowment has recovered from the economic downturn and now stands at \$188 million, almost exactly where it was in 2008–09. However, the challenge ahead is that the endowments of our peers are at least \$100 million more than the one we have at IWU, thus providing them with greater opportunity to meet student financial aid needs and support important program initiatives.

### **Is the University continuing to cut costs?**

That is something we are constantly addressing. Many of the initiatives I already mentioned remain in effect, and we've pursued several additional cost-cutting options recently, including holding salary increases between zero and 1.25 percent over the past four years. We also have employed a process of selective cuts in administrative and expense budgets.

Some other recent external measures reflect these efforts. A national report we receive each year has consistently documented that the size of the administration at IWU is 25 percent smaller than our peers. In addition, Standard & Poor's upgraded our bond rating from BBB+ to A-, which is not an insignificant change in the current economic environment. Also, Sterling Partners and Bain & Company released a report in July indicating that Illinois Wesleyan is in the top 40 percent of all public and private universities in the country in terms of financial health. A key measure used in that study is the ability to control costs relative to income. The remaining 60 percent either were judged to be "at risk of slipping

into an unsustainable financial condition” or “have been on an unsustainable financial path in recent years.”

### **Why are so many schools in trouble right now?**

In many cases, it relates to the decline in the number of students graduating from high school across the country and the general stagnation in the economy we’ve experienced in recent years. Unemployment continues to be a serious concern for the families of our students. Even people who have jobs are worried about whether they will be able to keep them. Concerns parents have about their own employment are now reflected in their approach to selecting a college for their sons or daughters. Parents and students are very worried about covering college costs and have become increasingly sensitive to avoiding debt. At the same time, need-based financial aid at the state level has been reduced and federal aid is under constant threat.

### **Has the economic downturn affected enrollment?**

We have had an enrollment target of 2,050 for several years, but it is very difficult to hit this precise number. Last year, we were 1.5 percent above the target and this year we are 1.5 percent below; about 35 students. What we are finding is that projections using historical yield ratios [e.g., enrolled students as a percentage of those who are accepted] are less reliable in a turbulent economic environment.

### **Does this lower enrollment reflect less interest in IWU among prospective students?**

No, it doesn’t. This year’s incoming class of 528 students was selected from some 3,500 applications. So we had plenty of students who were interested in IWU. What we experienced was a shortage of financial aid to meet the demonstrated need of students who were accepted and wanted to come here.

### **Why was there a shortage of financial aid?**

The need for aid has grown, not just here but at most private universities. The percentage of students applying for need-based financial aid at IWU has increased from 68.9 percent to 80.2 percent over the past six years. The percentage of students from low socioeconomic status families — that is, students who are eligible to receive the Pell Grant — has increased from 11 percent to 20 percent. This strengthens the economic diversity of the campus, but it does present financial aid challenges.

### **There have been lots of media reports lately about new graduates leaving college with \$100,000 in student loans. Is that common here?**

At IWU, we use a regimen to award student loans that keeps the total loan amount over four years under \$30,000 for most students. However, a troubling trend is that the average financial aid gap for our students has increased from \$3,600 to \$6,600 over the past four years. What that means is that when we sum up all of the grants, scholarships, and federally subsidized loans, the typical student still has a \$6,600 gap that must be filled by parents securing alternative loans. Because families are becoming more and more reluctant to borrow for a college education, this has become a significant challenge for us in terms of student recruitment.

### **Has the growing financial aid demand impacted the University's overall fiscal health?**

We are currently allocating about \$31 million for financial aid in the operating budget (35 percent), a number that has increased from \$23 million (29.7 percent) five years ago. We can't sustain this level of increase in the future and need to find other ways to meet the financial needs of students and parents. Like most complex problems, there is no simple panacea. To deal with it, we must move forward on several fronts at the same time.

### **What about raising tuition or cutting enrollment? Is either of those options on the table?**

I don't find the prospect of reducing our size very attractive. We have built this institution — in terms of personnel, programs and facilities — to work best with a student body in the 2,000-to-2,100 range. In addition, there is something compelling about our size in making our case to students that we are small enough to provide personal attention but large enough to offer a wide range of academic and extracurricular opportunities.

Of course, the rate at which tuition is increased is something we scrutinize very carefully each year. The primary source of income for a private university like Illinois Wesleyan is tuition, and we have made a concerted effort to limit tuition increases over the past three years. However, the challenge we face is that the adjusted gross income of families sending children to IWU has not changed over that period, and over 90 percent of our students receive financial aid. So any increase in tuition requires a corresponding increase in our financial aid budget.

### **What solutions are left?**

We have a plan consisting of three strategies for the future, some with an immediate impact and some with longer-term benefits. First, we must extend our reach to prospective students, thus increasing the number of applications for admission. Second, we must build the endowment and increase the size of our annual fund. And finally, we must engage the entire campus community in thinking about ways that everyone can contribute to the continued success of our student recruitment and retention efforts.

### **With recruitment, what's being considered?**

Although the faculty and staff have always been willing to help with student recruitment, we need to shift the focus from episodic efforts at certain times of the year to sustained effort throughout the year. This approach has been used successfully by many schools we consider our peers. I was delighted that the faculty decided to make admissions the theme for the annual faculty conference in August. The ideas emerging at this conference are being reviewed right now and will form an agenda for the coming year.

Successful student recruitment efforts are also tied, in part, to program changes that respond to student interests while honoring our values as an institution. We are constantly making such adjustments and, in the past year, implemented a modest increase in the size of our nursing program, approved a new minor in informatics, and in September announced our intention to establish varsity lacrosse programs for men and women.

Another area we intend to strengthen is the recruitment of international students. We had 10 fewer international students enroll in this year's incoming class compared to a year ago. We are in the process of employing a recent graduate who initially enrolled as an international student to help us with these efforts.

Finally, our Admissions Office recently installed a new information system, which was developed at Yale and adopted at several other schools. This system will allow us to stay in regular contact with a larger number of prospective students and integrate their contact with us, from the first inquiry through actual enrollment. We are excited about the ways we can use the system to contact more prospective students in very efficient and productive ways.

**You mentioned the endowment and annual gifts to the Wesleyan Fund as ways to support financial aid. How does that work?**

We draw 5.25 percent from the endowment each year to cover our operating expenses, including financial aid. All unrestricted annual gifts to the Wesleyan Fund are used in the same way. Together, these two sources provide approximately \$12.5 million of our \$87 million budget, or 15 percent — an amount that is critical to our success. The difference between what a student pays in tuition and the actual cost for that student's education is made up with income from the endowment and gifts to the Wesleyan Fund.



*Wilson chats with alumni and students at Homecoming.*

**Is the University in a good position to raise the money needed to bridge this tuition gap?**

One of the challenges we need to address is the percentage of our alumni who make annual gifts to the Wesleyan Fund. While the total amount contributed to the fund has increased over the past five years, the number of alumni making gifts has been declining and the percentage who make gifts is low compared to our peers. This situation is not sustainable over time. Nationally, Illinois Wesleyan's annual fund participation rate is in the bottom half of all private universities. And among the 13 liberal arts colleges considered peers, we rank last. Of particular concern is the fact that some national rankings look at a school's alumni participation rate as a measure of alumni satisfaction, and this is one of the few measures where we are consistently given poor marks.

I find this situation to be almost inexplicable because we know the vast majority of our alumni feel very positive about their experience here, and many also benefited from scholarships and other financial aid provided by the University while they were students.

To help us think through this problem and develop a plan for the future, we asked a group of loyal alumni who understand the elements of a successful annual fund to undertake a thorough analysis of our program. This group made several recommendations that we are implementing to help us engage more alumni in becoming consistent, annual donors to the Wesleyan Fund. Our success in doing so is vital to our efforts to meet the financial aid needs of students and to sustain our standing as a national liberal arts university. I mention frequently to alumni that it is not the amount that is important (small gifts add up), it is the fact that you make a gift each year.

**Beyond these immediate challenges, how well is IWU prepared to carry its academic mission into the future?**

I believe our mission as a liberal arts college with selected professional and pre-professional programs anchored in that tradition is a distinctive niche that positions us well for the future. We believe that providing undergraduates with a broadly-based education, one that emphasizes traditional values like critical thinking and effective writing skills, continues to be an effective way to prepare students for the world in which they will live and work. However, the IWU curriculum is not stagnant and in recent years has been broadened to include explicit attention to values like globalization, social justice and sustainability that have emerged as important priorities in society.

We have plenty of internal and external evidence that students receive an education of the highest quality at IWU. The faculty is very talented and cares deeply about teaching and learning. The staff on this campus is both conscientious and loyal. We attract great students, and they find this to be a wonderful undergraduate home; our retention and graduation rates confirm that fact.

We also can take considerable pride in the accomplishments of our graduates, who are leaders in their respective communities across the country and around the world.

Illinois Wesleyan is an exceptional institution and one I hope continues to make our alumni proud. There are challenges we must face, but there are many assets that make the effort worthwhile and will ensure the continued success of our school for years to come.

[CLICK HERE](#) TO READ ABOUT EFFORTS TO IMPROVE STUDENT FINANCIAL SUPPORT THROUGH THE WESLEYAN FUND.