

BUSINESS INTELLIGENCE

Landmarks in a Disrupted Landscape

Schools are considering revenue and expense levers beyond tuition and financial aid to plan a viable future.



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One could argue that almost all students enrolled at independent schools are on financial aid. Unless a school's tuition price covers the full cost of educating a student, which is rare, every student at that school is effectively on aid. While this perspective may seem extreme, it illustrates the pressures on the traditional independent school business model, as tuition increases outpace inflation, income disparity rises and enrollment is becoming more challenging for many schools.

To explore these pressing issues, NBOA has extended its partnership with the Enrollment Management Association (EMA) to a second year. This year's focus is expanded from "The Future of Financial Aid" to a broader exploration of the multifaceted independent school business model, which is almost entirely supported by and dependent upon enrollment. We have seen schools respond to enrollment challenges by developing eye-catching tuition models, e.g., "sliding scale" and "flexible tuition." (See "Reflecting Pull" on page 20 for four profiles of renewed aid programs.) At the end of the day, however, these are ultimately a repackaging of tuition and financial aid. Schools would do well to consider both sides of the coin, revenue and expenses.

As a first step in this renewed effort, EMA's Kristen Power and I presented to a packed room of enrollment management professionals and heads of schools at EMA's recent annual conference. Conversations there and elsewhere have generated these key points for schools to consider.

- Alternative revenue streams and strong development programs are key to increasing revenue.
- Conversations around compensation and staffing models can help schools examine expenses.
- Schools may also need to undertake the hard work of sunseting programs, rethinking class sizes and

considering alternative program delivery methods, partnerships and joint ventures. Rightsizing could include many areas of operations, such as enrollment, budget and programs.

- Three words keep coming back to me: "value proposition" and "differentiation." Highly distinctive examples that come to mind are for-profit schools like Avenues: The World School and Whittle School and Studios, which aim to open campuses around the world. Winchendon School, a nonprofit Massachusetts boarding school, opened a satellite day school in the heart of Brooklyn, with the goal of connecting students with the city. In August 2020, Hawken School in Ohio will open the Mastery School of Hawken to scale its experiential learning program. But change need not be so large scale. How might your school set itself apart within its marketplace?

Independent schools offer a luxury service but seek to cultivate a student body that includes a more complete continuum of socioeconomic statuses. At the same time, it's hard to imagine independent schools being anything other than tuition dependent, and to meet the bottom line, most schools must carefully consider maximizing net tuition revenue with mission-aligned students. Finally, if value proposition and differentiation are key to survival going forward, discounting tuition simply to fill seats feels like a dangerous proposition, since the goal should be to only enroll students who directly align with your mission and your admission requirements. This may be where the points mentioned above come in — the importance of considering all sides of revenue and expenses, and possibly rightsizing.

As always, we welcome your thoughts on these challenges. **N**

Furthering the Partnership

- EMA Executive Director and CEO Heather Hoerle and NBOA CEO and President Jeff Shields will present together at the North Carolina Association of Independent Schools in January 2020.
- Hoerle and EMA's Christina Dotchin will present on "Affordability and the Competition Facing Independent Schools" at the NBOA Annual Meeting, February 23-26 in Orlando. Learn more and register at nboaannualmeeting.org.
- Related webinars, articles, presentations, podcasts and more can be found in "Resources for Navigating a Disrupted Landscape" on NetAssets.org and on "Future of Financial Aid: Key Resources" on enrollment.org.

2018 FINANCIAL AID BENCHMARK DATA

	10th %	Median	90th %
Percentage of students receiving tuition remission	0.00%	3.37%	9.21%
Percentage of students receiving merit-based scholarships	0.00%	0.00%	9.45%
Percentage of students receiving need-based financial aid	8.57%	24.62%	47.22%
Admission FTEs as percent of total FTEs	1.45%	2.58%	5.00%
Total "gap" as a percentage of operating expenses (gross)	-12.8%	2.00%	17.8%
Total "gap" as a percentage of operating expenses (net)	4.3%	16.7%	34.7%

The average independent school discount rate (including financial aid, scholarships and remission) was 16.8%.
Data from NBOA's BIIIS data collection platform, 2017-18.