

THE IMPACT OF THE ECONOMIC DOWNTURN  
ON JEWISH DAY SCHOOLS

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# THE IMPACT OF THE ECONOMIC DOWNTURN ON JEWISH DAY SCHOOLS

**I**n the best of economic times, many—probably most—day schools and yeshivas are underfunded and, even so, successfully meet their obligations. They scrimp on support staff and maintenance and cannot provide the enhancements and extra-curricular activities that are routine in public schools and stronger private schools. Of course, there are exceptions: a small number of high-tuition institutions that cater substantially to more affluent families can afford services and salaries that 90% of our day schools cannot.

Previous research<sup>1</sup> has emphasized that these significant deficits are in large measure offset by Jewish schools' positive learning environments and the dedication of their faculty and staff.

Unlike throughout much of the past century, today Jewish schools depend mainly—and increasingly—on parental payments for their income. It stands to reason that the recent extended downturn in the U.S. economy has adversely impacted day schools. This report is an effort to gauge how our schools have weathered the economic storms.

A weak economy can exact a toll in many ways. These include a decline in fundraising, encompassing both new pledges and the payment of old ones; arrears in tuition payments; an increase in scholarship applications; withdrawal of students or decision not to enroll new students; the scaling-down of capital projects; work force reduction; and the expanded reliance on borrowing to meet operating or capital needs.

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<sup>1</sup> Marvin Schick and Jeremy Dauber, "The Financing of Jewish Day Schools" (1997).

We recognize that not all these indicators of economic health are equally ripe for determination. Some responses to the survey reported on here—for example, as to whether prospective parents have held back sending their children to a tuition-charging school—were, at best, impressionistic. In other cases, schools accustomed to fiscal pressure may believe that hardship is the norm in providing a religious Jewish education. Additionally, school officials often tend to be circumspect when discussing their institution’s finances. Nevertheless, we feel that the responses we received overall provide a valuable insight into current conditions.

## METHODOLOGY

Our survey was conducted in March and April 2003, by which time institutions should have had a good sense of how they were faring in the unfavorable economic environment. Nearly 100 schools were contacted and 88 provided information. Of these, 28 were Community, Solomon Schechter and Reform day schools, while the others were under Orthodox sponsorship. In all, these 88 schools enroll 59,000 students, or about 30% of all U.S. day school enrollment. More specifically, 15,235 of these students are in non-Orthodox institutions and 43,600 are enrolled in Orthodox schools.<sup>2</sup>

Smaller day schools—those with fewer than 100 students—were not surveyed because their size may make them especially susceptible to economic volatility, irrespective of the overall situation in the country. Similarly, new schools—in operation fewer than five years—were also not contacted because they too are prone to sudden shifts in their financial situations, unrelated to outside economic conditions. Nor did we include day schools that primarily serve immigrant families or have an outreach orientation because their financial arrangements are substantially different from the rest of the day schools.

The survey was conducted by telephone. We decided not to mail questionnaires, since substantial experience has shown there are considerable difficulties in getting timely responses—if at all—to surveys sent by mail. In addition to asking for information pegged to specific questions, we invited respondents to comment on how the economic situation has affected them. More than a few

<sup>2</sup> We also aimed for geographic diversity. The 88 schools are spread across the U.S.

school officials indicated that the categories offered as possible responses to specific questions did not adequately reflect their situation. As a result, several adjustments were made in tabulating the responses, as will be noted.

Finally, school officials were promised that their institutions would not be identified, except in general terms, such as “an Orthodox school outside of New York.”

## THE FINDINGS

The survey began with a general question, in which schools were asked to assess whether the economic situation has adversely affected them.

Table 1: Impact of Economic Situation

	Non-Orthodox	Orthodox	All Schools
Minimal or No Impact	3	1	4
Minor, but Significant	10	21	31
Considerable	15	38	53
<b>Total</b>	<b>28</b>	<b>60</b>	<b>88</b>

The responses show clearly that schools feel that they have been hurt. Only four of the 88 schools said that there had been little or no impact. Furthermore, fully 60% said that the impact of the economic situation was “considerable.”

We recognize that terms like “considerable” and “significant” are imprecise. There also is the possibility that survey bias may influence how school officials respond, as they may believe that the purpose of the survey is to demonstrate that the economic downturn has caused much damage to the day school world and they are eager to support this finding. However, on balance, we think that the figures accurately reflect how officials in these 88 schools view their situation, especially since the survey encompassed stable and relatively financially secure institutions that are known to meet their payroll and obligations in a timely way.

When the responses are broken down according to school category, we find that 54% of the non-Orthodox chose the more severe category, while Orthodox schools chose this category 63% of the time. Marginally, then, Orthodox institutions say that they have been hurt more seriously than the non-Orthodox.

One official at a noted Community day school underscored that although it was well into the school year, it was still “too early” to assess the situation and that when a full picture is available, it “will probably be worse” than what now appears to be the case.

## ENROLLMENT

Our remaining questions covered areas of specific concern, the first of which related to enrollment.

Enrollment is a critical issue for organized American Jewry and the philanthropic sector because over the past decade there have been heightened efforts to encourage Jewish parents to send their children to day school and to enlarge the capacity of these schools. Also, any overall enrollment decline, at least in certain schools, would make it difficult for them to balance their budgets and meet obligations.

We first asked whether parents have “withdrawn their children, giving job loss or financial hardship as the reason.” We were told:

Table 2: Decline in Enrollment

	<b>Non-Orthodox</b>	<b>Orthodox</b>	<b>All Schools</b>
Yes	14	8	22
No	13	52	65
<b>Total</b>	<b>27*</b>	<b>60</b>	<b>87</b>

\* One non-Orthodox school responded it “did not know.”

The fact that one-third reported an actual loss of students, on the grounds of parental economic hardship, in itself can be regarded as significant.<sup>3</sup> Although two-thirds of the institutions said that no parents gave this reason for withdrawing their children, on closer consideration the situation is more serious.

<sup>3</sup> I plan to conduct a census of Jewish day schools in the 2003–04 school year, as a follow-up to the census I conducted five years previously. This study should provide conclusive data on enrollment trends in day schools and permit an assessment of whether the surge in day school enrollment that occurred in the 1990’s in non-Orthodox schools has slowed down or been reversed because of the economic situation.

As might be expected, the findings vary considerably between Orthodox and non-Orthodox schools. Among the Orthodox schools, 13% reported that students have been withdrawn for economic reasons. However, among the Orthodox, day school education is generally regarded as nearly a religious obligation, reinforced by social pressure. Accordingly, the fact that 13% of the schools said that parental hardship resulted in enrollment loss may be regarded as significant. This figure would likely be even higher were it not for the relative generosity of most Orthodox day schools in providing scholarship assistance. Additionally, eight Orthodox schools that reported no loss of students commented that they are determined to keep students in a Jewish school and have increased scholarship funding to accomplish this goal.

Among the non-Orthodox schools, over half cited economic circumstances as the reason for student withdrawal. For Conservative, Reform and other non-Orthodox Jews who choose a Jewish school for their children, quite often their choice is discretionary and so may be influenced by changing conditions. Also, with some exceptions, non-Orthodox day schools are more restrictive in scholarship allocations, so there is a diminished likelihood in this sector that schools will assist parents who are struggling financially.

Of those schools reporting withdrawals due to economic circumstances, we asked their officials to estimate how many students had been lost. Among the Orthodox schools, the number was invariably low, although one put the figure at close to 20 and another at 20–30.

However, among the non-Orthodox institutions, the figures were nearly alarming. While several schools said they had lost fewer than ten students, others gave much higher figures, ranging all the way to 20–40 students at one school and 30–40 at another. One Community day school that experienced rapid enrollment gain in recent years claimed to have lost as many as 100 students because of job loss and the economy.

A second enrollment-related question asked, “So far as you can judge, has the economic situation resulted in some prospective new parents not enrolling their children?” This is a tricky issue, because it may be difficult for a school to assess the reasoning behind prospective parents not following up and enrolling their

children. Moreover, since registration usually takes place in the spring, just about the time when we were in contact with school officials, it may have been too early to judge the full impact of the economy.

Nevertheless, since the economic downturn had been with us for two years already, the responses we received may have equally reflected the prior year’s enrollment as well as the enrollment taking place at the time of our survey.

Table 3: Loss of Prospective Students

	<b>Non-Orthodox</b>	<b>Orthodox</b>	<b>All Schools</b>
Yes	13	13	26
No	4	26	30
Possibly*	2	1	3
Don’t Know*	9	20	29
<b>Total</b>	<b>28</b>	<b>60</b>	<b>88</b>

\* It should be noted that the “Possibly” and “Don’t Know” responses were not included in the Questionnaire. They emerged from the answers provided by school officials.

Despite the caveats noted above, one-third of the schools—a considerable number—believe they lost prospective students. Looking at the numbers another way, nearly one-half of the schools that answered the question—that is, eliminating the “Don’t Know” responses—said that prospective parents pulled back because of economic reasons.

When asked to estimate how many prospective students were lost, in general the figures were low. However, one non-Orthodox school estimated 10–15 and another 25, while an Orthodox school claimed to have lost 30 prospective students, an extraordinarily high number.

We know that there are many reasons for prospective parents to turn down the day school option. Some choose a tuition-free public school even if they have not suffered unduly because of the economy; their decisions are for reasons independent of financial circumstances. Still, when all the responses regarding enrollment were examined together, the inescapable conclusion is that there has been substantial enrollment loss because of the recent economic downturn.

## SCHOLARSHIP ASSISTANCE

We next asked whether there had been an increase in applications for scholarships.

While several schools noted that it was too early to speak of scholarship applications—possibly because scholarship applications usually are part of the registration process, so that it may have been too early to assess the issue—85% said that scholarship requests have increased.

Of those schools that said there had been an increase in requests, we asked them to indicate whether this increase was significant or insignificant. Three-fourths of all schools participating in the survey said that the increase in scholarship requests was “significant.”

Table 4: Increase in Scholarship Requests

	<b>Non-Orthodox</b>	<b>Orthodox</b>	<b>All Schools</b>
Significant	21	46	67
Insignificant	1	4	5
No Response	1	2	3
<b>Total</b>	<b>23</b>	<b>52</b>	<b>75</b>

A number of schools were emphatic in describing a great increase in requests for help. An official at a large Modern Orthodox day school located in an affluent community spoke of “a dramatic increase,” while one of the largest Solomon Schechter schools in the country stated that requests for scholarship assistance “are skyrocketing.”

Making the matter even more stark, most day schools have rigid scholarship application processes that serve as a disincentive to scholarship application. There often is emotional stress in applying for scholarship help and we need to keep in mind that day school communities are small and, unfortunately, the word of an application often gets around.

This was highlighted in the comments of two noted Community day schools. One said that parents generally are too embarrassed to ask for help, so that

they are more likely to remove their children than to apply for scholarships. The second school said that “requests [for assistance] have decreased, since fewer [children] are coming to day school.”

In sum, across the spectrum, day schools overwhelmingly reported that more parents are telling them that they need help. This can only be interpreted as meaning that there are a lot of parents and schools in trouble.<sup>4</sup>

## TUITION ARREARS

Except in chassidic and yeshiva-world institutions, a relatively small percentage of day school parents apply for scholarship assistance. Rather, they pay full tuition, at times in advance with checks for the entire year, in line with school policy. Inevitably, there are families who encounter unforeseen circumstances—as in the case of catastrophic illness or death—which alters their ability to live up to their commitment. But what about parents whose financial ability has been impaired by the current downturn? Have they fallen behind in tuition payments?

We asked schools whether there “are greater arrears this year in parents’ meeting their tuition obligations.”

Table 5: Increased Tuition Arrearages

	Non-Orthodox	Orthodox	All Schools
Yes	15	43	58
No	13	16	29
<b>Total</b>	<b>28</b>	<b>59*</b>	<b>87</b>

\* One school said it did not know.

Once more, the responses provide an overwhelming picture of greater financial stress, to a worrisome extent. We then asked those schools that reported increased arrearages whether this was a serious problem. Of the 43 Orthodox schools that reported such an increase, 35 rated the situation as serious. One Midwest day school said it faces a “major crisis” and two reputedly strong schools in the East said, respectively, that their situation was “very serious” and that a “significant number of parents have put mid-year payments on hold.”

<sup>4</sup> As a remarkable illustration of this, after this section was written, an officer at one of the great day schools in the country who did not know at all about this research called to tell me that he had just come from a board meeting at which it was disclosed that 30 families that had never asked for scholarship assistance had already applied for help next year, giving job loss and economic setbacks as the reason.

Among non-Orthodox schools, eight of the 15 that were experiencing greater arrears indicated the situation was serious. The severity was underscored by two Solomon Schechter schools; the first commented that “45% are behind on tuition” and the other remarked on “very high arrears—doubled in last two months.”

Three non-Orthodox schools noted the following: “Per Board decision, we don’t accept re-enrollment of parents who are in arrears”; “Never carry arrears—parents must be paid up”; “No, because all money is paid before school starts.”

Since Jewish schools are greatly dependent on tuition income (which provides up to 90% of operating income for many schools, and most rely on it for at least two-thirds of their budgets), we next asked whether the school is “experiencing greater difficulty this year in meeting its budget.”

Table 6: Greater Difficulty in Meeting Budget

	<b>Non-Orthodox</b>	<b>Orthodox</b>	<b>All Schools</b>
Yes	18	41	59
No	10	19	29
<b>Total</b>	<b>28</b>	<b>60</b>	<b>88</b>

Once more, the data show an overwhelming pattern, as more than two-thirds of the schools said that budgetary pressures were more intense. While we expected the economic downturn to result in greater hardship, we did not expect the situation to be as difficult as reflected in these statistics. If the stronger schools—such as those participating in this study—are in trouble, it is easy to imagine what is now transpiring at those day schools that are always financially fragile.

In all day schools, payroll accounts for the lion’s share of the budget. If schools have difficulty meeting their obligations, this obviously would translate into staff reductions or at least faculty and staff being paid late. We asked the schools that indicated budgetary difficulty whether the payroll was late or personnel had been let go.

Table 7: Budgetary Shortfalls: Late Payroll and Staff Cuts

	Non-Orthodox		Orthodox		All Schools	
	Yes	No	Yes	No	Yes	No
Payroll Late	1	16	13	28	14	44
Staff Cuts	4	13	10	31	14	44

Despite several exceptions, we see that the vast majority of non-Orthodox schools have continued to operate as they did previously, paying faculty and staff in a timely way and maintaining personnel levels. Orthodox schools, on the other hand, reported considerable lateness in payroll and also staff reductions. As a relevant aside, to the extent that there are cultural expectations in Orthodox schools, at least with the religious studies faculty, there is greater willingness by staff to understand that their employer is in crisis and, accordingly, accept that they will not be paid on time.

Some schools reported that while they were not behind in payroll, there were no salary increases this year and/or there will be none next year. Two schools said they had resorted to borrowing in order to meet the payroll. Overall, there was an impression that the full impact of budgetary shortfalls will first be felt next year.

## FUNDRAISING

While day schools depend on mandatory payments from parents for the bulk of their income, fundraising is a key part of their institutional life. For some, it seems to be a central preoccupation.

In fact, the day school approach to fundraising is quite uneven. Whereas Orthodox schools—particularly the yeshiva world and chassidic—rely on contributions for a significant part of their income, non-Orthodox and some Orthodox schools are far less dependent on voluntary gifts to balance their budget. In these schools, fundraising tends to be focused more on capital gifts.

In times of financial crisis, fundraising displays two interrelated aspects. First, institutions that anticipate income shortfalls—due to a dip in enrollment or parents in arrears—may step up efforts to get contributions, usually from

people to whom they customarily turn for support. But secondly, the economic situation has also adversely affected these customary avenues, so that increased efforts at fundraising are apt to lead to disappointing outcomes.

We asked schools to assess current fundraising results.

Table 8: Fundraising Results

	<b>Non-Orthodox</b>	<b>Orthodox</b>	<b>All Schools</b>
Up	5	6	11
Down	13	36	49
About the Same	8	17	25
<b>Total</b>	<b>26*</b>	<b>59*</b>	<b>85</b>

\* Two non-Orthodox and one Orthodox school responded that they did not know.

It is encouraging that some schools reported that fundraising results improved, and that for nearly 30% of the participating institutions, results were about the same. However, nearly 60% said that fundraising was down. This was another unhappy indicator of the current state of day school finances, especially for the institutions that traditionally rely on charitable gifts to cover shortfalls. One Modern Orthodox day school that has benefited enormously from philanthropic support said that “unpaid pledges are much higher,” while a major Solomon Schechter school made the interesting point that “contributions are unchanged for large donors and down for small donors.”

What about capital projects? In view of the significant across-the-board expansion of day school enrollment in nearly all sectors of organized Jewish life, there has been an unprecedented commitment to expand and improve facilities, a development that we at The AVI CHAI Foundation can testify to because of our program to provide interest-free loans to day schools that are either developing new facilities or renovating existing ones. Fifty loans of up to \$1 million each have been made in recent years and dozens of others are in the pipeline.

We have noted, however, that some projects are being scaled down and others are being delayed. At times, this is because of zoning issues or factors unrelated to financial difficulties. But some schools have said they are not going ahead because they cannot raise the necessary funds.

Thus, our final question asked whether the economy has had an impact on the school's building plans:

Table 9: Adverse Impact of Economy on Capital Projects

	<b>Non-Orthodox</b>	<b>Orthodox</b>	<b>All Schools</b>
Yes	10	34	44
No	13	24	37
Not Applicable	5	2	7
<b>Total</b>	<b>28</b>	<b>60</b>	<b>88</b>

It is telling once more that half of all schools said their building plans have been adversely affected. The one surprise was the low number of schools that said the question was not applicable—which means that nearly all schools in some fashion had been considering expansion or improvement of their facilities.

## CONCLUSION

It is quite clear that for most day schools, the current economic downturn has had a pronounced adverse impact, affecting them in a variety of ways: enrollment, tuition arrearages, scholarship applications, fundraising, and staffing capabilities. It has also affected the families of day school students, among whom there are clearly a number who are experiencing stress. Moreover, many of the consequences of the situation are still unfolding. There is reason to believe that there may be an even greater negative impact in the school year that has just opened on school finances and enrollment.

# Notes

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