Financial Aid: What a Difference a Decade Makes

The unspoken rules of handling financial aid have changed. A focus on pricing, discounting and NTR will help us secure true financial viability.

Jeffrey Shields, FASAE, CAE
NBOA President and CEO
jeff.shields@nboa.org
@shieldsNBOA

When I first arrived at NBOA in 2010, I brought a strong perspective about higher-education business, finance and operations, but I had much to learn about independent PK-12 education. I recall a business officer pulling me aside and sharing that "all you need to do to get business officers talking is get them in the same room and tell them to discuss financial aid. They will have uninterrupted discussion for four hours." Although shared in jest, the sentiment was true, and it remains true today. That, however, is pretty much the only thing that has remained the same.

Back then, I learned a few unspoken rules by which business officers abided with little exception, even while schools were reeling from effects of the recession. Merit-based aid was essentially verboten. Financial aid dollars were to be allocated strictly to mission-fit students that demonstrated financial need. The overarching goal of aid programs was to build a student body that reflected the broadest range of diversity, including socioeconomic diversity. Schools trusted that financial aid allocations among peer schools were similar enough, regardless of the software or formula used to calculate them. Families that came to play "let's make a deal" were quickly escorted to the door. At least that was what was being said aloud, and I believed it.

I also believe what I hear too frequently today. Merit aid, i.e., non-need-based aid, is frequently used as a tool to attract the best and brightest mission-fit students. Competition is fierce for "the next Michelle Obama" or "the next John McCain." Families are also school shopping with a clear understanding that they are in the driver's seat. Some have no issue pitting one school against another in terms of financial aid packages offered and picking the school with the highest bid. Driven by enrollment targets and school finances, business officers have little choice but to engage in these conversations. Perhaps more disturbing are families with demonstrated ability to pay full tuition that still look for a deal. What is a business officer or enrollment manager to do?

First, as with many premium-priced services, we must clearly articulate our value — not just the head of school and enrollment manager, but the entire community: administrators, faculty, students and families. Everyone should know how the school is different from not just other independent schools but all other PK-12 alternatives in the marketplace: well-funded public schools, charter schools and homeschooling. When our conversations are focused exclusively on cost, we lose because we compete with free educational options every day.

Second, the cost of our education must be aligned with its perceived value. Many schools are doing the hard work of examining expenses, tuition revenue and enrollment projections, and coming up with creative and effective strategies. Some are rightsizing their enrollments and operations. Some are indexing tuition. A select few are "resetting" their tuition to a lower, more appealing number, essentially offering their financial aid or discount at the outset. It is imperative that heads of school, business officers, enrollment managers and trustees dispassionately examine their business model and enrollment targets to develop a sustainable and realistic strategy for their school's long-term financial health.

Finally, we must grapple with discounting. What is our financial aid philosophy, and how do we support it? What level of net tuition do we need to operate a financially sustainable program for our students and families? And what are our discounting guardrails, and how will we protect and maintain them to be fair and equitable opportunities for all students and families?

The environment I stepped into ten years ago will not be seen again. We have two choices: continue looking in the rearview mirror and rely upon business models and programs that may no longer serve our schools' long-term interests, or confront current realities and respond to them with the leadership and vision that have always set our schools apart. For me, and I truly believe for you, the choice is clear. N

TOP OF MIND WITH JEFF

Q Can PK-12 independent schools learn any lessons from higher-ed finance?

A Plan ahead before your school must confront a financial crisis that is impossible to turn around. Business officers need to communicate with the head of school, senior administrators and board of trustees regarding the full cost to educate a student, net tuition revenue and enrollment projections so that everyone understands the financial outlook and can make informed decisions. If you don't know where to start, the NBOA Financial Dashboard provides a clear framework for this discussion.

Q What encourages you the most about the financial future for independent schools?

A It is inspiring to see school leaders working to shape their school's future. Whether through innovative programming, creative pricing models or re-thinking enrollment management strategies, I see many schools positioning themselves well. I find that very exciting!