

Dare you raise your tuition?

Every year schools want to know if they can raise their tuition. The discussion is often impassioned and subjective. Concerns range from whether parents can afford an increase to whether what they provide is actually worth that much.

However, the bottom line is really this: will an increase in tuition rates have a negative impact on enrollment?

Begin the discussion with the school's mission. This moves the decision-making process out of the subjective realm of feelings and opinions, and into the objective realm of principles. If the school is truly about the business of delivering on its stated mission, then they must have sufficient resources to be successful in accomplishing that mission.

At DTS we believe that subjective discussions about who can afford what are similar to a doctor who tries to kill the pain without curing the disease. Discussions about increasing tuition need to begin with two questions: 1) how much does/will it cost for us to effectively deliver our school's mission? And 2) what percent of this cost do we want to eventually charge?

Once the actual cost is determined you may decide that you want to charge 90% and supplement the rest with fund raisers (although if the fund raising is primarily with parents, you're still charging 100%).

Or you may decide that you want to charge 100% and raise an additional 10% for tuition assistance.

Some schools charge 110% and then give 10% away to lower-income families.

Once the two basic questions are answered, the next step is to determine just how long it should take to get from where you're at in your tuition rates now to where you have determined you should be.

However, there is one essential key component that is too frequently overlooked in this discussion – the element of tuition assistance. (see the article "How Much is Enough?") Bottom line is this: for most schools, 6-7% of the school's budget is probably adequate for low-income families already enrolled; 8-12% if you desire to actively recruit more lower-income families. Factors that would dictate the actual amount include: the percentage of lower-income families already enrolled, the school's actual tuition rate, the economics of your community, the percentage of lower-income families within your community, and how aggressively you want to recruit them.

Development Testing Services' parent & employee surveys target specific decision-making needs of schools. One of the many useful decision-making summaries is whether or not a school can increase tuition without a negative impact on enrollment; and if not, what should be done to make the appropriate increases possible.

When making recommendations regarding increasing tuition, we look at six related factors. All six of these factors are measured in DTS’s PinPoint™ Parent & Employee Opinion Survey. If all factors are positive, we would say that a school could raise tuition by whatever they felt necessary to better-accomplish their mission.

However, if key factors are negative or neutral, then the school should aggressively work to improve the factors that are rated low prior to any significant increase. Short-term increases should be cautious, and done in conjunction with a multi-year plan in which tuition is increased by a small amount the first year, and increased more in subsequent years.

The Factors

Factor 1

Families willingness to share financial information.

Family income is measured in DTS’s PinPoint™ surveys. However, we also look at what percentage chose to withhold income information. If this percentage is too high (over 20%), then this could be a concern – particularly if there were other critical factors that were not positive.

Factor 2

Percent of low income families and the school’s budget for tuition assistance.

When tuition exceeds 7-10% of a family’s net income they will probably need help paying tuition. If your tuition is average (around \$3,500), this would be the percentage of families who make under \$35 - \$50,000. If your tuition is \$5,000, then it would be the percentage of families with incomes under \$50 – \$70,000.

This is a typical comparison table:

	School Parents	USA 2000	Community, 7 mile radius
<35,000	9%	41%	30%
35-50,000	22%	16%	18%
50-75,000	27%	20%	26%
75-100,000	22%	10%	14%
\$100K +	21%	12%	12%

We have found that a typical family needing assistance needs 30-50% of their tuition paid. Keeping this in mind, take a look at the school parents in the table above.

If this school’s tuition is \$3,500, then they would probably need 3 – 4.5% of their budget for tuition assistance for their current families (9% of families times 30-50% assistance). If their tuition is \$5,000, then they would probably need 9.3 – 15.5% of their budget for tuition assistance for their current families (31% of families times 30-50% assistance).

If your school’s budget for tuition assistance is too low, you will lose lower-income families by raising tuition.

Note, too, that as you raise tuition, the percentage of currently-enrolled families needing assistance will increase, and so the percentage of your budget that goes towards tuition assistance will need to increase even more.

Factor 3

Percentage of higher income families – and that compared to the community.

What you want to learn is:

- 1) What percentage of your families can afford an increase. This will usually be those who make over \$75,000. In the table above, 70% of this school's families can afford an increase. If their tuition was \$5,000, then only about 43% (those with incomes over \$75,000) could easily afford an increase. If tuition was \$6,000, then only about 25% could afford an increase.
- 2) Whether you have more higher-income families than the community. This will tell you whether those who can afford to send their children anywhere have chosen to send them to your school or not. In most cases it will not be a good sign for you to have fewer higher income families than the community.

Factor 4

Financial value-related variables, and which items are rated low.

Financial value is basically “bang for the buck.” Do parents feel that what you charge (for tuition) is in line with what you deliver (in the way of educational services)?

Now, this is critical: we have discovered that a parent's perception about financial value has a greater impact on whether or not you can increase tuition than what the actual tuition rate is. As the subject of financial value has been studied in tens of thousands of parent survey responses, we find that there are several leading factors that either create or detract from financial value.

The leading factors are:

- **Policies.** Particularly financial aid, business, discipline and fund raising policies. Other policies were measured, but these topped the list. (Keep in mind that feelings about policies may have as much to do with what the policies are, as with how they are carried out.)
- **Leadership.** The leadership variables that rose to the top are: internal organization of the school (Upon entering the school do parents feel that they are entering an educational institution? Does it appear to be under control?), as well as board and administrative leadership (which could be as much perception as reality).
- **Relationships.** First on the list is the parent's relationship with the Administrator, followed by that with teachers and business office; and then student's relationships with each other and teachers. Unlike what is usually the case in public schools, parents desire a relationship with Christian school personnel.
- **Atmosphere.** A caring environment: friendliness, responsiveness, sensitivity, school spirit and student behavior are specific factors affecting atmosphere.
- **Public Relations.** Both the frequency of your communication with parents and the *quality* (appearance) and content of what they actually receive.
- **Curriculum.** This includes the courses you offer, how creatively they are delivered, how well you integrate a Biblical worldview and how well you prepare children for college and work.
- **Parental involvement.** Increased parental involvement yields increased parent pride, a better understanding of the school's mission, and an increase in perceived financial value.

If any of these areas need significant improvement, then those improvements will need to be experienced by parents prior to a significant tuition increase.

Factor 5

How important is tuition to enrollment?

Contrary to what we are prone to think, for parents who have chosen to enroll in your school, the actual dollar amount of tuition is relatively unimportant.

As a family travels through the process of making educational choices for their children, cost is not a leading factor. Once a family has concluded that a Christian education is what their child needs, there are other factors that direct their choice besides tuition. (However, if their income is low, the availability of tuition assistance becomes very important.)

Leading factors are typically: academic quality, spiritual emphasis, school personnel, positive peer influence and the school's mission.

In a PinPoint™ survey parents are asked how influential various factors were in their enrollment decision. While evaluating this information we look at where tuition fell in the listing of influential enrollment factors. If it was just a few from the bottom, then it may be pretty much a non-issue to parents.

This is a critical factor – understanding why parents chose your school. If tuition was not all that important in the initial decision, it will not be important in the re-enrollment decision – as long as they can still afford it.

Factor 6

Financial value in comparison with the overall survey average.

This is a difficult factor to measure without an actual survey. In a PinPoint™ survey we specifically ask the parent's feelings about the school's financial value. This rating is then compared to the overall survey average. If the financial value rating is much higher than the overall survey average, then parents may be saying that the education for which they are paying is worth more than the school is charging. (The opposite may also be true.)

If parents rate the financial value higher than the overall average, then they will still feel that there is significant value in their “purchase” when tuition is increased.

What about the competition?

You may have noticed that none of these factors rate other schools in the area. If competition for enrollment is tough between schools in your area, and if the other schools offer the same quality as yours, and if both schools are about the same size, then their tuition rate should be noted, but it certainly should not drive your decision. In fact if you raise your tuition they may be relieved that now they can raise theirs.

Remember: you are seeking to charge a tuition that will enable you to accomplish your school's mission with excellence. If families know this, and it is evidenced by what you do and how you operate as a school, it is unlikely that parents will move their children to a nearby school just to save money. You may find, to the contrary, that families transfer to your school to experience your excellence!

In Summary

If you do choose to increase tuition, keep a few factors in mind:

- 1) Plan any increase in tuition far enough in advance so that you can make sure parents understand they how's and why's of the increase, and also give you time to discuss the issue with parents who indicate at re-enrollment time that they may not re-enroll. It is best to make this decision by the end of the calendar year for the next school year.
- 2) Clearly tie a tuition increase to the ability to better accomplish your mission. This may be evidenced by a strong commitment to improvement of your library out of your annual budget, or increased salaries, or improved language or computer labs, etc. This is not to say that all of the increase needs to be used in these areas. But this would help the announcement of an increase make sense to parents.
- 3) Adequately address the issue of tuition assistance. The recommendation given previously (budgeting 30-40% of the percentage of lower-income families within the school) is only for those already enrolled. You will probably need 2-3 times that much to actually increase enrollment among lower-income families.

Without adequate tuition assistance, increased tuition will increase the percentage of your families with higher incomes and decrease the percentage of those making under \$75,000. A good rule of thumb is to increase tuition assistance 2X more than you increase tuition, if tuition is under \$5,000 (2.5X if it is over \$5,000). In other words, if your tuition is \$3,500 and you spend 5% for tuition assistance, and you increase tuition by 10% to \$3,850, you should increase tuition assistance by 20%, to 6%.

Prior to an increase would be the right time to make sure that your tuition assistance program is adequate to guarantee that currently-enrolled families with lower incomes are not forced out because of finances. You may even have to identify these families and talk to them one-on-one to assure them that you will do whatever is necessary financially to help them stay.

What should you do?

1. Make sure you are able to accurately evaluate your applicant's ability to pay. [Take a tour](#) to see how the CFA accurately and quickly evaluates parent's ability to pay.
2. You may also want to go online to www.cfainfo.info and request the free CD and workbook "Budgeting for Tuition Assistance."
3. Consider conducting a PinPoint parent & employee survey. Call 888-685-5783, or [contact us](#) at schoolsurveys.org and request a survey prospectus for your school.