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CATHOLIC SCHOOL MANAGEMENT

# Letter<sup>SM</sup>

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## **Rethinking Financial Aid for Parents Choosing Catholic Elementary and Secondary Schools**

Matt Emerson, writing for *America: The National Catholic Review* on February 26, 2014, stated that today's parents, when choosing a Catholic school for the education for their children, are "basically purchasing anxiety." He goes on to state that, "they are purchasing the anxiety that comes with any major monetary commitment." As a basis for comparison, monthly tuition payments to Catholic schools in many instances now approach a family's mortgage or rent payment. A major monetary commitment indeed!

The cost to educate a pupil annually in a private or Catholic school is rising at a rate significantly greater than that of the consumer price index; indeed, in many areas of the Country cost-per-pupil is rising at three to four times the consumer price index. These cost increases are both necessary and justified in Catholic schools in their attempt to provide just compensation for Catholic school teachers, administrators, and staff; many of whom work tirelessly and with great dedication and commitment to children. Yet these same individuals are often compensated with salaries significantly lower than they might receive in public or charter schools. Additionally, costs are influenced by the ongoing call to upgrade and integrate technology with the teaching/learning process and to provide and maintain instructional materials that are current and relevant. Unfortunately, years of deferred maintenance are exacerbating the cost problem as school administrators annually find it necessary to budget for significant maintenance as well as major repairs and capital improvements. It is clear that the cost of providing quality Catholic education will continue to rise on an annual basis.

In the 1960's and early 1970's, the staffing of Catholic schools was overwhelmingly provided by religious sisters, brothers, and priests who received minimal stipends. Today religious sisters make up only 2.2 percent of the teaching staff in Catholic schools, while religious brothers and priests account for less than one half of one percent of staffing. Undeniably, Catholic schools in the middle 1900's were largely supported financially with the labor of religious sisters and brothers.

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While costs for labor, instructional materials, technology, insurances, and plant and facility needs continue to rise at significant rates, the contributions of the institutional Catholic Church (parishes and dioceses) are dropping dramatically. Parish and diocesan support in the form of subsidies continues to decrease radically accordingly to the NCEA databank statistics. Moreover, in some dioceses there are no funds allocated whatsoever for parish subsidy or support to Catholic schools.

As costs continue to rise, tuition and fees are similarly growing, at rates that also often exceed the consumer price index. While parents may continue to desire a Catholic school education for their children, the financial obstacles are becoming, in many cases, insurmountable. Parents typically choose Catholic schools for one or more of the following reasons:

- A perception that their child will receive a better academic education;
- Religious values taught and integrated with the teaching/learning process;
- A perception of a safe, structured, disciplined, and nurturing environment;
- An appropriate array of co-curricular and extracurricular activities and opportunities for their child.

Even where the value proposition is strong and each of the above elements are present and well known, financial obstacles are often times significant, and parents, therefore, do not even consider the Catholic school as a viable option for the education of their children.

As was stated in *Catholic School Management Letter*, September 2011, Vol. XXXIII, No. 1, "The New Normal – Strategic Planning Considerations for the Viability and Vitality of Catholic Schools," new normal assumptions include:

- The Board's key role is to secure the future of the school;
- Budgeting starts with an economic assessment of the community's capacity to pay, a demographic study, and realistic assessment of the school's relative strengths in the market;

- Tuition is set based on the above assessment;
- Strategies are identified and implemented to increase non-tuition revenues and decrease costs without sacrificing quality.

It is the considered opinion of Catholic School Management (CSM) that local School Boards must play an active and high priority role in securing the future of the school. Working closely with administrators and parents, School Boards must develop strategic and operational plans that ensure both long-term viability and vitality. One such key strategy is to provide both scholarships and financial assistance. It remains the opinion of CSM that unless financial assistance programs and scholarships are increased significantly, Catholic schools will continue to face enrollment declines and will continue to close at alarming rates.

### **Generating Revenue for Financial Aid**

Consider the following three (3) strategies for both enhancing long-term viability and vitality while providing additional funds for scholarships and financial assistance for families. First, it is recommended that a portion of annual giving programs (annual funds) be devoted to financial assistance each year. Donors should be given the opportunity to designate funds for scholarships and financial assistance as well as providing funds for program enhancements and professional development (see *Catholic School Management Letters*, January 2013, Vol. XXXIV, No. 3, "Planning, Implementing, and Enhancing the Catholic Elementary School Annual Fund" and March 2013, Vol. XXXIV, No. 4, "The Catholic Secondary School Annual Fund"). Secondly, each school should develop a planned giving program that provides for endowment growth in order to fund scholarships and financial assistance. Bequests, life insurance, charitable lead trusts, charitable remainder trusts, gift annuities, and gifts of property should all be encouraged as part of a well-structured planned giving program. Please see *Catholic School Management Letter*, September 2010, Vol. XXXII, No. 1, "An Effective and Affordable Planned Giving Program for the Catholic School."

Although Catholic secondary schools over the past 20 years have engaged in capital campaigns more frequently and successfully, major capital campaigns have been rare at the Catholic elementary school level. It is the recommendation of CSM that once Boards are in place, strategic plans have been developed, and annual giving programs have been established in Catholic schools (elementary and secondary) that capital campaigns should be conducted at least every seven to ten years. These capital campaigns should be multi-purposed with some money going to facility improvements and repairs, and with additional funds allocated for financial assistance and scholarships. Additional priorities might include technology and staff professional development to support the integration of technology with the teaching/learning process. Capital campaigns should be preceded by feasibility studies and both should be carried out by experienced professional counsel, such as Catholic School Management's capital campaign and development professionals.

A recent article in the *New York Times* (March 15, 2014) indicates that private independent school administrators and Board members are rethinking financial assistance in order to ensure that their schools are available not only to the extremely wealthy, but also to individuals and couples earning between \$200,000 and \$300,000 annually. In the past, independent school financial aid programs have sought to enhance the diversity in the independent school by allocating significant financial aid funds to talented but economically disadvantaged students. Today these private independent schools are reallocating funds to different socioeconomic groups – the middle and upper middle class. Times are clearly changing!

### **The Budget and Enrollment Cycle**

Although not recommended, current practice in many Catholic elementary schools includes setting tuition rates before budgets are completed for the upcoming year and then accepting students without providing financial assistance information. It is the opinion of CSM that this procedure and timeline should also be rethought and adjusted. As parents

apply to Catholic schools, it is important for them to know not only the tuition rate, but the likely financial aid that they will receive. It is recommended that School Boards and administrators work together to develop a specific budget development timeline that will ensure that financial aid applications are prepared early in the spring and that financial awards are made on a timely basis for both new students and those re-registering. Page 4 provides a sample proposed budget development process and timeline. Both tuition policies and admissions criteria should be clear and well promulgated. Tuition policies should include:

- Payment options (annual, semi-annual, monthly);
- Catholic/Non-Catholic rates;
- Sibling discounts;
- Employee discounts.

Admissions criteria should take into account:

- Parishioners;
- Catholic non-parishioners;
- Siblings;
- Children of employees, etc.;
- Children of alums;
- Others.

### **Final Note**

Parent satisfaction surveys and personal interviews suggest that Generation X and Y parents show increasing frustration with a “wait and find out” culture that surrounds financial assistance. They want this information made available earlier and at the time of registration. School administrators, therefore, need to establish consistent, data-based planning practices in order to have the capability to provide information to families (current and prospective) as early as possible in order to counteract some of the associated anxiety mentioned earlier.

For additional information on Conducting a Successful and Effective Financial Aid Program: The Key to Enrollment Stability, please see *Catholic School Management Letter*, September 2009, Vol. XXXI, No. 1.



Catholic School Management, Inc. is a full-service, comprehensive, consulting organization supporting Catholic Education with research, direct consultative guidance, training programs and publications. CSM provides the highest level of professional and personalized service to Catholic educational institutions both within the United States and internationally.

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July	<ul style="list-style-type: none"> <li>• Begin new fiscal year</li> <li>• Monthly enrollment tracking including attrition rates using an enrollment management spreadsheet</li> </ul>
August	<ul style="list-style-type: none"> <li>• Revise current year operating budget as necessary based upon changes in enrollment and/or other key assumptions</li> <li>• Calendarize budget for control purposes and develop cash flow projections (A non-linear calendarization is recommended.)</li> </ul>
September/October	<ul style="list-style-type: none"> <li>• Audit or review report completed and reviewed by administration, Board, and pastor (An external review rather than an audit, may be considered for smaller schools.)</li> <li>• 5-year financial plan reviewed and updated by Board and administration</li> </ul>
October/November	<ul style="list-style-type: none"> <li>• Preliminary assumptions for budgeting for the upcoming year are developed:             <ul style="list-style-type: none"> <li>- Economic</li> <li>- Demographic</li> <li>- Capital improvement</li> <li>- Enrollment</li> <li>- Levels of financial assistance</li> <li>• Number and dollar amount of scholarships</li> <li>• Tuition discounts (siblings, employees, etc.)</li> </ul> </li> </ul>
November/December	<ul style="list-style-type: none"> <li>• Prior year financial information reviewed in line-by-line detail by principal and finance committee of School Board</li> <li>• Audit or review report and procedure letter reviewed by principal and finance committee of School Board</li> </ul>
January	<ul style="list-style-type: none"> <li>• Assumptions developed by School Board and administration with regard to:             <ul style="list-style-type: none"> <li>- Enrollment</li> <li>- Salary growth</li> <li>- Tuition rates/income</li> <li>- Annual Fund</li> <li>- Parish/Diocesan support</li> <li>- Endowment income</li> <li>- Levels of financial assistance</li> <li>• Number and dollar amount of scholarships</li> <li>• Tuition discounts (siblings, employees, etc.)</li> </ul> </li> <li>• Principal prepares specific classroom/department budget requests</li> <li>• All line item expenditure assumptions prepared</li> </ul>
January/February	<ul style="list-style-type: none"> <li>• Principal and staff prepare preliminary operating budget based on assumptions developed above (Detailed, line-by-line income and expenditure budget to be presented to finance committee)</li> <li>• Preliminary budget approved by School Board</li> <li>• Principal and finance committee review preliminary draft budget and modify assumptions as necessary             <ul style="list-style-type: none"> <li>- Contingencies developed</li> <li>- Tuition assumptions finalized</li> <li>- Salary and benefit assumptions finalized</li> <li>- Financial assistance assumptions finalized</li> </ul> </li> <li>• Re-enrollment process initiated</li> <li>• Tuitions announced for upcoming year</li> <li>• Financial assistance and scholarship budgeted amounts available</li> <li>• Re-enrollment and registration best practices initiated</li> </ul>
March	<ul style="list-style-type: none"> <li>• New enrollment process open</li> <li>• Financial assistance and scholarship budgeted amounts available for families entering for the first time</li> <li>• Enrollment, student recruitment, and registration best practices continued</li> </ul>
April	<ul style="list-style-type: none"> <li>• Revised budget presented by principal to Board for approval             <ul style="list-style-type: none"> <li>- Approved budget presented to pastor for ratification</li> </ul> </li> <li>• Contracts for professional staff prepared and signed by principal as appropriate</li> </ul>
May	<ul style="list-style-type: none"> <li>• Budget adjusted as necessary based on registration</li> </ul>
June	<ul style="list-style-type: none"> <li>• Books closed for fiscal year             <ul style="list-style-type: none"> <li>- Audit/review dates set for summer</li> </ul> </li> <li>• Budget for upcoming year revised based on newest enrollment and staffing information</li> </ul>

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