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NATIONAL CENTER FOR EDUCATION STATISTICS

Working Paper Series

Strategies for Collecting Finance Data from Private Schools

Working Paper No. 96-16

June 1996

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FOREWORD

Each year a large number of written documents are generated by NCES staff and individuals commissioned by NCES which provide preliminary analyses of survey results and address technical, methodological, and evaluation issues. Even though they are not formally published, these documents reflect a tremendous amount of unique expertise, knowledge, and experience.

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**Strategies for Collecting Finance Data
from Private Schools**

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CHAPTER I

INTRODUCTION

Relatively little is known about private school finances in the United States. In many other countries, the national government collects and reports on educational expenditures in both public and private schools. In the United States, detailed information on public school expenditures is collected by both the National Center for Education Statistics (NCES) and the Bureau of the Census, but there is no comparable collection of financial data from private elementary and secondary schools.

A lack of basic data about private school finance impoverishes the education policy discussions that compare public and private schools, evaluate options for increasing public support to private schools, or assess the contribution of private schools to the overall system of elementary and secondary education. Without solid data on private school expenditures, it is difficult to examine trends in total educational spending in the United States over time, or to compare total education spending in the United States and other countries.

We embarked on the study reported here to develop a strategy for the collection of finance data from private schools. At least in principle, financial data on private schools might take a wide variety of forms, differing in purpose and complexity. Almost certainly, a full financial data collection effort would involve data on both revenues and expenditures. Although both revenue and expenditure data are likely to serve important purposes, we give most of our attention in this report to the collection of expenditure data.

For both revenues and expenditures, data might be collected at various levels of detail. At the most aggregate level, one might collect data on the total annual revenues and total annual expenditures by private schools, without attempting to determine either the sources of revenue

(e.g., tuition or gifts), or the types of expenditures (e.g., expenses on instruction, administration, or buildings and grounds). At the opposite extreme, one might collect data on a quite disaggregate set of revenue and expenditures categories (for example, distinguishing among instructional salaries, instructional benefits, instructional supplies, and instructional services).

In addition, data collection strategies might differ in both sample size and in the frequency of data collection. For example, data might be collected on the full population of private schools, or instead on a much smaller sample selected to provide reliable estimates at the national or regional level, but not for specific types of religious or non-sectarian schools. Data might be collected on a frequent basis (for example, every two years), which would provide an up-to-date basis for schools interested in comparing their revenues and expenditures with other schools. Or, data could be collected much less frequently (perhaps every five or ten years).

To succeed in gathering high-quality data, a data collection strategy must take into account the substantial diversity among private schools. Private education in the United States is extremely varied. Altogether there are about 26,000 private elementary and secondary schools in the United States, enrolling about 4.9 million students (NCES, 1994). Some schools enroll fewer than 50 students and have annual budgets under \$100,000. Other schools enroll more than 500 students and have annual budgets exceeding \$5 million. Some schools are closely affiliated with local churches or synagogues and share both staff and facilities with their affiliated organizations. Other schools are completely autonomous and operate as independent not-for-profit or for-profit organizations. Some schools have simple administrative structures, including perhaps a headmaster and a part-time secretary; others have elaborate organizational structures, including separate offices of academic affairs, student recruitment, development, and business. Some schools were founded within the past few years and are still in the process of developing

institutional routines and procedures. Others were founded decades or centuries ago and have rich and well-established institutional identities.

The diversity among private schools is a central theme of our report. The substantial variation across schools in size, organization, and mission is clearly accompanied by similar variation in revenues and expenditures, and understanding this variation forms one key element of the rationale for collecting new data. In addition, the variation in organization across schools has heavily influenced the strategy we have taken in developing a data collection strategy.

The Rationale for a Private School Financial Data Collection

High-quality data on private school finance can be expected to serve a wide variety of purposes, and such data are likely to be of interest to a number of major audiences and constituencies, including private school administrators and teachers, the parents of students enrolled in private schools, educational policy-makers, and researchers. The four examples that follow illustrate some of the kinds of questions improved data on private school finance, collected at different levels of detail, might help address.

First, aggregate data on the amount spent by private schools can be used to determine the total amount spent on elementary and secondary education in the United States. One measure of the commitment to education is the total amount spent, expressed both in dollars per student and as a percent of the gross national product. To the extent that data on total expenditures ignore (or mis-estimate) the contribution of private schools, such data may provide misleading information on trends in investment in education over time, as well as misleading comparative information on investment in education in the United States and other countries.

Second, data on total spending at the school level can contribute to debates on the relative cost per student of various approaches to the delivery of educational services. While data are

currently available on per-pupil expenditures in public schools, only limited data are available on the differences in average per-pupil spending between public and private schools. Furthermore, the limited data available indicate substantial variation in per-pupil spending across various types of private schools. Without more complete information on spending in different types of schools, simple statements about average per-pupil expenditures in private schools (or average public-private differences) are likely to be quite misleading. Furthermore, valid data on per-pupil expenditures for specific types of private schools can serve as “benchmarks” to help private school administrators and parents compare spending in their schools with spending in other, similar schools.

Third, fine-grained expenditure data can improve our understanding of the components of educational expenditures — for example, spending on instruction, administration, and building operations and maintenance. To the extent per-pupil expenditures differ across types of private schools (and, to the extent they differ between public and private schools), it is critical to understand how these differences occur. In some cases, differences may reflect differences in accounting practices rather than real differences in spending, and data on the components of expenditures may help sort out complexities that should be taken into account to put schools on a common footing. For example, if some private schools include financial aid as a regular expenditure in the operating budget, while other private schools include it as a reduction in revenue, a simple comparison of expenditures is likely to be misleading. Similarly, if schools that rent their facilities typically include rent payments in their operating budget, while those that own their facilities typically do not include mortgage payments, a simple comparison across schools is likely to be misleading. In addition, data on components of expenditures may provide useful “benchmark” information for administrators and parents interested in understanding how

expenditures for particular components of education (administration, or building operations and maintenance) differ across schools.

Finally, when linked with data on other aspects of private school organization (for example, data on services provided, curriculum, and student achievement), expenditure data may provide crucial information on the role of resources in education. Recent debates have focused considerable attention on public-private differences in organization, curriculum, and achievement, but little is known about the way resources are used in private schools or the cost-effectiveness of various ways of organizing educational service delivery. Data that links expenditures at the school level with program provision and student outcomes would permit both school staff and policy makers to assess the implications of alternative resource allocation strategies.

These four sets of rationales for financial data collection are not exhaustive, but they lay out the types of purposes that might be served by various kinds of school finance data. Clearly, some purposes would require much more time-consuming, detailed, and sophisticated data collection efforts than others. Furthermore, some purposes would require larger samples or more frequent data collection than others. And, some would raise more complex issues of comparability across schools. These and related issues are considered in some depth in the chapters that follow.

The Design and Organization of the Study

Given the pronounced variation among private schools, any data collection strategy, if it is to succeed, must be grounded in a close understanding of the organizational structures, budgetary arrangements, and accounting practices of private schools. Thus, in the exploratory study reported here, we sought to obtain detailed information about private schools, relying on several sources of data.

First, we conducted a review of the available literature on private schools. This review, which is presented in Chapter II, focuses in particular on the literature describing the organizational and institutional context in which private schools operate. We also examined the surveys used by a number of private school association to collect financial data from member schools, including the National Association of Independent Schools (NAIS), the Lutheran Church — Missouri Synod (LCMS), the National Catholic Education Association NCEA), the Association of Waldorf Schools of North America, and the American Montessori Society. In addition, we reviewed the accounting handbooks used by several private school organizations, including NAIS and the General Conference of Seventh-Day Adventists. Finally, we examined the strategies used by NCES and the Bureau of the Census to collect financial data for public elementary and secondary schools and public and private postsecondary institutions.

One conclusion of our literature review is that the available accounting handbooks and survey forms used to collect financial data from public and private educational institutions vary along a number of dimensions, including the level of detail involved, the types of information requested, and the frameworks used to classify types of revenues and expenditures. We discuss this variation Chapter II, and then return to the issue in developing a set of recommendations for data collection in Chapter V.

Following the literature review, we engaged in a two-phase effort to interview private school administrative staff about their school budgeting and accounting practices, as well as about their views concerning a possible national data collection effort. In the first phase, we conducted three focus groups, each attended by a number of private school administrators. Then, we conducted case studies of 16 private schools in the greater Washington, DC, area. The detailed results from the focus groups and case studies, which form the core of our report, are presented in Chapters III and IV.

Finally, in Chapter V, we discuss the implications of our study for the development of a data collection strategy. First, we examine some conceptual issues that must be addressed to permit a valid comparison of expenditures across different types of private schools and valid public-private comparisons. Next, we propose a framework laying out the main expenditure categories for data collection. Then, we discuss three preliminary data-collection instruments based on the proposed framework — each serving a somewhat different purpose and designed to collect data at a somewhat different level of detail. Finally, we consider some of the steps that would need to be taken to move toward a successful private school finance data collection effort.

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CHAPTER II

LITERATURE REVIEW: THE ENVIRONMENT OF PRIVATE SCHOOLING

In this chapter, we survey the relatively small literature on private school finances. The first section of this chapter assesses the existing data on private school finances. The second section describes the approaches used to collect data from public elementary and secondary schools and both public and private postsecondary institutions. The third section discusses how the institutional context of private schools may affect efforts to collect additional data. The final section considers issues relating to the basic components (salary, supplies, capital, etc.) of a survey of private school expenditures.

Existing Data on Private School Finances

During the late 1970's, the National Center for Education Statistics (NCES) conducted a series of private school surveys to collect data on private elementary and secondary schools. A survey of nonpublic elementary and secondary schools conducted for three successive years between 1976-77 and 1978-79 included a short chart asking schools to report income and expenditures for current operations and auxiliary (non-academic) operations. The survey resulted in estimates of about \$5.5 billion in current operating expenditures in both 1976-77 and 1978-79 (McLaughlin & Wise, 1980). NCES has extrapolated from this figure to estimate total operating costs (current operating expenditures plus capital costs) in 1991-92 of over \$20 billion.

McLaughlin and Wise (1980) view the finance items as the least reliable measures in their survey. The response rates for questions on income and expenditures were lower than the

response rates for most other questions — only 51 percent of respondents reported total current operating expenditures.

An additional problem with the data from the 1970's is that a significant number of private schools, particularly small, independent ones, were missing from the sampling frame. Since 1983, NCES has attempted to address the problem of undercounting private schools in national surveys by combining commercial lists and national lists with an area search list, developed by searching for private schools in certain areas. In 1985-86, Westat, Inc. administered a survey to a sample of private schools and teachers drawn from the 1983-84 list. Although this survey did not collect direct expenditure information, it did include questions on tuition and teacher salaries, as well as on the use of volunteer labor and participation in public programs (Westat, 1987).

Currently, the National Center for Education Statistics collects data from private schools through the Private School Universe Study (PSS), conducted in alternate years since 1989-90, and the Schools and Staffing Survey, conducted every third year since 1987-88. The former survey is limited to collecting basic data on enrollment, staffing, program and religious orientation from the universe of private elementary and secondary schools (Broughman, Bynum, & Stoner, 1994). The SASS collects a richer set of data from a sample of private and public schools, but the only finance questions on the survey concern teacher and administrator salaries, benefits, and tuition (McLaughlin, O'Donnell & Ries, 1995). The 1991-92 PSS and the 1990-91 SASS are the source of much of the quantitative data presented in this chapter.

An additional source of data on private school finance is information collected by some of the national associations of private schools. Three associations, in particular, the National Catholic Education Association (NCEA), the Lutheran Church-Missouri Synod (LCMS), and the National Association of Independent Schools (NAIS), regularly collect expenditure data from their member schools. Together, these three associations account for 43 percent of the 26,000 private

schools in the United States, including 8,889 Catholic schools, 1,086 Lutheran schools in the Missouri Synod, and 1,188 NAIS schools that are not Catholic or Lutheran. Garet, Chan and Sherman (1995) used data from these three sectors to estimate total expenditures (operating expenditures plus capital) for the universe of private elementary and secondary schools as between \$18.1 billion and \$19.4 billion and per-pupil operating expenditures of \$3,350 to \$3,600. Their estimates of total expenditures fall 4 to 10 percent below the NCES estimates of over \$20 billion based on the 1975-1979 data.

As Garet et al. discuss, their estimates are subject to uncertainty for several reasons. First, there are some questions about the quality and inclusiveness of the expenditure data submitted by school officials in response to the mailed surveys of the three associations. Second, the estimates from the Catholic sector are based on samples of schools rather than the universe, and so are subject to sampling error, as well as selection bias because of response rates well below 100 percent. Finally, and probably most significantly, 57 percent of private schools do not belong to the three associations that collect expenditure data, and so the estimates for over half the private school universe had to be imputed using data from the three associations (adjusted for school level, size and region). Neither the estimates extrapolated from the private school associations, nor the national estimates extrapolated from the 1975-1979 data, can be relied upon for a comprehensive and reliable measure of aggregate spending on private elementary and secondary schools.

In addition to the national surveys of private school expenditures, there have been a few efforts by researchers to collect data from a small subset of private schools. For example, Cooper (1994) analyzed expenditures of three private schools in considerable detail, comparing the allocation of resources in these schools with allocations in over 420 public schools in eight public

school districts. While his findings suggest interesting differences in public and private school expenditure patterns, it is hard to generalize from a sample of three schools.

In general, researchers studying private schools do not appear to have focussed much on expenditures, other than analyses of the differences in salaries of public and private school teachers. Much of the recent research on teacher salaries uses data from the SASS — see for example, Chambers (1995) and Ballou and Podurgsky (1995a, 1995b) — and the lack of research in other areas of private school finance may reflect the lack of a good data set with expenditure data and the difficulty of collecting additional primary data.

In summary, research on private school finance is limited by outdated expenditure data, incomplete data that are drawn from private school associations representing less than half of the private school universe, detailed data drawn from a few selected schools, or national data that are limited to tuition and salary information. The existing data do not allow researchers to state total spending on private schools with confidence, compare expenditures for different activities across public and private schools, or compare overall expenditures across different sectors of private schools. Additional data collection is needed to meet these purposes.

Sources of Data on Public Schools and Postsecondary Institutions

In designing a strategy to collect data on private school finances, it may be useful to build on the experience of collecting finance data in other sectors of education. In particular, the National Center for Education Statistics (in conjunction with the U.S. Bureau of the Census) administers annual finance surveys to obtain data on elementary and secondary revenues and expenditures at the state and district levels, as well as surveys of revenues and expenditures of both public and private postsecondary institutions. In this section, we provide a brief overview of these surveys. Then, in later sections, we examine the extent to which strategies for collecting

finance data must be modified to reflect the organizational and institutional context of private elementary and secondary schools.

The National Public Education Finance Survey

The National Center for Education Statistics (NCES) routinely obtains data on public elementary and secondary school finance through two surveys. The first of these — the National Public Education Finance Survey (NPEFS) — is designed to gather annual data on total revenues and expenditures on education for each state. Each state department of education completes the NPEFS by drawing on data it collects from local school districts and state government records. The states are responsible for compiling the data from the districts and putting the data into a format that can be submitted to NCES and aggregated into national totals of public school revenues and expenditures. Although the data are drawn from school districts across the country, state officials are urged by the NCES to make the data as comparable as possible by following the revenue and expenditure classifications outlined in the NCES accounting handbook, Financial Accounting for Local and State School Systems, 1990 (Fowler, 1990).

The NPEFS collects detailed financial information across a matrix of functions and objects. There are five major types of services and activities, called functions: (1) Instruction services, (2) Support services, (3) Non-instructional services, (4) Facilities acquisition and construction services, and (5) Other uses (debt service). Under the broad function of “Support services” are nine subfunctions, including student support, instructional support, general administration, school administration, business support, operation and maintenance, transportation, central support, and other. The second dimension of the matrix distinguishes among different types of expenditures, called objects, including salaries, fringe benefits, purchased services, tuition (paid to another district), supplies, property, and other. Operating expenditures are reported separately from long-term capital expenditures. Revenues are reported by source, including local,

intermediate, state, Federal, and other. (NCES, 1992; Sherman & O'Leary, 1993; Vitullo-Martin, 1991).

The Annual Survey of Local Government Finances

The second source of data on public school expenditures is the Annual Survey of Local Government Finances (ASLGF) form F33, administered by the U.S. Bureau of the Census as part of its routine survey of local government finance (U.S. Bureau of the Census, 1993). The survey of local governments collects data on the universe of local school districts at least every five years, and on a sample of districts in other years. The specific revenue and expenditure categories used in the F33, like those used in the NPEFS, are based on Financial Accounting for Local and State School Systems (1990). But the two forms differ in some details. The F33 collects somewhat more detailed information on revenues, and somewhat less detailed information on expenditures than does the NPEFS. In particular, the F33 does not request information on each cell in the full function by object matrix described in Financial Accounting.

Although form F33 is designed to gather information about finance at the district level, the U.S. Bureau of the Census generally obtains the data from state Departments of Education rather than directly from the districts themselves. State Departments of Education provide the requested information based on data routinely gathered from the districts in the course of each state's annual planning and reporting cycle. This considerably simplifies the data collection effort and helps insure consistency in reporting.

The Integrated Postsecondary Education Data System

In addition to data on public elementary and secondary school finance, NCES routinely obtains financial data on postsecondary institutions. These data are gathered by the U.S. Bureau of the Census, using an annual survey conducted as part of the Integrated Postsecondary Education Data System (IPEDS). (See NCES, 1994d.) The IPEDS financial surveys are

administered to both public and private postsecondary institutions, including two-year and four-year colleges. The specific categories of revenue and expenditure information requested on the IPEDS questionnaires are drawn from the Financial Accounting and Reporting Manual for Higher Education (1990), published by the National Association of College and University Business Officers (NACUBO). Unlike the NPEFS, the IPEDS data collection does not attempt to obtain expenditure information on a full function by object matrix. Instead, the primary focus is on functional categories (instruction, research, public service, academic support, student services, institutional support, plant operations and maintenance, and scholarships and fellowships). Within functions, the only object for which data are obtained is wages and salaries.¹

The Environment of Private Schooling: Implications for Data Collection

Data collection from the private sector is likely to differ from public data collection efforts through the NPEFS, F33 and IPEDS because of institutional differences between private and public schools. Furthermore, there are significant organizational differences among different types of private schools that can affect the way finances are accounted for and reported. In this section, we examine some of the major characteristics of private schools that may affect data collection. First, we consider some of the principal dimensions on which private schools and public schools differ: for example, the legal environment, culture, and organizational structure. Then, we consider differences in characteristics across sectors of the private school universe,

¹NCES is currently revising the IPEDS financial data collection forms to reflect the recent changes in accounting standards for not-for-profit organizations adopted by the Financial Accounting Standards Board. The new forms are expected to be used for the first time for the data collection for the 1995 FY.

giving particular attention to the ways these differences may introduce challenges in collecting comparable data across sectors.

The Institutional Context of Private Schools: Implications for Data Collection

Legal Environment. Regulation of private schools is primarily the domain of state and local governments, and these regulations vary across states and localities (Cookson, 1989; Encarnation, 1983; van Geel & Crampton, 1991; Hirschhoff, 1986). Regulations also differ for not-for-profit and for-profit schools, and, in some states, differ for religious and non-sectarian private schools (Hirschhoff, 1986).

Most states require private schools to register and report enrollment, but even this minimal requirement is not always strictly enforced (Erikson, 1986). Few states regulate the governance structure of private schools (such as the composition or power of the private school board), and, in fact, many states allow private schools to remain unincorporated (Hirschhoff, 1986).

Private schools do not face many legal requirements regarding reporting of financial activities. The federal government requires non-profit, independent schools to file annual forms (Federal Tax Form 990) as tax-exempt organizations, but this requirement does not apply to any school affiliated with a church or operated by a religious order (Smith, 1991; IRS, 1995). Most state governments do not require any non-profit schools to file financial reports, exempting them from the requirements of other non-profit organizations because of their educational status (Smith, 1991; Gross et. al, 1995). Proprietary independent schools are required to file federal and applicable state tax reports.

Culture and Organizational Structure. The ability and willingness of private school administrators to complete a survey collecting data on finances may be influenced by their schools' culture and organizational structure, as well as the legal environment. To briefly summarize the large body of literature comparing the organization of public and private schools,

the major difference, as articulated by Chubb and Moe (1990), is that public schools have developed centralized bureaucratic structures in response to the direct democratic control of schools, while private schools have remained autonomous in response to control by market forces. Other researchers emphasize the large size of public schools versus the small size of private schools (Conway, 1994); the difference between bureaucratic relationships and familial or village-like communitarian relationships (Erikson, 1994); and the contrast between Weberian rational-legal/bureaucratic authority and traditional authority (Salganik & Karweit, 1982; Talbert, 1988). Although the researchers use somewhat different terminology and methods, they appear united in describing a private school organization and culture that is less formal than that of public schools in terms of structured rules and record-keeping.

Although private schools are less accountable to governmental authorities than public schools, they are accountable to parents (and donors) to whom they are dependent for continued financial support (Levy, 1991). Although they may not report financial data to centralized organizations, they have powerful reasons for tracking costs internally, namely, their economic viability. Operating in a market environment, a school must balance its budget if it is to survive economically. To some extent, the market environment may lead some private schools to adopt more formal budget procedures than the communitarian image of private schools may imply. Increased attention has been paid to budgetary concerns over the past decade or so, as a range of private schools, from Catholic schools to elite prep schools, have faced increasing financial hardship (Moulton, 1992; Aitken, 1994; Harris, 1995).

When discussing the organizational structure of public and private schools, it is helpful to distinguish between centralized or district-level administration and school-level administration. Cooper (1994) explains that many of the centralized functions that transpire at the district level in public schools take place at the school site in private schools. In a comparison of the

administrative structures of public and private schools in the San Francisco Bay Area, Scott and Meyer (1990) found that private school districts (in this case, Catholic diocesan districts) had fewer staff at the central office than did public schools, but the administrative staff at the building level was, in fact, larger in private than in public schools. Analyses of the 1990-91 Schools and Staffing Survey also show that there are more administrative staff per teacher in private schools than in public schools (Baker et. al., 1995).

Aitken (1994) reports that the median ratio of administrative expenses to total expenses is 15 percent across most types of independent schools that belong to the National Association of Independent Schools. In his analysis of school resource allocation, Cooper (1994) distinguishes between institutional administration, or management of the business, non-educational dimensions of the school, and the school-site administrative activities associated with managing the teaching staff and running the school. In his study of three schools, spending on institutional administration ranged from 2 percent of total spending in a Catholic high school run by a private order to 14 and 15 percent of total spending in two non-sectarian private schools. School-site administration accounted for 5 to 6 percent of total expenditures in the two non-sectarian schools, and 11 percent in the private-order high school. Total administrative costs were thus 20 percent in the two non-sectarian schools, and 13 percent in the Catholic school.

Business Offices in Private Schools. One important function of the administrative staff in private schools is to manage the financial operations of the school. The presence of separate business offices and development offices in private schools appears to vary significantly by type of school. According to responses from association members, 15 percent of Catholic elementary schools reported employing a full-time or part-time development officer (Kealey, 1994); 24 percent of Lutheran schools associated with the Evangelical Lutheran Church of America reported having a financial development officer (Evangelical Lutheran Church of America, 1993); and 86

percent of diocesan high schools, 91 percent of parish high schools, and 96 percent of Catholic private order high schools reported having a development office (Guerra, 1995).

According to statistics from the National Association of Independent Schools (NAIS), the percentage of NAIS schools with a business officers ranged from 58 percent of schools with 200 or fewer students, to 88 percent of schools with more than 700 students. Overall, 77 percent of NAIS schools reported having a business officer. About eight percent of the business officers surveyed also had teaching duties (NAIS, 1993).

In the substantial number of private schools without a separate business office, the expenditure information is often the responsibility of a secretary, bookkeeper or accountant. According to the same Catholic and Lutheran surveys cited above, 96 percent of Catholic elementary schools have a school secretary, and 88 percent of evangelical Lutheran schools have an accountant or bookkeeper (Kealey, 1994; Evangelical Lutheran Church of America, 1993). The Lutheran survey also reports that 78 percent of these small Lutheran schools have their financial records audited annually, and that 81 percent of the schools have computers for administrative or teaching purposes, with a median of 2 computers for administrative use (Evangelical Lutheran Church of America, 1993).

Some of the business operations of a school can be contracted out to an external party. Van Geel and Crampton (1991) report that 18 of the 30 schools who responded to their survey of private schools in New York state subcontract with someone else to do their payroll.

Some small schools may have less sophisticated financial operations. The American Montessori Society (1994) reports that 88 percent of surveyed schools prepare a budget, 81 percent have the budget approved by a board, and 25 percent use purchase orders. In some schools, parents or other volunteers may help with financial operations. Non-student volunteers were used for management support in 17 percent of private schools in 1985-86, and for clerical

support in 30 percent of private schools (Westat, 1987). The smallest and largest schools were more likely to use volunteers in management operations than schools of intermediate sizes: management volunteers were used in 24 percent of schools with less than 50 students and 23 percent of schools with 600 or more students. Clerical volunteers were much more common in Catholic schools (43 percent), than in other religious schools (26 percent) and non-sectarian schools (12 percent) (Westat, 1987).

Affiliations with Religious Institutions. A final dimension of private school organization that bears heavily on financial operations and records is the strong link between many private schools and their sponsoring religious institutions. In the relatively common situation where a school is strongly linked to a church or congregation, the budgetary status of the school is complicated by the flow of money and goods between the church and school. Smith (1991) notes that this relationship can complicate financial record-keeping of the school in two ways. First, the church may be unable or unwilling to report school finances separately from church finances. Second it is difficult to account for space, labor and other services donated by the church to the school.

According to the Private School Universe Survey for 1991-1992, 34 percent of private schools in the United States are Catholic, 45 percent are other religious schools, and 20 percent are non-sectarian (Broughman et al., 1994). The degree of affiliation between a religious school and a church or other institution can vary considerably: some religious schools are directly sponsored by a local church or parish, some are indirectly linked through the support of the local community or congregation members, and others are quite independent of any particular local congregation. There is also variation in the degree to which different denominational organizations play an active role in religious schools (Vitulo-Martin, 1991). Some

denominational organizations supply curriculum, handbooks of accounting principles and health benefit plans, while others consist of a network of schools without any central office or staff.

Differences Across Types of Private Schools: Implications for Data Collection

Different types of private schools tend to differ along several dimensions that may play an important role in the any effort to collection data on revenues and expenditures. One key dimension on which private schools vary is the degree of organizational autonomy and affiliation. Because the degree of autonomy and affiliation tends to vary across different denominational groups, we consider each of the major denominations in turn. We then describe the various types of non-sectarian schools, including both not-for-profit and proprietary.

Catholic Schools. Over one-third of the private schools in the United States, or 8,900 schools in 1991-92, are Catholic schools. (Broughman et al., 1994). This is 4,300 fewer schools than the peak of 13,200 Catholic schools in 1964-65 (McLaughlin et al., 1995). The majority of Catholic schools are sponsored by a local parish, or in some cases, two or more local parishes. In 1991-92, 62 percent of all Catholic schools were parochial schools, 28 percent were sponsored by one of the 171 dioceses in the United States, and the remaining 10 percent were run by private religious orders, such as the Christian Brothers or the Jesuits (Broughman et al., 1994; Vitullo-Martin, 1991). Almost all of the parochial schools (94 percent), as well as the majority of diocesan schools (76 percent), are elementary schools. In contrast, the majority of private order schools are secondary schools (53 percent) or combined schools (20 percent) (Broughman et al., 1994).

In some respects, Catholic schools, particularly parochial and diocesan schools, are linked with the centralized administration of the Catholic church. The organizational structure of Catholic schools and parishes is governed in part by canonical law. For example, Canon 537 requires financial committees of parishioners, and Canon 1284 guides the management of parish

finances, requiring, among other things, proper financial bookkeeping (Harris, 1995). Although the school may be owned by a local parish, it is more common for the buildings and grounds of the school, as well as the church, to be owned by the bishop or archbishop.

Despite this appearance of Catholic schools being part of a church hierarchy, the degree of centralized administration and local autonomy may vary across dioceses. Vitullo-Martin (1991) concludes that in many dioceses, the diocesan administrative office plays a limited administrative function that is akin to the role played by national associations: providing some general guidance on standards and curriculum, but no direct oversight. The study by Scott and Meyer (1988) supports this generalization by providing empirical evidence of the limited size of administrative staff in two dioceses and one archdiocese in California. On the other hand, other dioceses may have more substantial central staffs concerned with school administration and finance.

Catholic parochial elementary schools in many dioceses are more tightly linked to the local parish than to the centralized church hierarchy. Parish administrators, and, in many parishes, a parish school board, are heavily involved in school policies, including budgetary policies (Vitullo-Martin, 1991). The parish board, which is sometimes a subcommittee of the parish council, usually consists of the priest (or other parish administrator); the principal, and selected parents and members of the parish, and is responsible for fund-raising, as well as setting overall school policies (Vitullo-Martin, 1991).

In the past, many Catholic school budgets were merged into the accounting system of the entire parish. Over the past two decades, the budgets have tended to become more separate as many school budgets have grown to surpass the rest of the parish budget. As school costs have increased, the parish subsidy has shrunk, and tuitions and fund-raising have increased as a percentage of the parish budget (Harris, 1995). Parish subsidies accounted for 63 percent of Catholic elementary school operating costs in 1969-70; 50 percent in 1978-79, and 35 percent in

1993-1994 (Cibulka et al., 1982; Harris, 1995; Kealey, 1994). Although the amount of the subsidy has decreased, the vast majority (90 percent) of Catholic elementary schools still receive some financial subsidy from a parish (Kealey, 1994).

Diocesan secondary schools, and to an even greater extent, private order schools, tend to resemble non-sectarian high schools in the sense that their financial stability is less dependent on church subsidies and more dependent on their ability to secure paying students. Tuition accounted for three-fourths (75 percent) of the income in secondary Catholic schools in 1994 (Guerra, 1995). Diocesan schools are governed by the diocesan school board (generally lay people); private order schools tend to have lay boards of trustees (Vitullo-Martin, 1991). Still, the typical diocesan school receives some subsidy from the diocese (Vitullo-Martin, 1991). Some private order schools also receive diocesan subsidies, sometimes in the form of subsidies per student from the diocese. Other private order schools are so independent that they do not even report to the diocese in which they are located (Vitullo-Martin, 1991).

Lutheran Schools. There were 1,650 Lutheran schools in 1991-1992, including over 1,086 in the Missouri Synod, 384 in the Wisconsin Synod, 121 in the Evangelical Lutheran Church of America, and 59 other Lutheran schools (Broughman et al., 1994). Most Lutheran schools are small elementary schools (McLaughlin et al., 1995). According to statistics from the Lutheran Church-Missouri Synod, the average Lutheran elementary school is a small school with only 7 teachers, serving children in pre-kindergarten through eighth grade, and the average Lutheran high school has 17 teachers (Lutheran Church - Missouri Synod, 1994).

Cooper (1988) reports that one-third of Lutheran churches have their own schools, which are viewed as a church mission. Vitullo-Martin (1991) notes that a number of Lutheran schools from the Wisconsin and Missouri Synods are heavily supported by local congregations, even to the point of not charging tuition to students. Data from the 1990-91 Schools and Staffing Survey

suggest, however, that tuition is charged in all but 2 percent of Missouri Synod and 5 percent of Wisconsin Synod schools (McLaughlin et al., 1995). In the Evangelical Church of America, the vast majority (92 percent) of schools are sponsored by a congregation or institution, but in this case, congregational support is in addition to regular tuition charges (Evangelical Church of America, 1993).

Conservative Christian Schools. Over 4,000 schools, or 16.5 percent of all private schools surveyed in 1991-92, identified themselves as Conservative Christian schools (Broughman et al, 1994). This sector of the private school universe experienced the most rapid growth during the 1970's and 1980's (McLaughlin et al., 1995). Many are affiliated with the Association of Christian Schools International (ACSI), (1,941 schools in 1990-91), or the American Association of Christian Schools (AACCS). Many others are unaffiliated with any national organization.

Erikson (1986), Cooper (1988), and Vitullo-Martin (1991) note that it is difficult to get an accurate account of the unaffiliated religious schools, particularly Fundamentalist ones, because some of them resist responding to surveys, or even letting their whereabouts be known to the government. Cooper (1988) estimates that there were as many as 10,700 Conservative Christian schools in 1983-84, and nearly 12,000 in 1988. The speculation of Erikson (1986) that there may be over 6,000 private schools in 1983-84, or triple the 2,148 reported by the Association of Christian Schools International, is closer to the 4,000 reported by the 1991-92 PSS.

Conservative Christian schools are smaller than the average school (Broughman et al., 1994). They tend to be individualistic and autonomous, in the sense of not being part of any centralized structure (Cooper, 1988). There is some evidence, however, that at least some of them are highly integrated with their local church. An in-depth study of one Fundamentalist school found that the church and school were intensively linked as a "total institution" that immersed

students in a Christian environment throughout the day and week (Alan Peshkin, God's Choice: The Total World of a Fundamentalist Christian School, cited in Erikson, 1986).

Seventh-Day Adventist Schools. Another rapidly growing group are the Seventh-Day Adventist schools, which numbered over 1,000 in 1991-92. Over one third of these schools were established since 1980. Many Seventh-Day Adventist schools are small; 70 percent have fewer than 50 students and more than one third have only one teacher. Seventh-Day Adventists also operate a fair number of regional boarding schools. Seventh-Day Adventist schools operate world-wide, and local schools are supported by a strong centralized system that provides a curriculum, a centralized payroll system with subsidized benefits for teachers, and a centralized auditing service (McLaughlin et al., 1995; General Conference of Seventh-Day Adventists, 1984, 1995).

Jewish Day Schools. Jewish day schools, which number over 650, are characterized by considerable local autonomy (Vitullo-Martin, 1991). Himmelfarb (1993) and Vitullo-Martin (1991) both note that while two-fifths of Jewish day schools are sponsored (one-fifth by synagogues and one-fifth by congregations), three-fifths are independent schools, governed by a board of trustees.

Much of the communal funding for Jewish day schools comes through the community fundraising efforts of local Jewish federations (Vitullo-Martin, 1991). As much as 15 percent of school expenses are estimated to be funded through these community fund-raising groups, which contribute to a variety of school costs, including facilities, personnel costs, and scholarships (Himmelfarb, 1993; Jewish Education Service of North America, 1984, 1994). The most common funding method is for a local federation to provide local day schools with a lump sum. Alternative funding methods include providing a percentage of the budget, or funds toward any budgetary deficit; allocating funds per pupil; subsidizing teacher compensation; providing

scholarships to individual students; or funding special programs (Jewish Education Service of North America, 1994).

Other Religious Schools. Most of the remaining groups of religious schools are also less directly connected to churches than are the Catholic or Lutheran schools. Episcopal schools, while connected to the church through the local clergy and parents, do not have strong formal ties to the church hierarchy (Cooper, 1988). There were close to 350 Episcopal schools in 1991-92 (Broughman et al., 1994). Many of these grew out of cooperative church kindergartens or preschools (Cooper, 1988). The Calvinist schools, which form the majority of Christian Schools International, are run by parent societies, rather than the formal church structure (Cooper, 1988). Friends (Quaker) schools, which numbered 76 in 1991-92, are known for being decentralized, and include some of the oldest operating schools in the country.

Cooper (1988) notes that all Greek Orthodox schools are attached to a church or a cathedral and supported by the local Greek-American community (Cooper, 1988). There were 28 Greek Orthodox schools in 1991-92, more than twice the number in 1965 (Broughman et al., 1994; Cooper, 1988). Most of these schools are elementary schools.

There is little literature on the remaining groups of religious schools. In addition to the denominations discussed above, Broughman et al. (1994) list schools affiliated with the following denominations (some of which are overlapping with the Conservative Christian schools): unspecified Christian (2,473), Baptist (2,108), Assembly of God (421), Amish (401), Pentecostal (382), Mennonite (326), Church of Christ (157), Presbyterian (140), Church of God (123), Methodist (71), Islamic (44), and other religious (1,029). Although some of these religious schools may be affiliated with a national association, as many as 3,500 of them report that they are religious schools that are not formally affiliated with a national religious denomination.

NAIS Schools. There are 1,500 schools that reported being members of the National Association of Independent Schools (NAIS) when responding to the 1990-91 Schools and Staffing Survey (McLaughlin et al., 1995). NAIS membership statistics report only 915 active members in the United States as of September 1992 (NAIS, 1993). Part of this difference may reflect the fact that NAIS statistics regard schools serving grades kindergarten through twelve as one unit, whereas other surveys may view them as two separate schools. Three-fourths of NAIS schools are non-sectarian, the remainder are Episcopalian, Catholic, Friends, or one of 11 other denominations (Vitullo-Martin, 1991). All schools characterized as independent schools have a self-regulating board of trustees (Barbieri, 1992). In addition to having an independent board, schools seeking membership in NAIS must meet NAIS standards, place an emphasis on academic excellence, and go through a five-year probationary period (Vitullo-Martin, 1991).

Most NAIS schools have selective admissions policies and higher costs and tuition fees than other private schools (McLaughlin et al., 1995). Although fewer than 5 percent of NAIS schools are strictly boarding schools, over one-third have at least some boarding students (NAIS, 1993).

Vitullo-Martin (1991) reports that the business offices of NAIS schools are more formalized than in other private schools. NAIS publishes Business Management for Independent Schools, a handbook that describes accounting practices for independent schools (NAIS, 1990). The average NAIS school has more administrators than the average Catholic school: one school administrator per 5.5 teachers and 53 students (Vitullo-Martin, 1991).

Special Education Schools. Another significant sector in the non-sectarian private school universe are special education schools, which numbered 1,163 in 1991-92 (Broughman et al, 1994). These schools serve children with special intellectual, physical, and emotional challenges. Distinguishing organizational characteristics of schools in this sector are high costs, low student-

teacher ratios, and, in many schools, a combination of private control and public funding (McLaughlin et al, 1995). State and local public education agencies provide much of the funding the special education schools, and one-third of special education schools did not charge tuition to parents in 1990-91 (McLaughlin et al., 1995). A high proportion of special education schools (44 percent) are boarding schools (McLaughlin et al., 1995).

Montessori Schools. Montessori schools form another significant sector of the private school universe. According to the 1991-92 Private School Universe Survey, 680 schools fit the classification of non-sectarian Montessori schools, although a total of 829 schools reported having a Montessori program emphasis. Data from the American Montessori Society suggest that about one-third of Montessori schools are proprietary, with the remaining two-thirds not-for-profit. These data, however, cover preschool programs as well as elementary and secondary schools (American Montessori Society, 1992).

Most Montessori schools are small; about half the schools had fewer than 50 students and the average enrollment was 60, according to the 1990-91 Schools and Staffing Survey. These enrollment figures exclude the prekindergarten students. In fact, most Montessori schools began as preschool programs, and continue to maintain preschool programs, as well as elementary schools and some combined elementary/secondary schools.

Other Non-Sectarian Schools. In addition to NAIS schools, special education schools, and Montessori schools, the non-sectarian sector including military schools, schools with a special emphasis, and alternative schools.

There were 21 military schools in 1990-91, all of which were secondary-level boarding schools (Broughman et al., 1994). Special emphasis schools include schools for the performing arts, languages, math/science, or vocational/technical. Despite their significant numbers (there

were 1,810 special emphasis schools in 1990-91), there does not appear to be much literature describing these schools.

A number of the remaining non-sectarian schools, as well as some religious schools, consider themselves alternative schools. Close to 1,500 schools reported having an alternative program emphasis (Broughman et al., 1994). Some of the alternative schools are quite new and small. Average enrollment of schools with an alternative program emphasis was 69 in 1990-91 (Broughman et al., 1994). In some cases, a group of dedicated parents and teachers may start a school on a shoe-string budget (Barbieri, 1992). Some small schools may not have any central administrators, but rely upon teachers or parent volunteers to provide bookkeeping services (Barbieri, 1992).

Proprietary Schools. Hirschoff (1986) estimated that about one-tenth of private schools in 1977 were operating as for-profit institutions. These schools enrolled less than 10 percent of private school students because of their smaller than average size (Hirschoff, 1986). Most of the literature on private schools is limited to a discussion of not-for-profit private schools. National reports on the data collected through the Private School Survey and the Schools and Staffing Survey do not report statistics on proprietary schools separately from other unaffiliated schools, leaving little information on this sector. Broughman et al. (1994) do report that there were 372 schools affiliated with the National Independent Private School Association, an association of proprietary schools.

Major Components of Expenditures

The final section of this literature review considers different components of expenditures of private schools and some cross-cutting issues that are likely to affect the design of a finance survey. In this chapter, expenditures are discussed in the object categories used in many private

school association surveys: (1) salaries and benefits, (2) other current operating expenditures, and (3) capital expenditures. An alternative approach to expenditure classification, focusing on functional categories, (i.e., instruction, administration, plant, etc.) will be followed in Chapter III. In this chapter, several issues that affect survey design are discussed, including the treatment of donated labor, after-school programs, in-kind contributions, the participation of schools in public programs, and boarding schools. Most of this section is based on a review of different questionnaires used to collect data from public and private schools. In addition to the NPEFS, the F33, and the IPEDS discussed above, these questionnaires include surveys prepared by several different private school associations.

The National Catholic Educational Association (NCEA) conducts two biennial surveys of school finances, one for elementary schools, and one for secondary schools. In 1993, they sent a 5-page, 89-item "Survey of Catholic Elementary School Finances" to a sample of 1,021 elementary schools, and received responses from 628 schools, or 61 percent (NCEA, 1994). In 1994, they sent a more detailed, 8-page "Survey of Catholic Secondary School Finances" to a sample of 500 secondary schools, and received responses from 293 schools, or 59 percent (NCEA, 1995).

Response rates were higher for surveys sent by two different Lutheran school associations. The 1993-94 Statistical Report Summary of Schools of the Lutheran Church-Missouri Synod was based on responses from 1,717 out of 2,136 schools, an 81 percent response rate, and the 1992 Annual Statistical Report of the Evangelical Lutheran Church in America was based on responses from 112 out of 150 schools, a 75 percent response rate (Lutheran Church-Missouri Synod, 1994; Evangelical Lutheran Church of America, 1993). One interesting feature of the Lutheran Church-Missouri Synod school report form is that the 5-page form is accompanied by a detailed two-page work sheet for calculating annual operating costs.

Completing annual survey forms is one of the requirements for membership in the National Association of Independent Schools. The 1993 NAIS statistics are based on responses from 915 member schools (NAIS, 1993).

The American Montessori Society (AMS) distributed a cash flow survey to 659 AMS affiliated schools in 1994, following upon a tuition survey in 1992 and a salary survey in 1993 (American Montessori Society 1992, 1993, 1994). Only 138 surveys were returned in 1994, representing a 21 response rate. The chairman of the Association of Waldorf Schools of North America reports that only about half of the 95 member schools complete their annual AWSNA financial survey (D. Alsop, personal communication, March 14, 1994).

Some of the private school association surveys ask one or two questions about current operating expenditures, while others ask a series of detailed questions about different components of expenditures.

Salaries and Benefits

Salaries and benefits are the largest expenditure category in private schools. Spending on salaries, benefits and payroll taxes accounts for 50-70 percent of expenditures in NAIS schools, about two-thirds of expenditures in Montessori schools, and almost three-fourths of expenditures in Catholic secondary schools (Aitken, 1994; American Montessori Society, 1994; Guerra, 1995).

Salaries. There is a fair amount of literature on the salaries of private school teachers, and a lesser amount on benefits. Chambers (1995), Ballou and Podurgsky (1995a, 1995b) and a number of other researchers have used salary data reported in the 1990-91 Schools and Staffing Survey to examine the differential between salaries of public and private school teachers. Chambers (1995) reports that private school teachers earn about 50-80 percent of what public school teachers earn. Some, but not all, of this differential can be explained by differences in teacher characteristics (such as lower degrees and less experience in the private school sector) and

differences in working environment (such as smaller class size). Private school teachers are also less likely than public school teachers to be unionized: ten percent of Catholic schools are unionized (Chubb & Moe, 1990).

Many analysts note that salary costs in private schools have increased in recent years. Harris (1995) and Erikson (1986) report increases in salaries in Catholic schools, and Aitken (1994) notes that there was a dramatic 25 percent increase in salaries for teachers at NAIS schools between 1980 and 1990, after adjusting for inflation. Expenditures for salaries in Catholic schools have been increasing over the past couple of decades as lay teachers have been hired to replace the diminishing number of priests, sisters, and brothers, and as the stipends paid to the remaining teachers from religious orders have risen to approach the levels of lay salaries (Harris, 1995; Erikson, 1986). The increase in costs for the religious teachers is attributable in part to the costs of supporting the increasing proportion of elderly religious (Erikson, 1986). Furthermore, Catholic schools have been hiring more teachers per pupil, adding teaching staff such as librarians, art teachers, and music teachers (Harris, 1995).

Salary costs are likely to vary considerably across different types of private schools, because of differences in student-teacher ratios and in salary levels. Student-teacher ratios range from an average of 10:1 or lower for certain Jewish day schools, non-sectarian NAIS schools, and schools for exceptional children, to an average of 20:1 or higher for Catholic schools and Lutheran schools from the Missouri-Synod (McLaughlin et al., 1995). The overall student-teacher ratio in private schools is 16.1:1, compared to 16.7:1 in public schools.

McLaughlin et al. (1995) report that salary levels in conservative Christian schools are lower than average, and that, when compared with other private school teachers, teachers at conservative Christian schools tend to be younger, somewhat less likely to have advanced degrees, and have fewer years of teaching experience. According to the 1990-91 Salaries and Staffing

Survey, 13 percent of principals at conservative Christian schools, and 34 percent of principals at unaffiliated, religiously oriented schools, do not have bachelor's degrees (McLaughlin et al., 1995).

Salary expenditures are higher in NAIS schools than in other private schools because they have lower student-teacher ratios (8:1 in NAIS secondary schools), more experienced teachers, and higher salary scales, particularly for administrators (Vitullo-Martin, 1991).

Vitullo-Martin (1991) reports that average teacher salaries in Jewish schools are higher than in Catholic schools but lower than in NAIS schools. Furthermore, Jewish schools employ more teachers than most other types of private schools because of the dual curriculum of Jewish studies and general studies (Himmelfarb, 1993).

The number of staff in instructional support and student support services can also affect salary costs. Benson and McMillen (1991) report that 59 percent of Catholic schools, 30 percent of other religious schools and 42 percent of nonsectarian schools had librarians in 1985-1986. Furthermore, only 30 percent had guidance counselors, ranging from 32 percent in Catholic and non-sectarian schools to 26 percent in other religious schools. Both librarians and guidance counsellors were much more common in high schools than in elementary schools.

Respondents to an American Montessori Society survey report that budgetary constraints are the most important factor affecting teaching salary levels, higher in influence than experience and qualifications, salaries at other area schools, and changes in cost of living (American Montessori Society, 1993).

Benefits and Payroll Taxes. Fringe benefits and payroll taxes are an important part of the overall costs for teachers and other staff. Benefits and payroll taxes accounted for about 11 percent of total expenditures by NAIS schools (NAIS, 1993). Harris (1995) notes that pension expenses in Catholic schools grew significantly higher than inflation over the 1980's.

Not all private schools offer health and retirement benefits. According to reports from private school associations, the percentage of private schools providing health benefits ranges from an average of 91 percent of Catholic elementary schools, to 77 percent of Evangelical Lutheran schools, and only 50 percent of Montessori schools (Kealey, 1994; Evangelical Church of America, 1992; American Montessori Society, 1993). Data from the 1990-91 Schools and Staffing Survey indicate that two-thirds of private high schools provide medical insurance to teachers, ranging from more than 95 percent of Catholic schools to less than half of other religious schools that are not affiliated with a national or regional association (Baker et al., 1995).

Coverage by retirement plans is even lower. Baker et al. (1995) report that less than half of private secondary schools contribute to employee pension plans. Van Geel and Crampton (1991) found that 83 percent of the 30 New York private schools they surveyed offered employees a pension plan. The NCEA also reported that 84 percent of Catholic elementary schools nationwide contribute to such plans (Kealey, 1994). The proportion of schools contributing to pension or tax-deferred savings plans drops to 67 percent for Evangelical Lutheran schools, and only 29 percent for Montessori schools (Evangelical Lutheran Church of America, 1993; American Montessori Society, 1993).

Additionally, the NCEA reported that 58 percent of Catholic elementary schools contributed to life insurance plans and 57 percent to unemployment (Kealey, 1994). The American Montessori Society reported that 27 percent of Montessori schools had life insurance plans and 22 percent had disability plans (American Montessori Society, 1993).

Part-time teachers are probably less likely to receive fringe benefits than full-time teachers. According to the 1990-91 SASS, 18 percent of private school teachers teach part-time, including almost half of the teachers at Jewish day schools (McLaughlin et al., 1995).

Furthermore, not all fringe benefits are paid for directly by the school. Some of the fringe benefits such as pensions or health insurance may be offered through the national association (Aitken, 1994). Vitullo-Martin (1991) reports that the health insurance, life insurance and pensions benefits for 181 different Jewish day schools in the New York area are paid for out of an philanthropic endowed fund called the Fund for Jewish Education.

Donated Labor. One issue to consider in collecting data on salaries is how to treat the free and reduced-price labor of religious personnel and others. Although an increasing number of Catholic schools are paying religious personnel on the same salary scales as lay personnel, it is still true that religious personnel in the majority of Catholic schools receive stipends that are lower than lay salaries. In Catholic elementary schools, sisters and male religious make up 11 percent of current school teachers and 50 percent of principals. These percentages will decline in the future, given the high median age (55) of religious teachers and administrators in schools (Kealey, 1994; Vitullo-Martin, 1991). Although its importance is declining in the American Catholic school sector, volunteer labor donated by religious personnel remains an important component in private schools throughout the world (James, 1991). Vitullo-Martin (1991) notes that it is not unusual for the principal of a religious school to be the pastor of the sponsoring church, in which case his salary is often considered part of the church's budget rather than the school's budget. Guerra (1995) estimates that contributed services of religious personnel in Catholic secondary schools, defined as the difference between lay salaries and religious order stipends, had a value of over \$80 million in 1994, or 3 percent of total operating expenses.

Religious personnel are not the only ones to provide volunteer labor to private schools. According to the final report of the 1985-86 private school study conducted by Westat for the NCES, 72 percent of private schools used student or non-student volunteers, including 84 percent of Catholic schools, 72 percent of other religious schools, and 45 percent of non-sectarian schools.

Close to half (47 percent) of all schools used non-student volunteers for instructional support, and a similar percentage (46 percent) of schools used non-student volunteers for extracurricular support. Additionally, 16 percent of schools used non-student volunteers for guidance support, 17 percent for management support, 30 percent for clerical support, and 34 percent for other kinds of support. Volunteers were used in schools of all sizes, although elementary schools were more likely to use them than secondary schools (Westat, 1987).

Salary Data by Categories of Personnel. Another issue to be considered is the appropriate breakdown of salary information into such categories as teaching, administration, maintenance, etc. The minimum breakdown is probably between teaching and non-teaching compensation, as is requested by the Organization for Economic Development and Cooperation (OECD). The largest number of categories for salary and benefit information is probably the many functions and sub-functions in the National Public Education Financial Survey, (i.e., instructional services, student support services, instructional staff support services, general administration support services, school administration support services, business support services, operation and maintenance services, student transportation support services, central support services, other support services, food services, and enterprise operations).

Some surveys of private school associations simply ask for total salaries and benefits (e.g. the American Montessori Society 1994 Cash Flow Survey and the Association of Waldorf Schools of North America, 1994). Other associations ask for more detail: the Catholic high school finance survey distinguishes between teachers and administrators, as well as between lay personnel and religious; the Lutheran Church-Missouri Synod worksheet distinguishes between professional staff and non-professional staff; and the NAIS survey distinguishes between Teaching, Instructional, Administrative, and Other (including Auxiliary, Plant/Maintenance, and Secretarial and Clerical).

Even breaking salary and benefit data into the two simple categories of teaching and non-teaching staff may be hard in some private schools. Kane (1992) notes that in independent schools, many administrators carry teaching duties and many teachers have administrative responsibilities. The NCES accounting handbook, Financial Accounting for Local and State School System, 1990, directs public schools to allocate a person's salary and benefits across teaching and administrative functions in the case of dual responsibilities (Fowler, 1990).

After-School Programs and Pre-Kindergarten Programs. A final concern related to collecting salary and benefit compensation is how to ensure that salaries and benefits associated with after-school day care programs are not included in the data on elementary and secondary schools. Some analyses may also require separation of pre-kindergarten data from K-12 data. The NPEFS does not make such a distinction in public school finance data, however.

Many private schools have prekindergarten programs and after-school programs. In 1993, 43 percent of Catholic elementary schools had prekindergarten programs, and 42 percent had extended-day programs, significantly more than in earlier years (Kealey, 1994). Aggregate statistics collected across all Lutheran church bodies by the Lutheran Church-Missouri Synod (1994) indicate that there were more Lutheran early childhood education programs in 1993-94 than Lutheran elementary schools, particularly in the Evangelical Lutheran Church of America, which operates 1,200 preschool programs and 110 elementary schools. About three-fifths of Montessori programs offer preschool programs only; two-fifths offer a combination of elementary and preschool programs (American Montessori Society, 1994). The same types of schools that offer pre-kindergarten programs also are likely to offer after-school programs: more than half of the Montessori elementary schools and 43 percent of Evangelical Lutheran elementary schools offered after-school programs in 1990-91, compared with 19 percent of all private schools (McLaughlin et al, 1995).

There is little information on the relationship between private elementary schools and their associated preschool programs and after-school programs. It is likely that various programs fall along a spectrum from complete independence of operations, to sharing of facilities, utilities, supplies, administrative staff, and even, in some cases, teaching staff. It is not clear how easy or difficult it is for private schools to allocate the appropriate percentage of total salaries and benefits to the elementary and secondary portions of their total school budget. Similar allocations may also be needed for supplies, utilities, and other operating expenditures that may be shared across programs.

Other Current Operating Expenditures

Schools have expenditures over a broad range of categories other than salaries and benefits. Schools typically incur costs for textbooks and other instructional supplies, administrative supplies, and maintenance of school facilities. Schools may also have expenditures for transportation, meal service, or boarding services. Many schools have financial aid programs. Finally, schools often incur costs associated with purchasing, renting, or improving facilities and equipment, and these latter costs may be classified as capital expenditures or current operating expenditures, depending on the school's accounting system.

Current operating expenditures other than salaries and benefits can be categorized a number of different ways. The National Public Education Financial Survey has a 30-cell matrix, consisting of three different types of expenditures (i.e., purchased services, supplies, and other), spread across different functional activities (i.e., instructional services, support services, non-instructional support services, and their related subfunctions) (NCES, 1992). The NPEFS also includes an additional item on Tuition (paid by the school district to other schools). The work sheet on operating costs that accompanies the Lutheran Church-Missouri Synod (1994) survey breaks down costs in more detail although not in a matrix; 40 items are grouped under the general

categories of Curriculum, Co-Curricular Activities, Student Services, Office, and Contracted Services. The NAIS (1993) requests expenditures for three categories and eight sub-categories: Student Activities, Financial Aid/Tuition Remission, and Other (a category consisting of Instructional, Athletic, Plant, Administrative, etc.) The American Montessori Society (1994) includes 14 categories of expenditures; the Association of Waldorf Schools of North America (1994), six categories.

Although the private school surveys differ greatly, there are some common elements. The following expenditure categories are found across the majority of the surveys: building maintenance and utility costs; educational supplies; and financial aid. These are discussed below, followed by a discussion of additional categories of current operating expenditures found on two or more of the surveys.

Building Maintenance and Utility Costs. All the surveys that request detailed data on expenditures include a question on maintenance costs. Many surveys have one category for combined maintenance and utility costs, or general plant operating expenses. Other surveys request school administrators to report expenditures for maintenance and utilities as two separate items. At the other extreme, the Lutheran Church-Missouri Synod (1994) work sheet breaks Maintenance into four subcategories (paper supplies, cleaning supplies, light fixtures, and other), and requests separate information about Utilities (by type of utility) and different types of Repairs. In the NPEFS (1992) survey, expenditures for the activity subfunction “operation and maintenance services,” are reported by type of expenditure (e.g., salaries and benefits, supplies, purchased services, and other).

Schools affiliated with churches may receive utilities and maintenance services at no charge, or at a reduced cost, from their sponsoring institution. For example, close to half the

schools sponsored by Evangelical Lutheran churches receive free or reduced-rate utilities (Evangelical Lutheran Church of America, 1993).

Educational Supplies. Another category common to most surveys is educational supplies, classroom supplies, or instructional materials. Some distinguish between classroom materials and materials for the library or media center.

Catholic elementary schools report varying levels of spending on instructional materials, from a national average of \$98 per student in 1991 to a national average of \$553 per student in 1993 (Kealey 1990; 1992; 1994). Additionally, the schools receive some educational materials from the public schools, through the Federal Chapter 2 programs. Private school participation in publicly funded programs is discussed further below. Vitullo-Martin (1991) reports that Jewish schools spend more on instructional materials and equipment than other private schools. McLaughlin et al. (1995) report that Jewish schools are more likely to have libraries than most other private schools.

Supplies are defined as items that are consumed, worn out, or deteriorated in the instructions for the National Public Education Financial Survey (NCES, 1992). Under this definition, supplies can range from classroom supplies, to attendance and paper supplies, energy expenditures, food expenditures and routine bus maintenance. The private school association surveys do not tend to view these latter items as “supplies.”

Financial Aid. Financial aid, scholarships or tuition remission is an item common to several of the surveys cited above, although it is absent from the Lutheran work sheet and the American Montessori Society survey. McLaughlin et al. (1995) report that 86 percent of private schools provide financial assistance in the form of scholarships or reduced tuition payments, including 94 percent of Catholic schools, 84 to 94 percent of different types of Lutheran schools, 99 percent of schools belonging to Christian Schools International (Calvinist schools), 83 percent

of NAIS schools, and 70 percent of regular non-sectarian schools. Aitken (1994) provides more detail on financial aid at NAIS schools: it is available for 16 percent of the students, accounts for from between 6 to 10 percent of expenditures of NAIS schools, and is mostly funded through tuition. In its handbook for business managers, NAIS (1990) recommends considering financial aid as an expense, with a separate line-item for tuition remission to faculty. Another possible way to treat financial aid is as a tuition discount, or a reduction in revenue rather than an expense.

Other Categories of Current Expenditures. It is difficult to generalize about the remaining categories of expenditures, because each private school association survey breaks the remaining operating expenditures into different categories. Similarly, the literature on private schools includes a few comments regarding various components of “other operating expenditures,” but does not provide a comprehensive picture.

The two remaining major categories of current operating expenses on the NPEFS, (other than Salaries, Benefits, Tuition, and Supplies), are Purchased Services and Other. Purchased services include any services that are contracted out, ranging from legal services, to business services, to custodial services, etc. (NCES, 1992). The Lutheran Church-Missouri Synod work sheet also has a separate category for contracted services; with three subcategories: data processing, payroll or accounting, and other.

The “Other” category on the NPEFS primarily includes dues and fees in professional organizations. The American Montessori Society 1994 cash flow survey has a separate item for professional fees. The Association of Waldorf Schools of North America (1994) survey has a category called “professional development.” In the Lutheran Church-Missouri Synod (1994) survey, costs for professional growth are included under the “other personnel costs” for professional staff.

Two of the surveys — NAIS (1993) and Lutheran Church-Missouri Synod (1994) — have categories for Student Activities, or Co-Curricular Activities. The NAIS survey also has a separate category for athletic expenses. Student body activities are not reported separately on the NPEFS, but are included as instructional activities. For example, on the NPEFS, the athletic coach's salary is an instructional salary. Sports activities that operate like a small business, where receipts provide funding for the activity, are reported as enterprise activities (NCES, 1992; Fowler, 1990).

Enterprise operations are defined as activities that are run like private businesses, that is, their activities or services are funded through receipts, such a book store, sports activities and food service operation. Such operations are generally not considered separately from other operations in private schools, because the entire school is a private business.

The Lutheran Church-Missouri Synod work sheet requests information about student services, including transportation, food, and other (such as book stores). Food costs are also a separate item on the American Montessori Society 1994 cash flow survey. On the NPEFS, food services are considered either a separate subfunction under Non-Instructional Services, or, if the food service is run like a private business, as an enterprise operation.

Vitullo-Martin (1991) notes that Jewish day schools have higher than average transportation costs, because many of them have their own busses, as well as higher than average food costs, because they are open longer operating hours.

Insurance premiums are a separate category on the American Montessori Society cash flow survey and Lutheran Church-Missouri Synod work sheet. Harris (1995) and Cibulka et al. (1982) note that energy costs, as well as insurance premiums and maintenance costs and insurance premiums can be quite high in private schools with aging buildings, including many Catholic schools.

A few private school association surveys request information on office expenses, such as printing and postage. The Lutheran worksheet includes development and public relations as an additional office expense. Much of this type of administrative expense is likely to be greater in private schools than public schools, because of expenses for development or fund-raising, the office of alumni affairs, and admissions and recruitment. Kane (1992) reports that independent day schools estimate spending \$400 per student on recruitment and that boarding schools estimate spending over \$500 per student, in addition to the salaries of the admissions staff. The American Montessori Society (1994) reports that Montessori schools spend about 1 percent of their total expenditures on advertising. The Association of Waldorf Schools of North America (1994) lists PR/Advertising as one of eight categories of expenditures.

Finally, a few private school associations ask questions about classroom and other equipment. Other surveys ask about rental payments and mortgage payments. These types of categories raise the issue of distinguishing current operating expenses from capital expenses.

Current expenditures in the NPEFS are defined as including all current outlays other than expenditures on enterprise operations, property acquisition, and debt retirement (Fowler, 1990). Furthermore, the instructions in the NPEFS handbook indicate that although states differ in whether they treat equipment as a current operating expense or a capital expenditure, for the purposes of data collection through the NPEFS, all equipment should be classified as a property expenditure that is excluded from current expenditures.

Rental payments are thus current operating expenses, but mortgage payments are capital expenditures. Supplies that are used up are current operating expenses; equipment that is durable are not. The treatment of capital expenses is discussed further below, after a review of three issues related to current operating expenses: in-kind contributions, private school participation in public programs, and boarding schools.

In-Kind Contributions. Just as the accounting of salaries and benefits is complicated by the treatment of donated labor, the accounting for other operating costs is complicated by the issue of donated goods or in-kind contributions. There are two types of in-kind contributions: in-kind benefits paid to teachers in addition to their salaries, and in-kind donations received by the school, in addition to their regular income.

According to the 1990-91 Schools and Staffing Survey, a number of teachers receive in-kind benefits in addition to their salaries: 7 percent receive free or reduced-cost housing; 11 percent meals; 14 percent tuition waivers for their own children; 2 percent child care; 8 percent college tuition and 9 percent transportation (McLaughlin et al, 1995). Ballou and Podgursky (1995b) note that such in-kind benefits can help compensate private school teachers for their salaries, which are low relative to public teacher salaries. Kealey (1992) notes that low stipends for Catholic school teachers are sometimes supplemented by parish provision of residence, automobile, cook, and housekeeper. Not all of these in-kind benefits may be paid out of the school operating budget (Kealey, 1992). Should these costs be included as school operating expenses? Can they be accounted for? Harris (1995) notes that the provision of some in-kind benefits, for example, the convent grocery bill, is less of an issue now than in the past because of the dramatic fall in the number of teachers who are members of the religious community.

The extent to which some schools receive support from their sponsoring church through the donation of in-kind benefits is suggested by the results of the 1992 survey of the Evangelical Lutheran Church of America. The vast majority (92 percent) of these Lutheran schools are sponsored by a Lutheran congregation, synod or institution of higher education. The majority of sponsored schools (69 percent) benefit from free or below market rental rates, and 46 percent benefit from free or reduced rate utilities. Furthermore, 32 percent receive financial subsidies

other than rent or utilities; 49 percent receive volunteer services from the sponsor, and 33 percent receive donated goods from the sponsor.

Participation in Public Programs

Another issue that affects current operating expenses is the extent to which private school activities are subsidized by publicly funded programs.

There is significant variation in the degree of public financial support for private schools. Private schools in some states are eligible for transportation, textbooks, and in some states, health and welfare services such as psychologists, speech teachers, and guidance counselling (Encarnation, 1983; Van Geel and Crampton, 1991). Private schools are also eligible to participate in a number of federal programs, including Title I Compensatory Education, federal programs for textbooks and library materials, vocational education programs, bilingual education programs, and child nutrition programs.

According to the 1985-86 survey of private schools, 61 percent of all private schools received publicly funded student services, including 90 percent of Catholic schools, 41 percent of other religious schools, and 49 percent of nonsectarian schools. Large schools were more likely to participate than small schools: 40 percent of schools with fewer than 50 students participated, compared with about three-fourths of schools with 150 or more students (Westat, 1987). The most common federal programs or services for which schools received funds were instruction/library materials (45 percent), child nutrition (34 percent of schools), and remedial/compensatory education (22 percent). The most common non-federal programs or services were transportation (46 percent of schools), speech therapy (39 percent), health services (38 percent), speech therapy (39 percent), guidance, social work, and psychological services (36 percent), and remedial/compensatory education (25 percent) (Westat, 1987). Transportation aid was viewed as the most important publicly funded service by school administrators responding to

a survey in Minnesota, a state where a variety of publicly funded services were available (Darling-Hammond, 1985).

When the NCEA reports spending on instructional materials, it reports spending on books purchased by the school, exclusive of the textbooks on loan from the federal or state governments. While this practice represents an accurate picture of expenditures from the school budget, it understates the total cost of educating a student in a private school.

Boarding Schools. A final consideration in collecting data on current operating expenses is whether the data collection effort will capture the costs experienced in the one out of 15 schools (6.6 percent of the universe) that are boarding schools (McLaughlin et al., 1995).

The private school surveys of the late 1970's report that costs at boarding schools were two to three times higher than costs at day schools (McLaughlin & Wise, 1980). Similar ratios are reported among NAIS day and boarding schools in 1991-1992 (NAIS, 1993). Vitullo-Martin (1991) reports that administrative costs, as well as physical plant maintenance costs, are higher in boarding schools than in day schools.

In general, the costs for boarding schools can probably be captured by the same categories as the costs for other schools. According to statistics from NAIS (1993), costs in boarding schools are higher than costs in day schools across every category: teaching and instructional support salaries, administrator and other salaries, student activities, financial aid, and other expenses. This last category, which includes plant maintenance, food, energy, non-salary administrative expenses, and other expenses, is particularly high in boarding schools — about 40 percent of total operating expenses in boarding schools, compared to 25 percent of total operating expenses in day schools.

Capital Expenditures

The treatment of capital expenditures is a matter of some controversy among groups interested in accounting for public and private schools, as well as other governmental and not-for-profit organizations. (See, for example, Gross et al., 1995.) Capital expenditures are defined as spending on long-lived assets (for example, land, buildings, and equipment). In the for-profit sector, the treatment of capital spending has a long and well-defined tradition. For-profit organizations view capital assets as contributing to organizational productivity over the lifetime of the assets. Thus, in the for-profit sector, capital expenditures are not recorded as expenses in the year in which the assets are purchased. Instead, such organizations depreciate the value of their assets each year (to reflect their anticipated finite lifetime), and they record as an expense only the amount depreciated each year. Any interest on loans secured to finance capital spending is treated as a typical operating expense.

Until recently, most governmental and not-for-profit organizations have not formally depreciated capital assets; and different types of not-for-profit organizations have tended to take different approaches to recording capital expenditures (and related interest expenditures) in their formal accounts.² For schools, capital spending includes expenditures on buildings and land, as well as the equipment needed to support the physical plant (boilers and air conditioners). In addition, capital spending ordinarily includes such items as furniture (desks and chairs), computers and lab equipment, and school busses and other vehicles.

²The Financial Accounting Standards Board (FASB) has recently adopted a new standard requiring not-for-profit organizations to treat capital assets in a manner similar to for-profit organizations. In particular, not-for profits, according to the new standards, should record depreciation. The new standards do not apply to governmental organizations, which are under the jurisdiction of the Governmental Accounting Standards Board (GASB). GASB is currently reviewing the framework for governmental accounting and may issue new standards shortly.

Often (but not always), public school districts maintain separate capital project funds for resources to be spent on the acquisition of land, buildings, plant and equipment, and, at least for major capital projects, districts issue debt (in the form of bonds) to provide the necessary support. Private schools often tend to fund major projects through resources obtained through gifts and donations. Thus, for both public and private schools, capital spending is often viewed as separate and distinct from the regular “operating budget.”

The NPEFS and F33 data collections for public schools each ask respondents to distinguish capital from other forms of spending reported on the surveys. The NPEFS requests information on expenditures for property and equipment within the functional categories defined in the Accounting Manual (e.g., instruction services, student support services, general administration, etc.). In addition, it requests information on expenditures for facilities acquisition and construction services. Respondents are asked to sum these items to produce a reported total capital expenditures.³ The F33 does not ask for expenditures on capital and equipment within functions; instead, it asks districts to report the total capital expenditures, broken into four categories: construction, land, equipment, and other.

The national data collection for postsecondary school finance (the IPEDS) has taken a somewhat different approach. The IPEDS asks each postsecondary institution to report the total value of land, buildings, and equipment held by the institution at the start of the fiscal year, as well as the additions and deductions made during the year. (Deductions are used to record equipment that have been retired from service, lost due to hazard, or sold.)⁴

³The NPEFS also asks for information on interest and principal payments made to retire debt related to capital expenditures. Debt retirement is not ordinarily included in either current or capital spending for public schools.

⁴As discussed above, the IPEDS forms are currently under revision, and the new forms may include provisions for depreciation.

Although there is little literature on the subject, it appears that there are significant differences in the capital expenditures faced by different sectors of private schools, as well as in the practices used to account for capital spending and capital assets.

Many Catholic and other religious schools are housed in buildings owned by the church, and so never face the cost of purchasing buildings or paying off mortgages directly. The current market value of the buildings and grounds of Catholic high schools is reported to vary from less than \$500,000 to \$50 million, with a mean of \$6.2 million in 1992 and \$8.1 million in 1994 and a median of \$4.4 million in 1992 and \$6 million in 1994, according to estimates by school administrators (Guerra, 1993, 1995). Garet et al. (1995) used these estimates of market value to estimate that capital expenditures for Catholic high schools should equal roughly 10 percent of operating costs, under the rough assumption buildings and grounds have an average functional lifetime of 30 years, and so schools “spend” 1/30 of the cost of the buildings and grounds each year. In fact, Vitullo-Martin (1991) reports that few Catholic schools have reserve or sinking funds to replace capital facilities, despite the age of many of the buildings. Half the Catholic schools in operation today were established before 1940 (McLaughlin et al, 1995).

There is limited information about the physical plant or capital expenditures of other sectors. Vitullo-Martin (1991) reports that Jewish schools generally pay for their school building. Jewish schools also tend to be located in high cost urban areas, including New York city. The vast majority of Jewish schools have been operating less than 50 years, and half have been established since 1960 (Vitullo-Martin, 1991; McLaughlin et al, 1995).

Administrators completing the Lutheran Church-Missouri Synod work sheet were asked to estimate the current market value of the schools' physical buildings, grounds and equipment using one of three methods: 1) a recent professional appraisal, 2) the audited value, or 3) an estimated value, based on insurance company estimates, or the sum of the original cost, improvements or

additions, and appreciation or depreciation. Garet et al. (1995) report that the resulting estimates were quite variable, and suggest higher market value of buildings and grounds than suggested by the survey of Catholic high schools. They estimate that reinvesting in the Lutheran buildings and grounds on a thirty-year basis would require an estimated 16 percent of the operating costs of Lutheran schools, considerably higher than the 10 percent ratio suggested by the data from the Catholic high schools. It is not clear whether the difference reflects variability in estimating methods, or variability in the value of the buildings. Many Lutheran schools from the Missouri and Wisconsin Synods were established many years ago; thirty percent of current schools were operating in 1900. Evangelical Lutheran schools are much younger; most started operations within the past 30 years (McLaughlin et al., 1995).

Some private school association surveys, including those prepared by the Association of Waldorf Schools of North America (1994) and the American Montessori Society (1994), do not distinguish between rental payments and mortgage payments. Those responding to the survey of the American Montessori Society (1994) reported spending a median of 11 percent of their income on rent or mortgage, although the responses ranged from less than 1 percent to over 40 percent.

Some schools do not report capital spending for building maintenance and renewal directly. Instead, such schools regularly transfer a budgeted amount each year from regular the regular operating fund to a capital or “sinking” fund. This fund is then used to fund capital spending on maintenance and renewal as the need arises. The NAIS 1993 survey includes a category called “provision for plant replacement, renewal, and special maintenance (PPRRSM).” This category funds set aside to cover potential spending on assets such as automobiles, busses, computers, office equipment, heating or plumbing systems, and roofs. The NAIS survey also has a separate category on routine (non-capital) “plant” expenses, that includes annual maintenance

and utilities. Information on rent is collected under a separate category, called “general” expenses. NAIS does not publish statistics showing any of these categories separately, but does report that total spending on “other expenses,” including plant, PPRRSM, general and five other categories, ranges from about 25 percent of total expenses in elementary day schools, to over 40 percent in boarding schools (NAIS, 1993). One-fifth (21 percent) of NAIS schools were established before 1900, and one-half (51 percent) before 1950 (McLaughlin et al., 1995).

Conclusion

This chapter has reviewed the current status of data collection on private school expenditures. In summary, the existing data do not allow researchers to estimate total spending on private schools with confidence, compare expenditures of different activities across public and private schools, or compare overall expenditures across different sectors of private schools. Although data collection methods in the public sector can serve as a model for data collection from private schools, any effort to collect data from private schools must take into account the significant differences between public and private schools, as well as the diversity within the private school universe. Private school finances in many religious private schools are complicated by the flow of donated labor, in-kind contributions, and financial subsidies between school and sponsoring institution. National and private school association surveys to date have collected some information on salaries and benefits in private schools, less information on other current operating expenditures, and almost no information about capital expenditures.

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CHAPTER III

TYPES OF EXPENDITURES FOUND IN 28 PRIVATE SCHOOLS

Introduction

During the fall of 1995, administrators from an assortment of Catholic, other religious, and non-sectarian private schools were invited to participate in a series of focus groups and school-site interviews on private school expenditures. The extraordinary diversity among private schools was quite evident throughout the interviews. Current operating expenditures ranged from less than \$200,000 to over \$10 million. Schools differed along many dimensions, including size, grade level, religious affiliation and type of school, organizational structure and autonomy, and scope of services and activities offered to students.

Some of the schools offered basic academic instruction in a simple classroom, while others offered students a profusion of academic and athletic activities, health and counselling supportive services, and instructional materials and resources. Some schools were administered by a principal and secretary who worked with a simple budget with only a dozen line-items; other schools had a number of different administrative offices, including a business office that developed and monitored a sophisticated budget with hundreds of line-items. While some schools were located in the Sunday-school classrooms of their sponsoring church, other schools maintained extensive campuses with dormitories and riding stables. Some schools offered a variety of supplementary services and programs, such as bus service, hot meal service, and after-school programs, while other schools provided none.

This chapter describes in some detail the types of expenditures commonly found in private schools, based on focus group and site-visit interviews with principals and business managers from 28 different private schools and actual budgetary data from 10 of the schools. Although we

provide some quantitative analysis (principally, the percentage of current operating expenditures spent on instruction, administration, plant, and other activities), the bulk of the chapter focuses on three questions:

- What types of activities and services were provided by the schools?
- Which activities and services were paid out of school operating expenditures — as opposed to being provided by sponsoring churches or synagogues, parent fees, public agencies, or volunteers?
- How did schools account for different types of expenditures?

The answers to these questions are important for understanding what lies behind the numbers in the fiscal records. For example, imagine that a school reports no expenditures for library services. Does this lack of reported expenditures mean that the school has no library, that the school has a library staffed by parent volunteers and donated books, or that spending on the library is buried in the spending for instructional salaries and materials? By discussing how services and activities are funded and accounted for in a group of 28 diverse schools, we hope to provide examples that can inform the development of strategies for collecting and analyzing data on private school expenditures.

This chapter begins by describing how the 28 schools were recruited to mirror much of the diversity of schools nationwide in terms of size, grade level, and school type and affiliation. The remainder of the chapter discusses school activities and expenditures across a dozen functional areas that are common across many public and private schools. Grouping activities by function (i.e., instruction, administration) rather than by the object categories used in Chapter II (i.e., salaries, benefits, supplies) allows us to focus on the types of activities and services provided in various private schools. We group these dozen functions into the following four general areas:

- Instruction-related activities:
 - Instruction,
 - Instructional support services, and
 - Student support services;
- Administration;
- Physical plant:
 - Capital expenditures and rent, and
 - Plant maintenance; and
- Other services:
 - Transportation,
 - Food service,
 - Residential services,
 - Financial aid,
 - Extended day and summer programs, and
 - Other activities.

In Chapter V of this report, we compare our 12-function classification to alternate classifications — most notably the categories used in the National Public Education Finance Survey (NPEFS), the Integrated Postsecondary Education Data System (IPEDS) finance survey, and the National Association of Independent Schools (NAIS) finance survey — and we discuss some of the conceptual and accounting issues associated with different classification systems and definitions. Before proceeding further, however, we need to present our definition of “current operating expenditures,” because this term will be used throughout Chapter III when discussing the percentage of “current operating expenditures” spent on instruction, administration, plant, etc. Definitions of “current operating expenditures” vary somewhat, depending upon what activities are considered capital rather than current expenditures, which activities are considered expenditures rather than reductions in income, and which activities are considered core to elementary and secondary education. For the purpose of creating a common denominator that can be used across private and public schools, we define current operating expenditures to include expenditures from

nine of the twelve functions above, excluding expenditures associated with plant-related capital expenditures and rent, financial aid, and extended day and summer programs. Reasons for excluding expenditures in these functions are offered in the relevant sections of Chapter III, and discussed again in Chapter V.

Diversity of Schools in Our Sample

The 28 schools represented in the focus group and site-visit interviews were selected to include small, medium and large schools; elementary, secondary and combined schools; religious and non-sectarian schools; independent and affiliated schools; not-for-profit and proprietary schools; regular and special education schools; and day schools and boarding schools.

Recruitment of Administrators

As a first step in recruiting administrators representing a diverse array of schools, we contacted representatives of 25 national private school associations and attempted to secure participation from at least one member school of each association. In addition, we tried calling selected local area schools from a listing of schools in the Private School Universe Survey, listed by each of nine types of schools.¹ A total of 276 calls inviting administrators to attend focus groups resulted in 165 direct negative responses, 41 negative responses after requests for additional materials, 50 cases with no response in the time frame, and 20 responding positively.

In the end, 12 administrators actually attended one of three focus groups in October 1995. These focus groups involved administrators from three different types of schools: Catholic schools, conservative Christian and other Christian schools, and high-cost schools (boarding schools, elite day schools, and special education schools). A fourth scheduled meeting with

¹The nine types are Catholic parochial, Catholic diocesan, Catholic private, Conservative Christian, affiliated religious, unaffiliated religious, regular non-sectarian, special emphasis, and alternative.

assorted religious and non-sectarian day schools was cancelled because of difficulty in securing sufficient participants prior to the scheduled date.

The next step was to schedule on-site interviews. About two-dozen follow-up phone calls were made to selected administrators from the initial list of 276 contacts. In addition, we used the *Independent School Guide for Washington, D.C. and Surrounding Area*, a privately published directory of local private schools, to identify a half-dozen additional schools whose names indicated they represented a school type that was otherwise missing from our sample, for example, the Washington Waldorf School, the Evergreen Montessori School, and the Hebrew Day School of Montgomery County. In November and December, we interviewed 16 administrators at their school sites, including one administrator who had briefly attended part of a focus group meeting. We supplemented the site visit interviews by collecting information in phone interviews. One administrator provided sufficient information over the phone that we added his school to our sample, despite the lack of an on-site interview.

In total, we interviewed administrators from 28 different schools — 12 in the focus groups, 16 in the site visits (including 1 duplicate interview), and 1 in a telephone interview. These 28 schools were quite diverse in size, grade level, and religious affiliation and type of affiliation, as well as across other dimensions.

School Size

The schools in our sample ranged in size from 35 students at a special education school to 800 students at a combined school with three campuses. There were 12 schools with fewer than 150 students, 10 schools with between 150 and 299 students, and 6 schools with 300 students or more. Our sample has a somewhat smaller share of small schools and larger share of medium-sized schools than was found in the Private School Universe Survey (PSS) in 1991-92 (see Table

2.1). Half of our schools were clustered in the range between 100 and 200 students, or between the high end of small-sized schools and the low end of medium-sized schools.

TABLE 2.1

School Size

Size	Sample (number)	Sample (percent)	PSS (percent)
Small: <150	12	43	54
Medium: 150-299	10	36	27
Large: >=300	6	21	19
All	28	100	100

Source: Focus Group and Site Visit Interviews, 1995, and Private School Universe Survey, 1991-92.

Grade Level

We interviewed administrators from 15 elementary schools, 6 secondary schools and 7 combined elementary/secondary schools. Compared to the national distribution of private schools in the PSS, our sample somewhat underrepresents elementary schools, and overrepresents secondary schools (see Table 2.2).

TABLE 2.2

Grade Level

Grade Level	Sample (number)	Sample (percent)	PSS (percent)
Elementary	15	54	61
Secondary	6	21	10
Combined	7	25	30
All	28	100	100

Source: Focus Group and Site Visit Interviews, 1995, and Private School Universe Survey, 1991-92.

Religious Affiliation and Type of School

The schools in our sample were strikingly diverse in religious affiliation and type of school. We interviewed 6 administrators associated with Catholic schools, representing:

- four parochial elementary schools (one of which was interparish), and
- two private high schools (one private order, and one independent).

In addition, we interviewed 14 administrators of other religious schools:

- two Lutheran schools (one from the Missouri Synod and one from the Evangelical Lutheran Church of America);
- six conservative Christian schools (two interdenominational, one Assemblies of God, one independent Baptist, one southern Baptist, and one National Church of God). Each of these schools was associated with the American Association of Christian Schools (AACCS), the Association of Christian Schools International (ASCI) or Christian Schools International (CSI);
- two Seventh-Day Adventist schools (one elementary and one secondary);
- two Jewish schools (one Orthodox and one Conservative);
- one Episcopal school; and
- one Friends school.

Finally, we spoke with eight administrators representing a variety of non-sectarian schools:

- two special education programs (both serving seriously emotionally disturbed adolescents);
- three alternative schools (one Montessori, one Waldorf, and one member of the National Coalition of Alternative Community Schools); and
- three independent preparatory schools (including one with a Montessori program for the youngest children).

A complete list of schools and administrators is attached in Appendix D.

Our sample includes a smaller proportion of Catholic schools and a larger proportion of non-sectarian schools than is found nationally (see Table 2.3). The lower share of Catholic

administrators is partly a result of our interest in interviewing at least one administrator from a variety of different types of schools. In addition, we encountered difficulties in securing Catholic school participation in the focus groups and site visits. Our first scheduled focus group, for example, conflicted with an area-wide meeting of Catholic school principals.

TABLE 2.3

Affiliation

Affiliation	Sample (number)	Sample (percent)	PSS (percent)
Catholic	6	21	34
Other Religious	14	50	45
Non-Sectarian	8	29	21
All	28	100	100

Source: Focus Group and Site Visit Interviews, 1995, and Private School Universe Survey, 1991-92.

Our sample can be compared to schools nationwide across other dimensions. Only two schools (7 percent) were boarding schools, mirroring the 7 percent of private schools nationally that have boarding students (McLaughlin et al., 1995). One school (4 percent) was proprietary; the number of proprietary schools nationwide is not known. Four schools (14 percent) were members of the National Association of Independent Schools (NAIS), an overrepresentation in comparison to the 6 percent found nationally (McLaughlin et al., 1995). In addition, two more schools that were not direct members of NAIS were affiliated with the Virginia and Greater Washington regional associations of independent schools (VAIS and AISGW).

Two differences between our sample and the universe reported in the Private School Universe Survey merit note. First, all the sampled schools belonged to at least one, and in most

cases, several national and regional associations of private schools (e.g., religious associations, associations of Montessori or Waldorf schools, the NAIS, VAIS, AISGW, the Association of Independent Schools of Maryland (AIMS), the Washington Small Schools Association). In contrast, 20 percent of schools in the PSS reported no private school association membership (Broughman & Bynum, 1994).

Second, our sample is largely drawn from the metropolitan Washington area; 11 were from Maryland, 9 from the District of Columbia, and 8 from Virginia. Most schools, therefore, were located in urban or suburban areas. (A few of the Virginia schools were from more rural parts of the state, including one school located in the Blue Ridge Mountains). Furthermore, examples of schools' access to publicly provided services was limited to the policies represented in the three jurisdictions. For instance, no school other than the special education schools reported that students were transported by publicly provided busses, because none of the three jurisdictions provide such services.

Sub-sample with Expenditure Data

Ten schools gave us copies of financial statements that detailed their expenditures. The ten schools were roughly representative of the larger sample in terms of size and grade level. Most (nine out of ten) were day schools. The sub-sample was also largely religious schools (nine out of ten). Further description of these ten schools is limited, in order to protect the confidentiality of their finance data.

Many of the analyses of actual expenditures were based on seven or eight schools rather than all ten because three of the finance reports did not provide sufficient detail to split expenditures among the functional categories discussed above. In addition, we had to make a number of assumptions in allocating expenditures across functions in the remaining seven reports. Despite these limitations, the budgetary data are useful to give a rough estimate of the share of the

expenditures used for instruction-related activities, administration, physical plant, and other functions.

Instruction-Related Activities

Instruction-related activities constitute the bulk of activities in private schools. Most of this section of the report focusses on *instruction* — the direct teacher-student interactions that occur primarily inside the classroom. Instruction expenditures include teacher salaries, teacher benefits, textbooks, classroom supplies, and contracted tutorial services. In addition, this section covers *instructional support services* — such as library services and staff development — because many private schools consider such services to be part of the broader category of instruction-related activities. This section also reports on a third type of services, *student support services* — such as student counselling or student health services — which are often associated with instructional activities because they involve direct staff-student interactions. The section concludes with a quantitative analysis of instruction-related expenditure data from eight private schools.²

Instruction

Instruction is the primary function of private schools. It is such a broad functional area that the following discussion is broken down into three components:

- Teacher salaries;
- Teacher benefits; and
- Other instructional expenses, i.e., supplies such as textbooks and purchased services such as tutorial services.

²Two of the ten budgets were not used in analyzing instruction-related expenditures. One did not distinguish between instructional salaries and other salaries, and the other was a partial budget, with no information on instructional expenses other than salaries.

This organization mirrors the object classification, (salaries, benefits, supplies, services, etc.), found in NPEFS and many other finance surveys.

Teacher Salaries

Teacher salaries are the core component of instructional expenditures. Most respondents from small schools stated that they could calculate total teacher salaries by summing their totals for regular teachers, specialized teachers (such as art, music, band or part-time teachers), and substitute teachers. Most respondents from large schools had a total for faculty salaries, or could compile a total across the different academic departments or school divisions or campuses. School definitions of “teachers” or “faculty” sometimes differed from the NPEFS definition used in our draft surveys. For example, one business manager did not include salaries for coaches in his total for faculty salaries. Most school administrators said that they probably could report teachers' salaries separately from salaries for librarians, nurses, and counsellors, if requested to do so. However, such distinctions were not usually made in reports prepared by the school.

A few schools had particular circumstances that complicated the reporting of teachers' salaries. In two small religious schools, for example, the “school operating budget” controlled by the principal was separate from the “teacher payroll budget” paid directly out of the church or parish office. In one of these schools, the principal, who was new, had not seen the teacher payroll budget. In addition, some of the smaller schools listed teachers' salaries by name in attachments to the budget, and principals expressed concerns about releasing personal salary information, which they believed was confidential.

In other schools, reported salary expenditures did not cover the full range of instructional services provided by the school. For example, a few schools supplemented teacher salaries with parent-funded tutors or publicly funded services, particularly in the area of special education. Other schools benefitted from some free labor, such as the use of parish priests to teach an

occasional class at the parish school, or the use of parents or church members to serve as substitute teachers.

In addition, a few Catholic schools in our sample benefitted from labor provided by nuns at below-market rates, that is, for a stipend that is lower than a lay person's salary. Financial reports by the National Catholic Education Association estimate the value of “contributed services” by religious personnel, that is, the difference between a religious and lay person's salary, as 3 percent of total spending. Some administrators of other religious schools pointed out that many of their teachers also viewed their work as a ministry and were willing to work at below-market rates. When all teachers are paid the same rate, however, it is nearly impossible to quantify the potential value of “contributed services.”

The focus group and site visit interviews included questions about special education teachers, under the theory that instructional salaries would be lower in schools that did not provide special services for students with learning disabilities. Nine schools, or about one-third of those surveyed, reported employing full-time or part-time teachers or contracting for tutorial services in order to meet specialized learning needs. The types of schools funding such services varied significantly, including two very expensive special education schools and two low-cost religious schools that were committed to meeting the needs of all the children in their congregation or parish. In one of the nine schools, the budgeted expenditures for the special education teacher were raised by the parent-teacher organization.

The remaining two-thirds of surveyed schools had no expenditures for special education in their operating budget. Several of these schools, however, were able to provide some services to children with learning disabilities, through such arrangements as working with the public schools in scheduling testing or other specialized services, providing free space to parent-funded tutors, sending needy children for one period a day to a publicly funded (Title I) mobile classroom

parked outside the school, and providing a special education teacher through a special foundation grant.

Difficulties arose over the definition of “special education.” Two schools had Title I mobile classrooms, which though not defined as special education classrooms, nevertheless served many children with learning disabilities. Services offered by specialized teachers and consultants included occupational therapy, curative eurythmics (a discipline in the Waldorf tradition), reading resource assistance taught by a part-time librarian who was in the process of obtaining a degree in special education, and classes taught by teachers with degrees in special education. Furthermore, one business manager viewed “special education” as a pejorative service; he started to say his school had no such services, until he remembered that the school employed a full-time teacher to work with children with learning disabilities. Another administrator explained he was obliged to state that he had no special education because he did not provide the services specified under the Individuals with Disabilities Education Act (IDEA). Finally, many administrators mentioned that the small classrooms, orderly atmosphere, and individualized services provided in their schools enabled them to meet the needs of children with a broad range of learning styles and behavioral problems.

Teacher Benefits

After instructional salaries, the next largest category of instructional expenses is generally teacher benefits, including payroll taxes, health benefits, retirement benefits, and other benefits.

Payroll taxes. Most schools paid the standard FICA taxes for social security and Medicare, or 7.65 percent of payroll. A bookkeeper at a religious school explained that because the school was legally incorporated under the church, it could have chosen not to pay into social security. A Catholic school principal noted that one of its employees was a nun from a convent that did not accept the social security tax payments; the parish administrator insisted, however, on

paying the equivalent of social security taxes directly to the nun. Social security taxes were not paid for four Lutheran teachers in one school because their certification by the Synod placed them in a similar tax status to that of a pastor, minister, or rabbi. Schools did not pay social security taxes for substitute teachers or some hourly teachers such as instrumental music teachers.

Health benefits. Teachers and other employees in all but two of the schools in the focus groups and site visits had access to health benefits. The most common model was for the school to pay the full costs of health benefits. Several schools, however, required employees to contribute between 20 and 50 percent of employee health premiums, and an additional group of schools required employees to pay for high coverage and/or family coverage. The two Seventh-Day Adventist schools in our sample reported that health benefits (and other fringe benefits) were provided by their centralized education system. Each Seventh-Day Adventist school paid into the centralized salary and benefit system according to the number of teachers employed and a system-wide schedule for teacher salaries. The centralized system disbursed payroll checks directly to the teachers, and subsidized the cost of health and other employee benefits.

Among other religious schools, health benefits were sometimes paid for by the school but administered by a regional or national association, such as the archdiocese or Christian Schools International (CSI). One administrator noted that the primary reason his school had joined Christian Schools International (CSI) in addition to the Association of Christian Schools International (ACSI) was because of the benefits of the CSI group health plan. Other religious schools, as well as most non-sectarian schools, purchased their health benefits through independent agents.

Retirement benefits. Four of the surveyed schools did not provide any retirement benefits, including the two schools without any health benefits. In an additional four schools, the pension plan was limited to an employee option of making unmatched contributions to a tax-

sheltered annuity. Another school provided a cafeteria plan where employees could select tax-free payments for retirement (or dependent care expenses) in place of health benefits. The majority of the schools, however, contributed to pension plans. Several religious schools covered school employees under the same pension plan as other church or synagogue employees. Several independent schools had Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) plans and supplemented direct employer contributions to the retirement plan with an employer match of employee contributions.

Other benefits. Many schools provided employees with additional benefits, including unemployment, sick leave, long-term disability, workers' compensation, and tuition reductions for employee children. Among the 16 schools that provided information about tuition reductions, 11 offered reductions, and 5 did not. However, two principals of schools without a policy of tuition reductions noted that there were no qualifying teachers, and the policy might be reconsidered if the occasion arose in the future. Several schools offering reductions noted that this was a significant benefit for employees; two schools offered a 100 percent discount on tuition. One business manager explained that reduced tuition for employees' children could be classified as either an employee benefit or a form of financial aid; he classified it as an employee benefit, following the guidance of the National Association of Independent Schools (NAIS).

As a final note on benefits, the two boarding schools in our sample provided subsidized housing to employees. There was considerable discussion in one focus group about whether on-campus housing should be viewed as an employee benefit or a sometimes onerous condition of employment. (According to some focus group participants, the IRS is interested in classifying subsidized housing as a taxable form of compensation).

Other Instructional Expenditures

In addition to teacher salaries and teacher benefits, other categories of instructional expenditures found in private school financial records include textbooks (sometimes labelled books, workbooks, or curriculum); classroom supplies, which is a separate line-item in many budgets, sometimes reported by grade or department; art and music supplies; and testing. One of the schools that submitted budgets with detailed instructional expenses had a line-item for “other contracted instructional services,” presumably tutorial services.

Administrators in the focus groups and site visits were asked to describe how textbooks, the most common instructional supply, were provided and funded. Of the 20 schools with clear responses to this question, 16 had significant textbook expenses in their operating budgets, including 7 schools that provided books purchased with tuition revenues, 7 schools that provided books funded through a book or activities fee, and 2 schools that had school bookstores whose expenses were included in the operating budget. Many schools used a mixture of softcover and hardcover texts and workbooks, with the hardcover texts typically retained by the school at the end of the year and replaced over time according to a regular cycle.

Four schools had minimal textbook expenditures in their operating budgets. Two of these schools, both boarding schools, had school book stores that were separate enterprises whose expenditures were not considered part of the school's operating expenditures. Instead, the net revenues of the bookstore (revenues less expenses) were recorded on the income side of the school's financial records. The other two schools were a Waldorf school and a Montessori school, neither of which used many regular textbooks in their educational programs. The financial records of the Waldorf school included substantial expenditures for raw materials (such as natural papers, wood and cloths) that were used by the students in making their own textbooks. Likewise, the Montessori school had few expenditures for textbooks per se, but significant

expenditures for purchasing the specialized Montessori instructional materials that are used to teach the younger children.

Four schools, all located in Maryland, reported receiving textbooks or library books through a publicly funded program. One of these schools included the revenues and expenditures associated with these books in the school's financial records. In the other three schools, the grant or books came directly to the librarian, and was not recorded by the business manager. In general, the business managers and administrators appeared to have limited information about their eligibility and participation in any publicly-funded programs.

Instructional Staff Support Services

Many private schools had expenditures that could be classified as instructional staff support services — primarily related to libraries and staff development.

Libraries

Most schools had a designated library, media center or resource room. Schools provided varying levels of staff support, however. In 30 percent of the focus group and site visit schools, the library had no regular staff, but was staffed by regular teachers or parent volunteers. These schools thus had minimal or no expenditures that could be classified as salary and benefit expenditures for instructional staff support. One school contracted with a consultant who provided librarian services to this school, as well as a few other local area schools. Among the schools that did employ librarians, their salaries and benefits were typically grouped with instructional salaries. In fact, in many small schools, the part-time librarian or coordinator of library volunteers was also a part-time teacher.

It appears that some administrators would find it difficult, though not impossible, to report the librarian's salary separately from teachers' salaries. In some cases, the administrator would need to look up the individual person's salary. Reporting the librarian's benefits separately would

be an even more difficult task, however, because most financial records do not track benefits by individual.

Library supplies — books, periodicals, and other materials — were easy to identify in some private school's financial records. Three out of the eight detailed budgets submitted by private schools had separate line-items for such expenditures. Library-related expenses of the remaining five schools could not be determined. Four of the five without such expenditures were small religious schools that may not have purchased library materials that year. The fifth was a large school that presumably did purchase some library or media center materials; such expenditures were probably included in the total for "Supplies" for "Education program services," although they may have been included in the total for "Supplies" for "Management and General Supporting Services."

Some schools supplemented library materials with donated books. Two schools in the site visits used parent or grandparent birthday clubs to encourage family involvement in the school and to expand the school library. Parents in one school, and grandparents in the other, were encouraged to buy a book for their child or grandchild on his or her birthday. After remaining in the child's classroom for a week, the book would be given to the library, in the name of the child. In one school, the revenues and expenditures for the birthday club books were recorded in the school's financial statements; in the other school such book purchases did not appear to be tracked there. A few other schools reported receiving donated books for their library, but this did not appear to be a significant source of books for most schools.

Staff Development

In-service training, professional development, continuing education or teacher conferences appeared to be a more common instructional support expenditure than library services. A line-item or line-items for such expenditures were reported in all but one of the eight detailed financial

records, including some simple records with fewer than 20 budgetary items. Most schools had staff development as a separate functional category; others reported it as a line-item within instructional, administrative, or staff expenditures. Many private schools arranged to send teachers to workshops at regional conferences of their religious or non-sectarian school association.

Student Support Services

Expenditures for student support services — such as salaries and benefits for nurses or counsellors, supplies for first-aid, or contracted services for eye and ear exams or counselling services — did not figure prominently in most private school budgets.

Health Services

Only five of 27 schools reporting on student health services had school nurses (including three day schools and both of the two boarding schools in our sample). The remaining schools relied on headmasters, secretaries, teachers, athletic trainers, the infirmary at the neighboring monastery, the urgent care clinic up the street, or parent volunteers to perform such various health functions as applying bandages, comforting sick children, attending to injuries, and checking for head lice. In several schools, a secretary, teacher or administrator happened to have a nursing degree, and so served as a nurse in addition to her other duties. In such cases, expenditures for health services might be limited to minor expenditures for first-aid supplies. Two of the eight detailed financial reports had separate line-items for first-aid or health care supplies.

In addition, several schools mentioned that vision and hearing screening exams were provided on the school campus, through visits by county staff, or parent-funded private services.

Counselling Services

Private school provision of counselling services was harder to determine. Several administrators were unsure what was meant by “guidance counselling services,” which one

administrator felt was a public school term. Using a broad definition of counselling to include college counselling, student and family counselling, and referral to other social services, 13 out of 21 schools reporting on counselling services had expenditures for such services in their financial records. Five of these schools employed full-time counsellors, including the two schools for emotionally disturbed youth. Both those schools considered one-third of their program staff to be providing counselling/social work services as opposed to direct educational services. Five schools employed part-time counsellors, including two schools with family service counsellors for immigrant families and one school which assigned a teacher to college advising duties for two periods a day. Three schools used contracted services. In one Catholic school, the “contracted services” were provided by a charitable, diocesan-wide, child and family counselling agency that received only part of its funding from the school “donations” or contract.

The eight schools without separate counselling staff or services varied significantly, and included elementary, combined, and secondary schools, as well as both religious and non-sectarian schools. A number of administrators of these schools noted that counselling and attention to character development was the shared responsibility of the head and all teachers. None of these eight schools had salaried nurses either, and so could be expected to report no salary expenditures associated with student support services, and little in the way of non-salary expenditures.

Analysis of Instruction-Related Expenditures

In the aggregate, instruction-related expenditures — instruction, instructional staff support, and student support services — accounted for an average of 71 percent of current operating expenditures among eight schools that submitted detailed budgets. Such expenditures ranged from 79 percent of current operating expenditures in a small, low-cost religious school to 62 percent in a school that provided a fuller range of services, including transportation and meal service. The

71 percent average reflects budgets from eight day schools; incomplete data from a boarding school suggests that instructional expenditures are a lower share of the total at boarding schools.

We could not split instruction-related expenditures into the three separate categories used in the NPEFS on the basis of the information available in the eight budget reports. Information gathered in the focus group and site visit interviews suggest, however, that most of the 71 percent was spent on direct *instruction* rather than on *instructional staff support* or *student support services*. We were able to split expenditures among salaries, benefits and other expenditures (i.e., supplies and contracted services).

Among the eight schools, instruction-related salaries (largely teaching salaries, but including some salaries for librarians, counsellors and nurses), averaged 57 percent of current operating expenditures, ranging from 50 percent to 67 percent.

Payroll taxes and benefits averaged slightly under 9 percent, including 4 percent for payroll taxes and 5 percent for health, retirement, and other benefits. (As with figures on teacher salaries, this figure is primarily related to *teacher* benefits, but also includes a small proportion of spending on instructional and student support staff). Measured as a percentage of instruction-related salaries, fringe benefits increased salary costs by 15 percent, including about 7 percent for payroll taxes and 8 percent for health, retirement and other benefits. These estimates are based on actual instructional benefits in four schools. Teacher benefits were estimated in the other four schools by assuming that total employee benefits and payroll taxes were distributed among instructional staff, administrators, custodians, and other employees in proportion to their salaries.

Expenditures for instruction-related supplies and services averaged 6 percent across the eight schools. This estimate probably includes significant spending on *instructional staff support*, as well as *instruction*, because many schools had expenditures associated for library materials and

staff development. Staff development ranged from 0.3 percent to 1.1 percent of operating expenditures in seven schools that reported such expenditures in their detailed financial records.

After instruction-related activities, the next largest category of expenditures in many private schools is administration.

Administration

Administration includes the activities carried out in the principal or headmaster's office, the business office, development office, admissions and recruiting, alumni affairs, and other administrative offices. Administrative expenditures are driven by the salaries and benefits for administrators and support personnel in these offices. In addition, there are expenditures for office supplies (e.g., paper, photocopying, postage) and purchased services (e.g., accounting services, legal services, and insurance other than plant-related insurance).

An overview of administrative staffing models is presented below, followed by a discussion of administrative salaries, benefits, and supplies and contracted services. The section concludes with a short analysis of the proportion of current operating expenditures devoted to administration in eight private schools.

Staffing Models in Private School Administrative Offices

Our focus groups and site visits included a number of questions about the size and sophistication of administrative offices, because we were hoping to obtain information about the principals, business managers, and church officials who had access to the financial information needed to respond to a survey on school finance. It quickly became apparent that schools with a two-person administrative office (principal and secretary) were quite different from schools with a large administrative office with a separate headmaster's office, business office, and other administrative offices. Out of 23 schools reporting on the size of their administrative staff, seven

schools were administered by a principal and secretary and six schools had a number of administrative offices and a correspondingly large administrative staff. The remaining 10 schools fell between these two staffing models. The intermediate model had three to six administrative staff members, typically consisting of a principal, a secretary, a business officer or bookkeeper, and, in some cases, a part-time assistant principal, a part-time development officer, or additional clerical support.

Two-person Model

The seven schools with a two-person staffing model included Catholic, Lutheran, and conservative Christian schools, and generally charged lower tuition fees than most other schools. Enrollment in these schools ranged from 80 students to 230 students. The principal/secretary administrative model was found in 30 percent of our sample, which is probably a lower percentage than across the country as a whole, because of the low proportion of small elementary and Catholic elementary schools in our sample. Both the principal and secretary worked full-time in five of our schools; in one the secretary worked two days a week, and in one the principal was considered a half-time teacher and a half-time principal. None of these schools were members of the NAIS, and in general, the financial reports were quite simple. In most of these small and medium-sized religious schools, a parish administrator or church or synagogue bookkeeper performed a number of financial functions that supplemented the work of the two-person administrative staff. In fact, two out of the seven interviews at these schools were conducted with the parish administrator or the chair of the church education board, to whom we were referred after an initial inquiry to the school principal's office. The time spent by the church staff and congregation members was not quantified or accounted for in financial records in any of these seven schools.

Intermediate Model

The intermediate, or three-to-six person, staffing model was found in elementary, secondary, and combined schools, and across schools that ranged in size from 75 students to 600 students. Half of the 10 schools in this group received administrative support from a sponsoring church or synagogue or parish, including four schools (two Jewish and two conservative Christian) that had formal arrangements for paying for a share of the synagogue or church bookkeeper's salary out of the school budget and one school (a medium-sized Catholic school with 2.5 administrative staff) that received considerable unquantified assistance from the parish administrator. The remaining schools in this group included three non-sectarian, alternative schools, and two relatively independent religious schools (one conservative Christian and one Friends). One of the principals in this group carried a half-time teaching load in addition to administrative responsibilities, but this appeared to be a temporary measure during a difficult transition period. In all but one case, the principals in these schools chose to meet with us directly rather than referring us to their bookkeeper or business manager. In most cases, however, the principal was unable to answer the questionnaire completely without the assistance of the bookkeeper or business manager.

Separate Business Office Model

The final group of schools was those schools with a sufficiently large administrative staff to have a separate offices for school administration, business administration, and, in most cases, development, academic or student affairs, and admissions and recruitment. These schools were secondary or combined schools that charged relatively high tuition fees and ranged in size from about 200 to 500 students, except for a special education school with 100 students. In each of these schools, we interviewed the business manager or assistant head of the school, and had little or no contact with the headmaster. Business managers appeared to have a greater interest in our

project and more flexible work schedules than principals, and so schools with separate business offices may be overrepresented in our sample — 6 of 23 schools reporting on size of administrative staff. Most of the business managers were quite aware of recent changes in private school accounting methods (e.g., the Financial Accounting Standards Board (FASB) changes); many of them were members of the National Association of College and University Business Officers (NACUBO), NAIS, or regional associations of independent schools.

Although administrative staffing patterns varied across the schools in our sample, all schools had administrative expenditures in each of the following areas: salaries, benefits and other current expenditures.

Administrative Salaries

Confidentiality concerns were readily apparent during discussions of administrative salaries, even though our interviewers did not probe for actual salary information. Some administrators of small schools appeared troubled by the possibility that their personal salary might be revealed to the interviewer. Some small school accounting systems, in fact, report the administrator(s)' salaries on a separate line from that of the clerical staff, increasing the chances of exposing individual salaries. To avoid this, some small schools report administrator and teacher salaries together, with a separate line item for clerical staff.

Another issue related to administrative salaries is that most administrators of private schools do not spend all their time on strictly administrative functions. The vast majority of administrators in our sample had some teaching responsibilities, ranging from an occasional class to a half-time teaching load. Although some schools allocated a share of the administrators' salaries to instructional expenditures (including the two schools with principals who taught half-time), others did not. One principal noted that his school had recently reduced its stated administrative costs by calculating the share of administrators' time that was spent on instruction.

By doing so, it enhanced its image of administrative efficiency to potential donors participating in the Federal Combined Campaign fundraising drive. Another administrator pointed out that although his financial records did not estimate the value of instruction provided by administrative staff, this potential error was probably balanced by the value of administrative duties provided by teaching staff. Finally, a number of administrators noted that many of their duties fell outside the administrative or instructional functions, (e.g., checking for head lice, unstopping clogged toilets, transporting children on field trips, etc.), although no one proposed allocating such time to student support, plant maintenance, or transportation.

Finally, some principals of religious schools allocated some of their time to non-school activities in the sponsoring church or synagogue. For example, the principal of one of the conservative Christian schools in our sample was expected to spend 60 percent of his time on school administration and 40 percent on his position as assistant pastor. His salary was paid out of the school budget, and his housing was fully subsidized by the church. In this example, the free housing subsidized by the church may offset the time devoted to church activities. In other cases, however, time devoted to church or synagogue activities or benefits provided by the church or synagogue may represent hidden subsidies that may be hard to capture in a survey of private school finance.

Administrative Benefits

Administrators generally reported receiving the same health and retirement benefit package as teachers. There were a number of differences, however, in other types of benefits. More administrators than teachers were members of the clergy who had the option of not paying social security or federal unemployment taxes. Moreover, the compensation package of some principals who were members of the clergy included a substantial tax-exempt housing allowance, or “parsonage.” One principal noted the problems he had encountered in qualifying for a mortgage

when the bank officer initially ignored the \$20,000 he received in parsonage income.

Furthermore, a few administrators noted that when joining the school, they had negotiated larger tuition reductions for their children than was provided to teachers. Finally, as noted above, one Christian school in our sample provided subsidized housing to the principal/assistant pastor — a benefit not available to teachers in that school.

Some of the benefits provided to administrators were not recorded as employee benefits in all private school financial records. For example, although some schools followed the NAIS recommendation of classifying tuition reductions as an employee benefit, some schools simply showed it as a reduction in tuition income. Subsidized housing was another benefit that was frequently not recorded as an employee benefit.

Other Administrative Expenses

Other administrative expenses consist of administrative supplies and contracted services. Most schools reported the same basic administrative functions, although they reported them in different ways.

Nine schools submitted financial records with sufficient detail to examine non-salaried administrative expenditures.³ All nine records had separate line-items for office supplies. Eight had separate line-items for advertising (or public relations) and for telephone. One simple financial record listed only these three types of administrative expenditures, and a second combined them into two items: “office supplies/postage/telephone” and “advertising.” The next most common items were postage (seven schools) and printing or photocopying (six schools).

³These nine schools include the eight schools analyzed in the chapter on instruction-related expenditures, and a ninth school that provided detail on administrative supplies, though not on administrative salaries.

Four of the nine budgets included expenditures for accounting services. Many of the administrators in the focus groups and site visits reported contracting out for payroll, accounting, and other financial services. Cost considerations were cited as reasons both for and against contracting out for financial services. Some administrators believed they saved money by having monthly financial statements prepared by an accountant; others spoke of the savings could be achieved by moving to an in-house financial system. Schools that contracted out for payroll services frequently cited the convenience of direct deposit of employee salaries as the deciding factor in their decision.

The degree of financial review provided by outside auditors or accountants varied considerably. Some schools underwent an annual audit involving three weeks of intensive on-site review; others were counselled by their accountant that a less formal annual review was sufficient. Most of the independent schools considered a full-fledged audit to be essential; small religious schools were more likely to rely on less formal reviews by their accountant, the church or synagogue comptroller or treasurer, or the financial division of the archdiocese. Although most schools used local accountants, one Christian school contracted with a Tennessee-based national accounting firm used by many conservative Christian schools. The two Seventh-Day Adventist schools reported receiving technical assistance and review from accountants sent out by the national headquarters of the Seventh-Day Adventist educational system.

Two schools in the subsample budgeted for legal expenses. A Catholic school principal explained that Catholic schools relied on the archdiocese to provide any needed legal services. One small school noted that legal services were available through the local association of independent schools; the first 15 minutes of service were free, and the school paid for additional time.

Variations in accounting systems made it difficult to classify all administrative expenditures in a comparable manner. For example, one school in the subsample reported all insurance (plant, liability, vehicle, etc.) as a plant expenditure. Two other schools reported a separate line-item for liability insurance, allowing us to classify such expenditures as administrative. In another example, one school included computer support costs in its line-item on Administrative Equipment. Three other schools had separate line-items for computer maintenance or supplies that we classified as administrative expenditures.

One school budget allocated expenditures for postage, photocopying and supplies across administrative and instructional functions; most other schools considered all such expenditures as administrative expenditures. Four of the nine schools with detailed financial reports reported expenditures for development or fundraising separately from other administrative expenditures.

The variation in ways to report administrative supplies and services made it difficult to define administrative expenditures in a way that is strictly comparable across all schools. Small differences in reporting methods are unlikely to have made a major difference to analyses of total school expenditures, however, because of the relatively small proportion of school budgets devoted to administrative supplies and services.

Analysis of Administrative Expenditures

Administrative expenditures averaged 21 percent, according to detailed financial reports submitted by eight schools.⁴ The 21 percent average includes 15 percent for administrative salaries, 3 percent for administrative benefits, and 4 percent for supplies and purchased services.

Four of the eight schools reported payroll taxes and benefits separately for administrative staff and instructional staff. We analyzed these data in order to see how the ratio of reported

⁴These are the same eight schools included in the analysis of instruction-related expenditures.

benefits to salaries compared across administrative and instructional functions. In two of these schools, the ratio of benefits to salaries was lower for administrators than for teachers. In one of these schools, this reflected the fact that the administrative staff received the same health package as teachers (a \$2,000 benefit from a cafeteria plan), but received higher salaries, resulting in a lower ratio of benefits to salaries. In a third school, benefits were a constant percentage of salaries across education and general administrative functions, but were a lower percentage of salaries for social work personnel.⁵ (The fourth school paid similar ratios of payroll taxes to salaries, but had no expenditures for benefits, because it was a Seventh-Day Adventist school and its teachers received benefits through the centralized system).

Administrative costs varied considerably as a proportion of current operating expenditures among the seven schools. Administrative salaries ranged from 9 percent to 22 percent of current operating expenditures, and total administrative expenditures ranged from 14 percent to 31 percent. School size may account for some of this variation. Administrative expenditures in three large schools (defined as having an enrollment of more than 300 students) ranged from 14 to 18 percent of total expenditure. Administrative expenditures in the remaining schools were 18 percent or more, except for one small school that had lower expenditures because it employed a part-time principal and was heavily supported by church staff and congregation members.

Even wider variations in expenses are found in the third general area of school expenditures — those associated with the school buildings and grounds.

⁵General administration in this school included plant maintenance and food service, as well as administration.

Physical Plant

School spending on the physical plant is difficult to categorize and analyze because of differences in amounts and types of expenditures. Some schools incur substantial rental payments, while other schools own their own grounds and buildings. Owners of facilities may be making principal and interest payments to retire long-term debt, or may already have paid off all mortgages. A third set of schools makes neither rental nor mortgage payments because they are provided free space by a sponsoring institution. Over one-third of the schools interviewed in the focus groups and site visits were provided free space by their sponsoring church or synagogue or parish, half rented or leased facilities, and slightly under one-fourth owned their own buildings. (These arrangements total to more than 100 percent, because two schools had different arrangements across multiple campuses).

Renters and beneficiaries of free space, as well as owners, may be responsible for making substantial repairs and renovations to school buildings and grounds, depending on the terms of agreements with landlords or sponsoring institutions. Some schools set aside funds for future expansion. In addition, all types of schools are likely to purchase equipment. Finally, all schools must make arrangements for ongoing plant maintenance such as custodial services and utilities.

This section begins with a discussion of the capital expenditures and rental payments associated with the plant. Next comes a discussion of plant maintenance costs. The section concludes with an analysis of expenditures for plant-related activities.

Capital Expenditures and Rent

We asked administrators questions about four different kinds of capital and rental expenditures associated with their school. First, what were the costs for acquiring or renting the buildings and grounds? Second, did the school purchase equipment or receive donated equipment? Third, who paid for building renovations? Fourth, did the school have a reserve for

future acquisition, construction or expansion? The responses to these four questions are discussed below, followed by a brief explanation of why such capital expenditures and rental payments were excluded from our proposed definition of current operating expenditures.

Plant Acquisition and Rent

School administrators reported three general types of facility arrangements:

- Ten schools occupied space provided rent-free by their sponsor;
- Fourteen schools rented space; and
- Six schools occupied space owned by the school.

There were a total of 30 arrangements across 28 schools because one school owned one campus and rented two others, and another school rented one building at a reduced-rate from a supportive church and paid full-market rates for a second church building.

Rent-free Space. The ten schools receiving rent-free space included the Catholic and Lutheran elementary schools in our sample, as well several Seventh-Day Adventist and conservative Christian schools. In the Catholic and Seventh-Day Adventist schools, the mortgage payments had been paid off and the titles of the school building were held by the diocese or centralized Adventist system, rather than the local church. It was thus somewhat of a matter of interpretation whether they were “school-owned buildings” with no remaining mortgage payments or “church-owned buildings” rented at no cost to the school.

Rental Arrangements. The fourteen arrangements for renting space included three schools renting from commercial landlords, two schools renting from churches or synagogues with which the school had no affiliation, four schools renting old public school buildings from county or city agencies, and five schools renting space from their sponsoring church, synagogue, or monastery. Five schools paid below-market rents, including two schools renting from sponsoring churches and three schools renting from cities or counties; two of the schools renting from

Montgomery county faced higher future rents because of a recent county decision to reassess properties and raise rents to reflect their full-market values.

There were interesting twists to the rental arrangements between schools and sponsoring institutions. In one church-sponsored school, the “rent” transferred from the school to the church was viewed as a means of repaying the church for its investment in the school. The “rent” had recently increased by 67 percent, an increase that was determined more by the excess in school revenues over expenditures than by the value of the school building. Another sponsored school was attempting to persuade its sponsoring institution to put school “rental” payments in a special fund for building-related capital expenditures, rather than “lose it” in the overall institutional operating budget. In a third school, the below-market “rent” paid by the school was estimated to cover the school's use of the custodial and utility services, with no charge for the space itself.

School-owned Property. The six schools that owned their own buildings included four schools that were paying off mortgages or bonds associated with acquiring or expanding the school buildings and two schools that had already paid off their mortgages. These six schools included two boarding schools, two elite day schools, and two conservative Christian schools. A seventh school, a special education school, while not owning its own property, was paying a mortgage on major leasehold improvements to buildings and grounds leased from the county.

One fundamentalist school paid 50 percent of the mortgage payments for a set of buildings that were heavily used by both the church and the school. (For example, the Algebra I classroom doubled as a nursery on Sundays, as was evident by the cribs pushed to the side during the school week). The 50 percent share was based on the assumption the school used the building for 5/7 of the week and 9/12 of the year, or 54 percent of the time. As in other cases where the church and school are legally and financially intertwined, it is hard to say whether the payment from the

school budget was a share of the mortgage payment, or a payment of “rent” to the church that paid the mortgage.

Equipment Purchases and Donations

Many of the private schools we interviewed had separate line-items in their financial records for equipment, such as furniture, computer equipment, office equipment, or vehicles. A few schools, including the one proprietary school, recorded an annual expense for equipment depreciation. Some schools did not distinguish equipment purchases from expenditures for supplies. Other schools had separate plant or equipment funds for making purchases of equipment over a certain dollar amount. Several schools used a combination of different methods for accounting for equipment purchases.

As a first step in understanding equipment purchases and donations, we asked schools to describe the equipment acquired in the preceding year, regardless of how such equipment was recorded in their financial statements. All but two schools in the larger sample of focus group and site visit interviews had purchased some new equipment in the preceding year. Annual expenditures ranged from less than \$1,000 to over \$100,000. The smaller purchases generally represented purchases of minimal office equipment. Intermediate purchases involved new classroom furniture or vehicles for transporting students on field trips. The most common high-cost purchases were for new computer or science laboratories.

The two schools with no equipment purchases included one school in serious financial hardship and one relatively new school that depended largely on donated equipment to furnish the classrooms and offices. Neither principal could recall making any equipment purchases in the preceding year, nor could they find equipment purchases itemized on the budget, but they were not absolutely sure that there had been none.

Almost all private schools reported receiving donated supplies and equipment in addition to equipment purchased with school funds. There was near universal participation in the supermarkets' promotional programs offering computer hardware, software, and other items in exchange for grocery receipts. In addition, many schools received significant donations from parent-teacher organizations and individual parents, as well as from other sources. Donations included copiers, fax machines, office furniture, computers, software, and playground equipment, as well as unsolicited donations such as pianos. A number of site visits took place in offices furnished with old office furniture discarded from a relative's down-town office.

Building Renovations

In addition to acquiring equipment through purchases and donations, many schools had expenditures associated with capital improvements to the school buildings and grounds. Projects undertaken within the last year included replacement of boilers, replacement of roofs, reconstruction of buildings after fire damage, installation of air-conditioning, replacement of windows, repaving of a parking lot, remodelling of classrooms, replacement of bathroom tiles, and upgrading of doors to meet fire codes.

Some projects, such as a \$100,000 project to replace 100 windows in a century-old Catholic school, were carried out on a multi-year schedule because of the school's inability to afford the entire renovation in one year. Other projects, such as remodelling classrooms, were considered normal summer activities in some schools, and thus more of an annual maintenance cost than a special renovation cost. A number of projects were financed through special fund-raising drives, such as a one-time golf marathon to equip a computer lab, additional appeals to members of the congregation to replace a roof, parent-teacher organization campaigns for playground equipment, and direct appeals to a few large donors to replace \$25,000 in reserve funds spent on an unanticipated purchase of a new boiler.

Some schools budgeted a set amount of funds for property renovations, either through the formal Provision for Plant Replacement, Renewal, and Special Maintenance (PPRRSM) fund recommended by NAIS, or through a decision to allot a certain dollar amount to capital improvements per year. In the latter case, the business manager would typically sit down with the headmaster to make an annual selection of the highest priority projects from a wish-list of desired capital improvements. One parish administrator expressed an alternative approach: expenditures for major building repairs could not be accurately projected ahead of time and so were best dealt with as they presented themselves. Some administrators explained that by undertaking a staggered schedule of ongoing preventive maintenance as part of the operating budget, they minimized the need for extensive repairs to decaying buildings in any one year.

A substantial proportion of schools that rented space were responsible for maintaining the property and making capital improvements. Several administrators expressed some resentment over the fact that they bore much of the cost for capital improvements that they could not retain, but which were necessary to maintain the safety and aesthetics of the school building.

Among schools that were renting or occupying space provided by a religious sponsor, about half shared the cost of major repairs with the sponsor; in the other half, the sponsoring congregation was responsible for major repairs.

Reserve Funds for Future Acquisition or Construction

In addition to setting aside funds for plant renovations, a number of schools set aside funds for future building purchases or construction. For the most part, capital campaigns were quite separate from regular operating budgets. However, some schools transferred funds annually from the operating budget to some type of special building or reserve fund. In some cases, the transfer was a budgeted amount; in other cases, it was the end-of-the-year surplus of revenues

over expenses. Some schools had specific plans for how to spend the capital funds, while others were saving money for a yet vaguely defined future acquisition or construction project.

Five of the 28 schools in our sample spoke of plans to move into a new space in the future. Two of these schools were leasing space from county or city agencies and were concerned that the lease might not be renewed on favorable terms. Each of these schools transferred some funds from operating expenses into a building or moving expenses fund each year, although neither had specific plans, nor expected to move for at least five more years. One of these schools was a relatively new school that had been in three different buildings in its first ten years of existence. Another new school, housed in churches since its establishment in 1987, had been looking for eight years for an appropriate building to house the school. The school had recently put a contract on a piece of land and hired a part-time development staff person to conduct a three-year campaign to raise funds for the land and building construction. Salaries and expenses for development were the only expenses in the school's current budget that related to the future acquisition and construction. A fourth school, renting space from a private landlord, was transferring funds from operating expenses to a reserve fund, but had no plans more definite than "buying a building one day." Finally, the fifth school was planning to expand into the neighboring church building once construction was completed on a new sanctuary across the road. In this fundamentalist school, the expansion of school space was a by-product of a construction project dictated by the needs of the congregation as a whole.

A number of administrators expressed concerns to the interviewer about the difficulty in finding adequate space. The greatest concerns were voiced by administrators leasing space from county and city school districts and by relatively new schools that were outgrowing the capacity of the church facilities where they were initially located. We do not know the extent to which

scarcity of adequate space is a common problem for private schools nationwide, or a local problem of the metropolitan Washington, DC area.

Exclusion of Capital Expenditures and Rental Payments from Operating

Expenditures

Capital expenditures are excluded from current operating expenditures in the NPEFS and the IPEDS finance survey. Rental expenditures are included in the NPEFS definition of current operating expenditures, but are minimal in most public schools. We excluded both capital expenditures and rental payments from our definition of current operating expenditures to increase the comparability between private and public school expenditures. This definition also made it easier to compare expenditures across renters, owners, and beneficiaries of free space. Plant maintenance costs, however, were considered to be part of the ongoing operating expenditures of private schools.

Plant Maintenance

Plant maintenance activities vary considerably depending upon the size and occupancy arrangements of school buildings and grounds. One business manager compared the plant management of his boarding school with 70 different buildings on campus to administration of a small city. At another extreme, a church-sponsored school used parent volunteers called “room fathers” to re-arrange classrooms every Sunday night for the school week, and a school renting space from an unaffiliated synagogue turned the twice-a-week arrangement of furniture into a cooperative classroom activity. The teacher of the oldest students noted that her class was proud of its ability to make the necessary adjustments in just nine minutes.

The most common maintenance activities across different schools were custodial services and utilities. Among the 28 schools interviewed, there were 30 facility arrangements because of multiple campuses. Five schools received custodial services and utilities as part of their rental

agreements, including four schools renting from churches or synagogues. An additional six schools used church or synagogue custodians. Three of these schools received custodial services (as well as rent and utilities) at no cost, one school made a modest contribution (\$100 per month) for custodial services and utilities, and two schools paid a proportional share of the custodial salary and the utilities.

Under the remaining 17 arrangements, the school paid the full cost of custodial services directly, either through salaried janitors or purchased custodial services. The use of salaried custodians appeared slightly more common than the use of contracted services. Schools using salaried custodians typically had an additional budget line-item for custodial or cleaning supplies. One of these 17 schools received utilities as part of its rent; the remaining 16 paid for utilities out of their operating budgets. Utilities were generally a separate category in the budget, or a line-item within plant costs.

One administrator whose school had received free utilities and custodial services from a sponsoring church noted that he was going to record these expenditures in the school's financial statements for the following year. The value of the subsidy was easily calculated from the church's accounting records, which had tracked the school's use of custodial services, electricity, gas, etc. for many years. By including the expenditures in the budget, (and forgiving the payment of them if the school could not operate in the black), he hoped to make parents more aware of the church support of the school. (Rent-free space and the donated time of church staff and congregational members would continue to remain as hidden subsidies).

Many schools incurred other types of plant maintenance expenditures. A number of schools had maintenance staff and supplies, in addition to custodial services. Others had grounds-keeping staff and supplies. Contracted services were sometimes used in place of salaried staff for buildings and grounds maintenance, and quite frequently used for specific types of services.

Contracted services covered a wide range of activities, including trash removal, security, pest control, snow removal, dead tree removal, alarm systems, water testing, and fire extinguisher checks.

Analysis of Plant Expenditures

Facility rental and acquisition costs were excluded from current operating expenditures in our analysis, but add significantly to schools' total costs. Among the ten schools in our sub-sample, four schools occupied rent-free space owned by their sponsoring church, synagogue or national religious association, five schools made rental payments that averaged 7 percent of current operating expenses, and three schools made payments on debt incurred in property purchase or expansion that averaged 12 percent of current operating expenditures.⁶

Equipment expenditures averaged 2 percent of operating expenditures among eight schools with identified equipment expenditures in their financial records. Two of the schools budgeted additional amounts of 3 to 7 percent of their operating expenditures for building renovations. One of these schools also transferred funds equal to about 1 percent of its operating budget to a future building fund.

Expenditures for plant maintenance, such as custodial salaries, supplies or contracted services, utilities, groundskeeping expenses, etc., accounted for 6 percent of current operating expenditures across the eight day schools with detailed financial records. Maintenance costs ranged from less than 1 percent in two schools for which space, utilities and custodial salaries were provided by the church to 12 percent in a school with salaried custodians. Plant maintenance costs were considerably higher in a boarding school that submitted partial budgetary data — close to 20 percent of operating expenditures.

⁶Two of the ten schools made both rental and mortgage payments.

Other Services

Instruction, administration and plant maintenance are essential functions for the operation of a private school. Other functions, discussed in this chapter, are found in some private schools, but not others. Such services include transportation services, food service, residential services, financial aid, and extended day and summer programs.

Transportation

Among the 28 schools in the focus groups and site visits, one-fourth (7 schools) provided transportation services to and from school and three-fourths (21 schools) did not.

Schools with Daily Transportation Services

Among the seven schools with daily transportation services, four provided the services directly, two schools — both special education schools — used public school busses, and one school benefitted from bus service provided by a local military base. The four schools providing bus services included a proprietary school, a conservative Christian school, a Seventh-Day Adventist school, and a combined preschool and elementary school. The general model was to provide transportation services to less than one-fourth of the student body and to charge transportation fees that covered the expenses of the transportation service. One of the four schools was planning to end transportation services in the coming year because of cost concerns.

The high cost of transportation service had been mentioned by several school administrators that did not provide services, including two that had cancelled transportation services within the past few years. One of these administrators said that transportation costs had begun to equal tuition costs, and so he had cancelled transportation services, even though his fundamentalist church owned a number of vans and busses for use on Sunday mornings.

Over one-third of the students in a small religious school in Virginia were bussed in from a military base in the District of Columbia. The chair of the church education committee, a

military officer himself, explained that his base provided bus service to a number of private schools, in part because of dissatisfaction with the District of Columbia's public schools. Free bus-service was provided to any private school that enrolled at least 30 students — and maintaining that enrollment was essential to the survival of his school.

Schools Without Daily Transportation Services

Parents were responsible for student transportation in three-fourth of the schools represented in the focus groups and site visits. One administrator mentioned that parents drove from as far as 50 miles away to bring children to her religious school. Some administrators spent time in coordinating parent car-pools. In addition, teachers and administrators often played a role in overseeing the safety of the school parking lot during arrival and dismissal of the children.

A number of administrators in schools without daily transportation services mentioned that they did provide transportation services for field trips and sporting events. Several schools owned a school van, which was driven by the maintenance worker, the administrator, teachers, or coaches. Other schools contracted with bus services for student transportation to special events.

Food Service

Private schools had a variety of arrangements for food service. In a few schools, principally boarding schools, meals were available to all students and meal fees were part of the overall tuition. A more common arrangement was for schools to provide students with the option of purchasing meals. Over half the schools in our sample did not provide any meals, but relied on students bringing bag lunches. In some schools, the students' bag lunches were supplemented by school-provided milk, Thursday pizza days, or the option to purchase some vended items or meals.

Schools that offered meal service to some or all their students generally contracted with a meal service vendor, although some had their own cafeterias with salaried employees. In some

schools with contracted meal services, the school collected the lunch fees and paid the contractor, with the funds recorded on both the income and expense sides of the financial statements. In other schools, the fees were paid directly to the vendor, without affecting school revenues or expenses. In such cases, there might be no direct meal service expenditures in the school financial records. There might, however, be revenues based on a percentage of the contractor's sales, or indirect costs, including utilities and custodial services for the lunch room, as well as the time spent by school employees in collecting lunch orders and fees and distributing the food. In one school we visited, the principal's secretary was responsible for collecting lunch orders and money; in another school, our interview with the principal was interrupted while the principal went to the door to meet the pizza man.

Regardless of the type of meal service, schools generally had to make arrangements to set up, supervise, and clean the lunch room. A few schools used parent volunteers for this task, and one school paid a mother to work part-time in the lunch room. In most other schools, supervision of lunch appeared to be part of the regular responsibilities of teaching and administrative staff.

Only one school participated in the National School Lunch program. Three other school administrators mentioned that their school had participated in the past. The business manager of the participating school, a special education school, explained that a large proportion of the students in his school were low-income students, who were eligible for higher lunch subsidies than high-income students.

Residential Services

Because our sample of 28 schools included only two boarding schools, we did not collect much information about residential services. We did ask the business manager of each boarding school whether he could estimate expenditures for residential services. Both managers had a rough estimate of the ratio of residential service expenditures to total expenditures, based on

calculations made eight to ten years ago. In one school, boarding expenditures were estimated to be 40 percent of total expenditures. This estimate had been useful to parents several years ago when tax laws permitted parents to claim boarding costs for children less than 13 as dependent care expenses. It was still used by some embassies and state departments. The manager also mentioned his personal interest in calculating the non-residential share to compare it to tuition charged by select day schools in the area.

Financial Aid

All but one of the schools in our sample provided at least some financial aid. Schools varied in whether they included financial aid in their calculations of operating expenses. This section describes the financial aid practices of schools in our sample and concludes with an explanation of why financial aid was excluded from our calculation of current operating expenses.

Financial Aid Practices

The amount budgeted for financial aid ranged considerably. A number of schools in our sample budgeted as much as 10 percent of gross tuition for financial aid. One religious school following this practice referred to the 10 percent figure as its tithe for financial aid. Another school set itself a 15 percent target. In contrast, one conservative Christian school provided only one scholarship, the Founder's Scholarship, which accounted for less than 0.01 percent of the total budget. The overall tuition fees in this school were relatively low, and so the school was affordable to students from a broad range of family incomes despite the lack of explicit financial aid.

Several business managers spoke of the trade-offs involved in setting tuition fees and financial aid levels. One business manager appeared apologetic that his school provided only 5 percent of its operating budget for financial aid. He explained that he had unsuccessfully proposed to the nuns running his school that they raise tuition and use the additional revenues for

increased financial aid to low-income students. The nuns preferred to meet their goal of “keeping the school affordable” by constraining the growth in overall tuition levels. Many principals and business managers also spoke of the trade-off between the opposing goals of charging an affordable tuition to students and paying a livable wage to teachers.

In the parochial Catholic schools in our sample, financial aid was provided at the archdiocesan level. Needy students applied for funds provided by the archdiocese. In one interview with a parish administrator, the term “financial assistance” caused some confusion, because the administrator interpreted our questions to refer to financial assistance from the archdiocese to the school, rather than aid to students.

One of the fundamentalist schools in our sample had devised a creative way to offer financial relief to some of its needy students. On occasion, the principal sat down with a high school student whose family was having difficulty meeting its tuition payments and set up a schedule for the student to “work off” part of the tuition by working a certain number of hours in the school at minimum wage.

One of the special education schools in our sample did not provide any financial aid because tuition were paid by the public school districts and the state. The other special education school did provide financial aid, which helped pay for family counselling services supplementing the publicly-funded educational program.

Exclusion of Financial Aid From Operating Expenditures

Financial aid was treated as an expenditure in some schools and as a reduction in income in other schools. Among the 20 schools explaining their treatment of financial aid, eight treated scholarships as an expenditure, nine recorded financial aid on the income side of the ledger, and three had both earmarked revenues and budgeted expenditures for financial aid.

Most NAIS schools recorded expenditures for financial aid, following the NAIS accounting practices. Under the NAIS guidelines, schools define total tuition as equal to the product of enrollment and full tuition charges; financial aid is reflected on the expense side of the ledger. Administrators classifying financial aid as an expenditure argued that such treatment is necessary to show their board members the full range of expenditures that need to be covered by tuition and other forms of revenues.

As analysts interested in comparing expenditures between schools, however, we argue that financial aid should not be treated as an expenditure. Imagine two schools with 100 students and total expenditures of \$300,000, without financial aid. Both schools spend \$200,000, or 67 percent of expenditures, on instruction. The first school collects \$300,000 by charging \$3,000 in tuition to all students. The second school collects \$300,000 by charging \$3,333.33 in tuition to 90 students, and providing full scholarships to 10 students. Under NAIS accounting practices, the second school would report total tuition of \$333,333 (tuition of \$3,333.33 multiplied by enrollment of 100 students) and total expenditures of \$333,333 (\$300,000 in regular operating expenditure, plus \$33,333 in scholarships for the 10 students). Under this accounting practice, instructional expenditures would appear to be 60 percent of total expenditures (\$200,000 out of \$333,333). Under our treatment of financial aid, the second school would report total tuition of \$300,000 (\$333,333 in charges less the \$33,333 in tuition assistance or forgone revenue) and total expenditures of \$300,000. Under our treatment, instructional expenditures are 67 percent of total expenditures in both schools.

We found that a number of principals of small schools knew how much their school spent on financial aid and also knew their school's operating expenditures, but were unclear whether their financial assistance added to their expenditures, were subtracted from their revenues, or fell on both sides of the ledger. This confusion among administrators highlights the need to adopt a

consistent method of treating financial aid when collecting and analyzing private school expenditure data.

Extended Day and Summer Programs

Extended day programs and summer programs were found in many of the schools in our focus groups and site visits. Among the 28 schools in our focus groups and site visits, 16 had extended day programs and 12 did not. Half the schools (14 schools) reported summer programs, including day camps, sports camps, computer camps, drama programs, summer schools, and in one special education school, the continuation of a 12-month educational program.

Identification of Extended Day and Summer Program Expenditures

We asked private school administrators whether they could report spending on extended day programs and summer programs separately from other school expenditures. In most schools with summer programs, such programs were a separate line-item in their financial records. In fact, one administrator viewed his summer school as such a separate activity that he did not include its financial activities in his summary financial reports to the Board, although he did classify it as part of the overall school budget in order to avoid paying any unrelated business income tax on summer school revenues. A number of administrators did not include summer camp activities at all in the school financial records. For example, several principals of religious schools mentioned that their sponsoring church or synagogues offered a summer camp that was financially and programmatically independent from the school.

Most administrators said that they also could report expenditures for extended day programs separately from other expenditures. In some school financial statements, cost estimates for extended day programs included a pro-rated share of expenditures for administration and plant maintenance, because the administrators were interested in calculating the full costs of after-school programs in order to set appropriate after-school fees. In other schools, stated expenditures for

after school programs were limited to staff salaries, benefits and supplies, or, in some cases, simply staff salaries. One administrator did not track expenditures for the extended day program in his accounting statements, but was reasonably sure that after-school program expenditures were roughly comparable to after-school program fees, which were clearly reported as a separate revenue in his financial statements, was the case in most statements. Several other administrators reported that the before- and after-school program, as well as pre-kindergarten programs, generated revenues that helped keep the school afloat.

Exclusion of Extended Day and Summer Programs from Operating Expenditures

Our analysis excludes spending on extended day, summer schools and summer camps from our definition of private school operating expenditures. Spending on extended day programs is excluded from the National Public Education Finance Survey, on the grounds that such activities are not an educational function. Spending on summer school programs, however, is included in NPEFS reports, in part because of the difficulty of splitting out such spending from school-year spending by public school districts. Spending on summer school programs could be included in private school expenditures, although some distinctions might have to be made between summer schools and summer camps.

Inclusion of Pre-kindergarten Expenditures

In addition to asking about extended day and summer programs, we asked private school administrators about pre-kindergarten programs, and the possibility of separating pre-kindergarten expenditures from elementary expenditures. Pre-kindergarten programs were found in 13 out of the 22 schools with elementary school programs. In the vast majority of these schools, the pre-kindergarten programs were integrated with the upper grades, and so expenditures could not be disaggregated. Because of this integration of pre-kindergarten programs with elementary programs, and because pre-kindergarten expenses are included in NPEFS data on public schools,

we concluded that pre-kindergarten expenditures should be included in analyses of private school expenditures and treated the same as expenditures for children in all other grades. However, the integration of pre-kindergarten expenditures with expenditures for grades k-12 may pose some problems when reporting school expenditure data to the International Educational Indicators Project (INES) of the Organization for Economic Cooperation and Development (OECD).

Other Activities

Most activities conducted by private schools fall into one of the eleven functions described above. We identified two types of activities that fall outside these eleven categories: spending on auxiliary programs and spending on institution-wide support.

Some school financial statements included spending on auxiliary programs that, like extended day and summer programs, are not directly related to elementary and secondary education. Examples of such programs include a tennis club, a golf club, and a child care center for children of teachers. In our preliminary analysis, we grouped expenditures for such activities with spending for extended day and summer programs and excluded them from current operating expenditures.

In addition, many school financial records had expenditures that supported overall school operations, but did not fall into one of the eleven functions above. The most prominent example was dues and fees paid for membership in professional or accrediting organizations. Such expenses are classified as “other expenses” by NPEFS and “general expenses” by NAIS. Schools also mentioned several other types of institution-wide expenses that are classified as “general expenses” by NAIS, including: liability insurance, bad debts, miscellaneous taxes, and professional fees.

Analysis of Expenditures for Other Services

Seven day schools submitted budgets with sufficient detail to analyze expenditures for services other than instruction-related activities, administration, and plant. Other services included in current operating expenditures averaged only 3 percent of school budgets, including less than 1 percent for transportation, slightly over 1 percent for food service, and less than 1 percent for other expenditures for institution-wide support. The day schools had no expenditures for residential services. Financial aid averaged 2 percent of current operating expenditures and spending on extended day, summer, and other programs averaged 4 percent.

The proportion spent on transportation, food service, and other institution-wide activities ranged from 12 percent at a school providing both meals and transportation to less than two percent in the six other schools. Most schools had few expenditures, or none, for these functions. Two schools reported transportation expenditures — ranging from 4 percent in a school providing daily transportation services to part of the student body to less than 0.1 percent in a school with maintenance expenditures for a school-owned vehicle used for field trips. Four schools reported food service expenditures, ranging from 7 percent in a school with full meal service to less than 1 percent in three schools providing milk or snacks. All seven schools had expenditures that were classified as other “institution-wide” expenditures, but these expenditures were minimal — 1.5 percent or less of current operating expenditures.

Two of the seven schools reported financial aid as an expenditure, and five reported expenditures for extended day, summer programs and other programs. Financial aid averaged 11 percent across the two schools with such expenditures. Expenditures for extended day and other such programs averaged 5 percent across the five affected schools.

Conclusion

Instruction is the primary function of private schools. Instruction-related activities averaged 71 percent of current operating expenditures across eight schools submitting detailed financial records. Administrative expenditures averaged 21 percent. Plant maintenance expenditures averaged 6 percent, and other services included in current operating expenditures (principally transportation and food services) averaged 3 percent.

Although the data provided by the schools did not allow us to allocate instruction-related expenditures among instruction, instructional support services, and student support services, it appears that a large proportion of these expenditures were associated with direct instruction. Salaries and benefits accounted for the majority of spending in both the instruction-related and administrative functions.

Plant-related spending varied significantly across the private schools in our sample, both in terms of capital expenditures and rent and in terms of ongoing maintenance expenditures. Budgetary data submitted by ten schools indicates that schools that rented facilities paid an additional 7 percent of their operating expenditures for such rental payments; schools with debt-service paid an additional 12 percent.

Spending on transportation, food service, and other services was minimal in many schools. Many schools provided financial aid, but such assistance could be reported as a reduction in income rather than an expenditure. Many schools also provided extended day and summer programs. In most cases, schools were able to separate spending for these activities from spending on functions more directly related to elementary and secondary education.

The 28 schools in our sample were diverse in terms of school activities, types of expenditures, and accounting practices. Yet, for the most part, school administrators were able to provide finance data on instruction-related activities, administration, plant, and other services.

The final question that we posed to the 28 administrators turned from technical discussions of school activities and accounting issues to a more overarching question: would private school administrators be willing to participate in a national survey of private school expenditures? Responses to this question are summarized in Chapter IV.

CHAPTER IV

REACTIONS OF ADMINISTRATORS TO FINANCE SURVEY

The success of a national survey on private school expenditures depends upon the willingness of private school administrators to answer questions about their schools' finances. At the end of each focus group and site visit interview, we asked participants to react to the draft questionnaires used in the interviews. Administrators were encouraged to share their perceptions of the costs and benefits of filling out such questionnaires. We asked them to be frank in telling us whether they would respond to a mailed survey requesting information on private school finances.

This chapter summarizes the administrators' reactions to the idea of a national survey on private school finances. It discusses the administrators' initial resistance, their views on how the survey could benefit them, and their ideas on what steps could be taken to maximize response rates.

Resistance to the Survey

The administrators' resistance to the survey fell into two broad categories: reluctance to disclose private financial information to the Federal government; and reluctance to spend precious time filling out yet another survey. Most administrators expressed a variant of one of these two themes, a few expressed both views, and a few expressed no reservations about completing a survey.

Reluctance to Disclose Private Information to the Federal Government

About half the principals and business managers voiced some level of objection to the idea of divulging financial data to the Federal government. Administrators were concerned that the

data could be used against private schools. One fear was that the IRS might use the data to justify further taxes, such as taxing in-kind benefits. Another concern was that overzealous bureaucrats might use the data to increase regulations, “meddle with” private schools, or even close down individual schools. Another danger was that local competitors might be able to use the information to gain an unfair economic advantage. Finally, advocates of public schools might find ways to use the data to promote the cause of public schools over that of private schools.

Fears that the data would be misused were sometimes combined with a general distrust of the Federal government. Some private school officials expressed resentment over past government actions affecting private schools, including the Supreme Court's decisions on school prayer, the overly prescriptive nature of the asbestos-removal legislation, and the lack of public funding of private schools. In addition, some principals and business managers questioned the underlying motives of the government in collecting the data and expressed general uneasiness about “Big Brother” creating a national data base on private school expenditures. One school head noted that he would be less concerned by a survey by an independent research group than by a survey by the government. Another administrator asked why he should help the government with its survey, when the government does nothing for his school.

Some people's concerns about the confidentiality of financial information were quite separate from any feelings of mistrust of the government. One principal was frank in noting that it would hurt his school's fundraising efforts if board members secured access to a completed survey that showed that his school has a clear excess of income over expenditures. School officials also were concerned about revealing any salary information that could be tied to an individual teacher or administrator. Several participants expressed concerns about competitor access to confidential information. In particular, such concerns were voiced by several religious schools that were competing for a fixed number of local students in their denomination.

One principal said that although he would not report financial data, he was sorry in some ways not to do so. He was proud of the school's financial health and confident that an examination of its financial record would reflect well on the school and his own management skills. Although no administrators voiced the opposite view, we imagine that an administrator of a school that was failing financially, or that had muddled financial statements, might be reluctant to record these facts on paper.

Although it is hard to generalize from a small sample, most of the administrators expressing concerns about government access to private data were principals of religious schools, particularly conservative Christian schools and Catholic schools. Concerns about confidentiality were also expressed by the one proprietary school administrator in our sample, although he felt he would have had similar concerns if asked to reveal budgetary data of a not-for-profit school that he had led several years earlier. School and church secretaries also expressed many concerns about the confidentiality of finance information and often warned us that it would be impossible for administrators to answer any of our questions. Yet, in most cases, the administrator was much more forthcoming than the secretary had expected — if we were able to speak directly with him or her and to explain our project and benign intentions.

Not all administrators were concerned about confidentiality issues. One school board chairman explained that although his religious school was ideologically opposed to requesting government funding for its operations, it was not “anti-government.” In fact, many parents were employees of the Federal government, and he was personally quite comfortable with filling out government surveys. Several independent school administrators felt that their financial records were already quite public, because of the by-laws of their governing boards and their annual reporting to the IRS through the Form 990. (The Form 990 is submitted annually by tax-exempt, non-profit agencies — other than those institutions, such as religious schools, that are strongly

affiliated with churches or synagogues). The administrators from the publicly-funded special education schools were the most accustomed to and comfortable with reporting of financial data to public authorities.

Skepticism of the Value of Spending Precious Time Filling Out Surveys

The largest source of resistance to the survey among independent schools, and some religious schools, was the view that filling out surveys is a time-consuming activity that yields little return benefit to the overworked school administrator. Some said they set surveys aside in a “to do later” pile, and generally do not uncover it again until after the deadline for submission has passed. Others forward the survey to the business manager, with a note to the effect that the manager may decide whether to make time for completing it. Some busy administrators limit themselves to filling out those surveys required by law or as a condition of membership in an organization (such as the NAIS surveys). Others glance at a survey and make a quick judgment of whether their interest in the survey outweighs the time it will take to complete it.

Many principals and business managers complained about the number of surveys that already cross their desks. Business managers of independent schools felt particularly beleaguered. Several managers noted that until a recent rebellion by the business managers, three different financial surveys had been fielded by the NAIS and two local regional associations of independent schools (VAIS and AIS-GW). Administrators of religious schools also mentioned the existence of regional surveys that added to the number of surveys they were expected to complete.

Administrators questioned the need for an additional financial survey. Several business managers believed the NAIS survey met all their needs and they were not sure why it could not meet the government's needs also. Administrators of both non-sectarian and religious schools reported that they received useful information from their regional and national organizations. For example, a conservative Christian school compared itself to other members of Christian Schools

International (CSI) in its region, a Catholic school received comparative information from the archdiocese, and an alternative school learned about innovative fund-raising techniques from a study by the National Coalition on Community Alternative Schools. A principal of a small school reported that the Washington Small Schools Association collected information selected by the administrators themselves, ranging from information on rental costs per square foot one year to information on director salaries another year. Given all these surveys, asked the administrators, what is the need or benefit of an additional survey on private school expenditures?

Potential Benefits from Survey

We discussed with principals, business managers, and parish administrators the potential benefits of a national finance survey, focussing on those benefits valued by the administrators themselves. Interestingly, despite their initial resistance, administrators could envision several ways that the survey could benefit them. Benefits ranged from the direct benefit of receiving finance information that could help administrators in their jobs to the indirect benefit of educating the public about private schools.

Information of Interest to Administrators

Some administrators were interested in comparing the total expenditures and tuition levels of their schools to comparable schools. Others were more interested in learning more about particular areas of school finance.

Several principals and business managers were excited by the prospect of a report that would have sufficiently detailed cross-tabulation analyses to allow them to compare the expenditures, tuition levels, and programs of their schools to “similar” schools. By similar schools, administrators generally meant schools comparable in size and geographical region.

Some school administrators also were interested in making comparisons by type and religious affiliation of school.

Two business managers from NAIS schools noted the NAIS reports do not provide the detailed analyses and cross-tabulations that would be of most use to administrators. They wondered if the Department of Education could link private school finance data with other economic and demographic data. For example, they thought it would be helpful to analyze school expenditures by regional cost of living data.

Several administrators expressed interest in specific areas of school finance. For example, two administrators were interested in learning more about the flow of funds between churches and schools. Part of this interest was in knowing how other schools address common problems in church/school relationships. Other principals and business managers were interested in the expenditures for specific school functions (e.g., typical cost per square foot for space, average pay per hour of a teacher's aide, median annual salary of development directors). Such specific information could help the principal evaluate alternate facilities and set salaries for a new position. One principal noted she had spent considerable time telephoning around to other schools when trying to figure out the appropriate pay per hour for a new teacher's aide. The most common area of interest was in getting ideas for controlling costs or raising funds in order to keep tuition affordable. As a new principal put it, administrators are interested in getting ideas for "what works" in other schools.

Administrators believed that information about expenditures in other schools could help them evaluate their own school's budget and spending patterns. In addition, two principals thought a national study would be useful in educating their board members and parents on the costs of running a good school.

One principal questioned whether a “homogenized” report full of statistics could provide the type of information that would be of real benefit to administrators. He proposed an alternate report consisting of in-depth case studies of 15 to 30 schools. Such a study would be useful to him because it would provide examples of the real budgetary challenges faced by school administrators as they try to provide quality services at affordable tuition levels. He could see himself paying for a report or book of case studies because he could learn what to do to improve his school. He even volunteered to be one of the case study schools — though earlier in the interview he had stated his categorical opposition to releasing any financial information in response to a national survey.

Information that Educates the Public

Several principals and business managers believed that more accurate information about private schools (and the differences among private schools) would inform and improve the ongoing debate about the role of private schools in American education.

Some principals hoped that knowledge about private school finance and administration might improve the quality of education in this country. Some thought private schools might have a better chance of securing public funding if the public were more informed of their programs and costs. For example, a special education administrator said he would be willing to spend a whole day providing financial data because he wanted to show people the cost-effectiveness of special education in private schools compared with public schools. Other administrators hoped that information about private schools could help enhance their reputation. Finally, others had a more general interest in sharing information that might help the education community in general.

Most of the principals were quite proud of their school and of the religious and/or educational tradition with which they were affiliated. They wanted the public to know more about their particular type of school, be it fundamentalist, progressive, Montessori, or special education.

They were concerned that many people have a misguided perception that the “average private school” is an expensive school serving rich children. Many principals cautioned the interviewers repeatedly to recognize the diversity among different types of private schools.

Ways to Interest Administrators in the Survey

School administrators suggested different steps that the Department of Education could take to reduce private school resistance to the finance survey and increase its potential benefits. These steps ranged from association endorsement of the survey to tailoring the reports to meet private school interests.

Endorsement of Associations

As noted in Chapter III, all of the participants in the focus groups and site visits were connected with some regional or national association, as are four-fifths of private schools nationally. Almost everyone said that they would be more likely to respond to a survey if it was endorsed by the head of their association. Some people felt association endorsement was a necessary but not sufficient condition to ensure participation. Others said it would make a big difference. A few people said that a cover letter from their association would guarantee their participation.

Participants felt that endorsement by associations would allay some of their suspicions about the purpose and uses of government data collection. They would be more likely to make time for the survey if it were accompanied by a letter from someone they respected who explained how the data collection would benefit private schools. Some business managers noted that a letter would be most effective if it were signed by a regional rather than a national association leader, because of their personal contacts with regional leaders.

Several administrators advised that a cover letter was not sufficient preparation for an undertaking as sensitive as collecting finance data. They thought more advance communication would be needed, including articles in association newsletters, advance letters, and follow-up phone calls.

Our experience in recruiting principals and business managers for the interviews confirmed the importance of association endorsement. People were much more comfortable participating in our study if they knew the person (generally the head of a private school association) who had provided us with their name. People were hesitant to return phone calls, let alone discuss sensitive financial matters, when approached by an interviewer who was completely unknown to them. Association endorsement appeared particularly important to school and parish secretaries, many of whom screened calls carefully to guard administrators' time. Most Catholic school principals and parish administrators did not believe they had the authority to release financial information without prior approval by the diocesan superintendent.

Survey Design and Administration

Administrators were asked to react to aspects of survey design (e.g., length, format) and administration (e.g., timing, periodicity) that might affect their willingness to spend time on the survey. Administrator comments are summarized below; a fuller discussion of survey design and administration is presented in Chapter V.

Survey Design. Respondents did not appear too concerned with the length of the draft surveys, except to say it might be a little long. (Most respondents were shown 12 or 15 page drafts of Survey A, which is described in Chapter V and included in Appendix A). In general, people said they preferred filling out short surveys. After flipping through a draft of Survey A, one person estimated it would take only 30 minutes to complete and so was something he would fill out quite willingly. Another person noted she would probably reject it because it was over her

limit of 8 to 12 pages. On the other hand, one focus group participant said he would be more likely to toss out a short survey.

Administrators raised concerns about the time needed to complete surveys that require writing down many dollar amounts. One respondent noted how checking boxes is much easier than writing in lots of numbers. Another principal thought that the people designing surveys are not aware of how time-consuming it is to tabulate figures across categories, particularly in schools like hers, where the principal cannot pull up financial information on a personal computer. Further, other administrators mentioned how surveys requesting exact dollar figures heighten concerns about confidentiality and fears about making mistakes that might lead to a government audit.

Administrators told us that they did not like filling out surveys that did not appear to apply to the particular situation of their school. For example, one principal regularly tosses out a survey on bilingual education because all the students in her school speak English. In another example, a business manager expressed frustration at being asked to provide NAIS with salary information in May, before salaries in his school are finalized. Several participants were pleased to see how the draft surveys were sensitive to the variations in private school circumstances.

Survey Administration. Almost all administrators thought that late October or early November would be the best time to fill out a finance survey. The hectic activity around school opening is over by late October, and the financial reviews of the preceding fiscal year are generally completed. The majority (four-fifths) of the 28 schools operated on a July to June fiscal year. Most of the remaining schools had a fiscal year that began on August 1; one school's fiscal year began September 1, and one school's fiscal year began January 1. The NAIS finance survey is due around November 1, and NAIS business managers felt it preferable to do both surveys at the same time.

Participants at one focus group felt they would be more willing to participate in the survey if it were a one-time effort and not an expected annual burden. Other participants felt it important to collect data on trends.

Finally, some administrators noted how much easier it was to respond to a face-to-face interview than to fill out a paper survey. They suggested that the government consider using face-to-face interviews for its survey. In addition to easing the burden on the respondent, the personal interview provides an opportunity for the principal to explain the financial information in the context of the whole school.

Making Reports Available to Respondents

Several principal and business managers noted how they are always asked to fill out surveys, yet never receive any reports showing the survey results. They would feel better about investing time in completing a survey if that investment resulted in a tangible benefit — a physical report. One business manager noted how NAIS members have access to the data collected by NAIS. For example, NAIS will provide him with a listing of the salaries of admissions directors for 10 specific schools (without revealing which salary is connected to which school), if his headmaster makes the request and pays a \$50 fee. Access to such information from a broader set of schools would be a strong incentive for him to participate in a national survey. Another principal had a similar proposal. She suggested that survey respondents be provided with a list of specialized report topics that could be ordered. Statistics on topics of interest to her (e.g., costs of rental space, salaries of teacher aides) would be more valuable than a lengthy report. Other principals felt that guaranteed receipt of a free report would be sufficient to entice them to spend some time in filling out a survey.

Conclusion

Four of the twenty-eight administrators (14 percent) said they definitely would fill out a mailed survey on private school finances if it landed on their desk. This willingness seemed largely determined by the personal attitude of the administrator toward surveys. Three administrators (11 percent) were categorically opposed to providing any financial data to the Federal government, regardless of the survey format or form of appeals from private school associations. They felt that financial data were sensitive and proprietary information that should not be shared with the Federal government. As stated in Chapter III, we placed calls to approximately 250 schools that declined to participate in the focus group interviews. Although some of this negative response can be explained by scheduling conflicts, difficulty in getting to talk to the administrator directly, and insufficient time to follow up with some administrators, it also suggests the existence of a substantial core of administrators who are not interested in participating in studies of school finance.

Among the 28 administrators who were interviewed, the majority (75 percent) were uncertain whether they would respond to a mailed survey on school finance. They expressed varying degrees of reluctance to reveal school finances, as well as concerns that their busy time schedules would not permit participation in a project lacking tangible benefits. People's interest in the project grew, however, as they began to envision ways the collection of financial data could provide benefits for private schools.

As discussed in Chapter V, ideas from private school officials guided us in the design of survey versions that impose minimal burdens on respondents. However, comments from principals and business managers suggest that attention to survey design is not enough. Administrators suggest that more "advance work" with associations is needed to more clearly articulate and publicize the purpose of the survey and to secure association endorsement.

CHAPTER V

IMPLICATIONS FOR THE DESIGN OF A DATA COLLECTION STRATEGY

Based on the literature review, focus groups, and site visits, we have reached three main conclusions about the collection of financial data from private schools. First, we are impressed by the extraordinary diversity among private schools. While private schools clearly share some features in common, they differ along many dimensions, including size, organizational structure and autonomy, administrative capacity, sources of revenue, and components of expenditures. Although the literature reviewed in Chapter II led us to expect that private schools would vary in many ways, the schools we observed in the focus groups and site visits were more diverse than we had anticipated. It is clear that the questionnaires we design must be sensitive to the very wide variation among private schools.

Second, we are struck by the fascinating diversity in accounting practices among private schools. As we reported in Chapter III, some schools — especially larger schools and those affiliated with NAIS' — tend to share accounting categories and sophisticated accounting systems. Others — especially smaller schools and schools affiliated with churches — have idiosyncratic systems that vary from school to school. In addition, the administrative staff at the private schools we visited differ widely in their technical expertise in accounting matters. Some belong to professional associations of school business officers and are quite conversant with the latest rulings of the Financial Accounting Standards Board (FASB) and the subtle implications of different approaches to the treatment of capital expenditures. Others have limited technical accounting experience and have invented systems that reflect local needs and traditions.

Finally, as we indicated in Chapter IV, almost all of the private school administrators we contacted expressed an initial skepticism about the value to their school of collecting financial data. Nevertheless, once we began discussing the issues in more detail, most became quite interested. During the scheduling of site visits, some administrators would commit themselves only to a very brief meeting at the school (in some cases, shorter than a half hour). But, in almost every case, once we arrived at the school and began a conversation, the administrator found that the collection of financial data would in fact provide useful information. The initial resistance (but ultimate interest) suggests that future work in developing a financial data collection strategy must involve the close participation of private schools.

In this concluding chapter, we begin by examining the implications of the diversity in private school organization and accounting practices for the collection of financial data. The main problem that must be addressed is the development of an approach that makes it possible to place data from schools operating in different contexts and employing different accounting practices on a common footing. Based on this discussion, we then propose a framework laying out the major categories of expenditures on which data should be collected. After describing the framework, we then discuss three preliminary survey instruments that serve to illustrate different approaches that might be taken to data collection. Each of the three surveys draws on the basic framework we propose, but each serves a somewhat different purpose and has a different combination of strengths and weaknesses. Finally, we consider some of the steps that would be required before embarking on a national data collection effort.

Diversity and the Collection of Financial Data

The first fact that must be confronted in developing a survey instrument is that private schools exhibit substantial variation along a number of dimensions that have important

implications for the nature of their expenditures and for the ways these expenditures are accounted for and reported. Some private schools, for example, are essentially autonomous organizations that operate as free-standing not-for-profits or proprietary institutions; while others are deeply interdependent, sharing revenues, expenditures, and services with closely-linked parent organizations (for example, local churches). Some private schools have considerable capital assets and account for the depreciation of these assets in their annual statement of changes in financial position. Many other schools have few capital assets and treat occasional capital investments as expenditures similar in kind to expenditures for supplies and services. Some schools have substantial student financial aid programs which are considered expenditures and may account for as much as ten percent of the budget. Other schools with a similar commitment to financial aid may record the aid as a reduction in revenue, and thus the financial aid does not appear as an expenditure. Some schools charge a textbook fee, which appears along with tuition as a source of revenue. For such schools, textbook purchases generally appear as a regular part of the operating budget. Other private schools sell textbooks through a school bookstore. In such schools, the net profit for the bookstore often appears as a revenue item, and textbook purchases do not appear in financial records, even though textbooks may be a required part of the educational program.

Beyond differences of this kind in the content of expenditures, private schools differ dramatically in the categories into which expenditures are divided. Small schools often use categories corresponding to the major items for which checks are written: individual salaries, payroll taxes, rent, utilities, insurance, telephone, and postage. Larger schools usually employ more complex systems, sometimes focusing on types of activities (e.g., instruction or administration); sometimes focusing on objects of expenditures (e.g., salaries or supplies);

sometimes on programs (e.g., expenditures for the mathematics department or the English department); and sometimes combining activities, objects, and programs in various ways.

The diversity among private schools makes the choice of a common reporting framework challenging. This problem is further complicated if one objective of the data collection effort is to permit comparisons among public and private schools. In addition, recent changes in the FASB accounting standards for not-for-profit organizations, along with potential changes in the Governmental Accounting Standards Board (GASB) standards for local government organizations, may lead to changes over the next few years in the ways many schools report revenues and expenditures.

Thus, we conclude that any data collection effort, to be successful, must be based on the premise that schools vary in accounting practices. In other words, the data collection instruments must use an approach that makes it possible to translate the data that are gathered into one or more forms that provide a common standard for cross-school comparison. This implies that data must be collected, not only on dollar amounts, but also on basic questions concerning both what is included in each school's financial statement and how the main components of expenditures are treated.

In accomplishing this goal, five issues are particularly critical: the definition of “current operating expenditures” (as distinct from capital expenditures); the role of “fund” accounting; the treatment of items that can be viewed either as expenditures or as reductions in income; the definition of the core educational activities on which expenditure data should be included; and the treatment of contributed services, supplies, and equipment. We discuss each of these in turn.

Current and capital expenditures. Ideally, the data collected should make it possible to estimate total expenditures for private elementary and secondary schools in a fashion consistent with current reporting for public schools and postsecondary institutions. Traditionally, reporting

for both public elementary and secondary schools and postsecondary institutions distinguishes two main types of expenditures: current operating expenditures and capital expenditures. At the public elementary and secondary level, current operating expenditures are defined as:

The expenditures for operating local public schools, excluding capital outlay and interest on school debt. These expenditures include such items as salaries for school personnel, fixed charges, student transportation, school books and materials, and energy costs. Beginning in 1980-81, expenditures for State administration are excluded. (Digest, 1995, p 490.)

At the postsecondary level, current-fund expenditures are defined similarly, as:

Money spent to meet current operating costs, including salaries, wages, utilities, student services, public services, research libraries, scholarships and fellowships, auxiliary enterprises, hospitals, and independent operations. Excludes [student] loans, capital expenditures, and investments. (Digest, 1995, p 490.)

The distinction between current operating expenditures and capital spending is partly grounded in how operating and capital expenditures are typically funded. For public elementary and secondary schools, operating expenditures are generally supported through regular operating revenues, based on property taxes and state and federal income taxes. Capital expenditures are generally funded through bond issues. Similarly, for postsecondary institutions, operating expenditures are funded through tuition, state appropriations, and annual giving campaigns. Capital spending is generally supported through separate capital campaigns.¹

For-profit organizations ordinarily do not maintain an operating expenditure vs. capital expenditure distinction. Instead, capital assets are depreciated over time to reflect the pace at which the assets are utilized in production, and depreciation is included as a regular expense item (i.e., along with expenses that are termed “current” or “operating” in the public and not-for-profit sectors). FASB statement 93, issued in 1987, requires private not-for-profit organizations (but not governmental organizations) to record depreciation as an expense in the same manner as for-profit

¹This issue is given more attention below.

organizations, and not-for-profits must follow this ruling to obtain an unqualified audit. The National Association of College and University Business Officers (NACUBO) has endorsed this ruling, and most private postsecondary institutions are moving toward the inclusion of depreciation in their total expenses. Few private schools, however, currently include depreciation as an expense. Schools affiliated with the National Association of Independent Schools and some other private schools have traditionally included a Provision for Plant Replacement, Renewal, and Special Maintenance (PPRRSM) in their budgets. While this is not, strictly speaking, depreciation, it is a form of capital spending, and it would not be included in the conventional definition of “operating expenditures.”²

Given the changing accounting environment, it is not clear if the traditional “operating expenditure vs. capital expenditure” distinction will remain a central element of school finance reporting in the long run. But, for now, to maintain comparability between private school data collection and existing public school data collections, it is essential that any proposed approach make it possible to estimate “current operating expenditures,” with all forms of capital spending (including direct spending on equipment, mortgage principal, mortgage interest, depreciation, and PPRRSM) excluded. Thus, data collection instruments must explicitly ask about various forms of capital spending and how they are treated, so they can be deducted if necessary to place schools on a common footing.

In principle, it would be desirable to collect data on capital assets so depreciation could be calculated and included as an expense, as recommended by FASB.³ In fact, however, it appears

²The NAIS is in the process of revising its handbook to take several recent FASB rulings into account, and it is not yet clear whether it will maintain the PPRRSM approach, or recommend including depreciation instead.

³IPEDS collects data on the book value of physical plant and equipment that makes the calculation of depreciation possible, at least in principle.

that relatively few private schools maintain the necessary records of capital assets, and thus, at least for now, it is probably not practical to develop an estimate of expenditures for private schools that is fully consistent with the FASB depreciation standards.⁴

One related complication that arises in comparing operating expenditures for public and private schools is the treatment of rent. Very few public schools rent facilities. Since capital spending is (by definition) excluded from operating expenditures, the cost of acquiring facilities is not included as part of regularly reported operating expenditures for public schools. Many private schools, however, rent their facilities. By the conventional definition, rent is included as an operating expenditure. Thus, as a consequence of different approaches to acquiring facilities in the public and private sectors, the cost of facilities is included in operating expenditures for many private schools, but excluded for nearly all public schools. We therefore recommend that any proposed private school data collection explicitly collect data on rent, so that it can be included or excluded from operating expenditures as desired, depending on the purpose of the analysis.

One final complication concerning the definition of “current operating expenditures” is a consequence of the often subtle ways in which expenditures for capital, rent, and other current operations are intertwined. In many schools, for example; rent payments cover not only the use of facilities, but also utilities, routine maintenance, and custodial services. Thus, if rent is excluded from current operating expenditures in order to exclude the cost of acquiring facilities, one unintended side-effect is that, for some schools, items such as utilities may be excluded as well.

Similar difficulties often arise in disentangling routine maintenance, which is considered a current operating expenditure, and non-routine maintenance and improvement, which is a form of

⁴To calculate depreciation, a record of all assets must be available, with each asset recorded at its “book value” or original purchase price.

capital expenditure. Some schools engage in building repair and improvements by making relatively frequent but modest repairs. Such schools may classify items (such as replacement windows) as operating expenditures that by the conventional definition should be treated as capital investments. Other schools engage in repair and improvement by making less frequent, larger repairs. These schools may classify as capital investments items that by the conventional definition should be treated as operating expenditures. These differences across schools in the treatment of maintenance and capital improvements are very difficult to overcome using survey research methods; and it is unlikely that survey items can be constructed with enough precision to eliminate all of the ambiguity involved in distinguishing current operations and capital investment.

Fund accounting. In addition to complications arising in the treatment of capital, complications may also arise in the distinction among different types of “funds” maintained by private schools. Traditionally, many private schools (like most not-for-profit organizations) have practiced “fund” accounting, distinguishing, for example, operating, plant, and endowment funds.⁵ For private schools, revenues and expenditures traditionally have been reported separately for each fund. Thus, for example, revenues and expenditures pertaining to a major gift campaign traditionally are recorded in the endowment fund and do not appear in the operating budget.

FASB financial accounting standard number 117, issued in 1993, requires all not-for-profits to prepare an overall-organization statement of financial position that distinguishes three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These three classes reflect the restrictions legally placed on gifts by donors. For example, a gift donated to be used only for a school's endowment ordinarily would appear in the permanently restricted class of assets. Private schools that adopt the new FASB standard are no longer required to employ fund

⁵These are the three funds recommended by NAIS.

accounting methods, although they may, if they wish, continue to report revenues and expenditures by fund in addition to reports on the three classes of assets.

NACUBO has instituted a set of guidelines to assist postsecondary institutions in accommodating the new FASB rules, and many have begun to revise their reporting in a manner consistent with the new standards. Few private schools, however, have yet adopted the changes FASB requires. NAIS is currently considering changes in its Handbook in response to the new FASB rules, but the changes are not yet complete. For many private schools, FASB standard 117 is likely to have few consequences, because schools that lack capital assets (buildings, grounds, and an endowment) in all likelihood maintain only an operating fund, and all funds are unrestricted in any case. We recommend consulting with NAIS, NACUBO, and other associations of private schools and private school business officers to determine the extent to which data should be gathered on expenditures which schools do not currently consider part of the “operating fund.”

Items that may appear an expenditure or as a loss of income. Some activities of private schools can be treated either as expenditures or as reductions in revenue. One important example is financial aid. Many schools follow the NAIS practice of basing reported revenue on the full tuition for all students. In these schools, financial aid appears as an expenditure. Other schools base reported revenue on the net tuition students pay (full tuition less financial aid). For these schools, financial aid does not appear as an expenditure. Since financial aid can be a substantial portion of the budget (in some schools exceeding ten percent), the choice of accounting practice can have a dramatic influence on reported total operating expenditures. We recommend that data on the total amount spent on financial aid be collected for all schools, along with information on how financial aid is treated in the budget, so schools can be put on a common footing.

Similar problems can arise in the treatment of auxiliary operations (for example, bookstores or cafeterias). Some schools that operate a bookstore report the net income for the store (revenues less expenditures) as a source of revenue in the operating budget. For such schools, the expenditures for the bookstore do not appear in reported operating expenditures. Other schools report the total income generated by the bookstore as a source of revenue in the operating budget and include the bookstore's expenditures as regular operating expenditures. While these differences in the treatment of auxiliary operations, if uncorrected, will create “noise” in reported operating expenditures, we believe the magnitude of the problem is likely to be less severe than the problem caused by financial aid. Thus we do not recommend collecting the detailed data that would be required to put the treatment of auxiliary operations on a fully common base. It may be desirable, however, to collect data on the manner in which each school treats these auxiliaries in their financial records (without asking for dollar amounts).

Core educational activities to be included. Another source of variation in reported expenses arises from the types of programs schools offer, as well as the ways these programs are treated in the operating budget. Some private schools focus their efforts entirely on providing academic programs during regular school hours for the traditional school-age population (kindergarten through twelfth grade). Other schools operate pre-kindergarten, extended day, summer school, and summer camp programs. The expenditures associated with these programs are included in the reported operating expenditures for some schools and excluded for others.

Our evidence indicates that many schools offer pre-kindergarten programs, and most that do include the cost of these programs in their financial records. Disentangling expenditures for pre-kindergarten from those for K-12 operations would be quite difficult for many schools. Furthermore, pre-kindergarten expenditures are included in the definition of current operating expenditures used in the national public school data collection. Thus, we recommend that pre-

kindergarten be included in the definition of current operating expenditures for private schools as well. Schools should be asked to include pre-kindergarten expenditures in their totals, or to provide supplemental information on pre-kindergarten expenditures.

We recommend that the costs of extended day, summer school, and summer camp programs be excluded from current operating expenditures. Our evidence indicates that private schools generally account for such programs in a way that makes excluding these expenditures relatively straightforward. Our recommendation concerning extended day programs is consistent with public school practice. But our recommendation to exclude summer school contradicts standard public school practice of including summer school in the reporting of current operating expenditures. Nevertheless, given the wide variation in summer school programs across private schools and the difficulty of distinguishing true “summer school” from summer camps and other summer programs (for example, in the arts, athletics, or music), it seems desirable to exclude them.

Contributed services, supplies, and equipment. Some schools make use of services, supplies, and equipment which are provided at no or below-market cost. For example, schools affiliated with local churches or synagogues often make use of facilities, custodial services, utilities, and administrative and accounting support at below-market rates. In addition, many private schools, if not most, receive donated equipment, especially computers. Accounting for these contributed services, supplies, and equipment raises a number of perplexing questions, both about how such contributions should be valued, and how they are currently treated in private school accounts.

For some contributed services, a reasonably standard accounting practice is available. One interesting example concerns the services of religious teachers and administrators in Catholic schools. Religious teachers or administrators often receive salaries lower than lay staff in similar

roles. Currently, the National Catholic Education Association survey of secondary schools asks schools to report the difference between the religious and lay salaries simultaneously as a source of revenue and as an expenditures. This attaches a plausible dollar value to the contributed services provided. It may, however, be much harder to estimate the value of contributed services in other circumstances.

A few schools we visited recorded donated supplies and equipment in a similar fashion (as a simultaneous revenue and expenditure item). In many other schools, however, contributed services, supplies, and equipment do not appear in the revenue or expenditure statement. Indeed, many administrators had never tried to estimate the value of the donated services, supplies, and equipment until we posed the question in our interview.

FASB standard 116, issued in 1993, requires not-for-profits to record any substantial contributed services, supplies, and equipment in a manner similar to that used in the NCEA survey, and NACUBO has recommended the use of this practice in its advice to postsecondary institutions. It is not yet clear, however, whether the recommendation is likely to have a large effect on the reporting practices of private schools.

The reporting framework we propose includes some measures of contributed services, supplies, and equipment; and the model questionnaires we discuss below include some items concerning the types of contributed services, supplies, and equipment in use and the ways these items are dealt with in the school's expenditure statement. In addition, the questionnaires ask schools to estimate the dollar value of contributed equipment, but they do not require schools to place a dollar value on contributed supplies and services. We recommend that the inclusion of dollar amounts for contributed services and supplies be pursued in more detail by NCES and the representatives of private school associations before a final decision is reached on questionnaire design.

A Proposed Framework

Based on the conceptual and practical issues raised in our focus groups and site visits, we have developed a basic framework for the collection of private school financial data. The framework lays out the categories that should be used and the level of detail at which expenditure data should be collected. The categories used to report expenditures vary across schools, and public and private traditions to some extent differ, in part due to differences in the types of activities public and private schools support. Public schools, for example, do not ordinarily require expenditure categories for financial aid, development, or student recruitment, while private schools generally do not require expenditure categories for district-level administration.

We begin our discussion of the proposed framework by reviewing the “function by object matrix” underlying the public school data collection. Then, we summarize the reporting categories in use at the schools we visited. Next, we review the survey NAIS employs to collect finance data from member schools. Although the survey is designed for NAIS member institutions, it appears that other surveys and school reporting practices frequently draw on the NAIS form. Finally, we introduce our proposed framework and compare it to the NCES and NAIS approaches.

The public school finance handbook, Financial Accounting for Local and State School Systems (NCES, 1990), classifies expenditures using a two-dimensional matrix, and this matrix forms the basis of the National Public Education Finance Survey (NPEFS). The first dimension of the public school matrix classifies expenses by the functions or activities the expenditures support. The functions included in the NPEFS are:

- Instruction;
- Support services:
 - student support services, instructional staff support services, general (district-level) administration, school administration, business administration, operation and maintenance of plant services, student transportation, central support services (research, development, and evaluation), and other;
- Operation of non-instructional services:
 - food services, other enterprises, and community service operations; and
- Facilities acquisition and construction services.

The second dimension of the matrix classifies expenses by natural categories or “objects.” The main objects included in the NPEFS are: salaries, benefits, supplies, purchased services, and property/equipment.⁶

FASB standard 117 recommends that function by object reporting be used by all voluntary health and welfare organizations (Gross et al, p 192). Different types of not-for-profit organizations, of course, require different functional schemes. Appropriate functional categories are generally established by industry-wide business officer associations (such as NACUBO for postsecondary institutions). Currently, however, there is no single industry-wide association of business officers for private schools, and it is not clear whether such an association is likely to be established. Thus, any set of functions used in a national data collection form for private schools must be developed in such a way that they would encompass the diverse schemes already in use by private schools.

Based on our focus groups and site visits, we have concluded that many, if not most, private schools tend to give primary emphasis in their reporting of expenditures to classifying

⁶Although the form gathers data on equipment, expenditures for equipment are excluded from the total for operating expenditures.

expenditures by object. Most of the schools we visited distinguish at least three main objects: salaries, payroll taxes and benefits, and supplies. A few schools maintain a clear distinction between supplies (for example, paper products), purchased services (for example, telephone services), and equipment (instructional computers); but many other schools, if not most, lump services, purchased services, and most equipment together.

Our evidence indicates that many private schools do not explicitly classify expenditures by function. But many schools implicitly distinguish expenditures for three core functions: instruction, administration, and plant operations and maintenance. In addition, schools often report expenditures for functions or programs (such as financial aid) that are not easily classified as one of the three core functions.

Many schools employ reporting schemes that to some extent resemble the NAIS financial data collection form. The NAIS form is less detailed than the NPEFS, and it does not explicitly use a function by object framework. The form begins by asking about salaries, within a more-or-less functional framework. The form distinguishes salaries for the following types of personnel: teaching, instructional support, administration, plant/maintenance, secretarial, and “other” (including salaries for auxiliary operations such as food services, health services, and dormitories). These categories of personnel correspond to the main functions included in the NPEFS (i.e., instruction, school administration, plant maintenance, and so forth), but they are somewhat less detailed, and the NAIS scheme does not incorporate a superordinate “support services” category.

In addition to salaries, the NAIS form distinguishes the following expenditures: benefits, student activities, financial aid, instruction, athletics, auxiliary operations, other services (such as summer programs), plant maintenance, PPRRSM, administrative, and general (i.e., insurance, rent,

and interest).⁷ These categories cover most of the NPEFS functions, but the organization differs somewhat.

Based on our interviews and site visits, we have concluded that the public school set of functions and objects is too detailed for most private schools. In addition, several functions critical to private schools are not adequately reflected in the public school categories. The NAIS data collection form corresponds more closely than does the public school framework to the categories we observed in the schools we visited. But the NAIS system does not incorporate a full function by object matrix and thus does not permit an adequate comparison of public and private school expenditures.

Thus, we have developed a framework that combines some elements of the NPEFS and NAIS forms. The framework we propose begins with the three core functions that almost any functional scheme is likely to contain: instruction, administration, and physical plant. A fourth category, “other services,” includes activities that do not fall easily into the core set of functions.⁸

- Instruction-related activities:
 - Instruction,
 - Instructional support services, and
 - Student support services;
- Administration;
- Physical plant:
 - Capital expenditures and rent, and
 - Plant maintenance; and

⁷Most of these categories explicitly ask for expenditures other than salaries and benefits. But, salaries and benefits are included in the reported expenditures for auxiliary operations and other services.

⁸Strictly speaking, a few items on the list may not be functions. (For example, extended day programs represents a program, not a function.) But, for simplicity, we refer to the categories as functions, to maintain consistency with the NCES public school reporting forms.

- Other services:
 - Transportation,
 - Food services,
 - Residential services,
 - Financial aid,
 - Extended day and summer programs, and
 - Other activities.

Instruction-related activities include classroom instruction, as well as two activities classified as support services on the NPEFS form: instructional support (e.g., librarians) and student support (e.g., counselors). Our evidence indicates that many private schools do not make a clear distinction between instruction and instructional support; and many have very limited expenditures for formally-defined student support services, although such services often are provide as part of regular teaching or administrative roles. It thus may be advisable to consider collapsing the three functions under “instruction” into one or two categories.

The proposed administration category combines five administrative support services included on the NPEFS: general (district-level) administration, school administration, business administration, central support services (research, development, and evaluation), and other.⁹ For most private schools, the administrative organization is not sufficiently differentiated to warrant the detail included in the NPEFS.

Our proposed plant function includes two major subfunctions: plant acquisition and construction (an NPEFS function) and plant maintenance (which corresponds to one of the NPEFS support services). We group the two together because, for many schools, the manner in which facilities are acquired is closely connected to the way expenditures for maintenance are handled. Within plant acquisition and construction, we include rent, as well as all items conventionally

⁹Our proposed administration category includes two areas included on the NAIS form: administration and clerical activities.

classified as capital expenditures, including plant acquisition, equipment purchases and donated equipment, building renovations, and reserve funds for future acquisition or construction (i.e., PRRSM). We recommend that specific questions be included on each of these capital items (along with rent), to make it possible to accommodate the quite varied treatment of capital expenditures across schools.

Finally, our proposed “other services” category includes three major auxiliary services found in many private schools, transportation, food service, and residential services. It also includes several other types of expenditures for which information must be obtained to place expenditures on a common footing: financial aid, extended day, and summer programs.

With respect to objects, we recommend distinguishing three main categories: salaries; benefits; and supplies and purchased services. Our review of private school financial statements in the schools we visited suggests that all records contain at least some information on salaries, benefits, and a combination of supplies, equipment, and purchased services. Furthermore, many schools maintain records that include separate salary items for the core functional categories (such as instruction, administration, and plant). Many schools also maintain records that include separate materials items for core functions. But few school records distinguish systematically between equipment and supplies — and few include separate items for supplies and equipment by function (for example, instructional supplies and instructional equipment).

Despite the difficulty of doing so, it is essential to collect at least some information on spending on equipment, to insure that, insofar as possible, equipment expenditures are separated from supplies so that they can be excluded in the calculation of “operating expenditures” as traditionally defined. But because schools differ radically in their treatment of equipment, and because many schools do not clearly distinguish supplies and equipment, we recommend that private school data collection efforts not attempt to obtain data on equipment expenditures within

each functional category. Instead, we recommend that equipment be treated along with other capital acquisitions under the “plant” function. This solution preserves the full function by object matrix for operating expenditures (which excludes equipment), and it also permits an overall estimate of expenditures on equipment, which can be included in total expenditures (operating expenditures and capital).

In defining these functions and objects on a proposed survey form or in other materials, we recommend, insofar as possible, using terminology consistent with the NAIS form. While fewer than five percent of all private schools belong to NAIS, elements of the NAIS reporting system are embedded in the surveys conducted by many state and regional associations of private schools, and by using NAIS vocabulary and phrasing where relevant, we expect that at least some confusion can be avoided and respondents may be more likely to understand what is intended to fall in the various categories.

The framework we recommend has several benefits: insofar as possible, it permits the expenditures of private schools to be put on a common footing; it allows the development of estimates for “current operating expenditures” as traditionally defined for public schools and postsecondary institutions; it is sufficiently flexible to incorporate schools that have recently changed their accounting procedures to maintain consistency with the FASB standards, as well as schools that have not; and it permits reasonable comparisons of data collected for various types of private schools.

In the section that follows, we discuss three preliminary survey instruments we have developed that are consistent with this framework. The three surveys are designed to serve somewhat different purposes and would place somewhat different levels of burden on private school officials filling them out.

Examples of Possible Data Collection Instruments

Appendices A, B, and C contain preliminary examples of three questionnaires designed to reflect the design principles discussed above. All three share the framework considered above, but they differ in emphasis or purpose. Versions A and B are designed primarily to obtain valid data on total operating expenditures for private schools, that can be put on a sufficiently common footing to permit both comparisons across private school sectors as well as comparisons between public and private schools. Version B is in a sense a condensed form of version A. Version C is designed to collect much more detailed data using the full set of function and object categories in our proposed framework.

In the sections below, we briefly describe the approach taken in each survey, along with the strengths and limitations of each.

Questionnaire Version A. This version of the survey asks respondents to report total operating expenditures using the school's normal definitions as incorporated in the school's financial records. In addition, to allow us to put the expenditure reports from different schools on a common footing, the questionnaire asks questions about what is and is not included in the school's reported operating expenditures. In particular, it probes for supplemental information in several areas that schools treat in very diverse ways: for example, financial aid, textbooks, rent and mortgage payments, and capital investment (including equipment, renovation, and new facilities). The questionnaire is designed to gather data on a few major components of expenditures (including instructional salaries, other salaries, benefits, and payroll taxes), but it does not attempt to break down the expenditures into the full set of function and object categories in the framework we proposed above.

This version of the questionnaire appears to have a number of important advantages. Our site visits indicate that this version is easy for school officials to answer. Both headmasters and

business officers appear to understand the questions, which are posed in ordinary language rather than in formal accounting jargon.

In addition, the questionnaire is likely to produce a fairly accurate estimate of total operating expenditures, because it begins with the school's local total — a value all schools appear to know — and then probes for the information needed to adjust the total to include or exclude potentially problematic items. Furthermore, the questions appear to work reasonably well for both very small and very large schools. Finally, we believe that this form of the questionnaire is likely to be less threatening than Version C, because it is non-technical and does not ask for much detail.

At the same time, version A has a number of clear weaknesses. For example, the questionnaire provides data on dollar amounts for only a few components of expenditures. In addition, the questionnaire is fairly long — 16 pages.

Questionnaire Version B. This version is a condensed, four-page version of questionnaire A. This version contain only those items absolutely essential to obtain valid estimates of total expenditures that are comparable across schools. It collects dollar amounts only for total operating expenditures, financial aid, and rent or mortgage payments.

Version B omits a number of sections of version A. For example, it does not ask about the value of services and supplies provided at no cost by other organizations and individuals, since these services and supplies ordinarily are not included in the financial statement, although the recent FASB standards suggests that at least some of them should appear as simultaneous revenue and expenditure items.

Overall, version B shares many of the strengths of version A, and, at four pages, it would be short enough to include as part of SASS. At the same time, the questionnaire provides data for

only for total expenditures and a few other items — not for specific components such as salaries or benefits.

Questionnaire Version C. This version, although based on the same framework as Versions A and B, takes a different approach. We ask respondents to report expenditures in each of the categories included in our proposed framework, using definitions we provide. The survey is designed to collect data on the full set of functions by object categories in our proposed framework, along with the additional information necessary to place schools on a common footing.

Version C has a number of clear strengths. First, by design, it will produce detailed information on many essential components of expenditures. This would permit more detailed and interesting analyses. In addition, the survey should permit meaningful comparisons across schools at the component level. Finally, the survey is relatively compact.

At the same time, the survey also has a number of clear disadvantages. First, Version C would probably take longer for administrators to complete than Version A, and it may look more imposing, encouraging potential respondents to put it aside.¹⁰ Thus, the response rate to a survey like Version C may be lower than the response to Version A or B. In addition, the survey may be difficult for some (if not many) private school administrators to fill out, especially schools that use accounting frameworks distant from those that underlie the NCES and NAIS reporting systems.

Also, while the category system based on the framework we have devised will permit us to report expenditures for some of the main components in the NCES Handbook (instructional

¹⁰Version C has not yet been field-tested, and thus we are unsure how much more time it requires than Version A.

salaries, administrative salaries, operations and maintenance salaries), it will not provide data on the full NCES function-by-object matrix.

Finally, schools may make errors in collapsing or subdividing line-items in their accounts to fit the categories we require. Furthermore, the “total expenditures” obtained by adding up the items we request will not necessarily agree with the school's definition of “total expenditures.” (For example, the school may include some capital expenditures that we omit, or vice-versa.) Hence, the school cannot “check its arithmetic” by totaling the reported components.

Summary. The three versions of the survey we have discussed are not intended as finished products. Although Version A is the most polished of the three, all would require some additional field testing and refinement. The three versions are presented here to represent the variety of approaches that might be taken, all consistent with the basic framework we have proposed. At this stage, we believe it is premature to select one single version of the survey to develop further. Before a one (or more) surveys are selected for additional work, we believe several additional steps need to be taken, which we outline below.

Next Steps

Based on the work we have completed, we believe that four steps, in particular, are needed to make a successful national data collection effort possible. First, we recommend that NCES conduct a series of meetings with national and regional private school organizations. Second, we recommend that NCES prepare a set of materials that can be widely distributed, describing the rationale and purpose of the data collection effort. Third, we recommend that NCES undertake an iterative series of reviews of alternative questionnaire forms, coupled with one or more field tests, to arrive at the final questionnaire. Finally, more attention needs to be given to potential sample designs. We describe each of these steps briefly, below.

Meetings with private school organizations. The most important next step, we believe, is a systematic effort to meet with national and regional private school organizations to develop the support needed to ensure a reasonable survey response rate. It is clear from our conversations with private school officials that, without the active endorsement of the major private school associations, the project has little likelihood of success. Indeed, given the potentially threatening nature of a financial questionnaire, many people we have talked with have suggested that the letter that accompanies the questionnaire should be written by (or at least signed by) the appropriate national and possibly regional associations.

One approach to gaining the support of various organizations would be to participate in some of the regularly scheduled annual or monthly meetings these organizations plan to hold over the coming year. This would make it possible to speak with a fairly broad group of private school representatives and to share their concerns and incorporate their ideas before the questionnaire form and sample design is finalized. Topics to be discussed at the proposed meetings would include the rationale for the project, draft questionnaires, and the advantages and disadvantages of various sampling plans.

Development of materials describing the rationale of the planned data collection. The effort to engage the support of the national associations, we believe, should place a strong emphasis on clarifying the rationale for the data collection effort. Most of the school officials we met asked at the outset, “What will my school gain from these data, if they are collected?” After some discussion, most schools revealed a serious interest in knowing how their schools compared with other schools similar in context, scale, region, and purpose. Most were not at all interested in knowing the national average or other highly aggregate national statistics. Furthermore, many schools are clearly operating on a very tight budget, and to the extent surveys of this sort can help private schools as a group make a case for additional support from parents, alumni, and other

donors, private schools are interested in participating. But the case for a national survey on private school finance expenditures has yet to be made in a fully convincing fashion, and, to make the case, thought will need to be given to the kinds of reports that might be derived from the data to be collected, the kinds of purposes the data would serve, the access that would be permitted to school-level micro-data, and the potential linkages between an NCES data-collection effort and existing local and national surveys by private school organizations.

Thus, we believe it is essential to develop a set of materials illustrating the kinds of reports that could be generated based on the proposed surveys and describing the kinds of benefits the data might provide for both individual private schools and for associations representing specific types of schools. In addition, these descriptive materials should outline the safeguards that would be implemented to protect the confidentiality of financial information.

Iterative review and pilot tests of questionnaire forms. The three versions of the questionnaire discussed above are intended as very preliminary models of the kinds of directions future development efforts might take. The versions we have developed will need to be modified and new versions may need to be developed in the course of future meetings with private school representatives. Once this process has taken place, it will be essential to undertake a set of pilot studies (possibly comparing the costs and benefits of several alternative forms) prior to launching a full data collection effort. These pilots might be undertaken in parallel with some of the meetings with private school associations we recommend be held over the coming year.

Consideration of alternative sampling plans. Different rationales for a private school finance data collection effort may require different sampling plans.¹¹ For some purposes (for example, providing a reliable estimate of the total operating expenditures for private schools), a

¹¹In addition, different rationales may require different modes of data collection, including mailed questionnaires, face-to-face interviews, and computer-assisted telephone interviews.

relatively small stratified random sample may suffice. For other purposes (for example, obtaining reliable estimates of operating expenditures by sector, school size, region, and other key school context variables), a much larger sample may be necessary. It may be desirable to consider linked sampling plans, in which relatively thin data are collected in large sample, followed by more intense data collection in a smaller subsample of schools. Finally, it may be possible to collect some financial data in for all or some of the SASS sample of private schools. This design would permit linking finance data with many school characteristics, including curriculum, staffing, and organization.

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APPENDICES

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PRIVATE SCHOOL FINANCE SURVEY—A

Pelavin Research Center
American Institutes for Research
1000 Thomas Jefferson Street, N.W., Suite 400
Washington, D.C. 20007

DRAFT

May 1996

Q1. TOTAL CURRENT OPERATING EXPENDITURES

Please report your school's total current operating expenditures for the 1994-95 school year, or the school's most recent fiscal year. Feel free to round this figure, and all figures, to the nearest thousand.

The survey will also ask questions about services and materials that are not accounted for in operating expenditures, including services and materials that are provided by parents, your school's sponsoring religious organization, and public programs (Federal, State, or local).

Total current
operating expenditures \$ _____

Use your school's definition of current operating expenditures. The remainder of this survey will ask questions regarding what is and what is not included in your definition of current operating expenditures (hereafter referred to as expenditures reported in Q1).

Q2. INSTRUCTION — SALARIES

2a. How much of the operating expenditures in Q1 were for salaries, payroll taxes, and benefits?

Total salaries \$ _____

Total payroll taxes \$ _____

Total benefits \$ _____

2b. Of the total salaries reported in question 2a, how much was spent on instructional (teaching) staff? (Please include full-time, part-time, and substitute staff, including art, music, P.E., etc).

Instructional salaries \$ _____

2c. Did the school staff last year include members of religious orders?

Yes No

If yes, was their stipend lower than a lay person's salary?

Yes No

2d. Were any of the salaries or benefits of the school teachers subsidized by an outside agency, such as the national denomination, or a philanthropic foundation, or the PTO?

Yes No

If yes, was the subsidized portion of the salary included in Q1?

Yes No

2e. Did any of the administrative staff teach on a regular basis?

Yes No

Did your total for instructional salaries in Q2(b) include a salary allocation to reflect the teaching workload of administrators?

Yes No

2f. In what way(s) did the school provide any special services for students with learning disabilities last year? (Check all that apply)

In operating expenditures:

f-t staff position

p-t staff position

contracted services

extra duty of teaching & administrative staff

Not in operating expenditures:

volunteers

services paid by parent fees

govt. or public school staff

other paid staff (paid by religious sponsor, PTO, etc.)

no services provided

Q3. INSTRUCTION — TEXTBOOKS

3a. Did the operating expenditures in Q1 include costs for textbooks?

Yes

No

If yes, how were textbooks paid for? (Check all that apply)

Books were covered in tuition.

Students paid book/activities fee.

Students purchased textbooks from a school bookstore, and *the bookstore's expenditures were included in Q1.*

If Q1 included no expenditures for textbooks, or only minimal expenditures, please explain:

Students purchased textbooks from a separate enterprise (i.e. school bookstore) *and the enterprise's expenditures were not included in Q1.*

No textbooks (or very few textbooks) were purchased last year

3b. Did your school receive any textbooks or library books through a Federal, state or local program, or from the public schools?

Yes

No

3c. Did your school receive any donated textbooks or library books from another source?

Yes

No

Q4. STUDENT SUPPORT AND INSTRUCTIONAL SUPPORT

4a. In what way(s) did the school provide guidance counseling services last year?
(Check all that apply)

In operating expenditures:

- f-t staff position
- p-t staff position
- contracted services
- extra duty of teaching & administrative staff

Not in operating expenditures:

- volunteers
- services paid by parent fees
- govt. or public school staff
- other paid staff (paid by religious sponsor, PTO, etc.)
- no services provided

4b. In what way(s) did the school provide student health services? (Check all that apply)

In operating expenditures:

- f-t staff position
- p-t staff position
- contracted services
- extra duty of teaching & administrative staff

Not in operating expenditures:

- volunteers
- services paid by parent fees
- govt. or public school staff
- other paid staff (paid by religious sponsor, PTO, etc.)
- no services provided

4c. In what way(s) did the school provide staffing for a library or media center?
(Check all that apply)

In operating expenditures:

- f-t staff position
- p-t staff position
- contracted services
- extra duty of teaching & administrative staff

Not in operating expenditures:

- volunteers
- services paid by parent fees
- govt. or public school staff
- other paid staff (paid by religious sponsor, PTO, etc.)
- no services provided

Q5. ADMINISTRATION

5a. Approximately how many paid staff were in your administrative office(s) last year? Please include administrators and support staff in headmaster's office, business office, development office, admissions and recruiting, etc. (Check one).

- Less than 2 FTE staff
- 2-4 FTE staff
- 5-9 FTE staff
- 10 or more FTE staff

5b. Did any of the teaching staff carry significant administrative responsibilities and titles?

- Yes
- No

5c. Did any personnel in the church or synagogue spend at least 10 percent of their time on school administration? (Please include pastor, payroll clerk, Comptroller, Treasurer, etc).

- Yes
- No

5d. Did any parent(s) or member(s) of the congregation volunteer in the office for four hours a week or more?

- Yes
- No

5e. Did you receive administrative support from a centralized office? (Please include assistance with curriculum, financial record-keeping, etc., from a diocese or other regional or national denominational or private school association).

- Yes
- No

If yes, please did you pay a membership fee to belong to the organization?

- Yes
- No

5f. How many additional personnel would be needed in your administrative office if you did not receive the administrative support from teachers, parents, members of the congregation, church personnel, and centralized office staff reported in questions 5b-5e? (Check one).

- None (checked no to 5b-5e).
- Minimal (Checked yes to 5b,c,d,or e, but the administrative support provided is very limited).
- Less than one-half FTE administrative position.
- About one FTE administrative position.
- More than one FTE administrative position.

5g. Did parents and/or members of the congregation provide volunteer services other than administrative/office support?

- Yes No

If yes, please indicate where volunteer services were concentrated, and estimate significance of volunteer contributions.

Places where parents and other volunteers contributed services: (Check all that apply)

- Lunch service
- Library
- Substitute teachers
- Teacher aides
- Fund-raising events
- Field trips
- School and grounds maintenance
- Other _____

Significance of volunteer services (Check one)

- School could not have operated without volunteer services.
- School was able to offer extra services (lunch service, field trips, etc.) because of volunteer services.
- School operations were not significantly affected by volunteer services.

5h. Did you contract out for any of the following financial services last year?
(Check all that apply)

- None
- Payroll service
- Monthly accounting services
- Annual accounting services
- Other _____

Q6. BENEFITS

6a. Did the school provide employees with health benefits last year?

- Yes No

If yes, how were these benefits funded? (Please check all that apply)

- school paid entire or partial costs
- local or national religious association paid
- employee contributed for self
- employee contributed for family or high option

6b. Did the school provide employees with retirement benefits?

- Yes No

If yes, how were these benefits funded? (Please check all that apply)

- school paid entire or partial costs
- local or national religious association paid
- employee contributed

6c. Did your school provide any employees with subsidized housing?

- Yes No

If yes, was the cost of providing this housing included in the operating expenditures reported in Q1?

- Yes No

6d. Did your school provide any employees with tuition reductions for children?

- Yes No

Q7. **SCHOLARSHIPS**

7a. **Did your school provide financial aid last year?**

Yes No

Some schools report financial aid as a reduction in revenues; other report it as an expenditure; and some schools use different accounting arrangements for different forms of financial aid. Answer "yes" to the question below only if financial aid is reported as an expenditure to the operating budget.

7b. **Did the operating expenditures in Q1 include an expenditure for scholarships/financial aid?**

Yes No

If yes, how much financial aid was on the expense side of your Income and Expenses statement?

\$ _____

Q8. **TRANSPORTATION**

8a. **Did the operating expenditures in Q1 include expenditures for transportation services to and from school?**

Yes No

If yes, how many students were provided transportation last year? (Check one)

- less than one-fourth of student body
- one-fourth to three-fourths of student body
- three-fourths or more of student body

If no, please explain how transportation was provided. (Check one)

- No transportation provided
- Separate enterprise funded by parent fees, *and the enterprise's expenditures were not included in Q1.*
- Public school busses
- Church or synagogue provided transportation

8b. Did the operating expenditures in Q1 include expenditures for transportation services to athletic events or special events?

Yes No

If yes, how were these transportation services provided? (Check all that apply)

School-owned vehicle(s)

Contracted services

Q9. FOOD SERVICE

9a. Did the operating expenditures in Q1 include expenditures for food service?

Yes No

If no, please explain how meals were provided:

No meals provided by school.

Meals were provided by a separate enterprise funded by student fees, *and the enterprise's expenditures were not included in Q1.*

9b. Did you participate in the National School Lunch program?

Yes No

Q10. RESIDENTIAL SERVICE

10a. Did the operating expenditures in Q1 include expenditures for boarding services?

Yes No

If yes, please state approximate costs of boarding programs, if they can be determined.

\$ _____ Difficult to determine

Q11. PREKINDERGARTEN, EXTENDED DAY, AND SUMMER SCHOOL PROGRAMS

11a. Did the current operating expenditures in Q1 include expenditures for any of the following programs?

Pre-Kindergarten Yes No

If yes, please state *approximate* expenditures included in Q1, if they can be determined.

\$ _____ Difficult to determine

Extended Day Yes No

If yes, please state *approximate* expenditures included in Q1, if they can be determined.

\$ _____ Difficult to determine

Summer School Yes No

If yes, please state *approximate* expenditures included in Q1, if they can be determined.

\$ _____ Difficult to determine

Summer Camp Yes No

If yes, please state *approximate* expenditures included in Q1, if they can be determined.

\$ _____ Difficult to determine

Other auxiliary programs Yes No

If yes, please state *approximate* expenditures included in Q1, if they can be determined.

\$ _____ Difficult to determine

If other programs; please describe: _____

Q12. PLANT

12a. Was your school located on more than one campus last year?

Yes No

12b. Who owned the building(s) and grounds on which the school was located last year? (Check all that apply)

- School
- Church, parish, synagogue or religious order
- Diocese or denominational organization
- School and church jointly owned facilities
- Public local school district or government
- Private landlord
- Other _____

12c. Did your school pay rent on any facilities last year?

- Yes No

If yes, how much did your school spend last year on the rent?

\$ _____ in full-market rent

\$ _____ in below market rent

12d. Did your school occupy buildings provided rent free by another organization (for example, church or synagogue)?

- Yes No

12e. Did the school make payments on a loan or bond for any school building or land?

- Yes No

If yes, how much did your school spend last year on loans and bonds?

\$ _____ in principal

\$ _____ in interest

Did the total operating expenditures reported in Q1 include the principal payments?

- Yes No

Did the total operating expenditures reported in Q1 include the interest payments?

- Yes No

Q13. PLANT MAINTENANCE: UTILITIES, CUSTODIAL SERVICES, AND MAINTENANCE

Who paid for each of the following services?

	Included in rent	School paid full cost	School paid share of costs	Provided free of charge by landlord
Utilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Custodial services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Routine maintenance (minor repairs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Major repairs or renovations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q14. DONATED SUPPLIES AND EQUIPMENT

14a. Did you receive non-cash gifts from any of the following sources last year?
(Check all that apply)

- PTO
- Church or Synagogue
- Individual Parents
- Public School
- Alumni
- Other Donors
- Grocery receipts or similar promotion

14b. Please estimate the value of donated supplies and equipment received last year.

- < \$5,000
- \$5,000 – \$10,000
- \$10,000 – \$20,000
- \$20,000 – \$50,000
- >\$50,000

14c. Was the value of these donated supplies and equipment included in total operating expenditures reported in Q1?

- Yes No

Q15. CAPITAL EXPENDITURES

The following questions ask about expenditures for the acquisition and replacement of equipment (for example, furniture, computers, and air conditioning systems); the renovation and non-routine maintenance of current facilities; and the acquisition and construction of new facilities. Different schools classify these expenditures in different ways. For each question, please indicate the option that comes closest to the system used at your school.

Do not include expenditures for the same equipment in more than one section. For example, if an air conditioning system is included under “equipment,” do not also include it under “renovation of facilities.”

Purchase of equipment

15a. Did your school purchase new equipment (furniture, computers, air conditioning systems, vans) or replace old equipment last year?

- Yes No

If YES, how much did your school spend overall for equipment last year? *(Please report the total cost of the equipment, not the down payment or annual payment on a loan, if any, obtained to finance the equipment.)*

\$ _____

- 15b. **Of the school's total expenditure on equipment last year, what amount was included in the operating expenditures reported in Q1?** Report both direct expenditures for equipment included in Q1 and any amount transferred from the operating fund to a special equipment fund. Do not include loan payments or depreciation. (Enter "0" if Q1 did not include expenditures for equipment.)

\$ _____

Renovation and non-routine maintenance of facilities

- 15c. **Did your school engage in the renovation or non-routine maintenance of facilities last year?**

Yes No

If YES, how much did your school spend overall for renovation and non-routine maintenance last year? *(Please report the total cost of the renovation, not the down payment or annual payment on a loan, if any, obtained to finance the work.)*

\$ _____

- 15d. **Of the school's total expenditure on renovation and non-routine maintenance last year, what amount was included in the operating expenditures reported in Q1?** Report both direct expenditures for renovation included in Q1 and any amount transferred from the operating fund to a "provision for plant renewal, replacement, and special maintenance" fund (PPRRSM). Do not include loan payments or depreciation. (Enter "0" if Q1 did not include expenditures for renovation.)

\$ _____

Acquisition and construction of facilities

- 15e. **Did your school acquire or construct new facilities last year?**

Yes No

If YES, how much did your school spend overall for the acquisition and construction of facilities last year? *(Please report the total cost of the facilities, not the down payment or annual payment on a loan, if any, obtained to finance acquisition and construction. Include costs for facilities completed last year, not for projects in progress.)*

\$ _____

- 15f. Of the school's total expenditure on the acquisition and construction of facilities last year, what amount was included in the operating expenditures reported in Q1? Report both direct expenditures for the acquisition and construction of facilities included in Q1 and any amount transferred from the operating fund to a special building fund. Do not include loan payments or depreciation. (Enter "0" if Q1 did not include expenditures for the acquisition and construction of new facilities.)

\$ _____

Depreciation

- 15g. Did your school include depreciation of equipment or facilities in the operating expenditures reported in Q1?

Yes No

If YES, please report the depreciation expenditures included. (If you combine plant and equipment depreciation, please estimate the expense for each.)

Depreciation of equipment: \$ _____

Depreciation of facilities: \$ _____

Loan payments other than mortgage

- 15h. Other than mortgage payments, did your school include loan payments (or payments on other forms of long-term debt) in the operating expenditures reported in Q1? (Do not include mortgage payments reported in Q12).

Yes No

If YES, please report the loan expenditures included.

Payment of loan principal included in Q1: \$ _____

Payment of loan interest included in Q1: \$ _____

Q16. INCOME

- 16a. Please report total operating income or revenues for the 1994-95 school year, or your school's most recent fiscal year. Please include income from all sources, except funds earmarked for a capital campaign.**

Total operating income \$ _____

- 16b. Please report total income from tuition and registration fees paid by parents. Include fees for application, registration, and room and board. Do not include book and activity fees, if any.**

Total tuition and registration \$ _____

Does this tuition figure include tuition for pre-kindergarten programs?

Yes No

If yes, how much tuition was collected for pre-kindergarten programs?

\$ _____ Difficult to determine

- 16c. Please report total income from book, activity and program fees. Please include fees for books, supplies, and field trips. Also include fees for transportation, meal service, and milk programs if the expenditures for such activities were included in total operating expenditures reported in Q1. Do not include fees for extended day programs or camps. Report 0 if there were no book, activity, or program fees last year.**

Books/activities fees \$ _____

- 16d. Please report net income from any auxiliary programs, such as book stores, snack bars, student stores, or transportation service. Report the difference between gross income and gross expenditures, where known, also report any fees paid to the school by contractors such as food service vendors. Report 0 if there was no net income from auxiliary programs last year. Do not include extended day programs or camps.**

Net income from auxiliary programs \$ _____

- 16e. Please report any income from local, State or Federal governments.**

Public aid \$ _____

PRIVATE SCHOOL FINANCE SURVEY-B

Pelavin Research Center
American Institutes for Research
1000 Thomas Jefferson Street, N.W., Suite 400
Washington, D.C. 20007

DRAFT

May 1996

Q1. TOTAL CURRENT OPERATING EXPENDITURES

Please report your school's total current operating expenditures for the 1994-95 school year, or the school's most recent fiscal year. Feel free to round this figure, and all figures, to the nearest thousand.

The survey will also ask questions about services and materials that are not accounted for in operating expenditures, including services and materials that are provided by parents, your school's sponsoring religious organization, and public programs (Federal, State, or local).

Total current
operating expenditures \$ _____

Use your school's definition of current operating expenditures. The remainder of this survey will ask questions regarding what is and what is not included in your definition of current operating expenditures (hereafter referred to as expenditures reported in Q1).

Q2. SERVICES AND PURCHASES, ON AND OFF-BUDGET

For each of the following categories of services or purchases, please indicate whether services were provided or purchases were made last year, and, if so, whether the expense of the service or purchase was included in Q1 or was "off-budget" (i.e. not in the operating expenses).

"Off-budget" services or purchases might be provided by donations, sponsoring organizations, parent-teacher organizations, parent fees that do not flow through operating budget, employee contributions, funding from capital fund or restricted gifts, public agency, etc.

Please check both "Costs in Q1" and "Costs off-budget" if both funding sources were significant to the service or purchase, e.g., if the school and the employee make significant contributions to employee health benefits, or if half the library books were purchased and half were donated. Check "Costs in Q1" if vast majority (more than 90 percent) of costs were in Q1 and check "costs off-budget" if vast majority (more than 90 percent) of costs were off-budget.

In 1994-95 or your school's most recent fiscal year, how did the school pay for.....

2a. Employee Health Benefits?

No Service Costs in Q1 Costs off-budget

2b. Employee Retirement Benefits?

No Service Costs in Q1 Costs off-budget

2c. Transportation to and from school?

No Service Costs in Q1 Costs off-budget

2d. Food service?

No Service Costs in Q1 Costs off-budget

2e. Extended Day Programs?

No Service Costs in Q1 Costs off-budget

2f. Summer Schools/Summer Camps/Summer Programs?

No Service Costs in Q1 Costs off-budget

In 1994-95 or your school's most recent fiscal year, how did the school pay for.....

2g. Textbooks?

No Purchases Costs in Q1 Costs off-budget

2h. Library books?

No Purchases Costs in Q1 Costs off-budget

2i. Equipment purchases?

No Purchases Costs in Q1 Costs off-budget

2j. Renovation or non-routine maintenance of facilities?

No Purchases Costs in Q1 Costs off-budget

2k. New facilities?

No Purchases Costs in Q1 Costs off-budget

Q3. SCHOLARSHIPS

3a. Did your school provide financial aid last year?

Yes No

Some schools report financial aid as a reduction in revenues; other report it as an expenditure; and some schools use different accounting arrangements for different forms of financial aid. Answer "yes" to the question below only if financial aid is reported as an expenditure to the operating budget.

3b. Did the operating expenditures in Q1 include an expenditure for scholarships/ financial aid?

Yes No

If yes, how much financial aid was on the expense side of your Income and Expenses statement?

\$ _____

Q4. PLANT

4a. Who owned the building(s) and grounds on which school was located last year?
(Check all that apply)

- School
- Church, parish, synagogue or religious order
- Diocese or denominational organization
- School and church jointly own facilities
- Public local school district or government
- Private landlord
- Other _____

4b. Did your school pay rent on any facilities last year?

- Yes No

If yes, how much did your school spend last year on the rent?

\$ _____ in full-market rent

\$ _____ in below market rent

4c. Did your school occupy buildings provided rent free by another organization (for example, church or synagogue)?

- Yes No

4d. Did the school make payments on a loan or bond for any school building or land?

- Yes No

If yes, how much did your school spend last year on loans or bonds?

\$ _____ in principal

\$ _____ in interest

Did the total operating expenditures reported in Q1 include the principal payments?

- Yes No

Did the total operating expenditures reported in Q1 include the interest payments?

- Yes No

PRIVATE SCHOOL FINANCE SURVEY-C

Pelavin Research Center
American Institutes for Research
1000 Thomas Jefferson Street, N.W., Suite 400
Washington, D.C. 20007

DRAFT

May 1996

1. EMPLOYEE SALARIES

For each of the following staff categories, please report total wages and salaries for all paid employees of the school in fiscal year 1994-95 or your most recent fiscal year. *Salaries to extended-day and summer program personnel should be reported separately, if possible, in item 4. Wages and salaries to employees of contractors should be reported in items 3a-3i. In cases where one individual holds responsibilities in more than one of the personnel categories presented, we encourage you to apportion the salary among the categories. If apportionment is not possible, report the total salary according to area of primary responsibility. Report 0 for any category without salaried personnel.*

Employee Cash Salaries	
a. \$ _____	a. Instructional salaries. Include salaries of all teachers, including music and art teachers, coaches, teacher aides, substitute teachers, and special education teachers. Include Sabbatical expenses. Academic department heads may be regarded as teachers or administrators, as you deem appropriate.
b. \$ _____	b. Instructional support and student support salaries. Include salaries of librarians, counselors, nurses, chaplains, audiovisual staff, staff providing psychological services, speech pathology services, etc.
c. \$ _____	c. Administrative salaries. Include salaries paid to school heads, department and divisional heads, and the staff of the various administrative departments, including business, admissions, financial aid, and development. Include salaries paid to individuals who provide secretarial or clerical services.
d. \$ _____	d. Plant/maintenance salaries. Include salaries of custodians, engineers, and other plant and grounds maintenance personnel, including the plant supervisor if the function is performed by an individual not reported as an administrator above.
e. \$ _____	e. Student transportation service salaries. Include salaries paid to bus drivers.
f. \$ _____	f. Food service salaries. Includes salaries paid to staff working in lunch rooms, dining halls or snack bars.
g. \$ _____	g. Residential service salaries. Include salaries paid to housekeeping staff and dormitory parents.
h. \$ _____	h. Auxiliary service salaries. Include salaries paid to personnel staffing bookstore, student store, or other enterprises.
\$ _____	Total salaries. Sum of a-h.

2. EMPLOYEE BENEFITS

For each of the following staff categories, please report total expenditures on employee benefits and payroll taxes in fiscal year 1994-95 or your most recent fiscal year. *Benefits and payroll taxes for extended day and summer programs personnel should be reported if possible. If benefits and payroll taxes cannot be reported by category, please report total. Report 0 for any category without benefits or payroll taxes.*

Benefits and Payroll taxes	
a. \$ _____	a. Instructional salaries. Include salaries of all teachers, including music and art teachers, coaches, teacher aides, substitute teachers, and special education teachers. Include Sabbatical expenses. Academic department heads may be regarded as teachers or administrators, as you deem appropriate.
b. \$ _____	b. Instructional support and student support salaries. Include salaries of librarians, counselors, nurses, chaplains, audiovisual staff, staff providing psychological services, speech pathology services, etc.
c. \$ _____	c. Administrative salaries. Include salaries paid to school heads, department and divisional heads, and the staff of the various administrative departments, including business, admissions, financial aid, and development. Include salaries paid to individuals who provide secretarial or clerical services.
d. \$ _____	d. Plant/maintenance salaries. Include salaries of custodians, engineers, and other plant and grounds maintenance personnel, including the plant supervisor if the function is performed by an individual not reported as an administrator above.
e. \$ _____	e. Student transportation service salaries. Include salaries paid to bus drivers.
f. \$ _____	f. Food service salaries. Includes salaries paid to staff working in lunch rooms, dining halls or snack bars.
g. \$ _____	g. Residential service salaries. Include salaries paid to housekeeping staff and dormitory parents.
h. \$ _____	h. Auxiliary service salaries. Include salaries paid to personnel staffing bookstore, student store, or other enterprises.
\$ _____	Total benefits and payroll taxes. Sum of a-h

3. SUPPLIES AND CONTRACTED SERVICES

For each of the following categories, please report supplies and contracted services in fiscal year 1994-95 or your most recent year. Exclude expenditures for extended-day programs, summer programs, rent and equipment to the extent possible. If your records do not permit you to separate expenditures into the categories we have provided, please provide your best estimate. Report 0 if no expenditures in category.

Supplies and Contracted Services	
a. \$ _____	a. Instructional. Expenditures other than salaries, benefits, and equipment for academic departments and programs, including athletic and physical education programs. Include the expenditure of books, materials, supplies, and subscriptions. Include expenditures for student-related activities such as school newspaper, yearbook, school magazine, theater or student productions, assemblies and trips and excursions.
b. \$ _____	b. Instructional support and student support. Expenditures other than salaries, benefits, and equipment associated with library, counselling, student health services, chaplain, media center and psychological services, including contracted services. Also include support to teaching staff including staff development, and costs of attending conferences.
c. \$ _____	c. Administrative supplies and services. Please include all expenditures for supplies, telephone, stationery, printing, postage, equipment rentals, insurance other than plant-related insurance, contracted services, (including legal and accounting services), expenditures associated with governing board, expenditures associated with fund-raising events, and travel by administrators.
d. \$ _____	d. Plant operation and maintenance. Expenditures for electricity, fuel, maintenance materials, custodial supplies, contracted custodial and maintenance services, security services, and plant-related insurance.
e. \$ _____	e. Student transportation. Expenditures for supplies and services, including vehicle insurance and repairs and contracted services.
f. \$ _____	f. Food service. Expenditures for food and purchased food services.
g. \$ _____	g. Residential services. Expenditures for supplies and services, including contracted services.
h. \$ _____	h. Auxiliary services. Expenditures for school-based enterprises such as book store and student store.
i. \$ _____	i. Other expenditures. Include expenditures not attributable to any specific administrative department. Report expenditures for liability insurance, bad debts, miscellaneous taxes, and membership fees. Do not include equipment, rent or payments on principal or interest.
\$ _____	Total supplies and services. Sum of a-i

4. EXTENDED DAY AND SUMMER PROGRAMS

Other Programs	
\$ _____	Extended day and summer programs. Expenditures for other programs, including salaries, benefits, and payroll taxes, such as summer school, camps, extended day programs, child care, summer conferences and workshops, and public services.

5. FINANCIAL AID

Financial Aid	
\$ _____	Financial aid/tuition remission. Report that portion of financial aid that is accounted as a financial operations expenditure. Do not include tuition remissions that are reported as reductions in revenues. Do not include loans.

6. RENT MORTGAGE, AND OTHER LOAN PAYMENTS

Rent and Loan Payments	
a. \$ _____	a. Rent. Include rental payments for land and buildings.
b. \$ _____	b. Principal payments on mortgage. Include principal payments on any long-term debt associated with school buildings or land.
c. \$ _____	c. Interest payments on mortgage. Include interest payments on any long-term debt associated with school buildings or land.
d. \$ _____	d. Principals on debt other than mortgage. Include principal payment on debt such as loans for vehicles.
e. \$ _____	e. Interest payments on debt other than mortgage. Include interest payments on debt such as loans for vehicles.
\$ _____	6. Total rent and mortgage payments. Sum of a-e

7. DEPRECIATION

<i>Depreciation</i>	
a. \$ _____	a. Depreciation of equipment. Please report depreciation expenses if your school estimates depreciation expenses. Report 0 if your budget does not include depreciation.
b. \$ _____	b. Depreciation of facilities. Please report depreciation expenses if your school estimates depreciation expenses. Report 0 if your budget does not include depreciation.

8. TRANSFERS OUT OF OPERATING FUND

<i>Transfer</i>	
a. \$ _____	a. PPRRSM. Please report any amount transferred from the operating fund to a "provision for plant renewal, replacement, and special maintenance" fund (pprrsm).
b. \$ _____	b. Building funds. Please report any amounts transferred from the operating fund to a special building fund, including transfers of any surplus funds at the close for the year.

9. CAPITAL EXPENDITURES

Please report capital expenditures for the acquisition and replacement of equipment; the renovation and non-routine maintenance of current facilities; and the acquisition and construction of new facilities. Different schools classify these expenditures in different ways. Please report expenditures under the category that seems most appropriate for your school.

Please report all capital expenditures under a, b, c, or d, without regard to whether some of these expenditures have already been accounted for in items 6-8. However, do not include expenditures for the same equipment in more than one category of item 9. For example, if an air conditioning system is included under "equipment," do not also include it under "renovation of facilities." Please report the total cost of the equipment, not the down payment or annual payment on a loan, if any, obtained to finance the equipment. Do not report depreciation. Report 0 if no capital expenditures in a category.

Capital Expenditures	
a. \$ _____	a. Equipment purchases. Please report purchases of new equipment and purchases to replace old equipment, including furniture, vehicles, computers and science laboratory equipment.
b. \$ _____	b. Equipment donations. Please report the value of donated equipment. If value is unknown, please provide rough estimate.
c. \$ _____	c. Renovation or non-routine maintenance. Please report the total cost of the renovation, not the down payment or annual payment on a loan, if any, obtained to finance the work. Include expenses for replacement or major repairs to heating and cooling equipment (if not included above), physical structure, or grounds.
d. \$ _____	d. Acquisition or construction of facilities. Please report the total cost of the facilities. Include costs for facilities completed last year, not for projects in progress.
\$ _____	Total capital. Sum of a-d.

10. INCOME

Please record the revenue received from each source for the 1994-95 fiscal year. *Include only sources of revenue used to support current operations, not revenue received as part of capital campaigns.* Report 0 if no income from a category.

<i>Income</i>	
a. \$ _____	a. Tuition and fees. Fees revenue reported here should include application fees, instructional fees, and fines and assessments. Lunch and / or transportation fees for day students should be reported below 10b and 10c. These fees may be reported here if they are regularly included in day student tuitions and a separate accounting of them is not available.
b. \$ _____	b. Student Transportation Fees. Income from student transportation, unless transportation charges are regularly included in day tuitions and can not be reported separately.
c. \$ _____	c. Food Service. Gross Income from cafeteria and snack bar. If lunch charges are regularly included in day student tuitions, they may be reported as tuition and fees income above.
d. \$ _____	d. Income from other auxiliary services. Income from book store, student store, laundry, and other services provided to students.
e. \$ _____	e. Income from extended day and summer programs. Gross income from summer school, summer camps, extended-day and child care programs, summer conferences and workshops, and public services..
f. \$ _____	f. Endowment and investment income. Dividends and interest earned on short- and long-term investments and applied to school operations.
g. \$ _____	g. Gifts, grants, and fundraising. Include gifts from parent-teacher organization. Gift and grant income used for current operations and programs. Include foundation grants and gifts from parent-teacher organization. <u>Exclude capital gifts.</u>
h. \$ _____	h. Cash subsidy from another organization. Include subsidies from church, synagogue, parish, diocese, religious community, national association.
i. \$ _____	i. Aid from federal, state or local governments.
j. \$ _____	j. Net income from affiliated enterprises. Net income from any enterprises operated by the school that are non-instructional and that operate with separate facilities. Include inns, thrift shops, working farms, and golf courses.
k. \$ _____	i. Other. All revenue amounts not classified elsewhere, such as incidental rental income and proceeds from the sale of equipment. Include transfers not reported in any other income category.
\$ _____	Total income. Sum of a-k.

APPENDIX D

Schools in Focus Groups and Site Visits

<u>School</u>	<u>Administrator</u>	<u>Date</u>
<u>Catholic Schools</u>		
Georgetown Visitation	William Fisher, Jr., Business Manager	Oct. 20, 1995
Holy Name School	Father David Russell, Pastor	Oct. 25, 1995
Oakcrest School	Connie Angel Willis, Business Manager	*Oct. 10, 1995
St. Anne's Academy	Monsignor Awalt, Pastor	**Oct. 23, 1995
St. Augustine Catholic School	Shelore Williams, Principal	Nov. 6, 1995
St. Peter's Interparish School	Mary Randolph, Principal	Oct. 10, 1995
<u>Other Religious Schools</u>		
Annapolis Area Christian School	Ron Whipple, Superintendent	*Oct. 5, 1995
Berwyn Baptist School	Ann Elizabeth Zibrat, Principal	*Oct. 5, 1995
Dupont Park Adventist	Leonard Hodges, School Treasurer	*Oct. 5, 1995
Episcopal High School	Richard Yarborough, Treasurer	Nov. 7, 1995
Fairfax Baptist Temple	Eigil Hansen, Jr., Minister of Education	Oct. 26, 1995
Friends Community School	Jane Manring, Director and Carol Kagan, Bookkeeper	Nov. 14, 1995
Hebrew Day School	Rabbi Peretz Hochbaum, Headmaster	Nov. 17, 1995
Immanuel Lutheran School	Keith Keck, Chair of School Board and Celinda Claxton, Principal	Nov. 10, 1995
Jewish Primary Day School	Susan Koss, Director	Oct. 19, 1995
National Christian Academy	Dr. Fred Snowden, Administrator	*Oct. 5, 1995
Royal Christian Academy	Greg Amos, Principal	Oct. 30, 1995
Sligo Adventist Elementary	William Ruby, Principal	*Oct. 5, 1995
St. Peters Lutheran School	Norma Pilot-Peters, Principal	*Oct. 5, 1995
Trinity Christian School	James Beavers, Headmaster	Oct. 24, 1995
<u>Non-Sectarian Schools</u>		
Evergreen Montessori School	Lydia Mosher, Interim Head and Page Dame, Business Manager	Nov. 22, 1995
Foxcroft School	Gary Welke, Business Manager	*Oct. 17, 1995
Frost School	Sean McLaughlin, Director	*Oct. 17, 1995
Green Hedges School	Pell Fender, Director of Development	*Oct. 17, 1995
Hannah More Center, Inc.	Wayne Roach, Business Manager	Oct. 19, 1995
Maret School	Don Mordecai, Assistant Head	Nov. 6, 1995
New School of Northern Virginia,	John Potter, Principal	Nov. 2, 1995
Washington Waldorf School	Gary Cannon, Business Manager	Nov. 14, 1995

*Focus Group

**Telephone Interview Only

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Listing of NCES Working Papers to Date

<u>Number</u>	<u>Title</u>	<u>Contact</u>
94-01	Schools and Staffing Survey (SASS) Papers Presented at Meetings of the American Statistical Association	Dan Kasprzyk
94-02	Generalized Variance Estimate for Schools and Staffing Survey (SASS)	Dan Kasprzyk
94-03	1991 Schools and Staffing Survey (SASS) Reinterview Response Variance Report	Dan Kasprzyk
94-04	The Accuracy of Teachers' Self-reports on their Postsecondary Education: Teacher Transcript Study, Schools and Staffing Survey	Dan Kasprzyk
94-05	Cost-of-Education Differentials Across the States	William Fowler
94-06	Six Papers on Teachers from the 1990-91 SASS and Other Related Surveys	Dan Kasprzyk
94-07	Data Comparability and Public Policy: New Interest in Public Library Data Papers Presented at Meetings of the American Statistical Association	Carrol Kindel
95-01	Schools and Staffing Survey: 1994 papers presented at the 1994 Meeting of the American Statistical Association	Dan Kasprzyk
95-02	QED Estimates of the 1990-91 Schools and Staffing Survey: Deriving and Comparing QED School Estimates with CCD Estimates	Dan Kasprzyk
95-03	Schools and Staffing Survey: 1990-91 SASS Cross-Questionnaire Analysis	Dan Kasprzyk

Listing of NCES Working Papers to Date (Continued)

<u>Number</u>	<u>Title</u>	<u>Contact</u>
95-04	National Education Longitudinal Study of 1988: Second Follow-up Questionnaire Content Areas and Research Issues	Jeffrey Owings
95-05	National Education Longitudinal Study of 1988: Conducting Trend Analyses of NLS-72, HS&B, and NELS:88 Seniors	Jeffrey Owings
95-06	National Education Longitudinal Study of 1988: Conducting Cross-Cohort Comparisons Using HS&B, NAEP, and NELS:88 Academic Transcript Data	Jeffrey Owings
95-07	National Education Longitudinal Study of 1988: Conducting Trend Analyses HS&B and NELS:88 Sophomore Cohort Dropouts	Jeffrey Owings
95-08	CCD Adjustments to the 1990-91 SASS: A Comparison of Estimates	Dan Kasprzyk
95-09	The Results of the 1993 Teacher List Validation Study (TLVS)	Dan Kasprzyk
95-10	The Results of the 1991-92 Teacher Follow-up Survey (TFS) Reinterview and Extensive Reconciliation	Dan Kasprzyk
95-11	Measuring Instruction, Curriculum Content, and Instructional Resources: The Status of Recent Work	Sharon Bobbitt & John Ralph
95-12	Rural Education Data User's Guide	Samuel Peng

Listing of NCES Working Papers to Date (Continued)

<u>Number</u>	<u>Title</u>	<u>Contact</u>
95-13	Assessing Students with Disabilities and Limited English Proficiency	James Houser
95-14	Empirical Evaluation of Social, Psychological, & Educational Construct Variables Used in NCES Surveys	Samuel Peng
95-15	Classroom Instructional Processes: A Review of Existing Measurement Approaches and Their Applicability for the Teacher Follow-up Survey	Sharon Bobbitt
95-16	Intersurvey Consistency in NCES Private School Surveys	Steven Kaufman
95-17	Estimates of Expenditures for Private K-12 Schools	Steve Broughman
95-18	An Agenda for Research on Teachers and Schools: Revisiting NCES' Schools and Staffing Survey	Dan Kasprzyk
96-01	Methodological Issues in the Study of Teachers' Careers: Critical Features of a Truly Longitudinal Study	Dan Kasprzyk
96-02	Schools and Staffing Survey (SASS): 1995 Selected papers presented at the 1995 Meeting of the American Statistical Association	Dan Kasprzyk
96-03	National Education Longitudinal Study of 1988 (NELS:88) Research Framework and Issues	Jeffrey Owings
96-04	Census Mapping Project/School District Data Book	Tai Phan

Listing of NCES Working Papers to Date (Continued)

<u>Number</u>	<u>Title</u>	<u>Contact</u>
96-05	Cognitive Research on the Teacher Listing Form for the Schools and Staffing Survey	Dan Kasprzyk
96-06	The Schools and Staffing Survey (SASS) for 1998-99: Design Recommendations to Inform Broad Education Policy	Dan Kasprzyk
96-07	Should SASS Measure Instructional Processes and Teacher Effectiveness?	Dan Kasprzyk
96-08	How Accurate are Teacher Judgments of Students' Academic Performance?	Jerry West
96-09	Making Data Relevant for Policy Discussions: Redesigning the School Administrator Questionnaire for the 1998-99 SASS	Dan Kasprzyk
96-10	1998-99 Schools and Staffing Survey: Issues Related to Survey Depth	Dan Kasprzyk
96-11	Towards an Organizational Database on America's Schools: A Proposal for the Future of SASS, with comments on School Reform, Governance, and Finance	Dan Kasprzyk
96-12	Predictors of Retention, Transfer, and Attrition of Special and General Education Teachers: Data from the 1989 Teacher Followup Survey	Dan Kasprzyk
96-13	Estimation of Response Bias in the NHES:95 Adult Education Survey	Steven Kaufman
96-14	The 1995 National Household Education Survey: Reinterview Results for the Adult Education Component	Steven Kaufman
96-15	Nested Structures: District-Level Data in the Schools and Staffing Survey	Dan Kasprzyk

Listing of NCES Working Papers to Date (Continued)

<u>Number</u>	<u>Title</u>	<u>Contact</u>
96-16	Strategies for Collecting Finance Data from Private Schools	Stephen Broughman