

Net Tuition Revenue: When schools need to focus on “real income.”

Thanks to:

D. Scott Looney, Head of School, Hawken
Drew Miller, Dean of Admission, Cranbrook Schools
National Association of Independent Schools
Secondary School Admission Test Board



AISAP: Net Tuition Revenue

- **NAIS: Parent Views on Independent Schools, Given the Current Economic Situation April, 2009**

TABLE 1: Top Five Attributes of Independent Schools

Attributes	Responses	Percentage
Preparing students academically for college	28	93%
Keeping class sizes small	27	90%
Giving individualized attention to each child	24	80%
Involving students in athletics and sports	23	77%
Keeping students motivated and enthusiastic about learning	23	77%
Employing high-quality teachers	21	70%
Supporting a climate that says it's okay to study and excel	21	70%
Providing a safe environment	20	67%
Offering solid programs in music and the arts	19	63%
Attending to the needs of students with learning disabilities	17	57%
<i>Total Responses</i>	30	

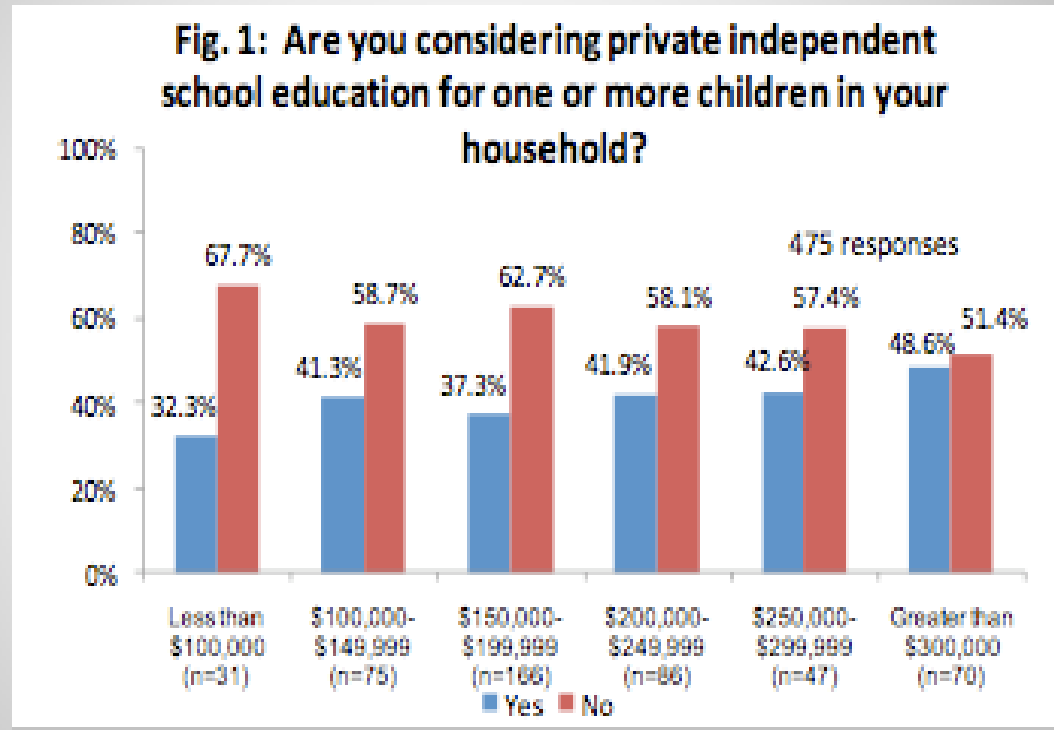
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Trends in the Past Two Years	Responses	Percentage
Families are feeling greater concern about their ability to finance a private school education	25	83%
Families are considering more educational options, e.g., home schooling, public magnet schools, charter schools, etc.	24	80%
There is an increase in the number of families who are seeking private school education for their children with learning disabilities	19	63%
Grandparents are financing or helping to finance a private school education for their grandchildren	17	57%
Families are considering private school only for high school	16	53%
Total Responses	30	100%
Trends in the Past Six Months	Responses	Percentage
Families considering private K-12 education have changed their minds about pursuing this option	14	50%
Higher income families, who in the past would not be pursuing financial aid, are now doing so	14	50%
Families are using cost as a major driver in choosing a school	13	46%
Families are shopping around for merit scholarship	9	32%
Families are coming to you for advice about charter schools and/or public magnet schools	9	32%
Families are coming to you for advice about home schooling	7	25%
Total Responses	20	100%

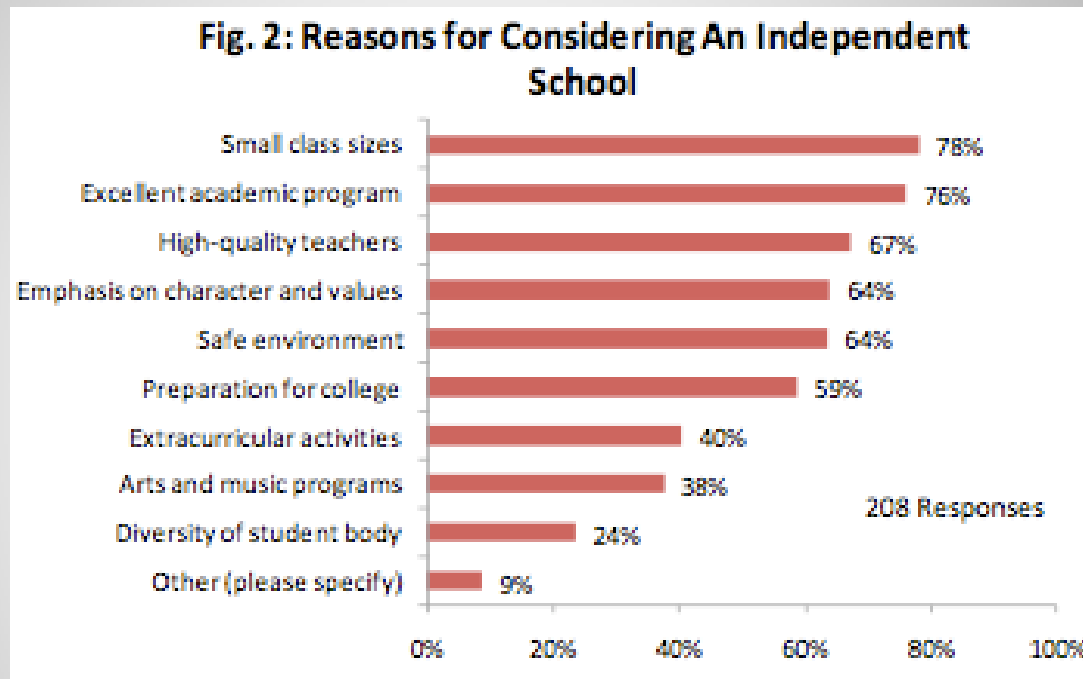
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TABLE 4: Reasons Why You Are Not Considering an Independent School

Answer Options (All Responses = 294)	Less than \$100,000 (n=23)	\$100,000- \$149,999 (n=46)	\$150,000- \$199,999 (n=105)	\$200,000- \$249,999 (n=51)	\$250,000- \$299,999 (n=31)	Greater than \$300,000 (n=38)
High cost	70%	65%	46%	63%	55%	37%
Satisfied with current public school	39%	57%	67%	65%	52%	74%
Cutting back on expenditures due to economic conditions	26%	30%	14%	12%	13%	13%
Other	9%	15%	14%	14%	10%	16%
Total Responses	23	46	105	51	31	38

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TABLE 7: Parents' Attitudes About Independent Education

	Strongly disagree	Disagree	Agree	Strongly agree	Unsure
A private independent school education is worth the money	2%	1%	34%	59%	3%
Sending my child to a private independent school is a top priority for me	2%	7%	32%	57%	3%
I would recommend a private independent school education to other parents	2%	3%	39%	51%	6%
National economic conditions will not affect choices I make regarding my child's/children's education	7%	29%	30%	23%	11%
I may need to reconsider my plans to send my child/children to a private independent school	17%	36%	26%	9%	12%

P.A.V.S. Analysis

- **P**restige – The public perception of the quality of the school based on its historical reputation of preparing students for ‘success’
- **A**ffordability – the perception of the price of enrolling after considering any financial assistance from sources other than family. High affordability means a family thinks the school is within its means...low affordability is out of reach
- **V**alue – the perception of what a family is receiving for the money it is paying, whatever the sum. Value results from a variety of factors including prestige and affordability
- **S**acrifice – the degree to which a family is willing to forego certain things in order to devote a portion of its resources to school costs that otherwise could be used for other expenses, savings or investments.
- Courtesy of Marketing Independent Schools in the 21st Century, Chapter six, “The Affordability Dilemma” by Mark Mitchell (NAIS)

Admission Accountability

- **QUALITY** and composition of Student body: Academic, Diversity, Extracurricular.
- **QUANTITY** - Enrollment at optimal level (capacity).
- **REVENUE** - Net Tuition Revenue.

Financial Aid is not real money...

- Unless a school is turning away qualified full paying students, in order to make a space for a student receiving financial aid, there is no revenue lost by admitting students who receive aid.
- In fact, financial aid students are a valuable source of revenue!
- Financial Aid is **potential revenue lost**.
- Some Business Mgrs will count as “*Contra-Revenue*” and, thus, it will not show as “*expense*.”

Case study: Boarding/Day School, 300 Students

- **Situation**: 1) 20-25 students under capacity for several years; 2) long financial aid waiting lists of talented students; 3) late boarding student applicant pool; 4) high tuition dependency... very tight budget.
- **Strategy**: 1) Attempt to fill as many spaces as possible with traditional financial aid accounting until August 15th; 2) on Aug. 15th determine how many remaining spaces will likely not be filled before the opening of school; 3) meet the demonstrated need of those students who will advantage LFA in revenue and ability, without over committing for future years.
- **Results**: 1) Average entering SSAT scores raised, AP scores increased dramatically, average GPA of attending students increased; 2) increased boarding enrollment by over 20 % in three years 3) produced a small tuition surplus each year of NTRA.

Is the glass half empty or half full?

- Net Tuition Revenue = the tuition remaining after the marginal cost of educating that student (receiving aid) is subtracted from tuition paid.
- Tuition = \$20,000 but family only pays school \$10,000 and the additional marginal cost to educate that child is \$2,000. Net tuition revenue is \$8,000.
- So, this student could be viewed as a \$10,000 loss (*traditional F/A accounting*) or a \$8,000 gain (*net tuition revenue accounting*).

Spending more aid is fiscally responsible...

“Capping the amount of unfunded student aid is not an option (for schools under capacity). And yet, that is precisely the type of move that college officials are tempted to try, ignoring the logic of the downward sloping demand curve. Capping unfunded student aid at some arbitrary percentage of the expense budget, unrelated to the demand curve, could result in lower enrollments and a loss in net tuition revenue.”

David W. Breneman

Liberal Arts Colleges: Thriving,
Surviving or Endangered?

Students on Aid are a source of ***Revenue***,
not a real ***expense*** to the school.

- Look at the tuition revenue (beyond marginal costs) generated by students on financial aid.
- In most schools, the revenue generated from families on financial aid is significant.

The Miami Valley School – Dayton Ohio

2008 - 2009

- Budget Projected Enrollment – 451
- Opening Day Enrollment – 446 (-5)
- 100K in additional FA to reach 446, resulting in 180K budget deficit
- Fall Economic Storm & four Fortune 500 companies left Dayton in past 3 years
- Declining enrollment/School staffed for 500 students
- Significant faculty/staff cuts, lower enrollment and budget to weather the storm.
- Average Annual Attrition 11% - 45 students
- Average New Students Enrolled – 75

Headmaster and Director of Enrollment presented NTR to the
Board of Trustees

The Miami Valley School – Dayton Ohio

Presentation to the Board -

While financial aid could be considered the sharpest arrow in the enrollment initiative quiver, optimal aid allocations ride on the back of analytical, thoughtful, well-planned, and well-executed admission and retention initiatives. At its current enrollment level and attrition, Miami Valley School is positioned to apply a net revenue approach to financial aid—increasing aid to leverage increased enrollment and more net revenue. But the strategy requires care in application, excluding high need students in general and lower school students in particular.

How do you move toward a Net Tuition Revenue Model?

- Prepare: 1) revenue, enrollment and financial aid histories; 2) a financial analysis of the potential impact; 3) a budgeting system.
- Work to get all constituencies (Admission, Business Manager, Head, Board) to understand concept. Assure them that this will make admission more financially accountable.
- Supply Head and Board with information necessary to accept tuition revenue and let go of traditional financial aid accounting.

The Miami Valley School – Dayton Ohio

Using Net Tuition Revenue Model

- Used NTR in specific grades - 2nd, 6th, and 9th grades
- Specific NTR guidelines approved by the Board, and the admin team
- Project financial aid commitment over the next three years (new families, attrition, graduating financial assistance)
- Merit & Music Scholarships
- Outside Partnerships
- Working with our current families – lower attrition

2009 – 2010

- Budget Projected Enrollment – 417
- 2009 – 2010 Budget 5.25 million
- 2009 – 2010 Attrition - 8% - 35 students
- June 1, 2009 Enrollment – 421
- New Students - 78
- Opening Day Enrollment – 438 (+21)
- 176K in additional revenue from using NTR
- Significant faculty/staff cuts, lower enrollment and budget to weather the storm.
- Increase specific lower school class sizes to 18 (still below public schools)

Challenges of Net Tuition Revenue Accounting

- Accurate accounting of both tuition revenue and financial aid.
- Realistic two or three year enrollment and financial aid projections.
- Establishing the school's true capacity, without increasing the fixed costs.
- Establishing the marginal cost of educating one additional student at your school.
- Getting the Admission/Financial Aid Director, Head, Business Manager and the Board to fully understand the concept and ramifications of NTR.

Budget Process

- Be sure that *YOU* are a part of the discussion – that you are on the Admin. Team, that you manage Financial Aid, that you meet with the Finance Committee and any other committee that oversees enrollment and budgets.
- Spread awards across grades, don't commit too much aid to younger students.
- Don't spend too much of future years' budgets.
- Have F/A goals or limits as to how many full, half, small, etc.... awards to be given.
- Create a system to track tuition revenue and F/A numbers accurately.

Net Tuition Revenue Model

Resources:

- “A New Equation for Tuition and Aid Policies”, Arthur M. Hauptman, Priorities Newsletter, Number 8, Spring 1997, Association of Governing Boards of Universities and Colleges
- “Liberal Arts Colleges...Economic Challenges”, University of Pennsylvania Homepage, (<http://slab.mtholyo...960412/experts.html>)
- www.deltacostproject.org -- Multiple articles and research reports on college funding, including information on net tuition.
- <http://www.nais.org/admission/article.cfm?ItemNumber=145150&token=6FE33C65-C25E-4D14-AF00-56D8BA2DC5D4> -- complete article/ppt by D. Scott Looney regarding Net Tuition Revenue.
- www.stillwater.com/NACUBO%20Revenue%20Analysis.pps extensive presentation on maximizing revenue.
- The Student Aid Game, Michael S. McPherson and Morton Owen Schapiro, Princeton University Press, December 14, 1998
- Net Tuition Revenue Generation at Private Liberal Arts Colleges, Jeffrey Summers, Education Economics, 2004, vol. 12, issue 3, pages 219-230 (ACCESS ONLINE REQUIRES SUBSCRIPTION)

AISAP

- Professionals with a track record and/or who are willing to provide support:
 - Drew Miller, Dean of Admission, Cranbrook
 - Jack Sweeney, Director of Enrollment, Miami Valley Day School
 - John Hutchins, Director of Financial Aid, Phillips Exeter
 - Stormy Johnson, Director of Admissions, Perkiomen School