



Entheos

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Tuition and Finance Committee Conversations

The CSM Christian School Finance Committee is committed to supporting the mission of the school through exceptional financial stewardship, by paying close attention to key performance indicators, and with a strategic orientation demonstrated through Strategic Financial Management. (CSM Finance Committee Mission Statement)

The five tactical and five strategic tasks of the Finance Committee include the important task of recommending next year's tuition levels to the Board as part of the budgeting process. We have already written a great deal about setting tuition and noted what the formula for tuition setting is:

Tuition = the cost of excellent mission delivery / by the number of students in the school.

Algebraically, we might express that as $T = EM / S$

Here, we want to look at the content of the conversation Finance Committees have when setting tuition and the takeaways from the different elements. The following bullet points recognize the questions and comments that are commonly considered during the tuition setting conversation.

- Competition in the marketplace

The question is often asked: what do other schools charge? The Principal or book-keeper or a member of the Committee is often asked to create a table of tuition levels at neighboring schools and bring that back to the Committee. This is a somewhat useful exercise but also a very dangerous one. If it is used to depress tuition, it is dangerous. If it is used only to show that there are a group of schools who charge in a band of tuition from x to y, then it is moderately

interesting. Counter-intuitively, it is actually better to be at the top end of that band, or even the highest in that band, from a competitive point of view. Parents see price as an indicator of quality and the difference between \$6,000 and \$7200 is only \$100 a month, a price parents are willing to pay for the 'best' education for their child. At the same time, another school's tuition level is obtuse – we don't know why it is at that level e.g. is the church supporting it significantly? Are salaries very low? Do they offer a retirement plan? Do they have deferred maintenance? Do they have an angel donor who covers the difference? We have been in schools where each of these elements has been true. The information is interesting but not a difference maker in the conversation. It cannot determine what your tuition should be.

- What anecdotal evidence tells us

If the Finance Committee members are parents or are closely connected to the school, they will know a family or a couple of families for whom tuition payments are a monthly struggle, even with financial aid. It is easy to generalize those experiences to the whole of the school population. It is good for the Finance Committee to recognize that tuition setting is connected to real people. It is vital that we know and understand stewardship in this context. But the conversation needs to veer towards asking how families can access the financial aid the school eagerly provides rather than towards feeling sorry for them and depressing tuition as a result. The paradox is that the higher the tuition, the more we can help families who can't afford it. The Finance Committee cannot allow the emotional force of the anecdote to sway excellent strategic leadership. Indeed, the anecdote should persuade even greater adherence to excellent financial practices that will support the school long-term AND the family short-term.

- How we feel about it personally

Each member of the Finance Committee brings her or his own thinking. Each member is probably in a different financial position, capable of more or less tuition payment or donation gifting. Each member comes from a different business environment with the assumptions of those places part of who we are. Each person attends a church that may have different perspectives about money and stewardship. We should encourage each person to acknowledge those feelings and honor them. We should also recognize that feelings need to be interrogated to ensure that they are a spur to excellent thinking, not a product of poor digestion. We know that ultimately feelings are an important aspect of decision making so ignoring them is merely avoidance. We want to ensure that our emotions are productive. And we want to ensure that the Committee can work together productively with our feelings contributing and not creating barriers.

- The needs of the school

There is sometimes a fatalism about tuition. "If we didn't have so many expenses, we could tuition at a more reasonable level" is one way that shows itself. That approach is backwards. In identifying the needs of the school, the Committee is doing its job in supporting excellent delivery of the school's mission. It should be a point of pride (and an incontrovertible selling message) that tuition is raised in order to ensure that children receive an excellent mission-based education and that the Committee will not compromise on excellence.

- The needs of the child

Nobody is getting rich in our schools. We are not charging arbitrary amounts of tuition. The message the Finance Committee must constantly communicate amongst its own members and to the Board in its recommendations is that the needs of child were primary in the conversation. Too often, the conversation is hijacked by adults and adults' concerns. Will parents 'go for it'? What will this influential donor think? What are the politics of the Board? What's the least we can get away with? Does the Principal feel supported? Can we make it work? Let's be honest – these are not terrible questions to ask. But they deflect the conversation from the only one that really matters. We must first consider the needs of the child. Does a \$100 budget for art in a school of 180 (an actual budget line from a school) support the child's education in a mission appropriate way? Can an art teacher develop a program of excellence to serve her children? The conversation should always begin with the child's interests and, only when that has happened, allow for a quick review of the politics and the marketing optics. Of course, the Finance Committee can't conjure money out of thin air – the art budget isn't going to magically become \$2,000 over night. A great conversation will recognize what it should be to serve the child and then move the tuition in that direction to support it.

- What we think will happen if...

There is a great deal of fear intermingled with the tuition conversation. If we raise the tuition 4.8% rather than 3.8%, how many families might leave? If we keep the tuition increase at the rate of inflation, how will the faculty react when we tell them they don't get even get a COLA raise this year? The Principal says we need 5% and our gut feeling is 2.5% - maybe we should compromise somewhere in the middle in case of – what? The 'if' conversation does have value. But only if it is focused on the strategic outcomes of tuition setting. If we

set tuition at 4% this year, what ramifications will that have two years from now? That is an excellent conversation. The ‘if’ question based on fear is a very poor question, largely because it begins with the adult rather than the child. The Finance Committee might well retort that it is the adult who pays the bill. That adult, though, ultimately goes back to the child. Is the extra \$15 a month that 1% represents going to stop the mother and father from providing their child with a Christian education? Frankly, if it is then the issue is not solvable by the Finance Committee – that is a value question that the Principal has to face. The Finance Committee has to recognize that tuition is a lever that they pull, not to please parents, but to support children. Fear has no place in that conversation. This is what MUST happen in order to deliver mission excellence. Period. The issues underlying fear questions cannot be answered in their meetings.

The tuition conversation occurs at the October Finance Committee meeting, is finalized at the November Committee meeting, and the conversation outcomes (tuition recommendations) are presented with the 1st draft of the budget at the November Board meeting.

At the center of the conversation, the Finance Committee must grasp the truth of this:

- Set tuition for excellence of mission delivery
- Be child-centered in your approach making the needs of the child come first
- Leave the responsibility for the family’s finances to the family

- Ensure access to financial aid is transparent and welcoming

The elements of the Finance Committee conversation are largely predictable. They have been happening for decades. The questions discussed above have been asked a million times. Each year, the Finance Committee sometimes feels as if they are discovering these ideas for the first time. Not so. These are golden oldies that have been litigated and relitigated probably from the first time tuition was charged at a school. Be confident that the answers to these questions have also developed over the years based on research and practical experience. For almost all schools in almost all circumstances, the answer is the same – charge what it costs to benefit the child through excellent mission delivery. Found your conversation on this principle and it is highly unlikely that the school will do anything but grow.

Contact us at christianschoolmanagement@gmail.com with suggestions, comments or thoughts.