
PEJE SERIES IN DAY SCHOOL AFFORDABILITY: *Setting Tuition & Delivering Financial Assistance*

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Setting Tuition & Delivering Financial Assistance

Researched and written by
Rachel Segaloff, Hornstein Intern



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183 State St. Suite 6 • Boston, MA 02109

(tel) 617-367-0001 (fax) 617-367-0029

info@peje.org

www.peje.org

When people use the term "affordability" in terms of Jewish day schools, they are usually reacting directly to issues related to tuition. More than delivering Jewish and general education or fostering a close-knit school community and transmitting values, day schools are often defined as being the most expensive Jewish education experience that communities sponsor. The pricetag factor alone, what independent school leader Scott Looney calls "sticker shock," has an enormous impact on how people perceive day school education and consider it for their children.

To help schools reflect on the complex process that goes into setting tuition, determining financial aid policies, and communicating about affordability, we have asked Scott Looney to share his thoughts based on his experiences in the independent school market, where rising school costs are no less of a challenge than in day schools. To provide more specific knowledge about Jewish day schools, we have surveyed PEJE grantee schools and a number of other schools to discover some of the varying practices in terms of setting tuition, communicating about financial aid, and demonstrating affordability.

SCOTT LOONEY ON TUITION AND FINANCIAL AID

Scott Looney is the Assistant Director of Schools at Cranbrook Schools in Bloomfield Hills, Michigan. He has consulted with the National Association of Independent Schools (NAIS), and has written articles regarding school financing for NAIS, including "Navigating the Rough Road to Effective Pricing."

1. What is independent school "sticker shock?"

Sticker shock is how much the listed price scares off potential customers. When they see a tuition listed at a particular price, they believe that is how much they will have to pay and it turns people "off" from applying to that school.

2. How do you prevent or combat sticker shock?

The word on the street must be that you DO offer financial aid. If a school subsidizes a significant portion of kids, it must heavily advertise this. Most families who send their kids to college know that the list price is not what they'll most likely pay – they're not afraid of the sticker price. For independent schools, most are reasonably flexible in helping with tuition.

3. How do you set tuition to reduce sticker shock?

Benchmark demand for enrollment at your school versus that of independent schools in the surrounding area. You do not want to set "sticker price" too low because people measure value with price. Too low a tuition could diminish the reputation of the school and therefore lower demand. If tuition is lower than competitor schools, then you need to be able to explain why. You also do not want to set tuition too high. While this would maximize revenue, it would decrease surplus consumer demand because there would be no students on a waitlist who would consider this school

"affordable." Eventually, in difficult economic times, the school would be forced to reduce its tuition, which does not speak well for the prestige or quality of the school. Thus, high tuition can be a bigger problem than tuition that is too low.

4. How do you market the affordability of your tuition?

Make sure that the message you send straightforwardly discusses tuition. Every school should publicly justify why the tuition is set at that particular level. Schools with high tuitions should be able to say: "We know our tuition is high, but you get what you pay for. And it's less than the amount of money we invest in each child." Expense per student is always higher than tuition per student. Market the fact that for \$17,000, you receive a \$23,000 education for example.

Also, intentionally oversell the affordability of the school; do enough of it, and you will get many families to apply who would have otherwise stopped at the inquiry stage. This will result in a surplus of qualified families and students applying. The only way to work the 'affordability game' is to over-advertise the affordability of the school. This may cause your school to receive more qualified applicants than you can accept, but having a waiting list can be an asset to the school.

5. What internal and external factors should be considered when setting tuition?

External

Independent schools, including Jewish day schools, cannot move their tuitions backward. Schools must increase tuition at a rate that is slower than inflation. If schools increase tuition at a rate higher than inflation, this makes attending independent schools more expensive at an unsustainable rate.

In addition, when setting tuition, consider the location of the school, and the area within a 15 mile radius. In this particular

area, are there students that would be interested in attending your school? How affluent is the community? Who are your competitors?

Internal

Schools set tuition, at least in some part, as a function of what it costs to run the school, with all the attendant expenses, such as faculty salaries, facility maintenance, etc. It is important to note, though, that independent schools cannot respond to market forces as fast as for-profit businesses can, because most of a school's costs are "culturally" fixed. This means that schools are humanistic, and there is appreciation for staff and the value of their contributions. The tools that businesses have to adjust their bottom line and cut costs, such as personnel layoffs, are more aggressive than what schools can generally use. Businesses fire people more often and easily because they are driven mostly by profit. Schools that act like businesses will have trouble.

6. What are the methods for handling the financial aid process, in regards to the school's and parent/guardian's role?

If the school can only offer a modest scholarship when the family actually needs a large one, the school should generally not offer the family anything. Families who express interest in having their children attend the school but received a disappointing financial aid package should be encouraged to keep talking to you. Schools should be flexible and creative if they feel a family is truly committed to the school. While you do not want to create a "make a deal" situation, you want to give options to these committed families.

From the family's perspective, those who were not offered any aid may come forward to say that they can actually pay more than they originally stated. The more parents/guardians say that they are willing to pay, the greater the chances of them receiving financial aid. Yet, families must be aware that if they say that they can pay more, that they will be required to pay more. They should also be

aware that, on average, independent schools are far more flexible than they publicly acknowledge; financial aid packages are generally based 20% on negotiation, and 80% on the structure of financial aid program.

7. What is the reality of charging tuition, in general? Is there ever tuition that's considered "low enough?"

Make no mistake – tuition is THE hurdle. Surveys have shown that about 60% of the public would send their child to a tuition charging school if it were not for the tuition. With the exception of a small portion of the prospective student market, most families view independent schools as a luxury. Luxury items are more price sensitive than necessities. Yet, once families overcome the "sticker shock" of the tuition, they put themselves in a better position to negotiate financial aid with the school.

8. What are some ways that schools can make up the difference between what they charge in tuition and what the actual cost to educate a child is, so that tuition can be annually set below the inflation rate?

Fundraising for endowment and annual fund support are currently the development foci for schools – these provide schools the ability to subsidize the cost of education beyond tuition. Also, schools may work on creating auxiliary services (such as summer camps) and use the school/curriculum for other things besides regular classes to build revenue, like facility rental or supplying home schooling curriculum. For example, one school exports home schooling to parents for a fee; the profit from home schooling can assist in funding the gap. Also, create partnerships with other Jewish community organizations – don't always focus on generating revenue, but think instead about how to reduce costs.

LEARNINGS FROM THE FIELD: SUMMARY INFORMATION FROM SCHOOLS

The following information was derived from eleven of PEJE's Challenge Grantees Beginning-Of-Year Reports from the 2003-2004 academic year, as well as from telephone interviews with three additional schools. These schools were asked a series of questions relating to issues of affordability: setting tuition, financial aid communication, marketing affordability, and strategies to make the school more affordable.

SETTING TUITION

Who determines what tuition will be each year?

- The finance committee and/or treasurer will make a recommendation to the board, finance, executive committee, or the principal for final approval.
- Many schools use the School and Student Service on Financial Aid (SSS), a service which provides an analysis of a family's finances and suggests what a family could contribute towards tuition. The school's tuition decision-maker may refer to the SSS analysis as a guideline of how to set a particular family's tuition payment.

To what extent should tuition cover operating costs?

Many schools aim to set tuition to cover 70 – 90% of the annual operating budget, keeping in mind that tuition revenue is not budgeted to cover all costs of operating the school. In reality, though, many schools' tuition covers a smaller percentage, ranging from 40 – 60%.

What factors are considered when setting tuition?

- Tuitions at other Jewish and independent day schools in the school's area.
- The school's fiscal needs to balance the budget.
- The state of the economy and market forces.
- The school's actual cost to educate a child.
- The school's anticipated expenses and teacher compensation.

How do schools approach potential or actual increases in tuition?

- Continually benchmark the school's tuition against tuition levels of surrounding day and independent schools. The schools' tuition should be comparable to those in the community.
- Plan incremental increases in tuition each year, which provides a "scaffolding" structure that helps prevent dramatic increases in tuition.
- Make parents/guardians aware that tuition increases will happen each year, so that these increases become standard.

Important things to think about when setting tuition...

- The school's value is often a more significant factor than its tuition when parents are considering sending their children to the school. As one school notes, "It has been our experience that a parent's decision on where to send their child is rarely influenced by cost."
- When thinking about an increase in tuition, think about your school's level of enrollment. Consider "increasing enrollment, not tuition," even if this means dedicating more resources to financial aid.

FINANCIAL AID COMMUNICATION

What documents have schools used to communicate their financial aid policy?

A memo, fact sheet, list of FAQs, or information sheet explaining some or all of the following:

- a) how to apply for financial aid
- b) how financial aid requests are processed
- c) tuition assistance including scholarship opportunities
- d) the school's system of financial aid (such as Flexible Tuition or Income-Scaled tuition)
- e) confidentiality

How do families access information on financial aid and/or receive a financial aid application?

- Families request a financial aid application from the school.
- A letter is sent from the school to families interested in applying for financial aid. Attached to the letter is a School and Student Service for Financial Aid (SSS) form for parents to complete and return.
- Financial aid forms are included in every family's enrollment packet.

PEJE Recommendations

- On documents that discuss the financial aid process, make sure to note that the process will be completely confidential.
- Enclose a financial aid application, free of charge, with every application or enrollment packet so that families are not put in a potentially uncomfortable position of having to request one. This may also help more families to perceive your school to be affordable.

MARKETING AFFORDABILITY

In what ways do schools let potential students' families know that their school can be considered affordable?

- Advertise in the local Jewish newspaper with a statement saying that the school offers a "quality Jewish education at a lower price than [its] competitors." It may also state how much the school gives in scholarships each year.
- Market the excellence of the dual (secular and Jewish) curriculum, and that it is worth the tuition cost.
- Provide families with a comparison chart of the school's tuition versus that of other area schools to show that its tuition is equal to or less than that of its competitors.
- Discuss the financial aid process with every applicant, and encourage them to apply.
- Use any public relations or marketing pieces to prospective students and their families to emphasize that financial aid is available to qualified applicants.
- Tell prospective parents/guardians that for any student who wants to attend the school, the school will work out, with the parents/guardians, how to finance the child's tuition.
- Make parents aware that what is being charged for tuition is LESS than the actual cost to educate each child.

STRATEGIES TO MAKE THE SCHOOL MORE AFFORDABLE

What types of tuition setting programs are used?

- Tuition freeze for new and current families, whereby any families that post a \$1000 deposit by a particular date will pay tuition at the current year's level as opposed to the next year's increased level.
- Sliding-scale tuition for all families, whereby the amount of tuition for each student is based on each family's income.
- Flexible tuition for which families must apply. If received, the family contribution is set based upon their individual need.

How do schools help families make the payments?

- Family payment plans for individual families who request specialized assistance.
- SMART monthly payment plan which will automatically debit parents' accounts for a predetermined monthly amount. (See "Tuition Management Systems" website at <http://www.afford.com>)
- Low interest tuition loan from a local bank.

How and where do schools secure resources to minimize tuition?

- Partnering synagogues: i.e. If a family belongs to a partnering synagogue, then the student receives a \$1000 deduction off their tuition.
- Scholarship endowment:
 - one school sets aside 3% of all donations to begin building an endowment.
 - one school is working with donors to stress the importance of building an endowment.
- Local federation and foundation contribute a certain amount per child if a family's income is below a certain level.
- Fundraising and fundraisers.

BENCHMARK: PERCENTAGE OF STUDENTS ON FINANCIAL AID

From eleven schools across the country, the number of students reported to be receiving some form of financial aid ranged widely from 6% - 100%, with the majority of schools falling between the 24% - 60% range. On average, 44% of students from these schools receive financial aid.

The Partnership for Excellence in Jewish Education (PEJE) is a collaborative initiative of philanthropic partners whose mission is to grow Jewish day school enrollment and to ensure the excellence and long-term viability of all day schools through capacity-building strategies that strengthen the day school field.

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