NAIS Fellowship Workshop

Flexible Tuition Models to Increase Affordability

NAIS Annual Conference
Block 2: Thursday 3.8.18
Presenter Introductions

NAIS Aspiring Heads 2017-18 Fellowship Group:

Tracie Catlett, Louisville Collegiate School (KY)
Linda Kern, Creative Minds International Public Charter School (DC)
Justin Kleinheider, Thomas Jefferson Independent Day School (MO)
Alicia LaMagdeleine, University High School (IN)
James Palmieri, Trinity Hall (NJ)

*Group Mentor:* Melissa Soderberg, Head of School, Columbus Academy (OH)
Project Abstract

To combat declining enrollment or demographics, schools have implemented a variety of flexible and indexed tuition models to increase affordability for families, without undercharging capable full payers. The research team will share case studies and feedback from several participating schools to provide considerations for your own school community.
Price changes in consumer goods and services in the USA, 1997-2017

Price change in consumer goods and services in the USA, measured as the percentage change since 1997. Data is measured based on the reported consumer price index (CPI) for national average urban consumer prices.

- College tuition fees
- Education
- Childcare
- Medical care
- Household energy
- Housing
- Food & Beverages
- Public transportation
- New cars
- Clothing
- Software
- Toys
- TVs

Source: United States Bureau of Labor Statistics (BLS)

OurWorldInData.org/technological-progress/ • CC BY-SA
Independent School Industry Response

“Independent schools are experimenting with new market-based and mission-based approaches to tuition and financial aid.” - NAIS
WHY?

1. Financial sustainability
2. Rising tuition costs
3. Socioeconomic diversity
4. Enrollment management
5. Improved perception and engagement
What schools call financial aid programs

- Financial Aid 72%
- Tuition Assistance 13%
- Financial Assistance 8%
- Other 3%
- Flexible Tuition 2%
- Indexed Tuition 1%
- Sliding Scale Tuition 1%
- Graduated Tuition 0%
- Tuition Aid 0%

12% are considering changing the term they use.

School and Student Services (SSS By NAIS), 2016 State of Financial Aid Survey

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Stigma - How we talk about it...

Financial Aid
Traditional term, providing help

Financial Assistance
Slightly more modern, synonym for help

Flexible Tuition
Reduced tuition to ability to pay

Indexed Tuition
Tuition at the level a family can afford

“Whether a school discounts its $30,000 tuition with $20,000 in financial aid or says a family’s indexed tuition is $10,000, the family is paying the same amount. “But that difference in presentation matters: The indexed tuition rate seems to make applying to an expensive school possible for some and accepting a discount palatable to others. It is also a great way for a school to compete with other independent schools that may have larger financial aid budgets. It is an approach smaller colleges and universities have taken for years.”

The Indexed Tuition Model

Tuition Rates are Customized According to Each Family’s Financial Ability to Contribute to Their Educational Expenses.

Otherwise Known As:

- Scaled Tuition
- Variable Tuition
- Flexible Tuition
- Tailored Tuition

*Image by Welding School*
Methodology

We reached out to 10 representative NAIS schools and received responses from 8 of them. We asked 5 key questions:

○ What factors led to your decision to move to indexed tuition and who contributed to the process?
○ How did you introduce the idea to your community?
○ How has it been received?
○ What impact have you seen?
○ Would you do it again or continue?
Sample Schools

1. Duke School, Durham, NC (1947)
2. Golda Och Academy, West Orange, NJ (1965)
3. McClelland School, Pueblo, CO (1906)
5. North Cross School, Roanoke, VA (1944)
6. All Saints Episcopal Day School, Phoenix, AZ (1963)
7. San Francisco School, San Francisco, CA (1966)
8. Trinity School of Texas, Longview, TX (1957)

We greatly appreciate the representatives from these schools who shared their implementation stories and feedback with us.
Qualitative Findings
The Findings #1: Factors leading to the decision

What factors led sample schools to their move to indexed tuition and who contributed to the process?

- “Changing the conversation” about financial aid
- A need to address affordability
- Driving more inquiries to the funnel
- CFO, Admissions Staff, Head of School, Outside Consultant
The Findings #2: Presentation of the new model

How did sample schools announce and implement their new tuition model to their community?

- Broad communication to explain purpose and system
- Board endorsement
- Lots of coverage in marketing materials
- Interactive processes on website
The Findings #3: Community response to change

How are the new tuition models being received by school communities?

- Increase in inquiries; often also applications and enrollments
- Few returning families expressed concern
- Number of applications for indexed tuition increase
- Net tuition increase
The Findings #4: Outcomes & Advice

What outcomes and advice are being observed by sample schools?

- Discipline required for the long haul
- Increased financial aid inquiries
- Sparks a conversation with greater transparency
- Enrollment engagement guaranteed but not growth
Quantitative Findings

Using Form 990 Data from 3 Consecutive Years

Looking at Net Tuition Revenue; Financial Aid Awarded; and the difference between the two
<table>
<thead>
<tr>
<th>Sample</th>
<th>School Type</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Pre-School - Grade 8 ~100 Students</td>
<td>Net Tuition Revenue: $1,023,098</td>
<td>$1,027,678</td>
<td>$1,109,079.00</td>
<td>7.75%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $133,405</td>
<td>$231,009</td>
<td>$255,786.00</td>
<td>47.85%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Difference: $889,693</td>
<td>$796,669</td>
<td>$853,293.00</td>
<td>-4.27%</td>
</tr>
<tr>
<td>B</td>
<td>Pre-School - Grade 8 ~300 Students</td>
<td>Net Tuition Revenue: $7,535,968</td>
<td>$7,993,632</td>
<td>$8,393,099.00</td>
<td>10.21%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $1,243,280</td>
<td>$1,189,035</td>
<td>$1,146,178.00</td>
<td>-8.47%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Difference: $6,292,688</td>
<td>$6,804,597</td>
<td>$7,246,921.00</td>
<td>13.17%</td>
</tr>
<tr>
<td>C</td>
<td>Pre-School - Grade 12 ~300 Students</td>
<td>Net Tuition Revenue: $8,939,455</td>
<td>$9,772,488</td>
<td>$9,736,195.00</td>
<td>8.18%</td>
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<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $844,059</td>
<td>$834,192</td>
<td>$868,557.00</td>
<td>2.82%</td>
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<tr>
<td></td>
<td></td>
<td>Difference: $8,095,396</td>
<td>$8,938,296</td>
<td>$8,867,638.00</td>
<td>-8.71%</td>
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<tr>
<td>D</td>
<td>Pre-School - Grade 12 ~325 Students</td>
<td>Net Tuition Revenue: $8,432,791</td>
<td>$8,020,866</td>
<td>$8,108,787.00</td>
<td>-4.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $1,052,390</td>
<td>$1,056,031</td>
<td>$1,148,900.00</td>
<td>8.40%</td>
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<tr>
<td></td>
<td></td>
<td>Difference: $7,380,401</td>
<td>$6,964,835</td>
<td>$6,959,887.00</td>
<td>-6.04%</td>
</tr>
<tr>
<td>E</td>
<td>Pre-School - Grade 8 ~500 Students</td>
<td>Net Tuition Revenue: $9,120,558</td>
<td>$9,408,864</td>
<td>$9,684,483.00</td>
<td>5.82%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $1,127,549</td>
<td>$1,100,715</td>
<td>$1,141,189.00</td>
<td>1.20%</td>
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<tr>
<td></td>
<td></td>
<td>Difference: $7,993,009</td>
<td>$8,308,149</td>
<td>$8,543,294.00</td>
<td>6.44%</td>
</tr>
<tr>
<td>F</td>
<td>Pre-School - Grade 12 ~500 Students</td>
<td>Net Tuition Revenue: $6,312,856</td>
<td>$6,820,122</td>
<td>$7,108,626.00</td>
<td>11.19%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $903,098</td>
<td>$1,063,394</td>
<td>$1,171,218.00</td>
<td>22.89%</td>
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<tr>
<td></td>
<td></td>
<td>Difference: $5,409,758</td>
<td>$5,756,728</td>
<td>$5,937,408.00</td>
<td>8.89%</td>
</tr>
<tr>
<td>G</td>
<td>Pre-School - Grade 12 ~550 Students</td>
<td>Net Tuition Revenue: $11,084,844</td>
<td>$12,296,690</td>
<td>$12,707,320.00</td>
<td>12.77%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Aid Awarded: $2,717,328</td>
<td>$3,033,291</td>
<td>$3,220,865.00</td>
<td>15.63%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Difference: $8,367,516</td>
<td>$9,263,399</td>
<td>$9,486,455.00</td>
<td>11.80%</td>
</tr>
</tbody>
</table>
Other Emerging Tuition Models

92 NAIS Schools Participated in a Survey About Alternative Tuition Rates

Only Six Schools Offer Special Pricing Tuition Models:

- 1/2 day & Full day options for PK
- Pay-per-class model
- Modified for athletes that travel or non-full day students
- Dual enrollment (i.e. Stanford Univ. Online High School)
Resources for further reading on the benefits of the indexed-tuition model
Why consider the indexed tuition model?

#1: Financial sustainability


#2: Rising Tuition Costs


#3: Socioeconomic diversity


#4: Enrollment Management


#5: Improved Perception and Engagement


Note: For an annotated resource list, please go to goo.gl/aCqNTL,
Thank you for attending!