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(GSN) Practicing Our Faith
Means Seeking Perfection
in the Spiritual Life

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Catholic Education: Living Off the Legacy

By Frank Ferguson

At its June 2005 meeting, the United States Conference of Catholic Bishops (USCCB) approved the document *Renewing Our Commitment to Catholic Elementary and Secondary Schools in the Third Millennium*. This document is addressed to all bishops, priests, deacons, religious, and laity and urges them "to continue to strive towards the goal of making ... Catholic elementary and secondary schools available, accessible, and affordable to all Catholic parents and their children, including those who are poor and middle class." (1) The document is in response to the Bishops' call to "the entire Catholic community ... to assist in addressing the critical financial questions that continue to face ... Catholic schools." (2)

In *Renewing Our Commitment* ... the Bishops set forth four specific goals.

1. Catholic schools will continue to provide a Gospel-based education of the highest quality.
2. Catholic schools will be available, accessible, and affordable.
3. The Bishops will launch initiatives in both private and public sectors to secure financial assistance for parents, the primary educators of their children, so that they can better exercise their right to choose the best schools for their children.
4. Catholic schools will be staffed by highly qualified administrators and teachers who would receive just wages and benefits, as we expressed in our pastoral letter *Economic Justice for All* (3).

A decisive factor in achieving the Bishops' goal to have Catholic education "available, accessible, and affordable" is to ensure that Catholic schools and Catholic school systems are fiscally sound and endowed to provide for their long-term economic health.

It is crucial that Catholic education maintain its tradition of academic excellence, that teachers and principals are highly educated and experts in their fields, and extra-curricular opportunities continue to be

available to students attending Catholic schools. Moreover, as the Bishops have rightly discerned, schools managed with a single view towards academic excellence—without the necessary and commensurate understanding of sound fiscal management—will likely be forced to close due to insufficient funding.

Catholic schools are not for-profit enterprises. Rather, they are charged to pass on the Gospel of Jesus Christ. Yet, sound financial principles and planning are necessary instruments to propel the mission of each school. The result of inadequate financial planning and management will be fewer Catholic schools, a failure to meet the Bishops' objectives, and the loss of one of the Church's most important and effective evangelization tools.

Today, many Catholics, including some within the hierarchy itself, seem content to preside over the graceful death of Catholic education either because they have given up on Catholic Schools as an important evangelization tool, or simply because they see no support among the laity to fund Catholic education. Of course, many factors—cultural, financial, and spiritual—have contributed to the intense pressure on Catholic schools, and rather than responding, we can be accused of spending down our rich heritage and living off the long legacy of Catholic education in the United States.

Overview of Catholic Education in the United States

In His parting words to His disciples, Jesus commands them saying: "All authority in heaven and on earth has been given to me. Go therefore and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, teaching them to observe all that I have commanded you." (Mt. 28:18-20)

Catholic education is one of the Church's primary responses to this command. The *Catechism of the Catholic Church* rightfully expounds on this saying that "At the heart of

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catechesis we find a Person, the Person of Jesus of Nazareth, the only Son from the Father ... Christ, the Incarnate Word and Son of God ... is taught – everything else is taught with reference to him.” (4) This is the heart of Catholic education and the revelation of Christ acts as leaven in reading, writing, arithmetic, and all the other subjects taught in Catholic elementary and secondary schools.

The importance of Catholic education is nowhere more plainly revealed than in the fact that in May 1852 the bishops of the United States at the First Plenary Council of Baltimore decreed that “Bishops are exhorted to have a Catholic school in every parish and the teachers should be paid from the parochial funds.” (5) With this decree, the Catholic school system in America as we now know it was born. Throughout the United States as parishes were built bishops ensured that whenever possible a Catholic school was built alongside them to make certain that Catholic youth were instructed in the truths of the Catholic faith as well as—as an integral part of—the traditional subjects of elementary and secondary education. (6)

Catholic schools have long provided access to the Church’s sacraments and worship as well as assisted in the conversion of non-Catholics to the faith. Parents see participation at Mass and the ability to make confessions throughout various times of the school year as one of the greatest benefits of sending their children to Catholic school. Indeed, Catholic schools teach their students the underlying doctrine of the sacraments and provide them with an atmosphere to probe and understand these realities more fully. The stories of priests and religious who first came to hear their calling to the priesthood or religious life while attending Catholic schools are innumerable. Catholic schools are a fertile ground for future vocations. Catholic schools have also traditionally provided students with opportunities to perform corporal acts of mercy by serving in soup kitchens, visiting the elderly, sending money to missions, as well as learning the Church’s social

teachings. Students who receive a Catholic education are taught that their lives are to be in the service of their neighbor, and this forms the men and women who graduate from Catholic elementary and secondary schools to see themselves as extensions of Jesus Christ in the world, serving others with their time, talents, and treasure.

Historically, Catholic schools have employed a business model that included significant support from their respective parishes and the broader Church. This support came both in the form of parish subsidies and reduced operating costs in the form of religious men and women who served as administrators and teachers. (7) The traditional sources of revenue for Catholic schools have been tuition, annual fundraising events, subsidies, and other gifts. It must also be added that class sizes of 30 to 35 students contributed greatly to the economic vitality of most parochial schools. Today, however, many Catholic schools have student bodies with a significant number of non-Catholic students. This has changed the relationship of the school to its original parish sponsor, and in some instances the parish can no longer provide sufficient support to the school.

In other places the school’s new sponsor is no longer the local community or parish, but the diocese itself. These changes have altered both the source and amount of revenue parochial schools can expect to receive with no commensurate modification in the schools’ overall operating model. (8)

The National Catholic Educational Association’s annual statistical report shows that there are currently 7,799 Catholic elementary and secondary schools in the United States, which enroll over 2.4 million students. Since 1990, the Church has opened more than 400 new schools and currently over 2,600 Catholic schools have waiting lists to attend. (9) Non-Catholic attendance has grown by more than 500% since 1970. (10) Overall, since 2000, however, both the number of students and the number of Catholic elementary and secondary schools have declined. (11) This

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would lead to the conclusion that waiting lists are the result of school closings and consolidations rather than significant enrollment increases.

In *Renewing Our Commitment ...*, the Bishops reported that "Since 1990, the average tuition in both elementary and secondary Catholic schools has more than doubled." (12)

Despite all of the dramatic changes experienced by Catholic schools over the past 40 years, Catholic schools have only a 3.4 percent dropout rate (compared to 14.4 for public schools and 11.9 for private schools), and ninety-nine percent of students graduate with ninety-seven percent of them going on to some form of post-secondary education. (13)

Stress on Catholic School Systems

After the end of the Second World War, the Catholic Church in the United States experienced a period of rapid growth. In the forties, fifties and sixties, schools were built at maximum pace to accommodate the many children who were seeking Catholic education. With priests and religious vocations at an all-time high, many staffed Catholic schools. As the population began to dip and the baby boom generation made its way through elementary and secondary Catholic education, schools began seeing decreases in enrollment. Simultaneously, the post-Vatican II Church has undergone a difficult period in which priests and religious have left their vocations and in many instances the Church itself. These two factors alone have put tremendous stress on Catholic school systems across the United States.

As priests and religious became increasingly unavailable to serve in schools, the laity stepped forward to replace them. While lay salaries are higher than the stipends paid to religious, these salaries remain below market.

The Sacred Congregation for Catholic Education, rightly recognized this challenge

in its 1982 document *Lay Catholics in Schools: Witness to Faith*, in which it states: "[L]ay people must receive an adequate salary, guaranteed by a well-defined contract, for the work they do in school: a salary that will permit them to live in dignity, without excess work or a need for additional employment that will interfere with the duties of an educator." (14)

At the same time, modern education theory was taking hold in both public and secular private school classrooms. Changing curriculum, special education programs, and reduced student-teacher ratios worked together to increase the per student cost of education as well as to radically reduce the available revenue per classroom. Higher costs were now distributed over a smaller number of students in each classroom. The impact on Catholic schools was particularly dramatic since most Catholic schools operated with class sizes of over 40 and sometimes as many as 60 students. In response to "competitive" pressures Catholic schools split classes into two and three units per grade.

Smaller class size and the new stress of market-based salaries for lay faculty were not the only factors putting stress on Catholic school systems. The demographic shifts of the seventies, eighties, and nineties saw a mass exodus of middle class Americans from urban neighborhoods to the suburbs. In the early years of the United States most population centers were in the cities and large urban areas with parishes and schools scattered throughout. As the migration from city to suburb took place, Bishops found themselves striving to keep up financially to build new parishes and schools in the suburbs, while at the same time seeking ways to keep their inner-city schools open.

Inner-city neighborhoods do not normally have a problem finding parents who wish to send their children to a Catholic school. The problem has been that many of those who send their children to inner-city Catholic schools are poor and struggling to survive,



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let alone pay tuition. Catholic schools often allow poorer students to attend while only paying a portion of tuition, or often, no tuition at all. Significantly, inner-city Catholic schools have experienced a shift in student population from primarily Catholic children to a much larger percentage of non-Catholics. The Catholic Church has always been missionary-oriented and has a long history of educating non-Catholics. However, the traditional revenue model employed by the Church and Her schools has been to have a parish or a group of parishes fund a Catholic school through subsidizing tuition. With the growth of non-Catholic student-bodies in recent years, parish subsidies to schools have significantly declined and in some instances have ceased altogether. (15) This, along with shrinking class sizes, closures, consolidations, and increased salary costs, has left many remaining schools with full enrollments and chronic operating deficits.

How the Traditional Business Model Compounds the Stress

The changing profile of Catholic education, demographic shifts, increasing numbers of non-Catholic students, reduced parish-based financial support, higher lay teacher salaries, and reduced revenue per class room due to dramatically smaller class sizes have all contributed to the inversion of the Catholic school business model; driving up costs while at the same time limiting needed revenue. Today, many of the nation's poorest children – many of whom are not Catholic – are being educated in Catholic schools funded by Catholics who are in effect subsidizing failing public schools.

This challenge can, in part, be addressed by engaging in behaviors that drive new revenue from new sources into Catholic schools and school systems. That is to say, that Catholic school administrators and superintendents can develop new lines of communication and begin to foster new relationships outside the Catholic community. The weekly parish offertory alone can no longer be the primary source of subsidies for Catholic schools. New

relationships with both civic and philanthropic partners must be built to help support the growing need for successful Catholic education in our inner cities.

Moreover, the Catholic schools' cash-based business model (16) compounds the challenges facing many Catholic schools—in particular inner city schools where a larger percentage of students do not pay full tuition—primarily by constraining liquidity and “locking up” the schools' most significant capital resource in equity in school buildings. Liquidity is constrained because working capital is limited to tuition receipts that on average fund roughly 60 percent of operating costs, parish subsidies (now down to less than 25 percent of operating costs) and fundraising that is sporadic and principally occurs once a year. (17) In fact, many schools will draw down on prepaid tuitions for the upcoming school year to fund current operating needs.

Capital needs (new schools, renovations, and expansion) are also typically funded with cash. Once a need has been identified, a parish will conduct a capital campaign to raise the funds necessary to pay for the anticipated construction. These campaigns are sometimes conducted in conjunction with diocesan capital campaigns. Once a designated portion of the capital campaign pledges and cash proceeds have been received, construction can begin. (18) Any gap in funding is either met by a loan from the diocese to the parish or financing from a local bank. However, as campaign proceeds are received any loans are quickly paid down, most in three to seven years. To avoid debt service payments, cash is used to eliminate debt rather than fund operations or to provide incremental investment income. As new needs arise, more fundraising is needed to fill the gap left by inadequate revenues.

The inevitable result is schools that are constantly cash-poor with a fatigued donor base, but with buildings and equipment paid in full. (19)

The unintended consequence of this



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operating approach is that schools and parishes are driven by liquidity constraints. That is, the need to generate funds to support operations becomes a primary focus and the school leadership is no longer mission-driven in its decision making. This hand-to-mouth has tended to limit strategic planning, force reactive rather than proactive decision making, and constrain leadership attention to immediate, tactical problem solving to avoid insolvency.

In many cases school leadership teams and dioceses are unsuccessful. School consolidation, closings, or conversion to secular charter schools have been the result. Too often, dioceses, in an effort to preserve financial resources have chosen to retain decaying school buildings and surrendered their mission of Catholic education. Since 1990, the NCEA reports that nearly 2,000 Catholic schools have been lost.

In their document *Renewing Our Commitment to Catholic Elementary and Secondary Schools in the Third Millennium*, the Bishops of the United States have called on the entire Catholic Community to assist in addressing the critical financial questions that continue to face Catholic Schools.

Catholic schools have served as the incubator and nourishing center of Christian formation for generations of Catholics in the United States, and it appears the Bishops have set out into the deep for a catch of new souls through soliciting input to financially strengthen Catholic elementary and secondary schools to help to ensure that they are available, accessible, and affordable to Catholic parents and students.

The financial challenges facing Catholics schools are well known. By understanding these challenges and the practices that have been successful in the past—but that may no longer be applicable for today—it is hoped that today's challenges can be addressed with the understanding and insight necessary to make changing time-honored strategies easier and more fruitful.

Future articles will focus on the expanding need for Catholic schools, new civic and philanthropic partnership that can help revitalize Catholic education, and specific, viable revenue models for Catholic schools including dramatically new resource management strategies to permanently fund and grow Catholic education in the United States.

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(1) United States Conference of Catholic Bishops, *Renewing Our Commitment to Catholic Elementary and Secondary Schools in the Third Millennium*, 2005, p 1

(2) Ibid, p11

(3) Ibid, p2; "Because work is this important, people have a right to employment. In return for their labor, workers have a right to wages and other benefits sufficient to sustain life in dignity.", United States Conference of Catholic Bishops, *Economic Justice for All*, 1986, p 23.

(4) *Catechism of the Catholic Church*, 1994, 426, 427

(5) First Plenary Council of Baltimore, *Decree XIII*, 1852

(6) The first documented Catholic parish school was established in 1782 by St. Mary's Church in Philadelphia. At the first Council of Baltimore in 1829, the Bishops of the United States recommended the establishment of schools in connection with churches and permitted the use of parish funds to pay teachers. This was at the same time that state-supported free public schools were being developed that included a common core of religious education based on Protestant teachings. In 1858, the Second Provincial Council of Cincinnati mandated that all pastors build a parochial school under pain of mortal sin. Some parishes denied the sacraments to parents who did not send their children to Catholic schools. In 1884, the Third Plenary Council of Baltimore mandated the establishment of a school in every parish, the obligation of the pastor and parishioners to support the school, and the requirement of parents to send their children to parochial schools. Catholic elementary and secondary schools reached their peak in the 1960s when 12 percent of all elementary and secondary students in the United States, nearly 5.5 million students were enrolled in 13,000 Catholic schools in 1965. (Center for Applied Research in the Apostolate, Georgetown University, *A portrait of the Catholic Church in the United States*, 2000, p 63 – 68.)

(7) By 1950, 87 percent of Catholic elementary and secondary school positions were filled by sisters, brothers, scholastics, and priests. (Center for Applied Research in the Apostolate, Georgetown University, *A portrait of the Catholic Church in the United States*, 2000, p 74.)

(8) Today, religious men and women make up only seven percent of Catholic school staffing. Between 1964 and 1984, 40 percent of Catholic high schools and 27 percent of elementary schools closed. In 1998 there were 2.7 million students enrolled in 6,925 Catholic elementary and high schools. (Center for Applied Research in the Apostolate, Georgetown University, *A portrait of the Catholic Church in the United States*, 2000, p 69.)

(9) National Catholic Education Association, United States Catholic Elementary and Secondary Schools, 2006 – 2007, p 17

(10) National Catholic Education Association, United States Catholic Elementary and Secondary Schools, 2006 – 2007, p 21.

(11) McDonald, Dale, National Catholic Education Association, United States Catholic Elementary and Secondary Schools, *The Annual Statistical Report on Schools, Enrollment and Staffing*, 2000 – 2003, Exhibit 1, p 2.

(12) United States Conference of Catholic Bishops, *Renewing Our Commitment to Catholic Elementary and Secondary Schools in the Third Millennium*, 2005, p 5.

(13) McDonald, Dale, National Catholic Education Association, United States Catholic Elementary and Secondary Schools, *The Annual Statistical Report on Schools, Enrollment and Staffing*, 2000 – 2003, Exhibit 1, p 5.

(14) Sacred congregation for Catholic Education, *Lay Catholics in Schools: Witness to Faith*, no. 78

(15) In 2001, the percentage of school income from parish subsidies was 24.1%. National Catholic Education Association, *Balance Sheet for Catholic Elementary Schools: 2001 Income and Expenses*, Exhibit 18, 2001, p 18.

In 2009, the percentage of school income from parish subsidies was 7.7%. National Catholic Education Association, *Financing the Mission: A Profile of Catholic Elementary Schools in the United States*, 2009, p 17.

(16) The term business model refers to the value proposition Catholic schools offer parents, the sources and uses of funds needed to operate the school, and the capital costs of construction (depreciation) and ongoing capital improvements and corrective and preventative maintenance.

(17) United States Conference of Catholic Bishops, Catholic Information Project, *The Catholic Church in America – Meeting Real Needs in Your Neighborhood*, Average Percentage of Elementary School Revenue from Various Sources, December, 2003, p 10.

(18) Most dioceses establish minimum campaign pledge and cash received amounts prior to authorizing expenditures for construction. Limits range from a low of 30 percent of total estimated costs received in cash for new parishes in growing dioceses to 100 percent in older dioceses with minimum growth.

(19) It could be argued that schools and parishes have equity in an appreciating asset. While this is true, any appreciation is only realized upon the sale of the school. Moreover, most schools are sold because of declining demographics in their specific location that has resulted in declining enrollment. Consequently the school is not sold in an attractive market. Then too, the school building itself is highly purpose built limiting the number of alternative uses and attractiveness to potential buyers and its resale value. Catholic schools are bad real estate investments.