

2008 Environmental Scan Summary

May 2008

COLLEGE OF
Saint Benedict



Saint John's
UNIVERSITY

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Executive Summary

The environment in which we operate is constantly changing, providing new challenges and new opportunities in relation to the aspiration and objectives identified in *Strategic Directions 2010*. The planning process endorsed by the Boards directs the executive leaders of the College of Saint Benedict and Saint John's University to annually prepare environmental scanning reports identifying key mission, market, and operational issues. The summaries that follow were prepared by the colleges' Vice Presidents. They identify critical emerging or existing issues influencing the future of the colleges.

Mission-related Environmental Scans. The mission-related environmental scans examine major academic, learning, residential, and co-curricular issues and trends. Key themes reflected in the summaries this year include the changing nature of liberal arts education and identity, changing student needs and expectations, and the opportunities and tensions associated with rising expectations for excellence.

Market-related Environmental Scans. The market-related scans identify emerging issues and trends in the enrollment marketplace, public policy, and philanthropy. Key themes reflected in the summaries include changing student characteristics, intensifying competition for high achieving students, public pressure for increased accountability, and the opportunity and imperative to broaden and deepen our fund-raising base.

Operational Environmental Scan. The operational scan examines key trends, issues, and indicators influencing our management effectiveness. Key themes reflected in the summaries include the continuing challenges associated with resource constraints and the importance of human resource and information technology issues in our planning decision-making processes.

Mission-Related Environmental Scans

Academic and Learning Environmental Scan

Prepared by Rita Knuesel, Joe DesJardins, Ginny Arthur, and Katie Johnson

Key Environmental Opportunities

1. Demand by federal and state governments for assessable and accessible student learning achievements is rising. As political, business and societal expectations for higher education rise, more resources must be directed to assessment of student learning outcomes. Course embedded assessment and testing for targeted student achievement will become more common as institutions seek to meet government funding expectations.
2. High quality internships are becoming an expected part of undergraduate education. Last fall, three-quarters of all new entering students at CSB and SJU, and fully 90% of their parents, described opportunities for internships as an important part of their college decision. More than 80% of all new CSB and SJU students also said it is likely they will complete an internship or practicum during their undergraduate experience.
3. Liberal arts education competes in a society which expects and seeks career-oriented and job-oriented training. We must better articulate the value-added aspects of liberal arts learning to more career-oriented students and parents, and demonstrate support for career development opportunities in and out of the classroom.
4. Liberal arts education has been challenged to take a more integrated view of student learning, aligning itself more closely with leadership development, global employment, and effective citizenship. The liberal arts must be positioned as both practicable and global.

Key Environmental Challenges

1. Demand for college professors is expected to grow quickly than average between now and 2014 due to an increased demand for higher education and retirement of “baby boomer” professors. This will place greater strain on our ability to attract and retain excellent faculty—particularly in fields where the supply will be very limited (notably accounting, business and nursing). The perceived quality of the faculty is directly tied to perceptions of institutional quality in higher education. We will need to consider creative inducements such as market based premiums, signing bonuses, research start up funds, or reduced teaching loads in some fields to remain competitive in a tighter market.
2. The U.S. dollar continues to weaken against other world currencies, immediately influencing our funding of international initiatives. As the value of the U.S. dollar has fallen against major currencies, the costs associated with education abroad have risen sharply, both for the colleges and for students and faculty traveling internationally.
3. As the demands placed on a liberal arts education have risen so too have learning overhead costs. Whether in support of libraries, technology, or other support functions, these costs compete directly for scarce resources with faculty salary costs and science laboratory investment costs.
4. The gap between high school and collegiate learning methods and expectations is widening. In spite of high and rising average high school grades, new students increasingly are less well prepared for a rigorous college learning experience. This is particularly true for student time-

on-task and faculty expectations about learning outside the classroom. Faculty merit more time and opportunities for pedagogical development. In addition, we also must encourage and develop outreach initiatives with secondary schools.

5. Higher education has struggled to adjust to the academic and student support needs of more demanding students and parents. Parents today often view themselves as teammates, coaches, and counselors of their millennial children. Academic advising and faculty mentoring have been particularly challenged by these new expectations. Increased personal attention and personal services, some of it costly, will become more common in private higher education. We will need to anticipate and develop strategies to help parents negotiate their children's transition to college.

Key Organizational Strengths and Challenges

1. We deliver value through small classes, personal interaction outside of class, and innovative teaching strategies. Our students describe very positive relationships with faculty and the overwhelming majority of them identify a faculty member as a mentor or role model. These are key expectations associated with high quality private liberal arts education. We must continue to identify and implement strategies to sustain our learning value and distinctiveness, such as the recent funding support to reduce First Year Seminar class size limits from 18 students to 16 students.
2. Faculty input on key issues continues to improve, yet significant challenges remain that may relate to an overly lean Academic Affairs administrative structure. The current Joint Faculty Assembly and its related committees has not consistently provided a coherent, timely, and effective faculty voice. We expect the anticipated efficiencies associated with the transition to a Faculty Senate in fall 2008 will strengthen administrative/faculty communication. Restructuring of faculty standing committees in fall 2006 has enabled committees to meet regularly and with consistent academic administrative collaboration. The inclusion of faculty representation on the Strategic Directions Council has provided the administration with a regularized vehicle for faculty input and strengthened faculty perceptions of administrative good faith and transparency. Faculty leaders and faculty at large need to institutionalize this new working relationship. In addition, the Academic Affairs administrators need to implement better methods of communication with faculty to ensure they are informed of developments within Academic Affairs.
3. Many faculty perceive that current institutional messages and priorities divert them from their core work and professional identity as classroom teachers. Faculty seek increased release time and more institutional focus on the core faculty teaching role. While the introduction of Scholarship and Teaching Fellowships has been appreciated by faculty, there is continued interest for expansion of these opportunities, and a growing expectation of regular sabbaticals. Looming faculty retirements create opportunities for an infusion of energy and restructuring to meet changing disciplinary interests and developments, but challenges to attract qualified staff, as well. Significant start-up funds (e.g. research equipment) will be needed—especially in the sciences—to assure success. We have taken steps to engage junior faculty in governance and strategic planning, but must further develop succession plans to prepare our younger faculty to become faculty leaders in the coming decade.
4. On-going budget challenges and future enrollment realities point to a need to finalize the faculty composition design.

5. Increases in the number of faculty sixthths that are reassigned from the classroom have resulted in more classes being taught by non-tenure track appointments. We need to review and better understand the implications of this, and determine whether we have the appropriate mix of term/tenure track teaching lines.
6. A number of academic administrative positions are staffed with interim appointments. The overall academic administrative structure needs to be determined and permanent appointments made.
7. Assessment of student learning remains inadequately integrated into our institutional culture. Student learning results should be used to measure the real effectiveness of programmatic changes (such as the reduction in class size in FYS) and should be used to guide budget priorities and decisions.
8. There are insufficient funds to support areas listed as critical activities of the institution, including pedagogical support (e.g. Learning Enhancement Service), faculty development, experiential learning, and study abroad.

Student Development Environmental Scan

Prepared by Mary Geller, Jody Terhaar, Gar Kellom, and Michael Connolly

Key Environmental Opportunities

1. Student Affairs offices across the country have been challenged to evaluate and assess their work in regard to their contributions to student learning outside of the classroom. Cross campus collaborations are essential to student success. The national agenda is embracing this new method of constructing the student learning experience and the expectation for data driven decision-making is increasing.
2. Students and parents increasingly demand to see results, and student affairs professionals nationally have placed a great deal of energy and resources into outcomes assessment. Student Development at CSB and SJU has made great progress this year defining learning outcomes and creating outcomes-based assessment plans for each department in the division.
3. Diversity and a more global society demand that we provide an educational experience that prepares students to be culturally competent global citizens. CSB and SJU excel at providing a globally-oriented learning experience. However, domestic/U.S. diversity needs more attention on both campuses. The Intercultural Directions Council continues to address issues related to intercultural competence and creating a welcoming, diverse community.
4. Employers across the country have emphasized the importance of internships and the trend nationally is toward hiring interns with the potential to become full-time employees. Students seek opportunities to put their knowledge into practice through service trips, service learning and other out of class activities. The experiential focus in the newly approved Common Curriculum provides a good opportunity for academic and student affairs collaboration.
5. Nationally, Student Affairs programs increasingly are creating their own fundraising positions to supplement the gap between funding and need. These positions are hired and managed in Student Affairs. They participate with advancement offices to insure that their work is integrally connected to institutional fundraising goals and efforts.

Key Environmental Challenges

1. Students increasingly come to college with mental health issues, some quite severe. The tragic shootings at Virginia Tech University in 2007 have raised awareness about both mental health counseling and campus safety. Colleges and universities across the country are trying to determine the best way to help students and their families, train staff to handle the new level and frequency of mental health issues, manage liability, and respond appropriately when students exhibit dangerous or disruptive behavior. Demand for resources to provide both the necessary and expected mental health services and support systems for students has increased.
2. Campus safety and emergency preparation, management and prevention have risen to the forefront of higher education. All institutions are reevaluating preparedness, reviewing staff training and the ability to respond to a crisis. Federal and state governments also are considering new legislation related to campus safety and crisis prevention. The new attention to emergency planning has increased pressure on faculty and staff, and created new demands on financial resources.
3. Students come to college with rising expectations related to personalization, anytime access to amenities and entertainment, and perceived value. They are more assertive about requesting (or demanding) programs and services to meet their needs. They expect the latest entertainment opportunities on campus as well as quality of life and leisure opportunities off campus. Students often move in affinity groups, which has resulted in increased numbers of clubs and organizations serving smaller numbers of students. We must systematically promote reasonable expectations among our students.
4. Electronic social networking has changed not only the way students communicate with each other but also the way institutions communicate with students. Blogs, text messaging, Facebook, MySpace, and e-mail are preferred forms of communication among students – though some have learned the hard way about the implications of posting on what appears to be a “private” space. We have yet to fully grasp the effect of technology proliferation on our students. Balancing the need to keep up with technological change and teaching traditional communication processes and values will continue to be a challenge.
5. Young people have more freedom and independence than ever before, but also experience more depression, anxiety, cynicism, and loneliness. Today’s young people have been raised to aim for the stars from the earliest age. Their expectations are high even as the world is becoming more competitive, often creating a large gap between their expectations and reality. More than prior generations, the children of Baby Boom parents often are disappointed by what they find when they arrive at adulthood and lack the skills needed when faced with challenges or discomfort. We must continue to promote self agency and develop self-efficacy. Many of our students have material or social expectations without acknowledging their own roles or responsibilities. Enrolling at CSB/SJU does not give students the right to a degree but rather the privilege to earn it.
6. Parents have significantly increased their involvement in their sons’ and daughters’ college lives. Their desire for knowledge and information has greatly expanded. Today, parents and students communicate regularly (often daily), with parents increasingly involved in managing issues for their college-age children. This increased involvement has caused

campuses to create programs to educate and include parents on college life and to encourage parents to empower their sons and daughters to resolve their own issues and concerns.

7. National discussions about intercollegiate athletics could significantly impact our athletic programs. The national conversation of the growth of Division III athletics and the need to consider creating another, new division presents a challenge to both of our campuses. A decision to change the divisional structure remains in process but the outcome could have profound effects for our intercollegiate sports programs

Key Organizational Strengths and Challenges

1. We have developed a culture of learning assessment. Student Development offices on both campuses have developed assessment plans that will help inform our work and assist in the budgeting process
2. CSB and SJU students deeply value a strong community experience. Students here expect to develop lasting relationships with each other. Maintaining or enhancing the community experience must remain a central part of our future planning – though we must be attentive to the balance between the desire to live in community and the imperative to be agents of change within those communities. The strength of community here prepares us well for a four-year residency requirement.
3. Gender is an important lens through which we meet student needs. We are attentive to the role gender plays in students lives from how they deal with emotions to differing levels of need for physical comfort (i.e women are much more demanding of their physical surroundings than men).
4. As the cost of college has increased, many students now work multiple jobs to pay for their education. They often worry about the debt they accrue while in college – a real and rising concern. Additional work means often more hectic schedules and threatens to diminish academic life and engagement on campus.
5. Resource constraints limit create service challenges. We see rising and more diverse enrollment as a challenge for Student Development staff who already have reached their maximum capacity to provide high quality service. In addition, athletics continues to struggle to keep pace with rising costs, forcing them to rely more heavily on fundraising to supplement their budgets.

Market-Related Environmental Scans

Marketplace Environmental Scan

Prepared by Jon McGee

Key Environmental Opportunities

1. The racial and ethnic composition of prospective college students is changing rapidly. The overall changes projected in high school graduates masks significant changes in the racial and ethnic make-up of the high school population. Nationally, the total number of graduates of color will rise by 15% between 2007 and 2015, compared to a 12% decline in white graduates over the same period. The number of non-white high school graduates will rise significantly in every region across the country between 2007 and 2015. In Minnesota, the number of graduates of color in Minnesota will rise by 22% between 2007 and 2015, while the number of white graduates will fall 19%. In 2007, graduates of color represented 20% of all high school graduates in the state. By 2015, they will make up 28% of all graduates, providing us with a significant opportunity to enroll a more racially and ethnically diverse student body.
2. An increasing percentage of high school graduates in Minnesota will come from the Twin Cities metropolitan area. In 2000, 47% of all high school graduates in the state lived in the 7-county metro area. By 2010, 51% will come from the Twin Cities metro area. The number of high school graduates from the Twin Cities will generally remain more stable than in other parts of the state between 2007 and 2015. CSB and SJU each have experienced enrollment gains from the Twin Cities in the last three years. In fall 2007, 53% of all new entering Minnesota students came from the 7-county metropolitan area – the first time ever Twin Cities students will have comprised more than half of all new students at both colleges. Future enrollment success will require that we maintain our Twin Cities enrollment.
3. High school students and their parents agree that the jobs graduates get, the value of the college for the price it charges, the college's academic reputation, and the quality of its academic facilities are the most important college selection characteristics. We must tell our story effectively, both regionally and nationally, on all of these dimensions. O
4. Familiarity with CSB, SJU and other private colleges in the state is more limited than we might expect. The majority of prospective college students and their parents are not familiar with the state's private colleges. In general, parents are more familiar than students with particular colleges. Fortunately, CSB and SJU each has a positive reputation among parents and students who are familiar with us. Our future enrollment success rests on building familiarity among prospective private college students.

Key Environmental Challenges

1. Family economic issues will impact both their ability and willingness to pay for college. Three challenges define the economic landscape for families and colleges:
 - o Demand for financial aid will remain high at all institutions, but particularly at private colleges as the price of college reaches deeper into family income. Last year, the total cost of attendance at CSB and SJU before financial aid was equal to more than one-third

of the family income of 60% of our students, and more than 25% of family income for 80% of our students. New students who enter in fall 2007 will face a four-year total pre-financial aid price of nearly \$150,000. Though the family income profile of our students has moved upward, we expect demand for financial aid here to remain high as the price of college rises faster than incomes (not only at CSB and SJU, but at private colleges across the country).

- Demand for financial aid is pushing into higher incomes than ever before because families are not well prepared to finance a college education. Nearly half of all CSB and SJU students come from families with incomes between \$75,000 and \$150,000. Unfortunately, most of those families are unprepared to finance a college education – less than half report family liquid cash and savings greater than \$12,100. Financial aid needs analysis suggests that those same families should be able to pay the equivalent of 15% to 20% of their pre-tax annual income for college – a formula few families with those incomes believe. We can expect demand for financial aid – in the form of need-based grant aid, scholarship grant aid, and loans – to remain very strong among upper middle class families.
 - In the short term, the gloomy economic outlook may influence family college choices. The damage caused by the near collapse of credit markets has been more extensive than first predicted last summer – and has led many economists to predict a recession. As the price of attendance at CSB and SJU – and at all of our private college competitors – has passed 50% of median four-person family income, we must be attentive to the potential consequences of an economic slowdown on both new entering and returning student enrollment. These factors are likely to influence both the ability and willingness of families to seek and pay for private higher education.
2. As a college education has become a nearly compulsory experience for personal and social economic well-being, the intensity of interest in more government regulation of higher education and its outcomes has increased. Higher education currently is facing intense political pressure on three discrete but ultimately intertwined dimensions:
- Pricing practice. College costs and affordability have taken center stage nationally as a significant public policy and electoral issue. Persuaded by constituents that colleges have not done enough to control costs – and concerned that rising prices will limit higher education accessibility and U.S. economic competitiveness – Congress has begun to take steps designed to regulate the rate at which college tuition increases. We can expect sustained and intense Congressional interest in regulating college pricing practices.
 - Financial aid practice. Student loan practices have been under intense scrutiny over the last year as both federal and state governments seek to more aggressively regulate lender-college relationships. The combined effect of pressure on student loan practice and new laws significantly limiting lender profits has begun to impact access to loan capital. Student loans comprise nearly half of all financial aid awarded to college students nationally (and student borrowing meets nearly one-third of the total net cost of attendance for CSB and SJU families). Though we are confident our students will have sufficient access to loan capital in 2008-09, any limitation in access to loans – either through increased government regulation or through market conditions limiting loan access – would have a potentially significant and immediate effect on college affordability and enrollment.

- Accountability. Though it has not yet resulted in sweeping changes, the release of the U.S. Secretary of Education's *Commission on the Future of Higher Education* in September 2006 set in motion serious Congressional discussions related to accreditation, regulation, performance benchmarking, and outcome expectations. It is nearly certain that in the soon-to-be-completed reauthorization of the Higher Education Act, Congress will demand that colleges produce more outcome information than has ever before been required. We can expect Congress and state governments to intensify their scrutiny and regulation of higher education in much the same way they examine and regulate the health care industry.
3. Private college competition for high achieving students has intensified, as has competition with flagship public institutions, particularly the University of Minnesota, Twin Cities. Last year, more than 40% of all private college admission applications were from students who applied to more than one private college in the state. In addition to competing with private colleges, CSB and SJU each also has a significant admission overlap with the University of Minnesota. Nearly 1 in 5 admission applicants this year, including many of the highest achieving applicants, also applied for admission to the University of Minnesota, requiring us to take steps to compellingly differentiate the experience we provide from our private and public college competitors. As students apply to more and more institutions, yield management will become more important but less predictable.
 4. The traditional-age college population increasingly is moving West and South. Most states in the West and South will experience growing numbers of high school graduates in the coming years, while those in the Northeast and Midwest (including Minnesota) will experience declines, many of them significant. Between 2007 and 2015, the number of high school graduates will rise by more than 3% in the South and the West, but fall by more than 4% in the Midwest and by nearly 7% in the Northeast. In 2015, fully 60% of all U.S. high school graduates will hail from Western or Southern states. Locally, the number of high school graduates in Minnesota, stable since 2003, will begin a slow period of decline in 2009 and fall nearly continuously until 2015. By 2015, the number of high school graduates in the state will be 5% smaller than in 2008, requiring us to develop new markets in new and more distant places to maintain our enrollment.

CSB Institutional Advancement Environmental Scan

Prepared by Stuart Lang and Kolleen Kellom

Key Environmental Opportunities

1. Opportunities for wealth transfer are significant. In total, 1.2 million U.S. households report a net worth exceeding \$5 million. At the same time, fewer than half of Americans (46%) have documented the financial plan they intend to follow to achieve their retirement objectives. This is an opportunity for education.
2. Though competition for corporate foundation and government funding has increased, new opportunities have arisen. As environmental issues have risen to the forefront, we may see a surge of interest in and support for environmental/green initiatives. In addition, three of the nation's largest philanthropies have changed their programs this year to focus on emerging problems and issues, opening new potential opportunities for support.

Key Environmental Challenges

1. Competition for philanthropic support continues to grow. Many nonprofits and local government organizations have hired “grants managers,” resulting in increased competition for resources. All fundraisers today must find creative ways to capture the attention of donors.
2. Current weakness in the economy may have a negative effect on fundraising efforts for at least the next year. The housing crisis could have long and far reaching consequences for family wealth and, by extension, family ability or willingness to give. At the same time, the performance of the broader economy could have longer term consequences for corporate foundation giving. Because foundation giving levels typically are based on three-year average endowment earnings, a significant economic slowdown could impact available philanthropic resources over several years.

Key Organizational Strengths and Challenges

1. The CSB alumnae profile is maturing and earning more sooner. We have made some progress identifying prospective donors who previously were unknown to us. In addition, as our younger alumnae enter business, consulting, management or other professionally higher wage earning positions and gain more employment experience, we expect that a larger number of them will make larger more consistent annual gifts to the college.
2. We are developing outreach strategies to build the next generation of givers for the college. Our strategies have been developed along two primary dimensions:
 - o Creating interest in the College of Saint Benedict. Lifelong relationships with alumnae require that we connect with them when they are two years from graduation and keep them connected through the time they are three years out of school. Success rests on a clear understanding of the concerns and motivations most likely to encourage their habits of giving and engagement.
 - o Creating a culture of philanthropy. CSB has long been in need of a broad-based, multi-departmental approach to giving. Hands-on experiences in developing a fund, managing it and determining funding priorities could be part of an integrated experience for students, combining student development, academic affairs, alumnae relations and institutional advancement, to create a learning experience for the next generation of givers and non-profit professionals.
3. We are looking beyond our region to achieve recognition as a nationally-leading institution. Our actions over the past several years position us more as a national college than a regional college. Toward that end, membership on our Board of Trustees has become more nationally representative. Constituents around the country, particularly our alumnae, want to read stories in our publications that are of national interest. In addition, we have begun to establish an international presence to cultivate gifts from alumnae living abroad, to encourage international admissions, and to provide travel opportunities for alumnae and friends.
4. We must improve the quality of communication and connection with our alumnae.

- Strengthening the connection: Women philanthropists give to organizations they feel connected to and where they believe they can make a profound difference and improvement in society. Women most often are collaborative about their philanthropy, not competitive.
 - Diversify outreach vehicles: Preferred communication tactics – as well as messaging strategies – vary considerably across the generations in our alumnae base. We must be attentive to those differences, increasing market segmentation and the development of messages and mediums most appropriate for each constituent group.
 - Solidifying the message: When asked what it means to be a graduate of the College of Saint Benedict, alumnae respond as women of strength, intelligence, creativity, conviction, values, and voice. Our messaging must reflect that brand, those voices, and those images.
 - Establishing a lifetime of giving: A fully integrated message begins with volunteer engagement and gifts to the Annual Fund. The Senior Giving Campaign is the first step in a lifetime of giving. As means and engagement increase, endowment and planned gifts round out the giving cycle.
5. We must continue development of our volunteer and donor base. Our alumnae around the country eagerly seek to be involved with the college, though only a limited number are able to take on leadership roles. The volunteer opportunities we create must be adapted to fit with the work and home-life schedules of our alumnae, while at the same time providing them with added value for their efforts on our behalf. Our volunteer efforts historically have focused most intensively on Central Minnesota and the Twin Cities. We must fully engage our national and international alumnae, providing them with more and better opportunities for mentoring, professional expertise, and role modeling.
 6. We must develop more mentorship opportunities, connecting our students and alumnae. Recent studies indicate that students look for mentors to help guide them through major life decisions. Our students seek personal and professional connections with alumnae. We have begun to facilitate those connections.

SJU Institutional Advancement Environmental Scan

Prepared by Rob Culligan

Key Environmental Opportunities

- The United States has experienced a “golden age of philanthropy” in recent years, and higher education has been among the beneficiaries. According to the Council for Aid to Education (CAE), charitable contributions to colleges and universities in the U.S. in 2006 grew by more than 9%, reaching \$28 billion. The significant jump, the biggest one-year increase since 2000, was the result of larger donations from alumni and other individual donors, many of whom were solicited through numerous major fund-raising campaigns.

Key Environmental Challenges

- The short and long-term effects of an economic downturn on philanthropic giving are not yet clear, though they may be significant. As we enter 2008, the climate for philanthropy may be on the verge of significant change, brought about largely from changes in the health

of the national and global economy. The credit crisis, the rising price of oil, and the devaluation of the dollar each has contributed to a downturn in the U.S. economy. In addition to the impact on personal spending, there likely will be consequences for philanthropy. While it is too early to predict the impact of those consequences on charitable giving, it seems reasonable to assume that it could be considerable. In the short term, we are likely to see a reduction in annual gifts to non-profit organizations, particularly from low and middle-income individuals. If there is a sustained economic crisis, then it will likely have an impact on major gifts and gifts from appreciated assets.

Key Organizational Strengths and Challenges

1. Over the past five years, we have secured significantly larger gifts from donors. Total giving to the University and Abbey has nearly tripled since 2002, rising from \$10.6 million to \$30.3 million. Over the same period, the number of donors each year has remained steady, between 9,000 and 10,000.
2. We are responding to and capitalizing on a number of important trends and opportunities:
 - Building a volunteer culture. Volunteers are the lifeblood of Advancement operations, allowing fund raisers, alumni relations officers, and communications and marketing professionals to achieve goals that otherwise might not be possible. SJU must continue to build and grow a volunteer culture from the top down and the bottom up. We have an impressive foundation among our Fellows and Campaign Volunteers.
 - Integrating annual, capital and planned giving. We must inspire our donors to make gifts to the annual fund, make gifts to the capital campaign, and include SJU in their estate plans – “The Ladner Principles” embrace and promote these ways of giving.
 - Improving and enhancing communication. Frequent and targeted communication is essential to building relationships and keeping constituents informed and educated about our needs and priorities. The SJU IA office must continue to produce “best practice” communications including the Saint John’s magazine, Annual Report and Honor Roll, campaign publications, Johnnie Update and John-Email, and the IA website.
 - Building affinity. Historically, alumni have contributed to their alma mater as a matter of pride and loyalty. Younger generations have different interests and expectations. We must continue to create ways for alumni to become involved and engaged in areas that are of particular interest to them. The new Engagement Index will help measure this benchmark.
 - Restricted giving. The trend toward restricted giving continues, and we need to adapt to the opportunities it poses. We must make a compelling case for unrestricted annual giving, at the same time we need to strategically introduce restricted giving options.
 - Revenue diversity. We can no longer be completely dependent on charitable donations; we must diversify our philanthropic revenue streams. Saint John’s has had remarkable success increasing revenue for our athletic programs through the Johnnie Sports Marketing effort. We need to find ways to replicate this success in other areas of the institution.

Operational Environmental Scan

Financial and Operational Environmental Scan

Prepared by Sue Palmer and Dick Adamson

Each year, Moody's Financial Services identifies key issues influencing the short-term and long-term financial health and well-being of higher education. Below is a summary of those issues adapted from their 2008 Higher Education Outlook.

Key Environmental Opportunities

1. Operational efficiency and effectiveness will become increasingly important. As boards and management address strategic questions of affordability, accessibility, and learning outcomes, they will direct increasing attention to institutional efficiency and operational effectiveness:
 - Salary competitiveness, benefit structures, appropriate average class size, and space utilization will receive increasing management attention.
 - With large balance sheets and financial reserves, many institutions will focus on liquidity management as an area of potential gain, primarily through improved analysis of cash flow needs and investment of excess operating funds in higher yielding investments.
 - Accrediting processes will emphasize results and student learning outcomes (e.g. graduation rates, career placement, etc.) to a degree not seen previously, forcing institutions to alter reporting and even curriculum in some cases
2. Balance sheet management has become more complex, but has improved. Higher education institutions increasingly utilize sophisticated methods of asset and liability management in addition to long-term capital planning. Investment management generally remains a strength, with many institutions' portfolios better structured to reduce down-side risk than a decade ago. However, these portfolio strategies require increasingly professional investment management practices and highly complex oversight, which may be ramping up more slowly than the allocation to the investments themselves. Capital spending is likely to remain significant unless a confluence of factors, such as declining investment markets, reduced philanthropy and rising borrowing costs, change the sector's focus on spending to enhance competitiveness and attractiveness of their facilities. With large recent investment and philanthropic gains, balance sheets of most institutions have gained considerable debt capacity and could withstand moderate balance sheet declines without sacrificing credit quality.

Key Environmental Challenges

1. New public policy proposals promise more political and regulatory oversight. Although federal and state policies and regulations have long affected higher education, the number of areas poised for significant change has grown dramatically as political scrutiny has increased.
 - Political scrutiny of endowment spending and tuition setting has grown more intense with ongoing studies by federal agencies likely to result in increased regulation and mandated reporting that could impact financial performance.
 - Government funding of financial aid is expected to follow historical patterns of periodic increases, but continue the long-term trend of gradually eroding purchasing power.

- State funding for public institutions and state-supported financial aid programs grows more uncertain in many states as the outlook for state budgets dims in some regions.
- 2. A weak economic outlook and housing pressures will create economic and budget challenges for colleges. While higher education credit quality is not generally correlated with economic cycles, a weaker economy can impact higher education in a number of ways:
 - Economic and capital market downturns have the potential to shift some student demand from private institutions to four-year public colleges and from four-year public colleges to community colleges as perceptions of affordability change. In particular, for families that had planned to utilize home equity or part of a stock portfolio to finance education, college choice may be affected by the housing and stock market declines as well as broader economic declines.
 - A weak economy likely will influence endowment and investment earnings. Investment market performance impacts higher education to a greater degree than most other public finance sectors, as large endowments are a key to credit strength and portions of operating budgets typically are funded based on trailing performance of these funds.
 - Philanthropy has grown increasingly reliant on major-gift donors making large multi-million dollar gifts to capital campaigns. These donors often are less impacted by typical economic cycles, although giving has historically fallen after periods of weak investment markets.
- 3. Dramatic changes in the population of prospective students. Although national forecasts for enrollment in higher education institutions remain fairly positive over the next decade, enrollment planning will be more challenging in the Northeast and the Midwest. At the same time, the socioeconomic and racial and ethnic backgrounds of prospective students across the country will change, presenting distinct financial challenges and opportunities for colleges.

Key Organizational Strengths and Challenges

Human Resources Perspective

- Our eligibility requirement for participation in the retirement plan upon hire (a three-year waiting period) is not competitive with other higher education institutions and employers, potentially creating a negative impact on our faculty and staff recruitment efforts. In addition, a number of employees are or may be working beyond the standard retirement age or their desired retirement age due to concerns about health insurance costs for themselves or their spouse. We must explore reasonable and affordable options/retirement incentives.
- Both institutions have experienced a substantial increase in the cost and utilization of the tuition benefit, requiring us to evaluate our policies and practices from a financial and comparative basis.
- We must focus our attention on further diversifying our workforce. Significant efforts have been made in our approach to advertising and recruitment for faculty positions to gain more diverse applicant pools. However, additional work is required in diversity recruitment for administrative and support staff positions. Success requires that we build communication and professional networks within diverse communities to encourage individuals to consider positions at CSB and SJU. We may also need to address transportation concerns, work-eligibility/VISA status considerations, and our internal recruitment methods and processes. Retention of employees from underrepresented groups is an on-going concern requiring further discussion and analysis.

- The large number of anticipated retirements among the baby-boom generation will result in increased recruitment competition for qualified staff to replace this generation of workers. Succession planning in multiple divisions and departments would be beneficial to begin addressing this need.

Information Technology Perspective

- CSB/SJU must embrace the next generation of web technologies to assist in recruitment, communication, collaboration, and learning. We must address the needs and expectations of a generation of “digital natives” who have grown up with the Web and with advanced digital technologies. As they begin to enter the higher education arena and workforce in large numbers, digital natives will demand high-technology expectations as students and employees. CSB/SJU needs to respond to both aspects with internally and externally facing Web 2.0 capabilities.
- CSB/SJU students prefer a moderate level of technology use in the classroom. We must provide our students with at least the level of technology they experienced in their K-12 education. Technology tools for classroom and laboratory use are proliferating, and faculty support presentation classroom installations in 100% of classrooms. New technologies continue to be introduced into the educational environment, and we must develop processes for making appropriate and educationally beneficial choices.
- We must become more proactive in adoption of course management system (CMS) tools. CMS provide faculty with an easy way to put course content online and provide students access to online learning activities. They are a primary means by which faculty start to use technology in their teaching and learning. Surveys indicate that our students use content management systems in courses less frequently than students at other institutions.
- Digital native students have very high expectations for delivery of high quality services and support for personally owned devices. Students expect to have choices in technology and content to keep them connected at all times and in all places. They expect instant access to a wide variety of content, and are conditioned and trained to use bits of information. Although they expect support and access to institutionally owned devices, their primary connections will be through personally owned devices.
- Financial costs associated with maintenance of a secure network in a rapidly changing technology and regulatory environment are rising. Demand to access information from a variety of mobile devices and locations is growing. Regulations such as HIPAA, GLBA, FERPA, and PCI require certain security controls to protect private data. These issues create a cost in downtime, certification and consulting services, IT staff time, and potential loss of prestige/reputation.
- During the next five years, financial, environmental, legislative and risk-related pressures will force IT organizations to get "greener". Information and Communications Technology accounts for approximately 2% of global CO₂ emissions – roughly equivalent to that of the aviation industry. Poor energy behaviors account for much of our electricity usage. Becoming more environmentally friendly will require active employee engagement. IT must

work collectively on driving energy efficiency across the entire technology infrastructure. New technologies such as information life-cycle management (ILM) applications and increased utilization of server virtualization promise a significant reduction in overall resource utilization.

- CSB/SJU will be faced with the loss of key IT personnel through retirement and attrition and must be prepared to retain and recruit in the face of an industry-wide shortage of skilled IT professionals. The Gartner Group predicts that by 2010, higher education institutions will face a shortage of skilled IT professionals as the retirement of key IT personnel hits industries.

Business Office Perspective

- More sophisticated financial planning and modeling is critical as we plan our futures in an more competitive environment. To that end, the College of Saint Benedict will begin using a new financial modeling tool that works by establishing relationships among hundreds of interdependent operating and financial variables related to: student revenue, personnel, investments, debt and facilities, among many others. This tool will allow us to easily add initiatives or projects such as physical building projects, gift campaigns, academic programs, and staffing changes. Saint John's will move forward with the implementation of new asset management software that will provide planning and management tools for managing and maintaining the extensive campus infrastructure, while they continue to explore options for budgeting and financial planning.
- New audit requirements are changing the way we do business. Beginning in FY 2008, the AICPA issued a suite of eight new auditing standards related to expanded audit procedures aimed at assessment of risk. The standards will require us to provide our auditors with very detailed documentation of internal controls throughout our operation. We expect that most audits will result in an overall increase in effort by both the audited company and the audit team.
- The scrutiny surrounding credit card transactions has become a larger issue as our students and families utilize the credit card service more frequently. Colleges and universities that process credit card transactions must comply with the Payment Card Industry Data Security Standard, resulting in additional compliance requirements and work for business office staff.
- Changes to the IRS 990 form for the next fiscal year will add a new challenge to our area. The new form, to be used beginning in 2009 for the 2008 tax year, is the first major revision of the form since 1979. The guiding principles of the revision are to enhance transparency, promote tax compliance, and minimize the burden on filing organizations. For most colleges and universities, however, the new reporting regime will be more complex and burdensome than before. (This applies to CSB only as SJU is not required to file a 990 tax form)
- Program excision and/or resource allocation. Our Boards have asked us to provide evidence of efforts aimed at evaluating current programs and processes to determine their effectiveness and fit in relation to the institutions mission, vision, and strategies.