May 2009

Catholic School Enrollment Talk

ISPD is your Catholic School Enrollment Solution for maintaining and/or increasing the quantity, quality, or diversity of your elementary or secondary Catholic school enrollment.

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Managing Enrollment by Leveraging Tuition Assistance

By John Cooper, ISPD Enrollment Specialist

The # 1 problem facing Catholic schools (elementary and secondary) across the country is how to deal with the rising cost of tuition and the perceived or real inability to pay. If your school has not yet set aside quality time to bring your financial minds together to develop a plan of attack around tuition assistance, then your school is probably not being as strategic as it needs to be on the issue of affordability.

In this issue of *Enrollment Talk*, let's examine how the leaders of St. Example School attempt to be more strategic in using tuition assistance to leverage an enrollment that meets budget. For purposes of this exercise, St. Example has already applied a discount (subsidy) from fundraising to keep tuition at $3,000 per student when the actual cost to educate a student is more than $5,000.

Creating the St. Example School Budget for 2009-10

In November 2008 the St. Example Board of Trustees met to begin planning the budget for 2009-10. The business manager presented what he felt would be the ideal budget to sustain the school for the upcoming school year. It looked something like this:

Perfect Enrollment & Financial Scenario:	
# of students enrolled	200
Budgeted Tuition Assistance	$0.00
Revenue based on a tuition of $3000/student	$600,000

Everyone including the business manager realized that this ideal financial scenario would not work.

There were some families that would not enroll unless offered help with financing tuition. A representative of the school's enrollment management core team was present at this budget meeting. She indicated that the school's core team calculated that it would need to offer at least $30,000 in tuition assistance to enroll 200 students. The board did not want to raise tuition any higher. It was proposed that a budget be constructed that consisted of institutional tuition assistance funds that could be used to leverage an enrollment of 200 students. In order to do this, expenses were reduced within the budget to create the institutional tuition assistance necessary to leverage enrollment. The budget looked something like this:

Financial Assistance Leveraging Plan A:	
# of students enrolled	200
Revenue based on a tuition of $3000/student	$600,000
# of students receiving assistance	30
Budgeted tuition assistance	$30,000
Tuition Revenue	$570,000
Discount Percentage Rate	5%

Essentially, the board came up with a discount rate of 5% to use strategically in leveraging enrollment. To determine the discount rate percentage the board took the total amount of tuition assistance allocated ($30,000) and divided that number by the total amount of gross tuition revenue ($600,000).

Three board members with keen business minds were asked to work with the business manager and the enrollment core team to develop an award strategy that would best leverage the institutional tuition assistance dollars that had been allocated. The award strategy looked something like this:

Calculated Family Need	**Tuition Assistance Award**
$500	$300
$1,000	$500
$1,500	$1,000
$2,000	$1,500
$3,000	$2,000

May Board of Trustees Meeting

During the May Board of Trustees Meeting, the school's enrollment and overall budget picture were shared. The principal informed the board that all her teachers had signed contracts for next year based on the salary and benefits that had been appropriated on the expense side of the budget. Purchased textbooks were in line with budget. Everything looked good from the expense side of the budget. However, the May 1 revenue looked something like this:

Plan A Strategy yielded this May 1 Scenario:	
# of students enrolled	165
Revenue based on a tuition of $3000/student	$495,000
Tuition assistance awarded	$30,000

Tuition Revenue	$465,000
Budgeted tuition revenue goal	$570,000
Total +/- Difference	($105,000)

The board members who had been working with the enrollment management core team shared that the economy was negatively impacting enrollment more than had been expected. 15 school families that had never applied for tuition assistance in the past had done so this year because of job loss. Instead of just sitting still and hoping for the best, they decided to create a Plan B that looked something like this:

Financial Assistance Leveraging Plan B:	
# of students enrolled	190
# of students receiving assistance	50
Gross Revenue based on tuition of $3000/student	$570,000
Budgeted tuition assistance (revised)	$60,000
Tuition Revenue	$510,000
Discount Percentage Rate	11%

This leveraging strategy used institutional funds to take the discount rate percentage to 11% (extra $30,000) with the goal of reducing the school's projected budget deficit. The board reviewed a new award strategy that looked something like this:

Calculated Family Need	**Tuition Assistance Award**
$500	$500
$1,000	$1,000
$1,500	$1,250
$2,000	$1,500
$3,000	$2,000

Board Calls a Special Meeting in June

The Board of Trustees held a special meeting in June. They normally don't meet in June and July as those are vacation months. The board members who were able to attend were pleasantly surprised to see a better financial scenario that looked something like this:

Plan B brings about Changes in June:	
# of students enrolled	190
Revenue based on a tuition of $3000/student	$570,000
Tuition assistance awarded	$60,000
Tuition Revenue	$510,000
Original Budget Goal	$570,000
Total +/- Difference	($60,000)

The previously projected deficit of $105,000 had been cut to $60,000 after strategically applying a discount rate of 11%. Some board members had been worried about moving from 5% to 11% and going deeper into deficit, but they were now becoming believers. It was decided to launch a Plan C in an attempt to improve the budget even more. Plan C looked something like this:

Financial Assistance Leveraging Plan C:	
# of students enrolled	200
# of students receiving assistance	60
Gross Revenue based on tuition of $3000/student	$600,000
Budgeted tuition assistance (2nd revision)	$75,000
Tuition Revenue	$525,000
Discount Percentage Rate	13%

Calculated Family Need	**Tuition Assistance Award**
$500	$500
$1,000	$1,000
$1,500	$1,250
$2,000	$1,500
$3,000	$2,500

Board Meets Again in July

At the special July board meeting, those present learned that moving from an 11% discount rate to a 13% rate continued to improve the financial picture at St. Example. They learned the following:

Plan C brings about Changes in July:	
# of students enrolled	197
Revenue based on a tuition of $3000/student	$591,000
Tuition assistance awarded	$75,000
Tuition Revenue	$516,000
Original Budget Goal	$570,000
Total +/- Difference	($54,000)

The school's projected deficit had gone down to $54,000 - a $6,000 improvement. They were still looking to reach that magic number of 200 students. With this goal in mind, a final Plan D was created that looked something like this:

Financial Assistance Leveraging Plan D:	
# of students enrolled	200
# of students receiving assistance	80

Gross Revenue based on tuition of $3000/student	$600,000
Budgeted tuition assistance (3rd revision)	$85,000
Tuition Revenue	$515,000
Discount Percentage Rate	14%

Calculated Family Need	Tuition Assistance Award
$500	$500
$1,000	$1,000
$1,500	$1,250
$2,000	$2,000
$3,000	$3,000

Board Convenes for its Regular September Meeting

After a busy summer, the board met in full session in September to review the entire enrollment and financial picture and to determine if Plan D was successful. Here's what they learned:

Plan D brings about Changes in August:	
# of students enrolled	200
Revenue based on a tuition of $3000/student	$600,000
Tuition assistance awarded	$85,000
Tuition Revenue	$515,000
Original Budget Goal	$570,000
Total +/- Difference	($55,000)

The school had reached its goal of having 200 students enrolled. However, the 14% discount rate came at the price of driving the school's budget deficit from $54,000 to $55,000. Some board members argued that the psychological, positive PR boost of achieving an enrollment of 200 students was worth increasing the discount rate and subsequently the deficit. The board had learned a lot from developing plans A, B, C, and D. It learned that institutional money could be used for tuition assistance in order to leverage enrollment while at the same time improving the net revenue of the school.

Takeaways from this Exercise in Leveraging Tuition Assistance

- A negative situation was set up in this exercise. The same type of tuition assistance leveraging could be used in a positive situation (less risk) where budgeted enrollment revenue has been met. For instance, let's say that St. Example School had enrolled 200 students by May 1 and net tuition revenue had been met. Maybe St. Example wanted an ideal enrollment of 225 students. Moving from 200 to 225 was not going to impact the school's fixed costs. An increase of 25 students at $3,000 per student would positively increase the school's gross revenue by $75,000. If the board at St. Example had to use $25,000 (for tuition assistance) of that $75,000 to leverage additional enrollment, then the school's net revenue would still have been positively impacted by $50,000.

- Notice that each time St. Example increased its discount percentage rate, it also developed a plan for how to best leverage those additional tuition assistance dollars. Please don't take the award levels in the example above as what your school should be doing. Every situation is different. Many Catholic schools today end up negotiating tuition. I am not opposed to negotiating tuition, if a school can prove that its net tuition revenue is better for having negotiated. It is best to begin with a "science" for how tuition assistance will be used strategically, even if you are going to end up applying the "art" of negotiating.

- Whether or not you are using fundraising dollars or institutional funds as dramatized in this exercise, you are applying a discount rate to your published tuition cost. It is important to plot what that discount rate percentage is each year no matter what the source of funding. You need to calculate how your discount rate percentage impacts your net tuition.

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Read about ISPD's 1st Catholic School Enrollment Management Cohort Consult

In February 2007, the Northern Area Schools (7 elementary and 1 high school) in the Archdiocese of Cincinnati were the first to ask ISPD to consider a cohort consult format for working with them on enrollment management. Since then, ISPD has worked with a number of schools around the country in a cohort format. Sharon Semanie, development director at Lehman Catholic High School, recently wrote about what the consult has meant to these 8 schools now 2 years later.

- **Read the Article detailing their experience with ISPD's Enrollment Management Cohort Consulting Format**

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Spiritual Thought

Whenever there is money involved in human interactions, there are ethical decisions that must be weighed. Involving a team of persons in the decision making process for tuition assistance increases the likelihood that ethical considerations will be more thoughtfully discerned. As we focus on the gift of our Lord's Spirit this Easter season, let us pray that we do as the early disciples did and listen to the Spirit as it expresses itself in the community we pull together to shepherd our schools. Amen.

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Upcoming ISPD Webinar

"Evaluating and Assessing Your Catholic Parish / School Development Efforts"

As part of our continuing series, this Webinar will be held on **Monday, May 18, 2009**, from **10:00 AM - 11:00 AM CENTRAL STANDARD TIME**. This is a free Webinar but registration is required so please visit our web site at www.ISPD.com to register. Other Webinar offerings are also listed on our web site. We invite you to join us.

- **Register for our FREE Webinar Today!**

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One day workshops presented by ISPD offer Catholic leaders throughout the country an in-depth experience on a specific topic. For more than twenty years, ISPD has been this country's leader in offering process-driven workshops that are practical, affordable, and interactive. 98% of all ISPD workshops receive a rating of 4 or 5 (out of a 1-5 rating system) by those in attendance. This spring ISPD will be presenting workshops on capital campaigns, engaging more people into the life of a Catholic parish, the best first steps in Catholic Development, enrollment solutions, long-range planning, and much more. Please visit our web site at www.ispd.com for the latest information and also to register on line.

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