REIMAGINE TUITION: IS A TUITION RESET RIGHT FOR YOUR SCHOOL?

By Lucie Lapovsky

There is a growing gap between the published price of independent schools and what many people can afford. According to National Association of Independent Schools (NAIS) data, between 2008-2009 and 2017-2018, median day school tuition increased by 40.8% while median boarding tuition increased by 41.8%.[1] Financial aid at independent schools increased at about half the rate of the increase in tuition.[2] This is at a time when the Consumer Price Index (CPI) increased by 18.4%, family income increased by less than 10%, and the median income of the top 5% of the population increased by 27%.[3] Furthermore, according to NAIS, median enrollment at independent schools over this period decreased by 2%.[4]

The discount rate—the total amount of financial aid (need-based and merit) divided by the total gross tuition revenue—increased over this period of time from 12% to 14.9% at day schools and from 21.5% to 26.4% at boarding schools.[5] For example, a boarding school with a published price of $55,000 would receive an average of $40,480 per student.

Data from Sallie Mae indicate that 60% or more of students and families will eliminate a college from consideration on the basis of its published price without any further research.[6] There is reason to believe that families considering independent schools may do the same. At least one school leader interviewed for this report noted that a significant number of people exited the school's website after viewing the page listing tuition; this indicates that the published price itself was a deterrent to exploring the institution further despite the fact that financial aid was provided to many students who then paid a price below the published tuition.

To respond to these price and affordability pressures, several independent schools have taken steps to lower their tuition to a level they deem is more bearable to families in their markets. They've done a tuition reset. This report examines the conditions necessary for a school to consider a tuition reset and then provides case studies of seven schools that have done resets. The suggestions, examples, and case studies that follow are largely based on interviews with school heads, enrollment directors, and other leaders at independent schools that have done resets in recent years.

WHEN SHOULD YOU CONSIDER A TUITION RESET FOR YOUR SCHOOL?

You should consider a tuition reset if your school is not achieving the results needed in terms of numbers and types of students and the net revenue necessary to continue operating. A first step is to look at the data and answer the following questions:

- Has your enrollment been stagnant or declining?
- Have your inquiries and applications been declining?
- Has your discount rate been increasing?
- Has the number of full-pay students been declining?
- Are you under-enrolled?
- Do you have capacity for more students?
- Do you want to change the income distribution of your student body?
- Have the demographics of your area changed?
- Has the average income in your area declined?

If the answer to most of these questions is yes, then it makes sense to think about a change in your school's tuition policy, and a tuition reset is one alternative to consider.

REVIEWING THE DATA

There is a plethora of data a school should consider before making a decision to do a tuition reset. For most of the data discussed below, it is important to review the information to see how it has changed over time. This may help you understand why your school is not getting the results it has gotten in the past.

Benchmarking Relative to Competitors

You can begin by benchmarking your school relative to its competitors. The first step is to identify your competitors, and the best way to do this is to see which schools students who consider your school also look at and how often they choose your school over the others. In many areas, public schools and charter schools are significant competitors, especially if their quality has been improving. Consider how your school is priced relative to other schools and how it compares with them in terms of program offerings, co-curricular activities, student body, size, and facilities. Schools with multiple programs and many grades and those with day and boarding populations often have different groups of schools they compete with, and all of these should be examined.

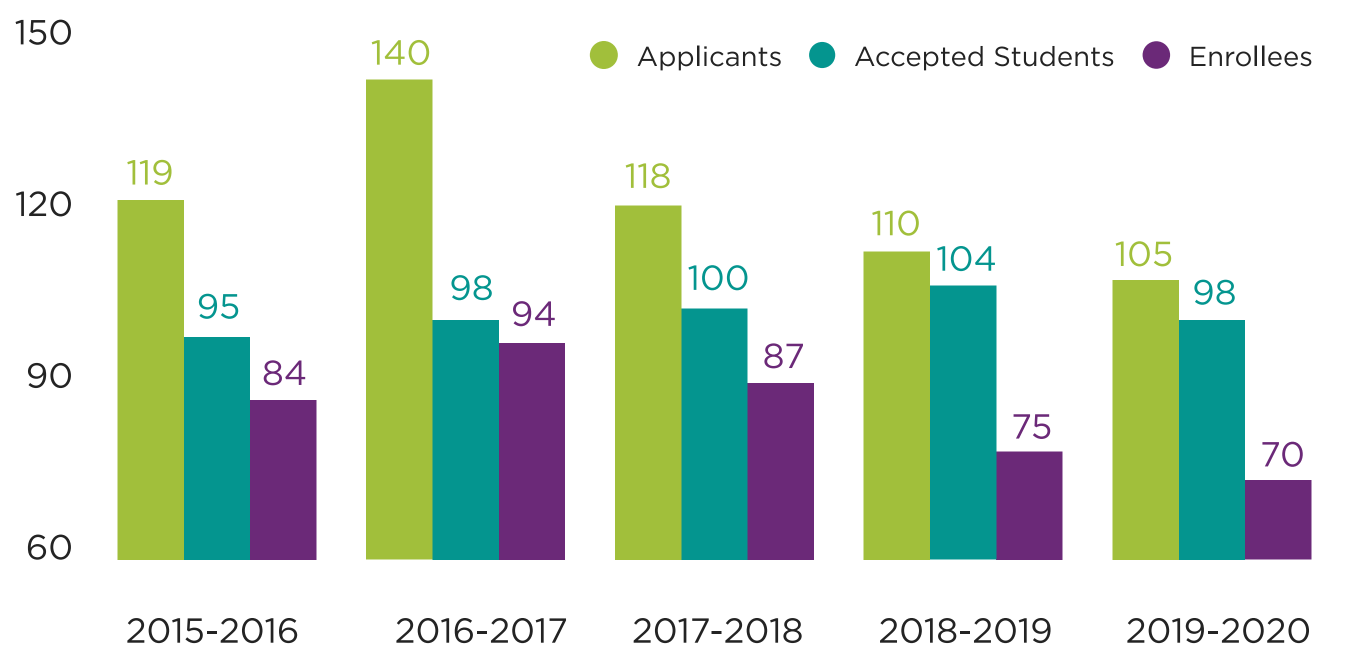
Demographics of the Families in Your Market Area

Look at the number of families with potential students in the area where you market—and their income. If your school is a day school with a limited draw area and the number of families has decreased over the last several years, you may need to consider expanding the school's marketing footprint. This may involve changes that are not related to price but rather to transportation, school hours, and similar factors. If the demographics of your market area have changed from primarily one- to primarily two-income families or if the income of the families in the area from which you usually draw students has declined, you may need to take a closer look at the area where you are marketing as well as your price and discounting policies.

Admissions Funnel

Review the number of inquiries and applications over the last several years. Your data collection might reveal trends like the example below (not real data). You will need to look at these for each of the school's key entrance grades. Have they been increasing, staying flat, or decreasing?

Sample: Tracking Admissions



A tuition reset impacts the top of the admissions funnel, which is where people start the process of looking at your school. If your numbers, especially your applicant numbers, have been declining, this is cause for concern. Unpacking the reasons for the decline is critical. Also consider the number of full-pay applicants versus those who seek financial aid. In addition, look at the percentage of applicants your school accepts (acceptance rate) and the percentage who accept your school (yield rate). If your school is under-enrolled but your acceptance rate is low because you are not getting enough admissible candidates, this could be caused by a variety of issues, and price could be one of them. A low yield rate is not something that will be influenced by a price reset but rather by an assessment of your net price relative to your value proposition and other factors that go into a family's decision to enroll or not to enroll.

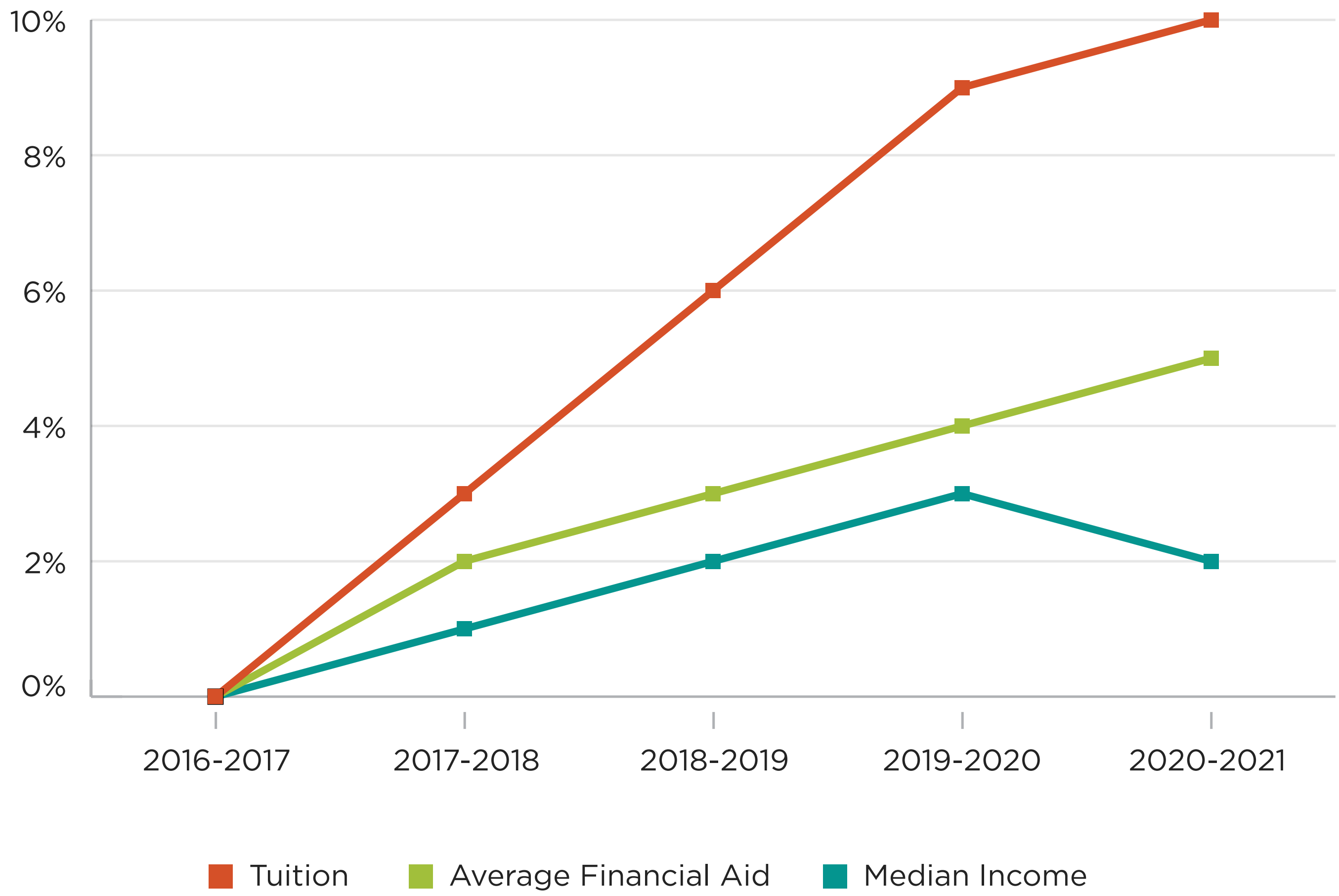
Enrollment Data

Consider your enrollment data for the school as a whole as well as for your key entrance grades. The first question you need to ask is would you like more students and can you accommodate them? If the answer is yes, then a price reset may make sense. It is important for a school to have room to grow if it does a reset because it will usually need additional students to compensate for lost revenue from the price reset. In addition, if your enrollment has been stagnant or declining and you want to grow, your published price may be a factor.

Tuition and Financial Aid Data

Examine the school's tuition and the amount of financial aid you have been giving over the last several years by grade. Look at how these variables have changed over time and whether tuition has been increasing faster than inflation and family income (see the example using sample data on page 6); this may indicate that price is a factor in your current situation. If financial aid has not been increasing commensurately with tuition, that may be part of the cause of the school's enrollment situation. But if your financial aid has been increasing as fast as or faster than your tuition, this should lead you to reconsider your tuition level.

Sample: Cumulative Percentage Change



Other Data

You may want to consider a variety of other data. Many schools survey potential families to get a sense of how they feel about the price of the school. If families are not even looking at your school because they are assuming that they can't afford it—even though the school offers significant financial aid—the school may want to reevaluate its published price. You may want to ask current families about the price and how they talk about the school with their friends; for example, current families may admit that they are uncomfortable suggesting the school to friends because the price is so high.

It can be helpful to get data from website hits—for example, when do people leave the school website? If the page with the tuition on it tends to be the exit point, price may be the problem.

CHOOSING THE NEW PRICE AND ESTIMATING THE COST

Once your school has decided to do a reset, one of the biggest challenges is to decide on the correct price. You will want to do an assessment of how much revenue you will lose from your current population at different price points. To do this, you need to examine the distribution of the net prices your students pay. You can put together a matrix that has grades as one axis and net price in thousand or five thousand dollar increments and then enter the number of students who pay each net price. You can then quickly calculate how much money you will lose in the first year at different lower price points by seeing how many students are currently paying more than you are considering charging. For example, let's say your current price is $30,000 and you want to reduce it by $6,000, or 20%. If there are 25 students who are paying between $24,001 and $30,000, you will lose the revenue from these students. If all of these students are full pay, you will lose $6,000 per student or a total of $150,000 with the new reduced price. You will then need a source of revenue to replace this lost tuition or you will need to lower your operating expenses.

Sample: Tracking Potential Lost Revenue

Net Tuition Paid This Year	Number of Students Paying this Amount	Amount that Would Be Forgone Per Student at Reset Price ($24,000)	Potential Revenue Lost
$25,000	7	$1,000	$7,000
$26,000	4	$2,000	$8,000
$27,000	2	$3,000	$6,000
$28,000	0	$4,000	0
$29,000	2	$5,000	$10,000
$30,000	10	$6,000	$60,000
		Total	**$91,000**

Most schools' first estimate of the cost is framed in terms of the need for additional students. In this example, you would need an additional 6.25 full-pay students (at $24,000 tuition) to compensate for the lost revenue. Schools often hope that additional fundraising will offset the cost, but in the long run, the expectation is usually that enrollment growth will compensate for the short-term revenue loss.

In some cases, the calculation of cost will be more difficult as some schools change the tuition for different grades differently. Schools often reduce tuition by different percentages depending on the market demand at each entry point. Others will use this opportunity to change the tuition structure and either eliminate some or all of the step-up tuition increases between grades or divisions, while others will use it to *add* step-ups.

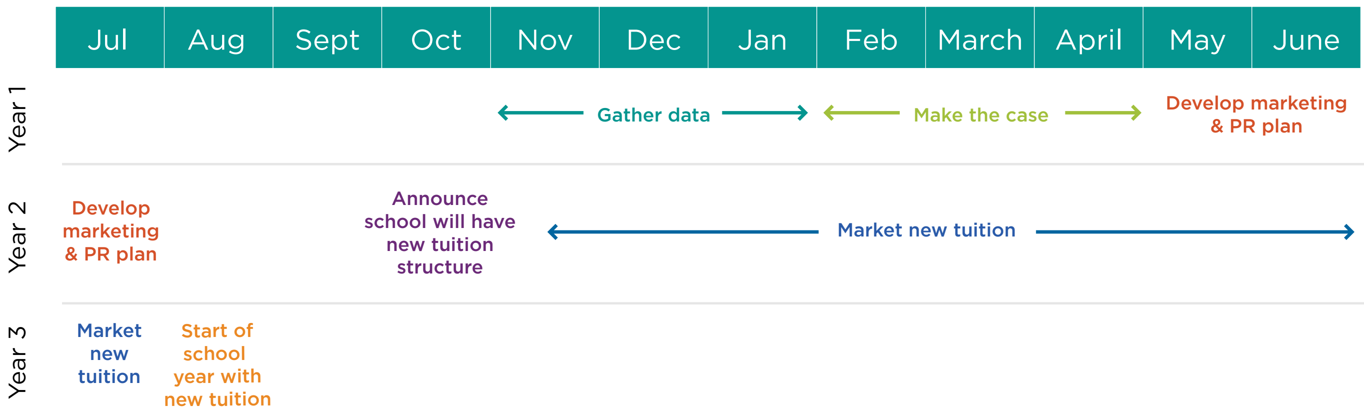
Schools always ask what the right price point is if they are going to lower their tuition. Looking at the cost is the first step, and assessing how much you think the school might be able to increase enrollment is critical to calculating how much revenue you will need. Benchmarking data relative to the price of other schools is also helpful in coming up with the new price. Where do you want your school to be positioned relative to your competitors? Were you previously the most expensive and now you want to be the least expensive or in the bottom third of schools in terms of price? This is another analysis you can do to help you figure out where to re-price your school.

Another variable to consider is what percentage of families in the group you market to could pay full tuition. What is the average income below which families typically receive some financial aid? What percentage of the population of families in your market earn more than that? If this percentage has been declining over the last several years, then a reset may be something to consider. Knowing this dynamic may help you determine a price point that a sufficient percentage of families can afford.

Planning the Process

It is best to allow between nine and 12 months to consider the data, decide whether you want to do the tuition reset, and then plan how you will implement it. It will probably take three to six months to put all the data together and develop a case for a reset and then another three months to develop your marketing and public relations plan once the decision has been made to do the reset. This totals about nine months, which means you should start the process at least as early as November a year before you announce your reset and two years before when you begin to charge the lower price.

Sample Timeline



This process depends a great deal on the school's culture and governance process. Often there will be a conversation at a board meeting to discuss concerns about the tuition level. This may occur a few years before a reset is implemented. Coming out of this board meeting or the next board meeting or even the next year when the tuition rates are again voted on, the board will often charge the administration with exploring alternatives. Or it might appoint a task force to work on the issue of tuition. Sometimes, the administration does the initial exploration and returns to the board with an analysis of the data and a suggestion for changes to the tuition structure that may include a recommendation to do a reset. Some boards may vote at this point to do a reset or to become involved in further exploration. They may appoint a task force to work on it.

Optimally, a small group of administrators and a few key board members will become intimately involved with the data and will be a part of the process, ultimately making a recommendation to the board. The board then votes on the reset (with or without the exact amount of the new tuition) no later than May before the fall in which the reset will be announced. This will leave the school time to develop its marketing and public relations plan for the tuition reset rollout. If the board has not already voted on the new price, it will need to do that in August so that the new tuition can be announced as soon as the fall term has started. It's important to wait to announce the price reset until just after the fall term has started so that families don't have the option of wondering whether they should wait a year to enroll so they get the lower price.

What to Do About Returning Students

Returning students should pay a net price equal to what they were paying prior to the reset, but in no case should they pay a price that is higher than the new price.

This can be accomplished in a variety of ways, but the simplest is to send letters to all returning families a day or so before the announcement of the reset, showing them what they would have paid the next fall with the current tuition structure and what they will pay with the tuition reset. You should personalize these letters for each student with the specific numbers included. Any family who has been paying more than the new price will immediately benefit from the reset. For families who have been paying less than the new price, you will need to show them how their financial aid has been reduced, but their net price will stay the same. Some schools even reduce the net price for those who are receiving financial aid so that everyone benefits from the reset. This depends on how much you are willing to spend on the reset.

Many schools, when they explain the reset to returning families, also show them what they are likely to have paid in the next few years with the tuition increases the school has been averaging and how their increases will now be lower because tuition will be increased from a lower number. Schools may then calculate the potential savings the students and their parents will receive over their time at the school.

Some of the schools that have done a tuition reset expected that the full-pay families would increase their annual giving by returning at least half of their savings from the tuition reduction. This money would then be available for a financial aid fund for those students with unmet need. Most schools, however, have not seen success with this strategy.

Messaging and Rollout of New Tuition

You will need to plan how you want to position or reposition your school with the new price. Most schools will come up with a tagline to announce the new price—e.g., Kiski's "Rethink Tuition, We Did" and "We've RESET Tuition So You Can RETHINK the Possibilities!" It is important that you make sure that people do not think that your tuition reset is going to lead to a diminution of quality. Many schools are explicit about this, and some even discuss enhancements to school programming at the same time. In addition, most schools continue to offer financial aid after the reset, and they should make that clear in their announcement.

As you plan for the rollout of the reset, you should be intentional about how you will get publicity for it. It's a good idea to announce the reset on the homepage and then have another page, which may be the tuition page, that discusses the reset in more detail. It is also helpful to also include answers to a set of frequently asked questions.

Many schools do a press release for local news media. Writing an op-ed in which you explain your new tuition policy may get you in local newspapers. Be open and willing to go on local radio and television shows to talk about the tuition change. Many schools also either increase or redirect some of their advertising budget to the tuition reset. One school bought a billboard in the center of town. This has been very successful, both in increasing awareness of the school and in making clear that it is now more affordable than local people thought.

You should also give a heads-up to alumni before the reset is publicly announced. This provides you with an opportunity to explain your rationale for doing a reset and to reassure alumni that the quality of their school has not diminished. If you have feeder schools, you should notify them so that they hear the news from you rather than secondhand.

Addressing Concerns

Board members often express concerns about the cost of the reset and how it will be perceived. The cost can be calculated easily, but the reset does have some risk associated with it because it depends on enrollment growing to compensate for the lost revenue. In addition, people may perceive the reset as an indication that the school is doing this because it is not as good as it says it is or because it is experiencing significant financial challenges. The messaging needs to address these issues. It is true that many schools that make significant changes to their tuition pricing strategies are encountering serious financial and enrollment problems. But ultimately, the question for the board and the administration is whether it is riskier to continue with the current tuition strategy or to do a reset or make some other significant changes to the tuition strategy. If your school has been increasing its tuition every year while increasing its financial aid but it is not increasing its net tuition revenue or is losing enrollment, does it make sense to keep doing what you have been doing? Or is it better to try a new strategy? Schools will come down in different places on this question.

Setting Goals

The goals of the reset will be unique to each school, but they should be clearly articulated before the reset is done and then monitored to see whether it is accomplishing these goals or needs to be tweaked. Most schools want to increase enrollment and increase their net tuition revenue. Some are explicit about wanting to change the distribution of income profiles among their students, and others want to compete with an expanded set of schools. Some use the reset to redefine who they are. One school that did a reset emphasized the integrity and quality of the school's academic program but made it clear that it is a "no-frills" school, which is what allows the school to operate at a lower price than many of its competitors.

Resetting tuition is not a one-size-fits-all response that will be effective or necessary for each school. Understanding your key data indicators, evaluating how parents see the value your school creates, forecasting the costs and benefits of a reset, and carefully designing your implementation and communication plans will help your school plot the right course. School leaders and trustees must be involved in the process and must fully support it to improve the likelihood that reducing your price will yield the financial, enrollment, and mission-driven outcomes you seek.

LEARNING FROM HIGHER EDUCATION

Many more colleges and universities than elementary and secondary schools have experimented with tuition resets. Several of the schools in this study turned to colleges to seek out advice about a tuition reset. What are the similarities and differences between the two sectors as they explore and implement tuition resets?

Similarities

- Both want to grow enrollment and have excess capacity.
- Both are concerned with looking at peer/competitor schools and their price position relative to other schools, both before and after the reset.
- Both are concerned with their value proposition.
- Both want to know how the reset will be perceived and whether it will indicate weakness.
- Both spend time on the branding of the reset and the rollout.
- Both are concerned with how to treat returning students.
- Both require board votes to make the change in tuition.

Differences

- Colleges provide much more in financial aid than independent schools; many colleges do not have any full-pay students and the discount rate is much higher, so they have less to lose than independent schools, most of whom have mostly full-pay students.
- Complex formulas are used at many colleges to award financial aid.
- Most colleges are much larger than independent schools.
- Independent day schools have a local market, so they are heavily influenced by the other nearby schools and especially by the quality of the public schools; they have a lot more market power when the local public schools are low in quality. Most colleges have a larger market area.
- Conversations need to take place with students and parents at colleges, but independent schools only need to consult parents.
- There is more parent involvement in tuition-setting at independent schools than at colleges; many independent school boards have significant parent representation compared with college boards, which have few, if any, parents on them.
- Colleges have more shared governance than independent schools, so faculty and students can be involved in the tuition-setting process. Fewer constituencies are involved in the decision-making process in independent schools.
- Colleges usually have only one price for all students; independent schools often increase their prices as grade levels or divisions advance.
- Many colleges use a consultant to guide them through the reset process. Most of the independent schools that have resets have done them on their own.

Despite these differences, the experiences of colleges with tuition resets can be helpful to independent schools. For more on college tuition resets, see **"Do Price Resets Work?"**

CASE STUDIES

The case studies that follow describe the tuition resets at the following schools:

- Boulder Valley Waldorf School: PreK-8 school in Niwot, CO
- Buffalo Seminary: Grades 9-12 girls' day and boarding school in Buffalo, NY
- The Kiski School: Grades 9-12 boys' school, primarily boarding, outside of Pittsburgh, PA
- Lansdowne Friends School: PreK-6 school in Philadelphia, PA
- Montgomery School: PreK-8 school in Philadelphia, PA
- The Pennfield School: PreK-8 school in Portsmouth, RI
- Stoneleigh-Burnham School: Grades 7-12 girls' day and boarding school in Greenfield, MA

Lansdowne Friends School was the first of these schools to do a tuition reset in fall 2013; Boulder Valley Waldorf School did its tuition reset in fall 2016; Montgomery School's reset took place in fall 2018; and Kiski, Pennfield, and Stoneleigh-Burnham did resets for fall 2020. Buffalo Seminary is planning to do a tuition reset for fall 2021.

Lansdowne, Boulder Valley, and Montgomery School reported that their resets were successful as they experienced significant enrollment increases. The three schools that reset their tuition for fall 2020 are having a difficult time evaluating their success because of the challenges presented by the COVID-19 pandemic. These schools have not made their overall enrollment goals, but they report that they are much better positioned than they would have been without the reset. The schools also found that their applications were up significantly through March 2020, compared with the same time last year; they all attribute this to the reset.

CASE STUDY: BOULDER VALLEY WALDORF SCHOOL

Boulder Valley Waldorf School (BVWS) is a preK through eighth grade school in Niwot, Colorado, near Boulder. In 2019-2020, it had an enrollment of about 170 students.

Motivation for the Reset

In 2015, the school was threatened with closure if it didn't do something significant; it had never recovered lost enrollment from the 2008 recession. The school was under-enrolled and running a deficit.

Timing and Process

The board decided to do a tuition reset of 40%, which it announced in January 2016 effective for fall 2016. Daniel Hindes began as head of school in the fall of 2016 (after the decision had been made to do a reset), and he was tasked with implementing the plan. The initiative to reset tuition was entirely board led.

Data Reviewed

School leaders looked at the prices of peer schools and how much it actually cost to run the school. Before the reset, the school was priced similarly to its competitors. After the reset, it was priced at least 30% less than its competitors, and sometimes as much as 50% less. To determine the new price, the staff took the budget of the school (excluding financial aid) and divided it by enrollment to determine the "true cost per student." This resulted in a new tuition that was 40% below BVWS's level at the time. The difference between the new and the old tuition was the amount of funds that had been allocated to financial aid as well as the uncollected bad debts. Many families were just not paying their bills, and the school had high accounts receivables, which contributed to its financial stress.

Cost and Financing of the Reset

The school had an operating deficit of 8% in spring of 2016. The school also had 11% of its revenues as accounts receivable. Hindes "invited" those who had not paid their bills either to make their accounts current or to elect not to return. The school recapitalized its reserves through a refinancing of its property to carry it through, and it reduced the deficit with enrollment growth over the next few years. The school broke even in 2019-2020 and was projected to break even and begin building reserves in 2020-2021, but the pandemic has set this back.

New and Old Tuition

After BVWS decreased tuition by nearly 40% in September 2016, it froze tuition for the next three years. Tuition went from $14,703 to $8,900 for all grades. The tuition freeze was implemented to build trust because families were afraid that this would be a one-time adjustment, a “bait-and-switch,” with a large tuition increase the next year. By fall 2018, the school realized that the gap between BVWS and the other independent schools in the area had increased significantly and would allow the school to justify a significant tuition increase; in addition, the school needed a large tuition increase in order to continue offering its quality education. BVWS increased tuition by 9% percent to $9,701 for fall 2019 and then by 11% to $10,768 for the fall of 2020, but it has agreed to keep tuition changes to moderate increases of 2% to 3% for the next several years. Along with the tuition increases, BVWS eliminated its annual fund. The school’s message: “We are committed for the long term to affordable tuition, and we will set it as low as we can possibly afford to.” This messaging went over quite well with current and prospective families in the area.

When this new model was adopted, school leaders assumed that financial aid would not come from a budget allocation but rather from a dedicated scholarship fund that would be raised from the parents who had been paying the full price prior to the reset as well from as other donors. They assumed that parents who were paying the full price prior to the reset would contribute some of the difference from what they had been paying for a scholarship fund. But this did not happen, and so the school no longer provides financial aid. BVWS is now a moderately priced school, and all students who attend pay the published price. The result of this approach is that the school does not have any low-income students, but it does appeal to more moderate-income families who couldn’t afford the price before the reset.

Returning Students

When the new tuition rate was implemented, all students were charged the new price, and no one was given any financial aid, with the exception of a few returning students who had been paying less than the new lower price. These students were allowed to continue paying the net price that they had been paying before the reset.

Goals of the Reset and Results

The school's goals were to increase enrollment and to make the school more affordable to moderate-income families. The school has a capacity of 190-200 students and was operating with fewer than half that number. The price change was based on the principle that students would be charged the actual price of their education. The year BVWS did the price reset, the school actually increased spending and gave faculty an increase in salary.

The reset was successful in terms of increasing enrollment and net revenue. The school had an enrollment of 85 students the fall prior to the reset; the change was announced in January 2016, and the school ended the year with 104 students. BVWS accepts a lot of students during the year and, unlike most schools, usually ends the year with more students than it started with in the fall. Enrollment grew steadily during the next few years; BVWS started 2016-2017 with 129 students and ended the year with 134; 2017-2018 began with 132 students and ended with 150; 2018-2019 began with 154 students and ended with 161; 2019-2020 began with 164 students and was up to 177 when COVID-19 struck and the state closed the campus for several months; BVWS ended the year with 172 students.

BVWS was operating in person in the fall of 2020 with 135 students; most of the enrollment loss was from the early childhood program. The school was operating with capacity constraints because of the pandemic. From March to June 2020, while shut down, BVWS lost 50% of its students, but since the start of the 2020-2021 year, the school has gained back much of its enrollment.

The lower price has succeeded in bringing in middle-income families. Seventy-five percent of the student body is new since the price reset. BVWS is now overwhelmingly a school of dual-income, working professionals. This has made for a grounded community of people who are mission-aligned and wouldn't otherwise be at a private school.

Other unanticipated results of the reset were that the school was able to streamline the administration because it no longer needed to process financial aid applications. Accounts receivable went from 11% of budget to 1.5% of budget (due in part to new policies and a new administration that enforced the policies), but, also, the school is now enrolling only families who can afford to be there since there is no financial aid, and the families tend to pay what they contract for. Previously, a lot of the accounts receivable were from people receiving aid. Because of the lack of collection enforcement, many of these families were effectively receiving additional aid by falling behind on payments without consequence.

Hindes notes that there is tension between the idea of "airline pricing" the empty seats (they had 60 empty seats in fall 2020) with discounting using financial aid and the strict policy of "either you pay full price or you don't get to be here." But that tension is mostly theoretical because the school is upfront right from the start of the admissions process that it doesn't offer aid. Hindes explains, "Thus, by the very structure we have chosen, this tension is not personal; we don't see the ones who would have tempted us to do policy exceptions."

Messaging and Rollout

When the school rolled out the new tuition, it also did a rebranding that included changing the school name from Shepherd Valley Waldorf School to Boulder Valley Waldorf School; the intention was to create an identity related to the school's local area. The name change was important because the school uses a lot of social media for marketing and wanted people to be able to find BVWS when they searched "Waldorf Schools in Boulder." It helped with search engine optimization. The school also uses its website as a key marketing tool.

BVWS's message was that this was not just a different price but a different model. The school is offering everyone the maximum discount with no need to apply for aid. With this price change, school leaders felt that they needed to keep expectations realistic; they were clear that the school doesn't have any gloss; it is a no-frills school with a solid educational program. The school is not resourced to meet the needs of students with exceptional learning challenges, and they will likely need to look elsewhere. There are no extras on top of the curriculum—no athletic program, no librarian, etc. As Daniel Hindes comments:

> With parents, we were and are very upfront that at this tuition level we don't have a robust support system for students with learning differences. We do the best we can in a general classroom context and make referrals for supplementary support services outside the school.

This clarity of messaging has generally been well received. It is also easier for the school to give this no-frills message as a Waldorf school since the Waldorf philosophy values simplicity.

Advice for Other Schools

Daniel Hindes says that he would have made a more moderate reduction in tuition; the 40% decrease was too large and required large increases in future years. The school also found that the expectation that families who had been paying the higher price would contribute to a scholarship fund didn't materialize, and the effort to raise these funds had to be abandoned.

School administrators also found that fundraising became more and more difficult, in part as the demographics of their student body changed, and they have now also given up their annual fund and are just dependent on tuition to run the school with the exception of one-off contributions for specific projects by generous donors. When they made the significant (11%) tuition increase for fall 2020, they promised families that the annual fund would go away as parents were the primary donors to the fund. Hindes cautions against planning for a significant increase in fundraising in your budget assumptions.

The western United States does not have a long tradition of independent schools and of philanthropy, Hindes says, so this might work differently in other places. He stresses being sensitive to the possibility that in some regions, upper-middle income parents haven't been acculturated to independent school fundraising and often don't understand why they are even being asked to contribute beyond their tuition. Hindes recommends that if you are going to adopt a model such as this, line up a few key gifts in advance of the reset that will bridge the year or two between when the new pricing takes effect and when the enrollment has increased enough to make the new model work. The Catch-22 is that to have an impact, the cut has to be substantial, perhaps even to the point of lost revenue in the first year. But it is challenging to know upfront how quickly that will bring in enough new students to get to a new stasis point.

Freezing tuition for three years after the reset locked them in, although they did give themselves a bit of wiggle room on fees. This was difficult and not something that the head would recommend for other schools. The school did hit all of its targets for enrollment growth but about six to 12 months later than originally forecast.

Sources

- Conversation with Daniel Hindes, Boulder Valley Waldorf School head of school
- Selected documents from Boulder Valley Waldorf School
- Boulder Valley Waldorf School website: **www.bvwaldorf.org**

CASE STUDY: BUFFALO SEMINARY

Buffalo Seminary (SEM) is a grade nine to 12 day and boarding school for girls in Buffalo, New York. SEM was established in 1851. In 2018-2019, the school had 186 students of whom 19% were boarders.

Motivation for the Reset

SEM's enrollment had declined from a high of 215 in fall 2015 to 186 students in 2018, with much of the decline among day students. SEM had indications that the cost of tuition was impacting the admissions process negatively. The school also wanted to reaffirm its mission-driven commitment to diversity and respond to demographic changes in western New York. The school's net tuition per student was in a slow decline, and administrators realized that if this trend continued, it would be unsustainable. SEM was under capacity and had room to increase enrollment.

Timing and Process

The school began seriously considering a reset in the fall of 2019. The head of school and trustees worked closely together to examine the impact of the reset. The admissions team had expressed its concern about rising tuition for two years, and the board was aware of these concerns. In the summer of 2019, the marketing/admission committee of the board, plus some administrators (including the head of school, assistant heads, and director of development) and some faculty members, began to study seriously the area from which they drew students and to look at possible responses to enrollment challenges. They restructured the admission office and changed the marketing strategy for the 2020-2021 school year with limited success. These factors and the global pandemic compelled them to make the move to a tuition reset in the fall of 2020 in response to SEM's needs for more revenue and the needs of the Buffalo market.

School administrators did their own modeling of the impact of a tuition reset with guidance from Chris Brueningsen, head of Kiski School, and Lucie Lapovsky, higher education consultant. They looked at the income levels of families in western New York, the numbers of school-age girls projected out over the next 10 years, and a comparison of SEM with local competitor schools.

Data Reviewed

SEM examined the demographics of the Buffalo area as well as the continuing decline in net tuition revenue, the flattening of applications to ninth grade, and the school's low attrition rate (only about 2%). Administrators looked at the increasing percentage of students granted financial aid and the especially high percentage of *day* students receiving financial aid: while 27% of the school's residential students received need-based aid, 70% of day students did.

Cost and Financing of the Reset

The expectation is that the reset will be funded through enrollment growth and an increase in net tuition revenue.

New and Old Tuition

The tuition was reset from $22,560 in 2020-2021 to $18,510 in 2021-2022, a reduction of 18%.

Returning Students

All returning students will receive the new, lower tuition rate. The school reduced the net tuition slightly for all returning students so that all will benefit from the lower rate. If a family objects to receiving a lower financial aid award at the new price, the school will let them remain at the old tuition rate with the original financial aid award and a slightly higher net price.

Goals of the Reset and Results

SEM expects that the reset will enable the school to maintain its mission to serve the families and girls in western New York and to maintain diversity. The school has three key specific, measurable goals:

1. Increase enrollment by five ninth-graders in each of the next three years. The first indicator that the school will look at will be the numbers at its open houses. Based on historical data the school will need to attract 20 more students to its open house and encourage 15 more prospective students to apply in order to yield five new ninth grade students.

2. Increase net tuition by 22% over four years.

3. Become more selective in admission.

Messaging and Rollout

The school rolled out a new logo at the time of the announcement. The announcement: "We are pleased to announce that we have recently set the tuition for the 2021-22 school year to $18,510—a nod to our founding year, 1851.... We want a SEM education to be more accessible because we know that now, more than ever, the world needs more SEM girls."

The school increased its marketing budget for the rollout. School leaders announced the tuition reset internally via email, followed by personal letters and information on social media. They followed up with personal phone calls to key people.

SEM announced the tuition reset on September 17, 2020, effective fall 2021, and to date, the school has received only positive comments.

Sources

- Conversation with Helen Ladds Marlette, head of school, Buffalo Seminary
- Buffalo Seminary website: **www.buffaloseminary.org**

CASE STUDY: THE KISKI SCHOOL

The Kiski School is a boys' boarding school, serving students in grades nine through post graduate and located in Saltsburg, Pennsylvania, about an hour from Pittsburgh. Kiski has a seven-day boarding program in which most of the school's 175 students are enrolled. About 2% to 3% of the students are day students from the local area. Kiski reset its boarding school tuition for fall 2020-2021, reducing it by 21% compared to the 2019-2020 boarding tuition.

Motivation for the Reset

Several key board members and Head of School Christopher Brueningsen were concerned about the trajectory that tuition and financial aid were taking at Kiski. They suspected that the price would exceed almost any family's ability to pay in a few years. School leaders believed that the school was pricing itself beyond the means of even the top 5% of the income earners in the country, and they did not want to be accessible only to the top 1%. They were also concerned about the ability of young parents to afford the school.

Timing and Process

School leaders at Kiski began thinking about a reset in fall 2018 when the subject was raised at a board meeting. As trustees were voting on the annual tuition increase, there was the usual hand-wringing about how high tuition could go. The board charged the administration with studying other tuition models. Brueningsen put together a small working group with a few key trustees and some of his administrative team to look at the situation and explore alternatives. He hired Lucie Lapovsky (higher education consultant), who had worked with several colleges on their tuition resets, to advise him on this project and to meet with the team. Lapovsky made a presentation on the topic to the administration and some of the faculty so that they would all understand the strategy.

After Brueningsen and his team concluded that a tuition reset was warranted, he spoke individually with every trustee before the 2019 summer board meeting when the annual vote on tuition would be taken. At the board meeting, Brueningsen made a thorough and thoughtful presentation that looked at all angles of the situation and was laden with data. He made the recommendation to reduce the boarding tuition and showed how it would be financed. The board unanimously approved the reset at that board meeting, and it was announced publicly on October 1, 2019. The reset decision did not apply to day tuition.

Data Reviewed

Brueningsen and his team reviewed a plethora of comparative and time series data. They used NAIS's Data and Analysis for School Leadership (DASL) database to help them with the review. They looked at Kiski's data as well as data from its competitors. They examined the increases in tuition and fees, the change in the net price at Kiski, comparable schools, and the universe of independent schools. They also looked at data from colleges and universities, including national data on tuition resets and the recent positive experiences that Rosemont College and Utica College had with their resets.

Survey data from Kiski's families included a question about price and value. The data showed that in 2015, when Kiski's tuition was $50,400, about 12% of families said that the price was too high for the value. This percentage had increased to more than 40% by 2018 when Kiski's tuition was $57,400. Parents were beginning to question the value proposition, and some families with multiple children said that they probably would not start at Kiski now if this were their first child. The team did an analysis of how much tuition would have increased for a family with three children if the first child had begun ninth grade at Kiski in 2011 and the third child graduated in 2020. The family's last tuition check to Kiski would be 54% greater than the first check!

The team looked at how affordable Kiski was for families at different income levels. In 2005, a family needed $220,000 to send one child to Kiski; in 2018, it needed $400,000. Kiski had moved from being affordable to the top 5% of the income distribution to being affordable to the top 1%, too small a group to ensure Kiski's sustainability. The team also examined the number of visitors to the school website. Between September 2018 and August 2019, 68% of visitors to the website exited from the "Affording Kiski" page.

The team put together a matrix that looked at all of the current students and the number of full-pay students as well as the net revenue from students who were receiving financial aid. They calculated how much the school would lose in revenue at different levels of price reduction and how many new full-pay students the school would need to enroll at various price points. Finally, they projected the old and new Kiski tuition 10 years out with reasonable increases to see where they would be. They became convinced that the old tuition would make a Kiski education unavailable to almost all families; the numbers were off the charts.

Cost and Financing of the Reset

The team looked at the cost of a reset in terms of the number of additional students needed to compensate for the lost revenue from students who had been paying a price higher than the reset price. Kiski's enrollment was 186, and 50 of these students were full pay. With the new tuition of $48,500, the school would forfeit $12,800 per student or a total of $640,000. In order to make up this amount, Kiski would need to increase enrollment by 13 full-pay students at the new tuition. The board agreed on a plan to make up this amount over two years. This would require the addition of eight new full-pay students in Year 1 and five in Year 2. The school would have a deficit of $252,000 in Year 1, which it would cover with reserves. In Year 2, Kiski would add another five students and increase the new lower tuition by 2.9% to $49,900, which would generate an additional $181,972. The tuition increase, along with the additional students, would generate an additional $431,472, which would put the school in net positive territory in terms of revenue as compared with its revenue pre-tuition reset. In addition, the school's tuition discount rate was forecast to decline from 49% to 33%.

New and Old Tuition

Kiski's boarding tuition was $61,300 before the reset. It reset tuition to $48,500, a reduction of $12,800 or 21%. Kiski's new tuition—instead of being in line with peer institutions—was now about $10,000 lower than the lowest-priced peer institution and about $15,000 below the highest-priced peer institution.

Returning Students

Kiski sent each family a personalized letter the week before the public announcement was made. The decision was made to reduce the net price by 3% to 4% for everyone who was paying less than the new tuition of $48,500 so that everyone could feel part of the reset. The letters focused on net price, which had been a significant part of the conversation in recent years. All returning families were shown that their net price would be less than it had been the previous year even though their financial aid grant would be reduced. Families accepted this and understood the school's goals.

Goals of the Reset and Results

Kiski wanted to increase its enrollment and be affordable to the top 5% of families rather than the top 1%, which is the group that could afford a Kiski education on the pre-reset price. Kiski had an enrollment of 186, and it could probably accommodate 220 boarders. School leaders also thought that the school could use the price reset as a launching pad for the next capital campaign to increase the endowment and provide funds for financial aid.

Kiski experienced an increase in inquiries from 350 for fall 2019 to 548 for fall 2020 (57%); an increase in applications from 146 to 200 (37%); and an increase of new students from 72 to 87 (21%) despite the COVID-19 pandemic. On the other hand, enrollment of returning students declined from 114 to 84; this was due to the graduation of an unusually large senior class and higher attrition due to the global health crisis.

Messaging and Rollout

Kiski made an investment in marketing and public relations. It hired Apple Box Studios to develop the PR and marketing for its campaign. School leaders spent time considering what audiences they wanted to appeal to, especially in terms of income and assets. They were concerned with how Kiski would come up in a Google search when parents were looking for private schools, especially when they used the term "affordable" as part of their search. Kiski decided to use the slogan "Rethink Tuition, We Did" and "Isn't it time someone did something about the high cost of education? We did." The campaign included digital as well as print advertising. The school worked to get press and be included in the area newspapers as well as garnering television and radio coverage of the price reset.

In addition, Kiski had some paid advertising that included newspaper, television, and digital platforms. There were also press releases that were widely circulated. Articles about the reset appeared in the *Pittsburgh Post-Gazette, The Pittsburgh Tribune-Review, The Indiana Gazette,* and *The Hechinger Report*. There was a spot on the local CBS news channel. In addition, *The Philadelphia Inquirer* published an op-ed by Brueningsen. The school spent $220,000 to market this initiative.

There is an announcement of the tuition reset on Kiski's homepage and a very simple net cost estimator on its website so that a family can easily estimate what a Kiski education would cost. Finally, the school used the reduced price to begin a campaign named "Retargeting Life-Changing Campaign Engagement."

Without the pandemic, the school would have been on target to enroll its largest class ever despite graduating an extraordinarily large class of 75 students. The school had experienced an increase in applications of 50% by May 1, 2020, compared with the average of the last five years; and inquiries were up 70% compared with the prior year. The school rolled out the Kiski One plan, which allows students to move seamlessly from attending classes in person to learning remotely and to go back and forth as their situation changes. This plan has helped mitigate the enrollment consequences that many schools have faced because of the pandemic.

Advice for Other Schools

Christopher Brueningsen says that he wished the administrative team had been prepared to present the reset proposal to the board in early spring rather than in June so that he could have had more time for the rollout. He also would have hired the consultant and marketing firm earlier in the process.

Sources

- Conversation with Christopher Brueningsen, head of school, The Kiski School
- Presentation and additional graphs done by Christopher Brueningsen
- Christopher Brueningsen, "Time for Transparency: Exploring and Announcing a Tuition Reset," NAIS *Independent Ideas* Blog, January 20, 2020; online at www.nais.org/learn/independent-ideas/january-2020/time-for-transparency-exploring-and-announcing-a-tuition-reset
- The Kiski School website: **www.kiski.org**

CASE STUDY: LANSDOWNE FRIENDS SCHOOL

Lansdowne Friends School (LFS) is a coed preK to sixth grade Quaker school in Lansdowne, Pennsylvania, a suburb of Philadelphia. The school is 118 years old and currently has an enrollment of about 100 students. About 50% of the students receive financial aid, but no student gets a full scholarship.

The school's mission is to "engage children in a challenging educational program guided by Quaker values, especially those of respect for all people and peaceful problem solving."

Motivation for the Reset

Between 2003 and 2013, tuition at the school had almost doubled, increasing from an average of $8,060 to $15,400. The school had been using a high tuition/high discount model. Enrollment in 2003-2004 was 101, but by 2012-2013 it had fallen to 69 students, and the school was running a deficit. LFS was also concerned about preserving racial and economic diversity, and the high tuition was a barrier to this goal in the school's market.

Timing and Process

In November 2011, Lansdowne Friends began a strategic planning exercise that called for enrollment growth. In May 2012, a new finance chief was hired, and she proposed a significant tuition increase to bring tuition more in line with that of other schools in the area. With the announcement of this much higher tuition, parents became upset as this increase would make LFS one of the most expensive schools in the area. However, instead of the originally proposed tuition increase, the board decided to reduce tuition by several thousand dollars. Clearly, the board and the administration were not on the same page and, at about the same time, the head of the strategic planning process resigned, and the head of school announced that she was going to retire.

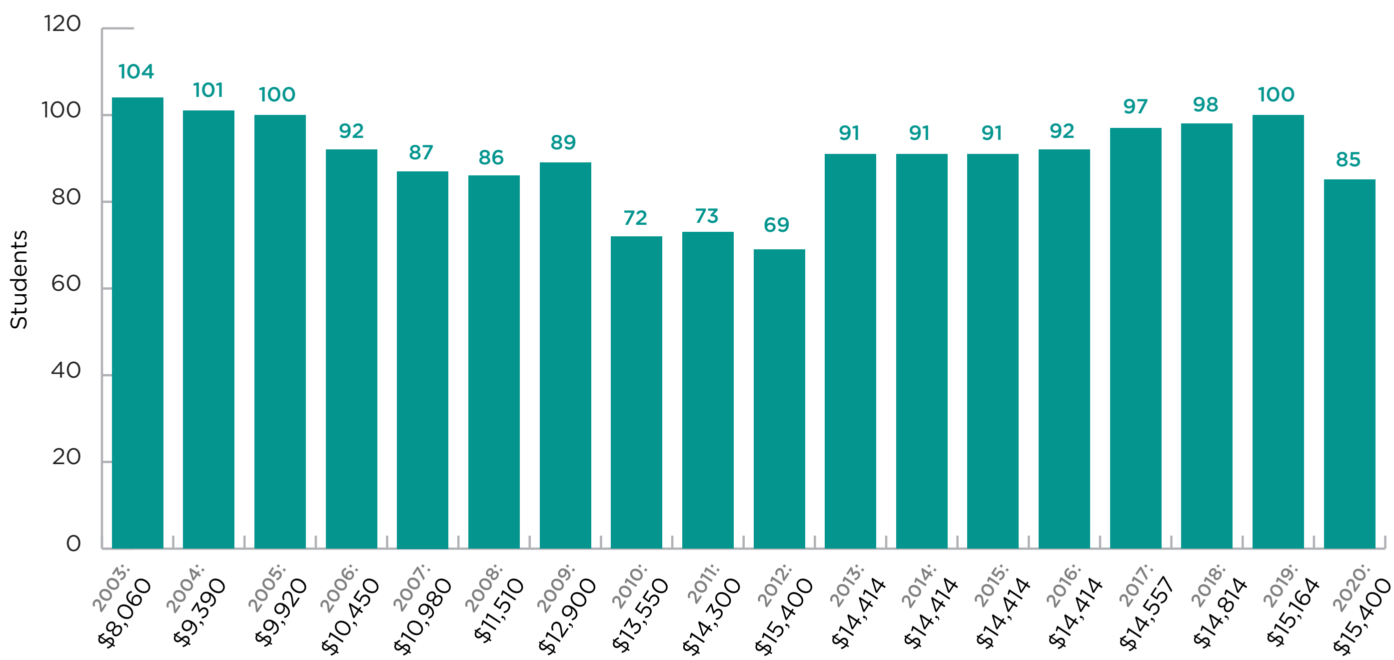
Data Reviewed

As a result of the originally announced tuition increase, a parent examined the demographic data of the school and the local area and made a presentation to the board in October 2012. This revealed that few people in the local area could afford the tuition. The parent suggested a 50% reduction in tuition. But the school was already running a deficit, and it didn't seem possible to cut tuition in half and continue to maintain the program. As a part of the research to determine an appropriate tuition level for LFS, the head of school, along with some other staff and trustees, visited several area schools to understand their finances. It is noteworthy that the school doesn't have any strong public competitors; it is in one of the lowest-performing public school districts in Pennsylvania. Eventually a tuition reduction of a more modest amount was proposed and adopted.

New and Old Tuition

Rather than the originally planned tuition increase for fall 2013, the school reduced tuition about $1,000 to $14,414 and then froze it for a few years. By 2017, the school's tuition, in constant dollars, was less than it was in fall 2012. Tuition continues to step up by grade, as it did with the old high price/high aid model. In fall 2012, the average tuition for all grades was $15,400. In 2020-2021, tuition ranges from $14,250 for kindergarten to $16,050 for sixth grade and again averages $15,400. Tuition for the full-day preK program is $12,750.

Lansdowne Friends School: Tuition and Enrollment, 2003-2020



Source: Lansdowne Friends School

Note: Tuition is the average of the tuitions from kindergarten through sixth grade.

Cost and Financing of the Reset

The school has been able to finance the tuition reset, several years of tuition freezes, and several years of very modest tuition increases primarily through enrollment growth. The plan proposed enrolling 85 students by 2017, but LFS reached 90 students over the next few years, and enrollment in fall 2019 was 100 students. Enrollment growth is in part attributable to a change in strategy, which increased the focus on recruiting and retaining kindergarten students.

Returning Students

The new tuition in 2013 applied to all students, including those already enrolled. Thus, existing parents were able to benefit from a reduction in their tuition bills.

Goals of the Reset

The school's goal in its change in strategy was first and foremost financial viability and sustainability; it needed to grow its enrollment, and its high price was inhibiting enrollment growth. There are many factors that contributed to the increased enrollment in 2013 and since. In addition to the reduction of tuition, changes in leadership and an increase in the number of applicants to preK and kindergarten are also factors. LFS wanted to maintain a tuition that middle-income families could afford, and it wanted to be viewed as accessible and diverse. It continued to aid over 50% of its students and devoted 14% to 15% of its budget to financial aid. John McKinstry, who was head of the school from 2013, right after the reset, until 2020, froze tuition during much of his tenure to keep the price affordable and maintain the school's diversity. The increases that occurred after several years of frozen tuition were modest (less than 2%).

Messaging and Rollout

McKinstry commented on the rollout process:

> People often equate price with quality, so we had to get out and strongly communicate with prospective families about Lansdowne's quality and diversity. We make clear that our tuition is a direct result of and reflection of our commitment to the community and our commitment to socioeconomic diversity. We focused on word-of-mouth. We created a Parent Ambassador Program that provided our parents with facts and talking points to weave into their personal stories about the school's quality when sharing the Lansdowne difference with friends and colleagues.

Advice for Other Schools

Schools should be aware of their competition in deciding what to do with tuition. One thing that McKinstry noted was that LFS did not have any strong public school competitors.

Sources

- Conversation with John McKinstry, head of school, Lansdowne Friends School, 2013 to July 22, 2020 (conversation in August 2020)
- "Charging Less to Earn More" by John McKinstry, head of school
- Lansdowne Friends School Committee Report of the Head of School, Thursday, May 21, 2020
- NAIS DASL data for enrollment and tuition
- Lansdowne Friends School website: www.lansdownefriendsschool.org

CASE STUDY: MONTGOMERY SCHOOL

Montgomery School is a preK-8 coed school located on a 60-acre campus in Chester Springs, Pennsylvania, a suburb of Philadelphia. Montgomery has an enrollment of 250 students and 34 full- and part-time teachers. The school implemented its strategic multiyear plan, "A Bold Move Forward," in 2018. The plan included a new financial and tuition model (which included a reduction of tuition of 30% on average), a unique development campaign, and a new model for forecasting and modeling financials moving forward. The tuition reset initiative is formally known as "Excellence Within Reach."

Motivation for the Reset

Montgomery had experienced enrollment declines each year since the recession in 2008. In 2017, Montgomery also hit an inflection point: Enrollment declines continued, and increases in tuition did not yield a net increase in revenue adequate to cover cost increases. While the board and administration knew declining enrollment was an issue, Montgomery was not an outlier from other schools in the market. Research conducted by the school between 2015 and 2017 also indicated that, while Montgomery's tuition was in line with independent school peers in the area, the tuition did not align with market expectations of what families would be willing to pay for a Montgomery education. It became clear that the model of tuition increases was not sustainable and that meaningful change was needed to improve the affordability and accessibility of a Montgomery education.

Given the research and continued declines in enrollment and net tuition yield, it was urgent for Montgomery to change and to find a new path forward for financial health.

Timing and Process

A strategic task force of four board members, the director of finance, and the head of school was created in 2017. It met weekly for nine months. The task force looked to evaluate historical data, current trends, and input from marketing studies. Simultaneously, the school was working on developing a new strategic plan. Those conversations began at the end of the 2016 school year and also included taking a deeper dive into data about the school.

The collective data and research of the task force and strategic planning committee informed conversations for the strategic plan and set the tone and momentum for change. Their combined efforts resulted in developing a dynamic strategic plan that would ensure the future health and growth of Montgomery School. The strategic plan, "A Bold Move Forward," was released in January 2018. The first of the three pillars in the plan is "Enrollment Growth, Affordability and Accessibility."

The school conducted financial modeling and discussed different levels of tuition scales and structures. They also considered "right-sizing" the school, which indicated that there was room for growth. They knew that if the school was going to be a leader in this type of industry transition, they needed to make a bold move, not a small move.

Data Reviewed

The committee reviewed enrollment and tuition assistance trends, examined peer school offerings, and evaluated the purpose and mission of Montgomery School. The demographic data for the area indicated a significant drop in the birthrate and the strengthening of public and charter schools, which was putting a lot of pressure

Montgomery School: New and Old Tuition

Grade	2017-2018 Tuition & Fees	2018-2019 Tuition & Fees	Percentage Change
Half-day PK	$13,250	$12,600	-4.9%
Full-day PK	$20,450	$16,750	-18.1%
K	$24,925	$18,700	-25.0%
1	$28,025	$20,200	-27.9%
2	$29,485	$20,200	-31.5%
3	$29,485	$20,200	-31.5%
4	$29,485	$20,200	-31.5%
5	$29,485	$20,200	-31.5%
6	$32,925	$21,800	-33.8%
7	$33,050	$21,800	-34.0%
8	$33,190	$21,800	-34.3%

Source: Montgomery School

on independent lower schools. The task force also reviewed data from focus groups about what families wanted, their knowledge of the school, and what people would be willing to pay for the education. The research showed that many families wanted to attend an independent private school, but they were not willing to pay the high price tag. Research indicated that the top end of what families were willing to pay was $15,000.

The rate changes show careful assessment of the market at each level and attention to the issue of increasing tuition as students advance. The committee's goal was to set the tuition (not including fees) under $20,000. In the tuition reset, the tuition for grades one through five was set at the same rate; previously, first grade tuition had been lower than tuition for grades two through five. In middle school, the jump in tuition between grades six and eight was eliminated. The absolute tuition levels were chosen based on the market research and financial modeling.

Cost and Financing of the Reset

The estimated cost of the reset was $800,000 in Year 1. This was based on the amount of revenue that would be lost from those students who were paying more than the new tuition levels. Due to the level of uncertainty, the task force did not include any enrollment growth in the final cost difference. However, the task force modeled five-year projection scenarios with increased enrollment as the lower tuition made the school more accessible to more families. While there was little data at Montgomery or in the market to support these models, the team looked at the traffic on the tuition page of the school's website, analyzed past enrollment trends, and used market research. It was determined that an increase in enrollment over three to five years would yield greater net tuition revenue and in a way that would be self-sustaining over the long term.

The school needed a plan to bridge the gap during the first two years after the tuition change until it achieved a significant increase in enrollment. The task force and board decided to create a fundraising campaign for the transition to the new model. All parents of students who were going to see lower tuition were asked to donate those savings back to the school for Years 1 and 2. The school needed to "bridge the gap," and it also needed to sustain the levels of other fundraising efforts, above and beyond the special campaign. The school was able to raise the funds for the campaign thanks to several significant donors and generous contributions from participants in Pennsylvania's Educational Improvement Tax Credit Program (EITC).

While not all families were willing to make the contribution, many did, and several families went above and beyond, making large donations to support the school and the plan forward.

The broader model and key priorities of the school's strategic plan were developed to support the new financial strategy. The strategic plan informs the board and head of school goals and serves as the north star for decision-making and continuing to grow the school.

Returning Students

The new rate was applied to all new and returning students. Families who were paying more than the new rates received a savings, while students who were receiving significant financial aid were charged the net price they had been paying. Their financial aid was reduced commensurately to accomplish this. The school continues to use a third-party needs assessment program to determine families' financial aid awards.

Goals of the Reset and Results

Year 1 Goals:

- Increase enrollment from 222 to 240 students
- Lower the number of families receiving financial assistance by 10%
- Raise $1.5M to offset the decrease in net tuition (approximately $500K per year for the first three years)

Year 1 Results:

- Enrolled 250 students
- Lowered number of families receiving financial assistance by 4%
- Raised $1.1M in gifts and pledges

The goal for Year 2 was to grow to 265 students, but the school did not attain that goal; enrollment remained at 250.

Messaging and Rollout

In order to make an impact on enrollment for the 2018-2019 school year, the school knew it was critical to share the strategic plan and "Excellence Within Reach" initiative with its community as quickly as possible. Even though it was mid-school year, the school decided to roll out both initiatives in January 2018.

A comprehensive communication and rollout strategy was developed by the director of communications in partnership with the head of school and board chair. The strategic plan and news of the tuition reduction initiative were communicated in tandem. They developed a strategy that included various methods of communication for each constituent group. The announcements created a lot of excitement within their community of parents, faculty, staff, and trustees about the changes the school would be making. Their goal was to ensure that everyone understood what the changes would be and to inspire people to use the plan as a compass to guide decisions and future planning.

Printed copies of the strategic plan and tuition reduction initiative were mailed to the community and external constituents to notify them of the changes (alumni, past parents, donors, past board members, etc.). Because community and connection are important facets of Montgomery's culture, the head of school, board chair, and members of the task force hosted a live webinar, followed by a parent coffee. By hosting the webinar, the school was able to move faster and reach more people than would have been possible with an in-person event.

The communications and rollout were very intentional, clearly stating that the academic program would not change. Maintaining the school's excellence, yet making it more affordable, was a core tenet of the approach. Families said the change in tuition was a significant game changer. The rollout strategy included notifying families who had been in the admissions funnel for the last three years to inform them of the change and to gauge interest.

Immediately following the announcement, the energy and excitement around the change became infectious. The school began to see an increase in new inquiries, and those who had considered Montgomery in the past reengaged with the school. By September, the school had enrolled 79 new students, inquiries were up 70% over the previous year, the percentage of families on financial assistance decreased by 4%, and the school raised $1.1M in gifts and pledges to support "Excellence Within Reach."

Advice for Other Schools

Sally Keidel, then head of school, said that she would have involved the development office sooner in the process and gotten their buy-in for the reset. For schools that are considering a new tuition model, Montgomery recommends starting the process early and creating a roadmap to allow enough time for planning and collaboration. Consider the time it takes to research, analyze data, and develop a comprehensive plan for change. Create a timeline so the communication and rollout strategy align with the admission process, giving the school a full recruiting year to advertise and make an immediate impact.

Sources

- Montgomery School website: **www.montgomeryschool.org**
- Conversation with Sally Keidel, former head of school and now head of Agnes Irwin School (PA)
- Written responses from Marianne Kaplan, director of external affairs
- "A Novel Approach to Tuition Setting," podcast, March 14, 2019, Enrollment Management Association

CASE STUDY: THE PENNFIELD SCHOOL

The Pennfield School is a preK through eighth grade school on a 19-acre campus in Portsmouth, Rhode Island. As of fall 2020, it had an enrollment of 149 students. Pennfield did a tuition reset that took effect in the fall of 2020 with tuition decreases ranging from 12% to 28%, depending on the grade.

Motivation for the Reset

School leaders were concerned about Pennfield's affordability and believed that the trend toward continually increasing tuition was unsustainable. Its enrollment had been declining over several years, and the school had excess capacity. Enrollment was 165 students in fall 2018 and 156 by fall 2019. The school can comfortably accommodate 180 students, and its zoning would allow for 220.

There was also concern that fewer of the school's students were paying full tuition. In 2019-2020, Pennfield had 34 new students, and only three were full pay; more and more parents required or insisted on financial aid to send their children to the school. School leaders learned that some families that could afford Pennfield were unwilling to attend without financial aid. It seemed that Pennfield's sticker price was discouraging families from considering the school. It was decided that Pennfield should return to its roots of being a "more down-to-earth, inclusive place."

Timing and Process

The tuition reset was implemented in fall of 2020. The administration planned the reset during the previous fall, and the board approved the new tuition rates at the December 2019 board meeting. The new rates were announced in January 2020. The school had considered a tuition reset 10 years prior to this reset decision but did not pursue it at that time.

Data Reviewed

The head of school, some board members, and the administrative team did budget modeling to see what the financial impact of a price reset was likely to be. They agreed that it was impossible to know how many additional students they would attract with this new price structure, but they could estimate how many they would need to break even. They also looked at the tuition rates of their competitors and found that the other independent schools were slightly more expensive. After the reset, Pennfield is now priced significantly below its independent school competitors, although the area Catholic schools charge about half of Pennfield's price.

Cost and Financing of the Reset

The new tuition required 10 additional full-pay students to compensate for the loss in revenue. The school took a leap of faith that it would be able to attract these additional full-pay students. But school leaders felt that they would also be able to compensate for some of the revenue loss through additional fundraising, particularly as the school is entering its 50th year. The school is soliciting contributions from full-pay students who are saving money from the reset and is hoping to get half of the amount parents are saving returned as contributions. In addition, Pennfield has significantly reduced financial aid, from 31% of the budget in FY2020 to 18% of the budget in FY2021. Financial aid remains need-based.

New and Old Tuition

The table below shows the new and old tuition rates. The percentage change in the rates varies significantly by grade with the smallest reduction for Classes VI-VIII at 12%, followed by prekindergarten at 14%, and the largest reduction in the rates for Classes I to III at 28%. The difference in tuition reductions was guided by demand, and the largest cuts in tuition were in the grades where demand was weakest. In the high-demand grades, Pennfield could have forgone a reset, but school leaders felt that it was important that everyone benefited.

The Pennfield School: New and Old Tuition

Grade	2019-2020 Tuition & Fees	2020-2021 Tuition & Fees	Percentage Change
Prekindergarten	$12,560	$10,750	-14%
Kindergarten	$18,500	$14,500	-22%
Class I-Class III	$20,270	$14,500	-28%
Class IV-Class V	$20,270	$16,000	-23%
Class VI-Class VIII	$23,230	$20,500	-12%

Source: The Pennfield School

In addition to the tuition reset, the new rates included changes to grade-level tuition increases. In the new tuition structure, the rate for kindergarten through Class III is the same; in the old structure, the rate was the same for Class I through Class V.

Prior to the tuition reset, faculty were given a 50% discount off the published tuition; after the reset, the faculty tuition cost remained the same as in the previous year. Pennfield also has a published discount for students of military families. The discount rate off the new published prices was reduced with the reset, and the tuition for military families was actually increased slightly, with increases ranging from $330 to $1,385 depending on the grade.

Returning Students

Returning families who received financial aid paid the same net price as the previous year, with the exception of students from military families; as described above, these families were charged a slight increase.

Goals of the Reset and Results

The ultimate goal of Pennfield's reset is long-term financial sustainability. Pennfield wanted to grow its enrollment and to increase its accessibility to "the hard-working middle class" who founded Pennfield over 48 years ago. For fall 2020, despite the pandemic, the school has 59 new students, of whom 24 are full pay. Pennfield could have accepted more students, but the pandemic necessitated restrictions on space. Rob Kelley, head of school, is not sure how much of this growth in new students and in full-pay students can be attributed to the tuition reset given how the pandemic has affected how parents make decisions about schooling. Pennfield is operating full time and in person while many of the area public schools are at least partially online. In addition, the school has several new students whose families are from New York but are sitting out the pandemic in Rhode Island. It is uncertain whether they will stay in the area once the virus is under control.

Messaging and Rollout

School leaders worked on the messaging about the reset. They have used the following lines: "We've RESET tuition so you can RETHINK the possibilities!" and "Making It Possible."

They engaged in significant word-of-mouth promotion of the new tuition, used social media, and bought ads. The reset is prominently featured on the school website.

The messaging focuses on returning to the school's roots. Pennfield wants to be a school that is welcoming to a greater number of students from within its 25-mile drawing radius.

Advice for Other Schools

Head of School Rob Kelley said that he would not do anything differently.

Sources

- Conversation with Rob Kelley, head of school, The Pennfield School
- Tuition schedules provided by Rob Kelley
- "The Pennfield School Launches Making It Possible Initiative," *Portsmouth Patch*; Online at www.patch.com/rhode-island/portsmouth/pennfield-school-launches-making-it-possible-initiative
- Pennfield School website: **www.pennfield.org**

CASE STUDY: STONELEIGH-BURNHAM SCHOOL

Stoneleigh-Burnham School (SBS) is a seventh to 12th grade day and boarding school in Greenfield, Massachusetts. In fall 2019, it had an enrollment of 137 students, of which 35% were day students, 35% were international boarding students, and 30% were domestic boarders. The school did a tuition reset for day school tuition only in fall 2020.

Motivation for the Reset

A new head of school, Stephanie Luebbers, and a new assistant head of school for enrollment and strategy, Kristen Mariotti, came to the school in 2018, and they were concerned about the affordability of the school for students in the local area. SBS had the capacity to welcome more day students, but because of the high price of day student tuition, the school was not attracting the numbers it could have in the local market.

Timing and Process

School leaders began thinking about a tuition reset in January 2019, and the board voted to do a reset in September 2019. Luebbers, Mariotti, and Director of Finance and Operations Robert Brainin began talking about this with the board and worked closely on evaluating the data and developing a proposal to pursue a tuition reset. The board overwhelmingly approved this initiative.

Data Reviewed

The small group tasked with the project of developing a proposal for a reset looked at a variety of data, including what other schools in the area charged and what programs they offered both day and boarding students. The group considered the different attributes of the SBS campus, which is quite small compared with other schools in the area, some of which have campuses comparable to a small liberal arts college. They also researched the family incomes in the area and the growth in family income over time compared with tuition increases at SBS. They concluded that the school was priced too high for most of the families in the area. Prior to the reset, SBS's day tuition would require that the average family in the Pioneer Valley area where Greenfield is located would need to use 56% of its income to attend the school, compared with the national average, which requires that the average family use 43% of its income to send a child to an independent day school. In Greenfield itself, the average family would need to spend 76% of its income. The small group concluded that SBS's price was unaffordable for too many families in the Greenfield area.

They found that SBS's middle school tuition was the highest in the area, and the high school tuition was also on the high end. Most of the high schools with which the school had the most cross-applications had lower tuition than SBS.

In December 2020, the board voted to reset boarding tuition for the 2021-2022 school year.

Cost and Financing of the Reset

The group at Stoneleigh-Burnham estimated how much income the school would lose from those students who were paying more than the new price. Given that Stoneleigh-Burnham's day student tuition was heavily discounted before the reset, the tuition reduction did not cost much; there were not many students who had been paying more than the new reset price. They determined that the school would need to increase enrollment by only a few students to compensate for the lost revenue. SBS used its own data and budgeting tool to perform its modeling and forecasts.

New and Old Tuition

The school's decision resulted in a reduction in the day student tuition of 49% for middle school and 38% for high school and a one-year freeze in the boarding tuition. In 2019, the published tuition price for all day students was $36,150; for the 2020-2021 year, the price was reduced to $18,500 for middle school students and $22,500 for high school students. Boarding tuition in fall 2020 was announced to be $61,750, the same as the fall 2019 rate.

Because of the pandemic, Stoneleigh-Burnham operated remotely in fall 2020; it has reduced boarding tuition by approximately 25% because students were not on campus. Since there are costs associated with having these students return in the spring, there are some fees that have not been reduced, as the school is keeping on some staff to be prepared to open the residence halls, prepare the dining services, and provide enhanced health services. Boarding families have been overwhelmingly supportive of the decision and grateful for the discount.

Returning Students

Returning families who were paying more than the new tuition were charged the new lower tuition. Families who received financial aid were charged the same net price as they paid in fall 2019; thus, their financial aid awards were reduced because their calculated estimated family contribution did not change with the lower tuition.

Goals of the Reset and Results

The school wanted to increase the day student enrollment, increase student diversity, and broaden the recruitment area for day students. There has been a lot of sticker shock with SBS in the local area. The school wanted to engage more with the local community so that SBS would be seen as a viable and attainable school.

Due to the pandemic and because of its small facility, the school made the decision to operate 100% online for fall 2020. Before the pandemic, the school had a 50% increase in day school applications and a 48% increase in full-pay applications and was on target for a higher enrollment. Even with COVID-19 at play, SBS brought in more day school revenue than in fall 2019.

Messaging and Rollout

The school announced the new tuition in September 2019 for fall 2020. SBS informed all of the continuing families before the public announcement was made. There was no need to increase the marketing budget very much as it was already quite robust. SBS issued a press release, updated its website, and bought a large billboard in the center of town announcing the reduced tuition for local families. The school also bought newspaper ads in the area and depended heavily on social media—Facebook and Instagram—to get the word out about the price change. In the local area, SBS used radio spots that talked about the change and worked with New England Public Radio for a sponsorship. The school used the press advantageously. Current families were enlisted to be ambassadors and to spread the word about the affordability of SBS.

Advice for Other Schools

Kristen Mariotti recommends that schools make sure that they include alumni in conversations about the tuition reset before publicly announcing the price change. She also suggests that schools clearly articulate to the board and other members of the community that the price reset won't make the school rich; it's for sustainability.

She says that it is important for a boarding-day school to be mindful of the balance between day students and boarders and determine whether the price reset is intended to motivate increases in day or in boarding student enrollment.

Sources

- Conversation with Stephanie Luebbers, head of school, and Kristen Mariotti, assistant head of school for enrollment and strategy, Stoneleigh-Burnham School (conversation on August 28, 2020)
- "Addressing the Rising Cost of an Independent School Education: Is a Tuition Reset Right for Your School?" Kristen A. Mariotti, Enrollment Management Annual Conference, **Vimeo**
- **"Stoneleigh-Burnham School Undertakes Inclusive Tuition Initiative,"** Chronogram, December 14, 2019
- **"Stoneleigh-Burnham Reduces Tuition for Day Students,"** Anita Fritz, *Greenfield Recorder*, October 16, 2019

[1] Mark J. Mitchell, "The Tuition and Financial Aid Outlook," *2019-2020 NAIS Trendbook*, (Washington, DC: NAIS, 2019) p. 44.

[2] NAIS, *2019-2020 NAIS Trendbook*, (Washington, DC: 2019).

[3] U.S. Bureau of Labor Statistics, Consumer Price Index; Mitchell, "The Tuition and Financial Aid Outlook," p. 45.

[4] NAIS, *2019-2020 NAIS Trendbook*, (Washington, DC: 2019).

[5] Mitchell, "The Tuition and Financial Aid Outlook," p. 43-44.

[6] Sallie Mae, *How America Values College: Sallie Mae's National Study of College Students and Parents* (Newark, DE: 2018); online at www.salliemae.com/assets/research/HAV/HAV2018_Report.pdf.

Lucie Lapovsky is an economist who consults, writes, and speaks widely on issues related to finance, pricing, strategy, governance, and enrollment management. She has led an NAIS research effort to produce guidance and recommendations for ways schools can rethink their tuition, tuition-setting strategies, and tuition-discounting approaches, informed by several case studies of independent schools that have recently decided to reset their tuitions.