

# Buckle Your Seatbelts: Navigating the Path to the 2021-22 School Year

December 3, 2020

# Housekeeping

- We are recording this session and a link will be sent to all who registered tomorrow.
- Yes, we will make slides available, although be aware that information changes with alarming speed
- Please use the Q&A to submit questions and review the questions that came before. You can up-vote questions to help us sort them



# Takeaways From Last Session

- Economy
  - As the virus goes, so does the economy.
  - Economy hardest on the service sector
  - Could see high demand for teachers as some retire or take time off from the work.
- Virus
  - Virus will be peaking this winter
  - Stick with the six feet and masks
  - Health insurance likely to spike for next renewal (delayed increases potentially due to delayed health care)
  - Vaccines becoming available, priority largely set by states
  - Vaccine hesitation a concern. Need roughly 70% community immunity.

# Trying to Plan for the Year Ahead

- There are still challenges ahead for this year, not the least of which is pandemic fatigue and the current spike. Pace yourself.
- Listen for key trends and think about how they are materializing in your region, benchmark group, or immediate area
- What are the key decision or action points in your year and where can you find flexibility?
- How will your community members receive information about the decisions you make? How will the decisions be perceived?
- What communications planning and crafting should occur beforehand?
- What are your community member needs and vulnerabilities?
- What do you need to start communicating with your board, staff, or families now to prepare them for any variations to come?



# An Important Note

- Antitrust law very much applies to our world.
- Be careful about conversations around financial levers
  - Includes: projecting tuition, salaries, financial aid, benefits, etc.
- Great temptation to compare notes and strategies
- Don't give in to it



Lisa Pullman, INDEX  
Ari Betof, Mission & Data  
Peter Baron, EMA  
Debra Wilson, SAIS  
John Gulla, EE Ford Foundation





# Trend Report

December 2020

Lisa Pullman  
[lisapullman@indexgroups.org](mailto:lisapullman@indexgroups.org)  
[www.indexgroups.org](http://www.indexgroups.org)

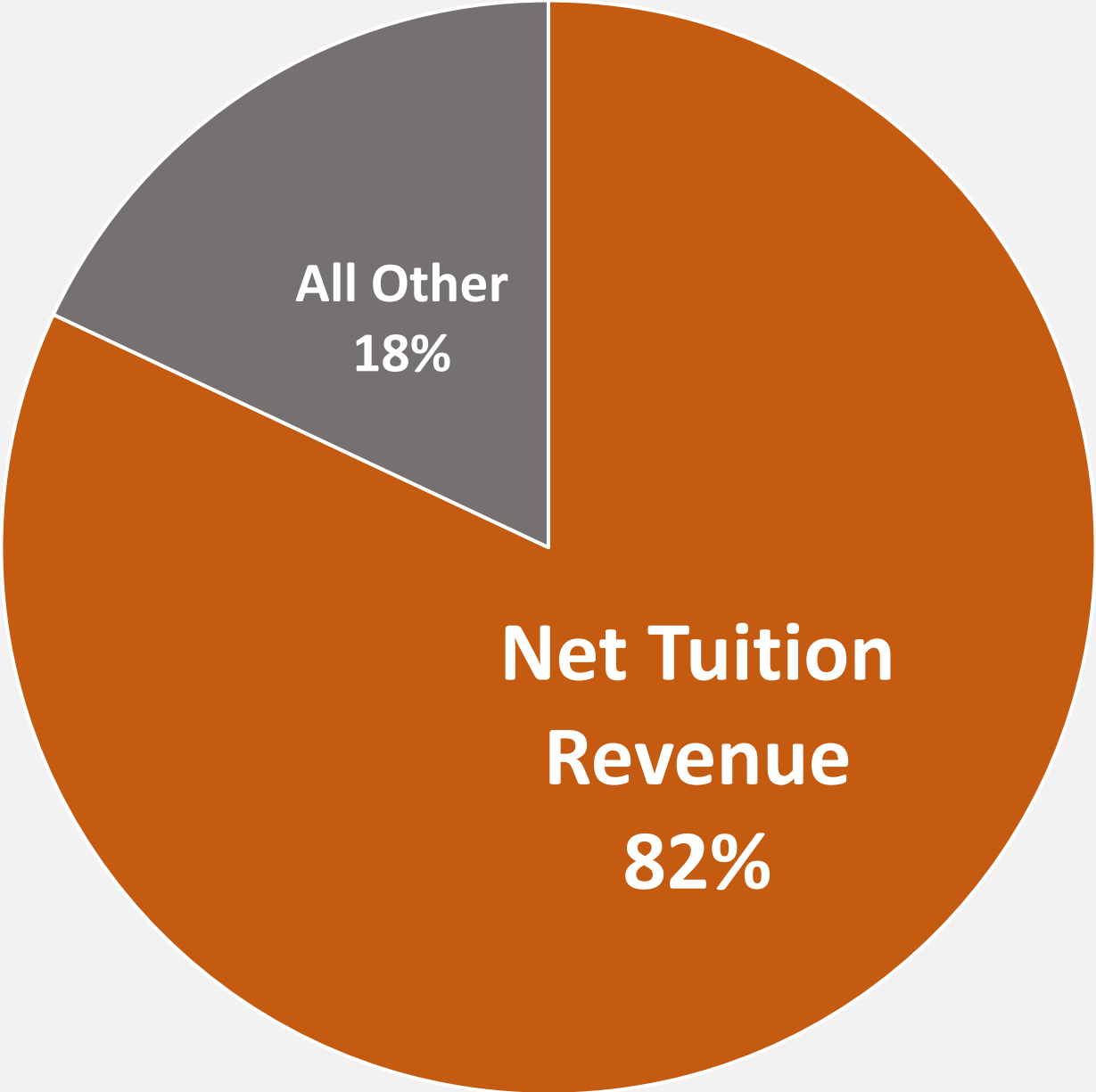
# Schools Profiles – Median Values

- Enrollment
  - PK-8: 490 students
  - Middle/Upper: 620 students
  - PK12: 1000 students
- Acceptance Rate: 58%
- Yield: 71%
- Students/Teacher: 8.3
- Endowment: \$33 M
- Annual Giving as % Budget: 6.4%
- Tuition Discount: 18%





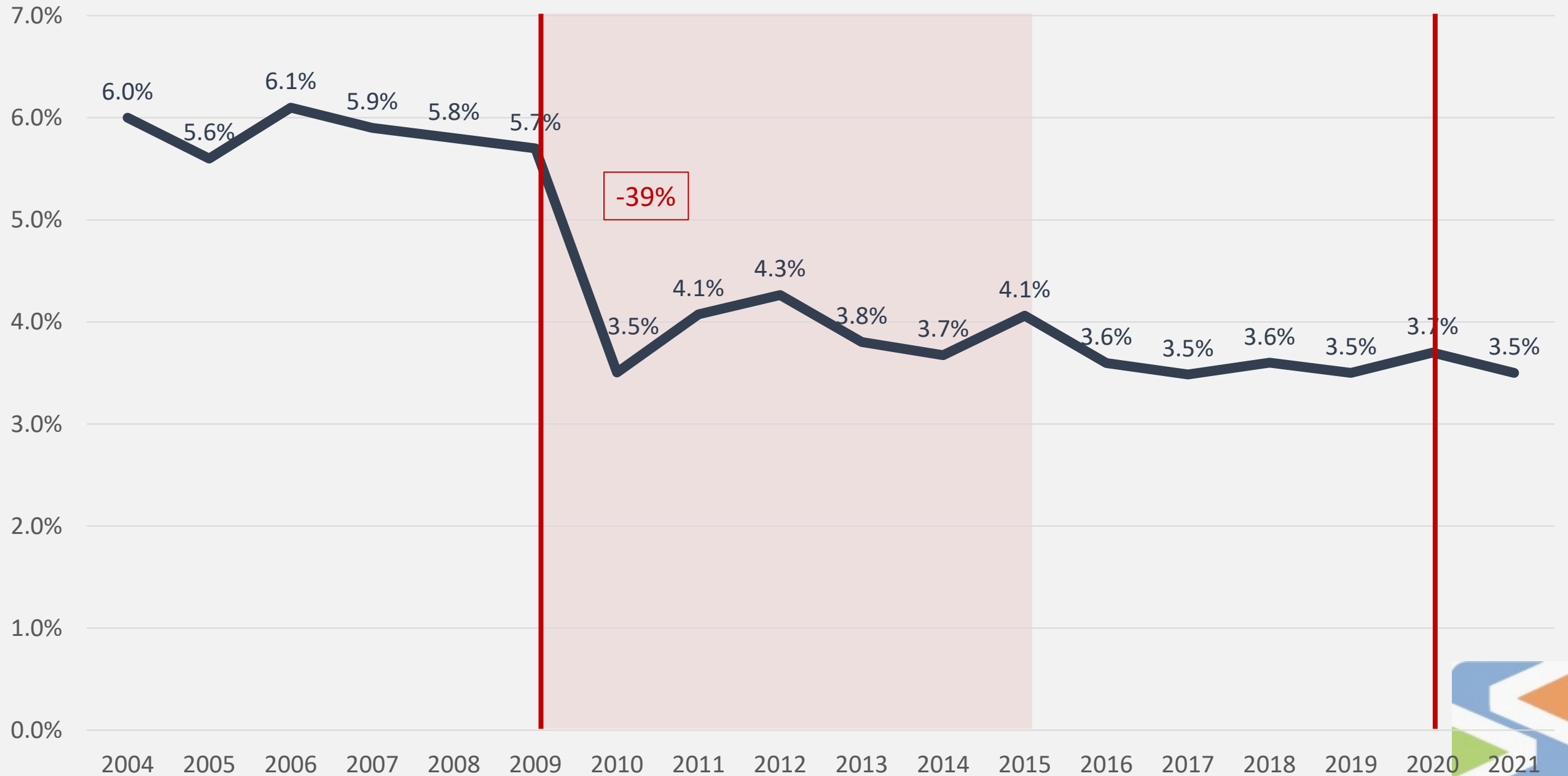
# Operating Revenue



- 1. Tuition Pricing
- 2. Tuition Discounts
- 3. Enrollment

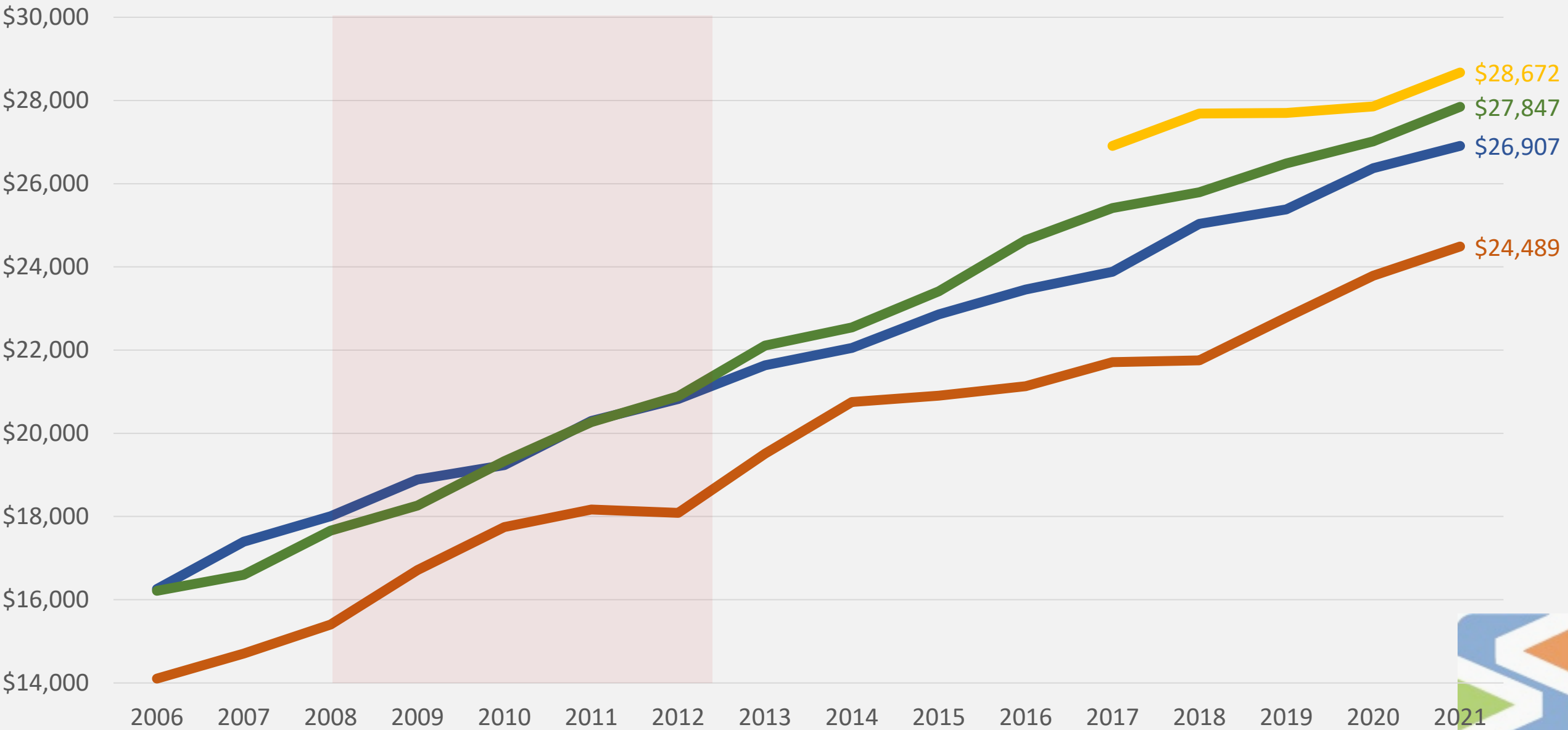


# Average Tuition Increase – All INDEX Schools

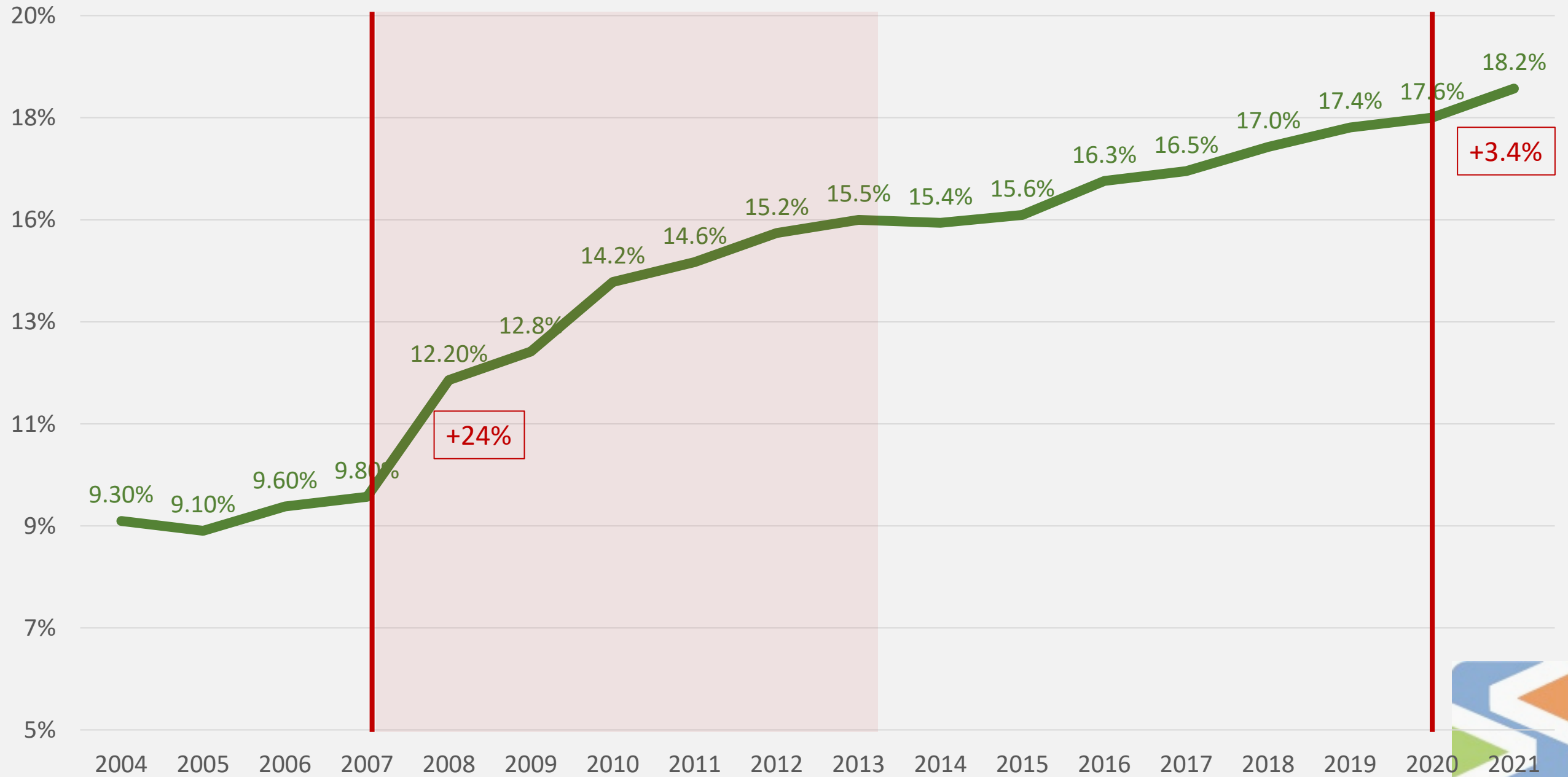


# Grade 7 Tuition (CLI)

PK12<750 PK12>750 PK8 MidUp

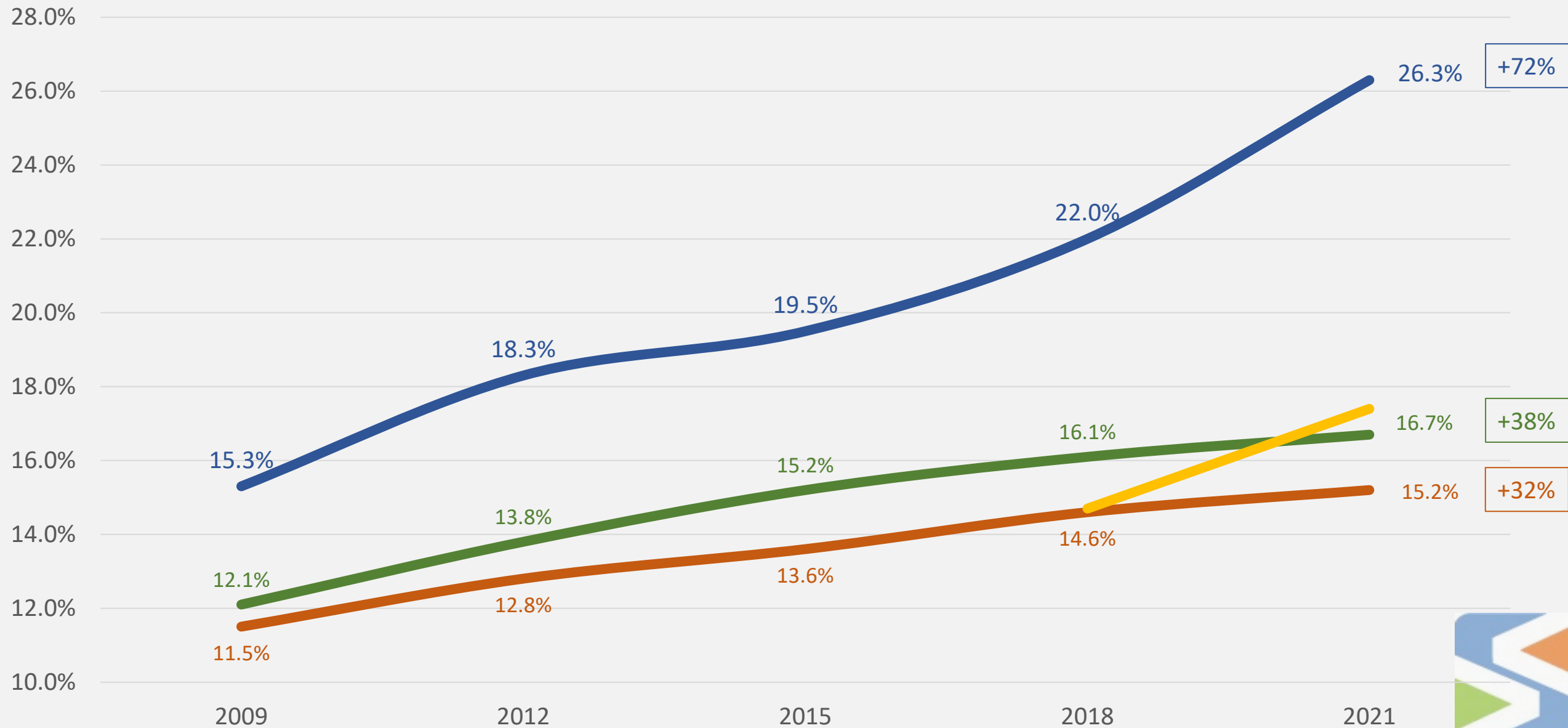


# Average Tuition Discount Rate



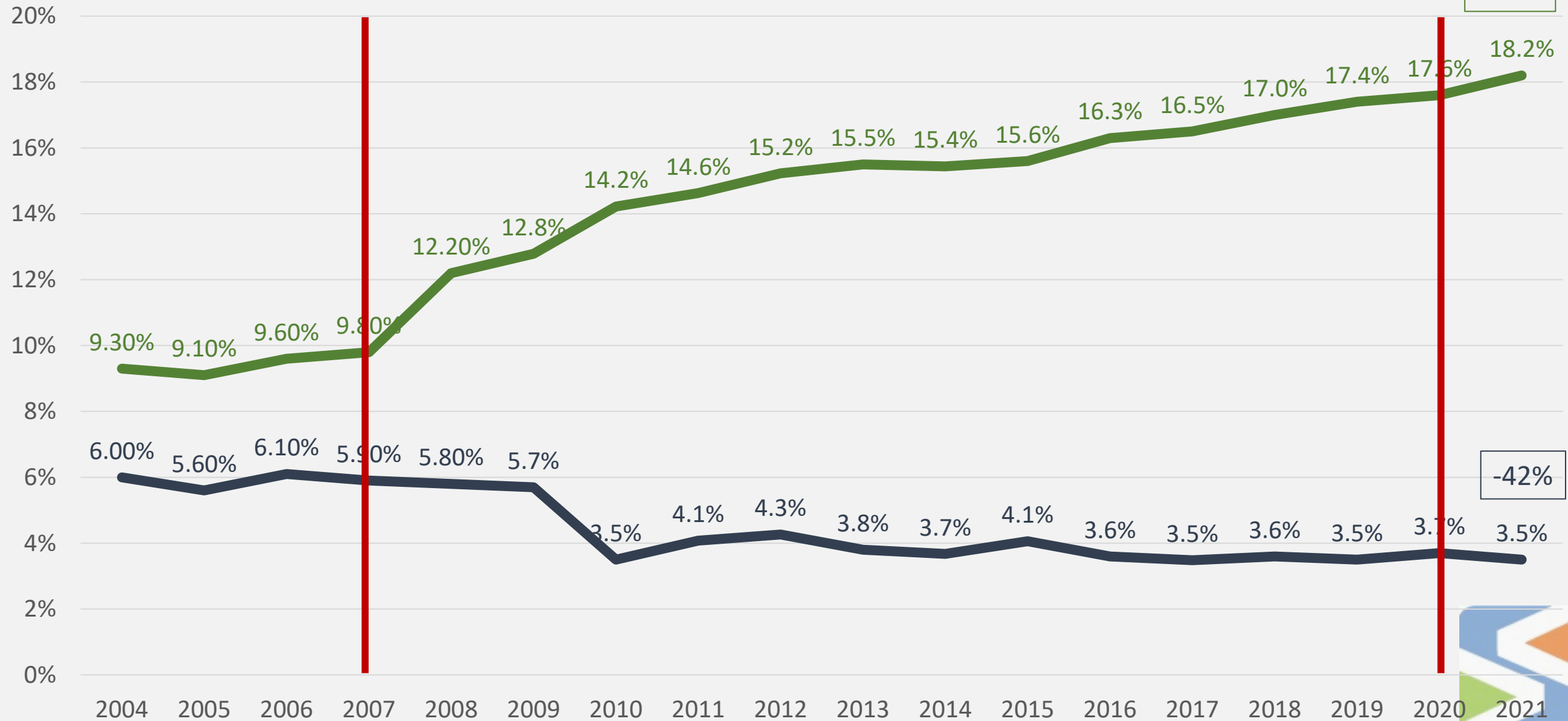
# Tuition Discount by School Type and Size

PK12<750 PK12>750 PK8 MidUp



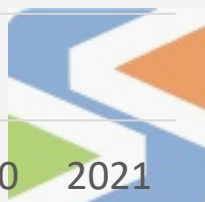
# Average Tuition Increase and Discount Rate

Tuition Discount Tuition Increase



+96%

-42%



# Enrollment - All INDEX Schools

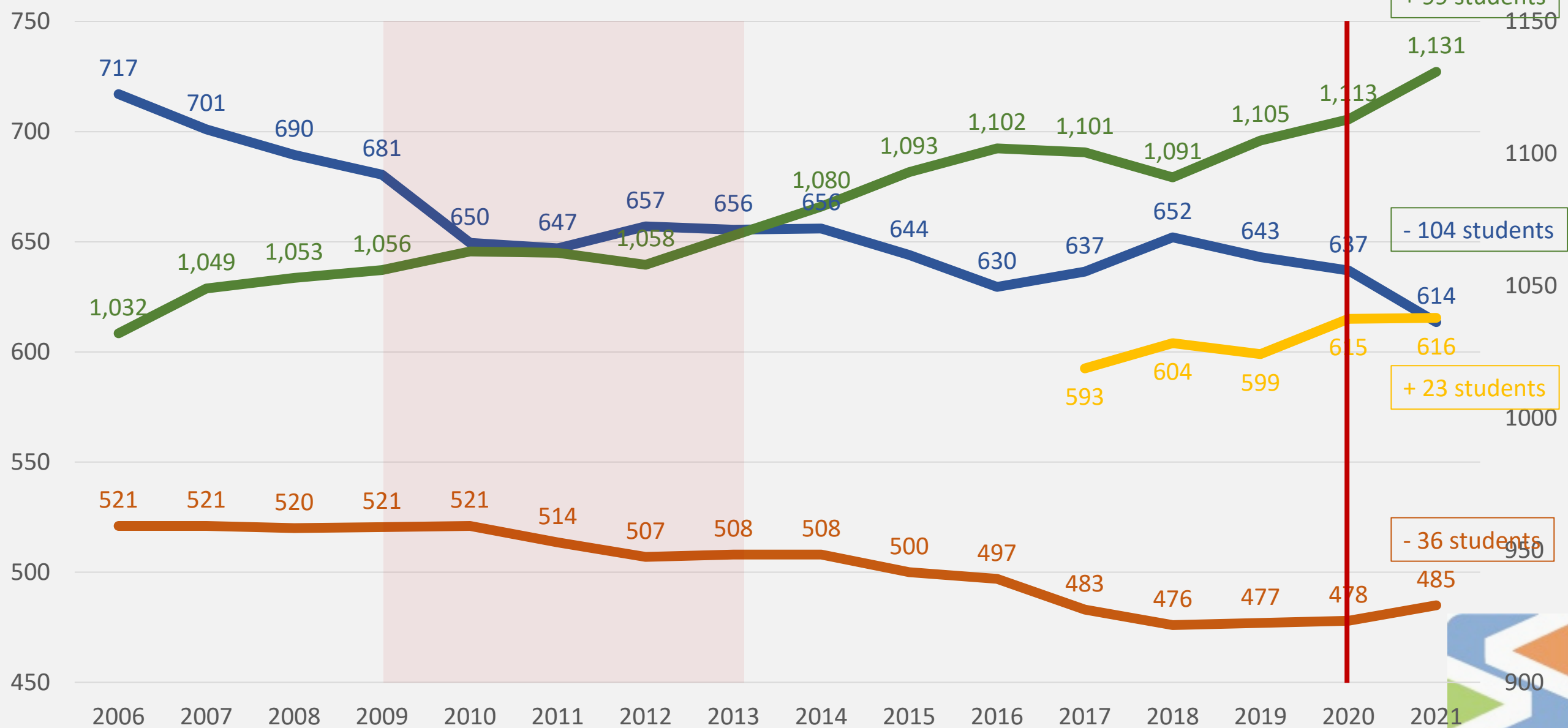


+ 5.9%



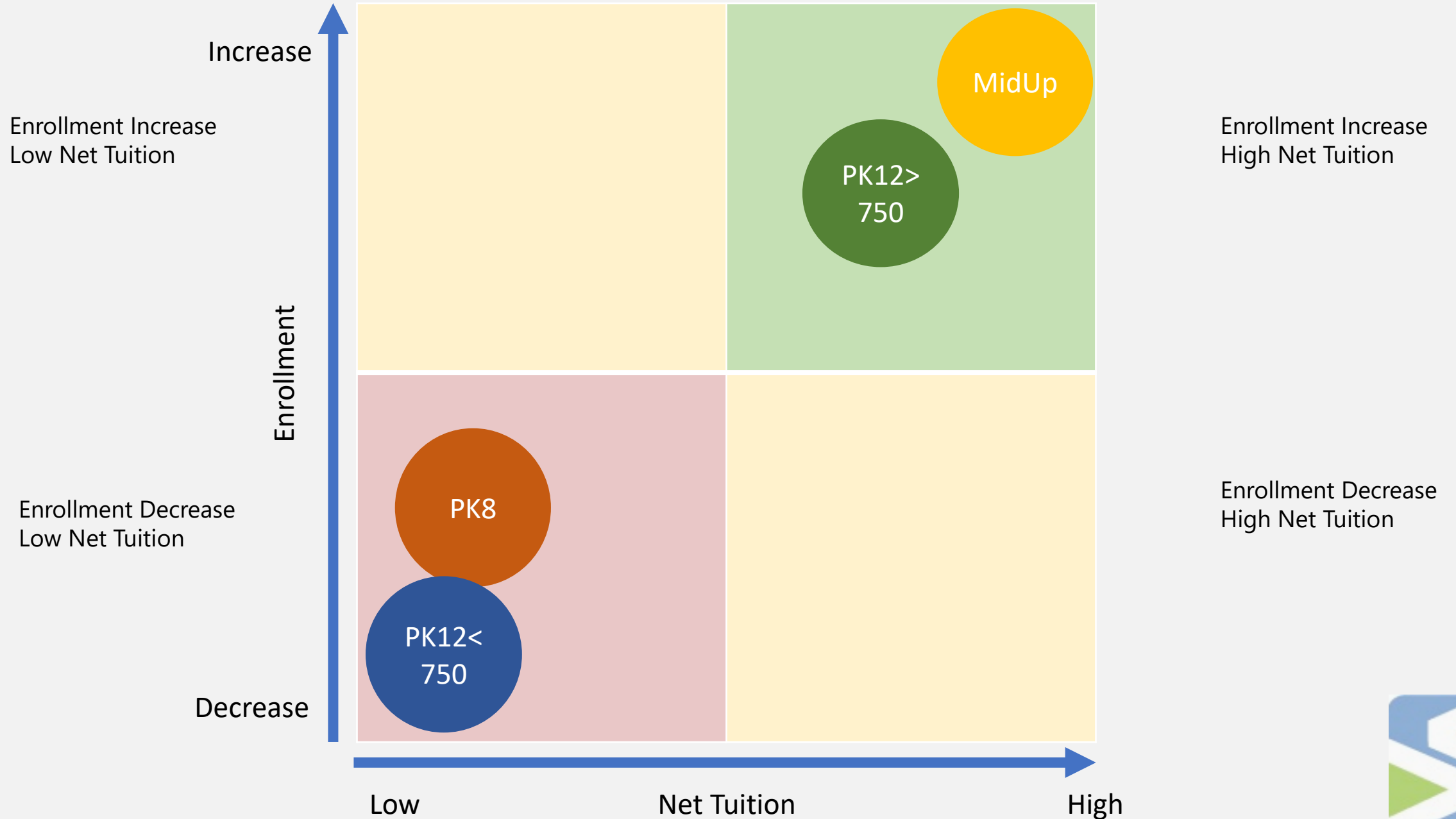
# Enrollment

PK12<750 PK8 MidUp PK12>750





# Enrollment / Net Tuition Matrix



***Thank you!***

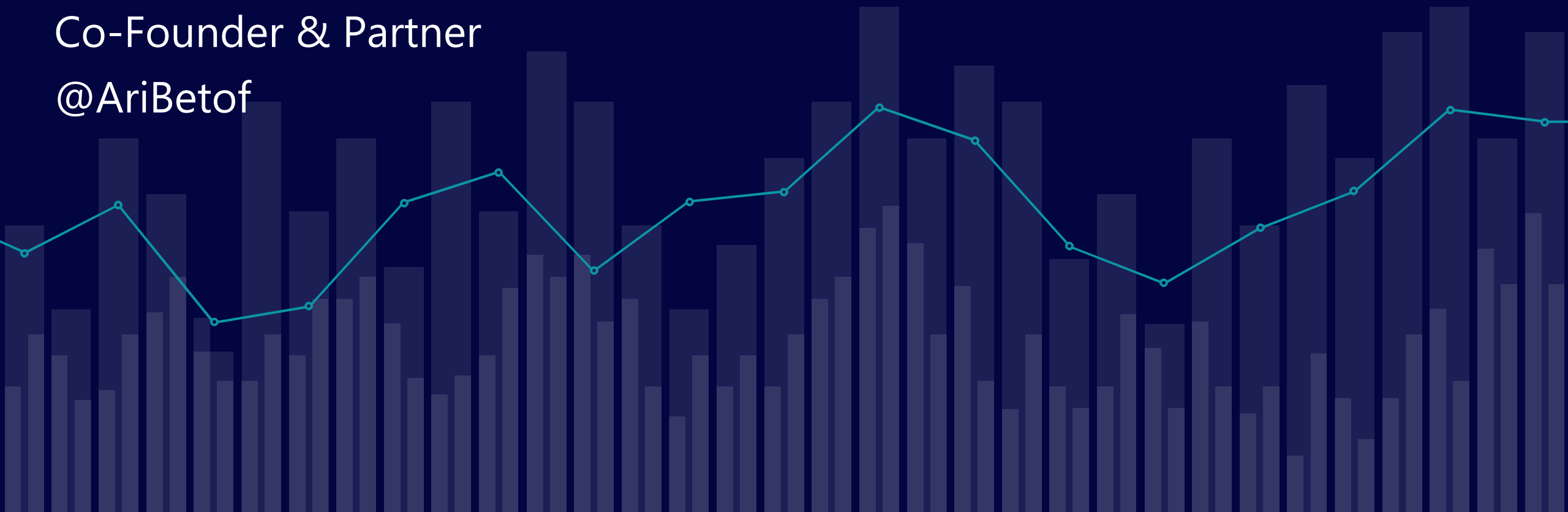


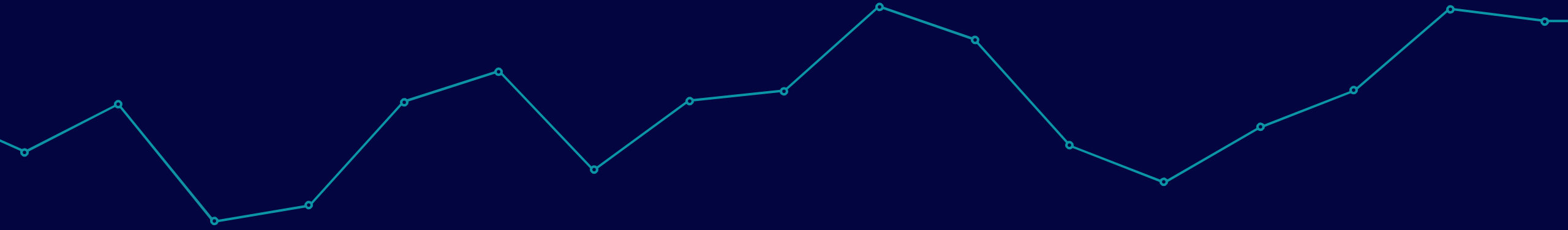
# Approaching the FY21-22 Budget Cycle

Ari Betof, Ed.D.

Co-Founder & Partner

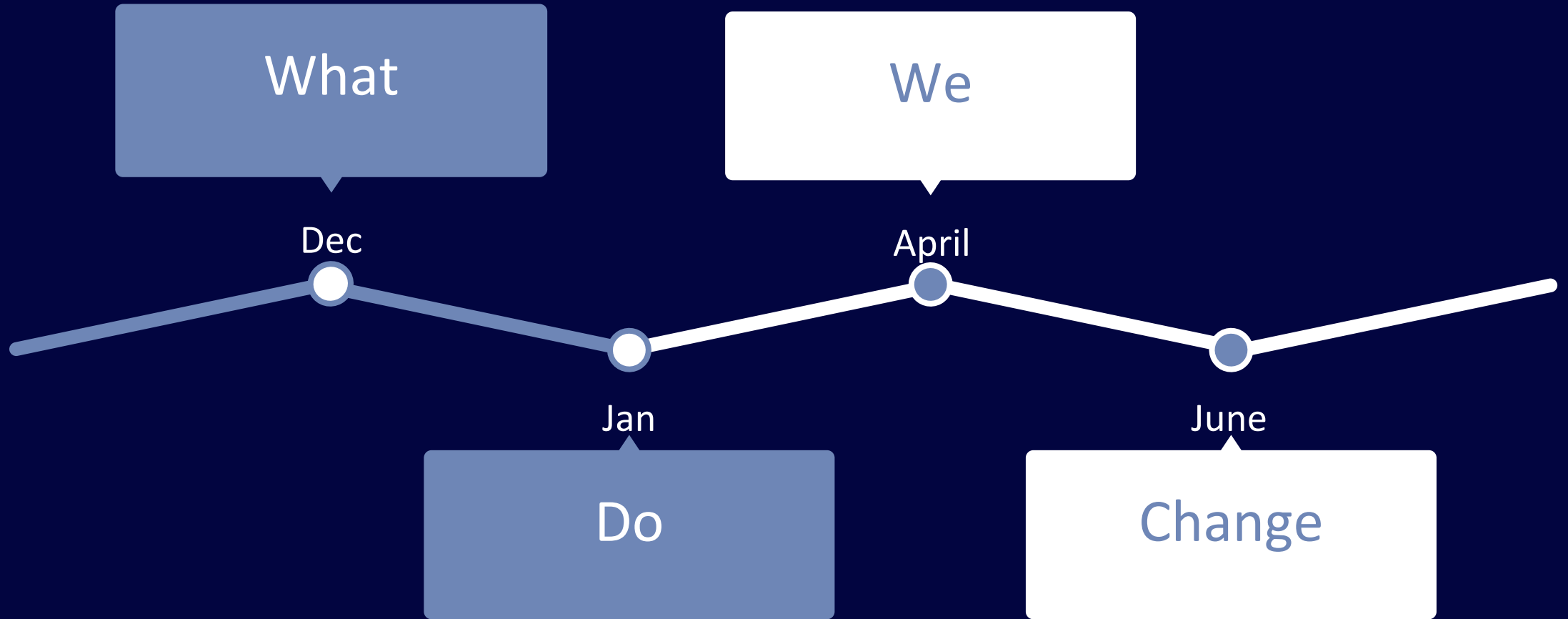
@AriBetof





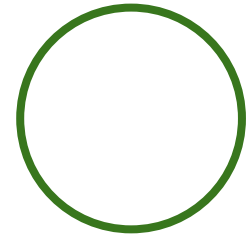
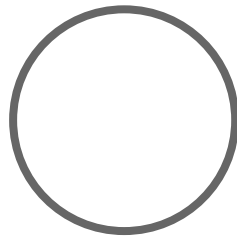
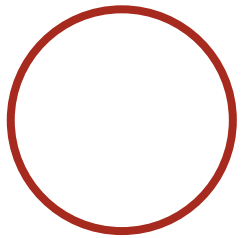
More unknowns,  
variability,  
and pressure... oh my!

# Budget Process & Timeline



...and stay the same

# Spectrum of Financial & Organizational Health



**Viability**

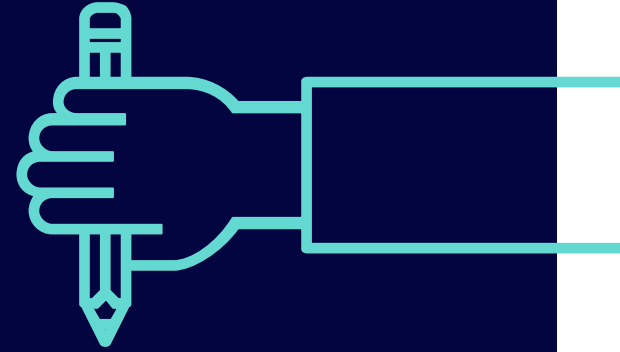
**Stability**

**Sustainability**

**Must Focus on Survival  
in the Next 12-24 Months**

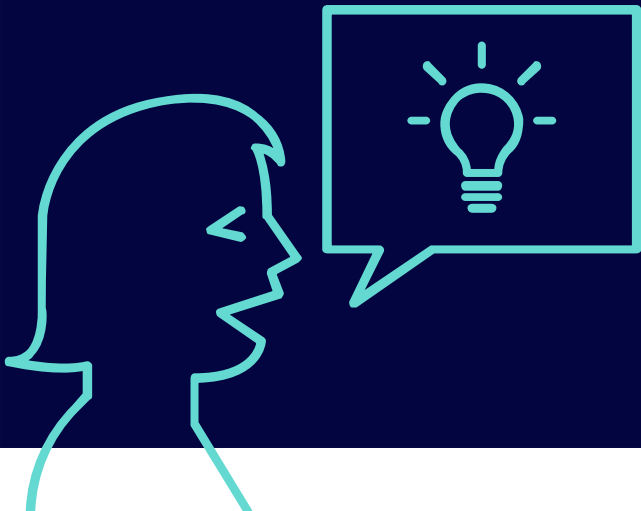
**Viability in Next 10+ Years  
Not in Question**

Leaders and trustees want to make mission-driven, data-informed decisions...



Using:

- Scenario planning
- Sensitivity analysis
- Simulations and stress tests...



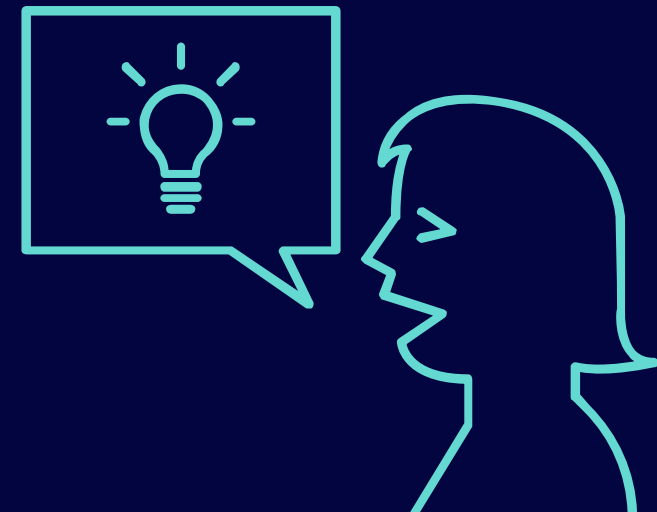
...but we need to begin with shared understanding



## Shared Understanding About What Is...

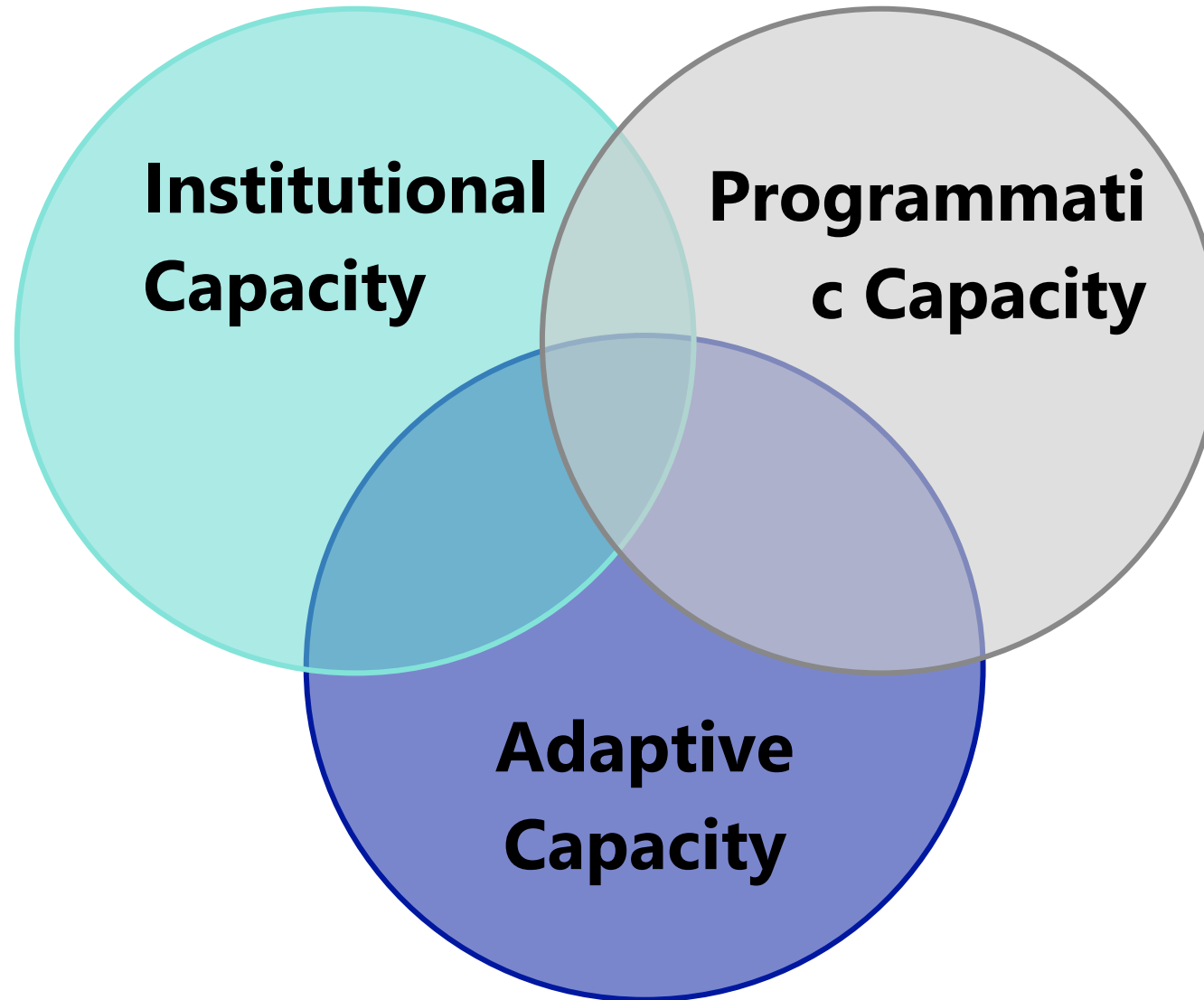
- Core
- Controllable
- Minimally Viable

*Mission*  
& DATA

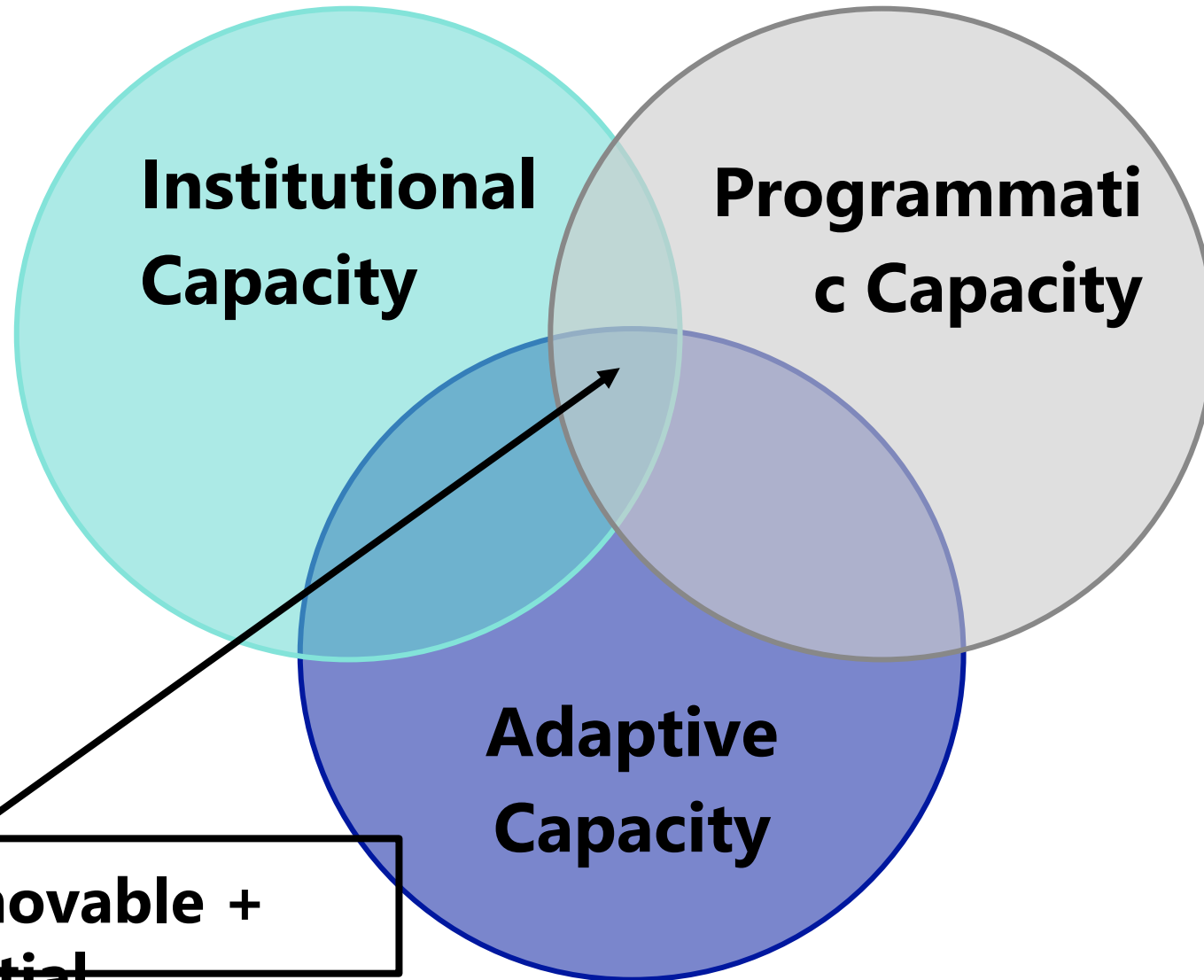




# Leveraging Organizational Capacity



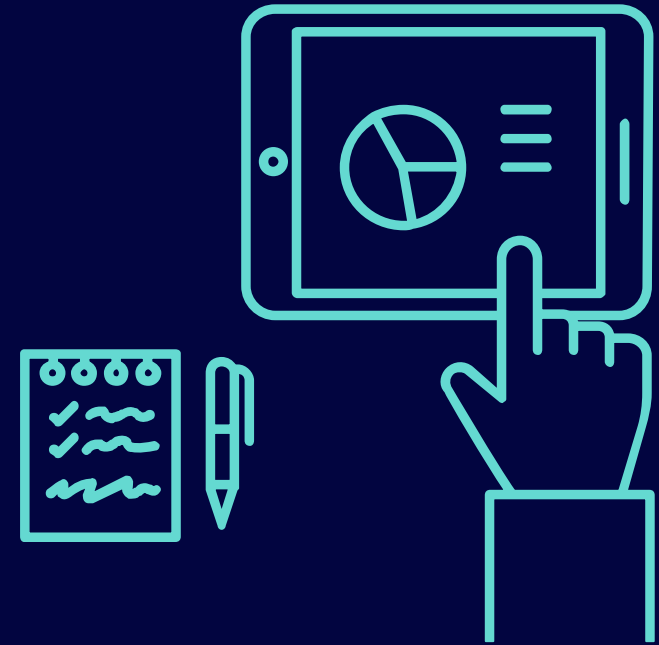
# Stewardship of What Is Core & Leveraging Organizational Capacity



**Core = Immovable +  
Essential**

## Shared Understanding of Revenue & Expense Drivers

- ▶ Big levers and small levers
- ▶ Clarifying areas of control vs. influence
- ▶ Timing
- ▶ 2nd and 3rd order implications



# Minimally Viable Criteria

Situation: School has faced several years deficits

From a universe of possibilities,  
the board decides it will **only** consider plans  
that meet a set of minimally viable criteria

Agreement about framework in four broad areas:

- Stewardship of what is core (immovable and essential)
- FY21-22 + current year if viability concerns
- Transition years to financial and org sustainability
- "Healthy and thriving" for years beyond

What if no plan  
exists that meets  
these criteria?!?!?!?





# **The Seduction of False Optimism**



# Reality & Perception

*Mission*  
& DATA







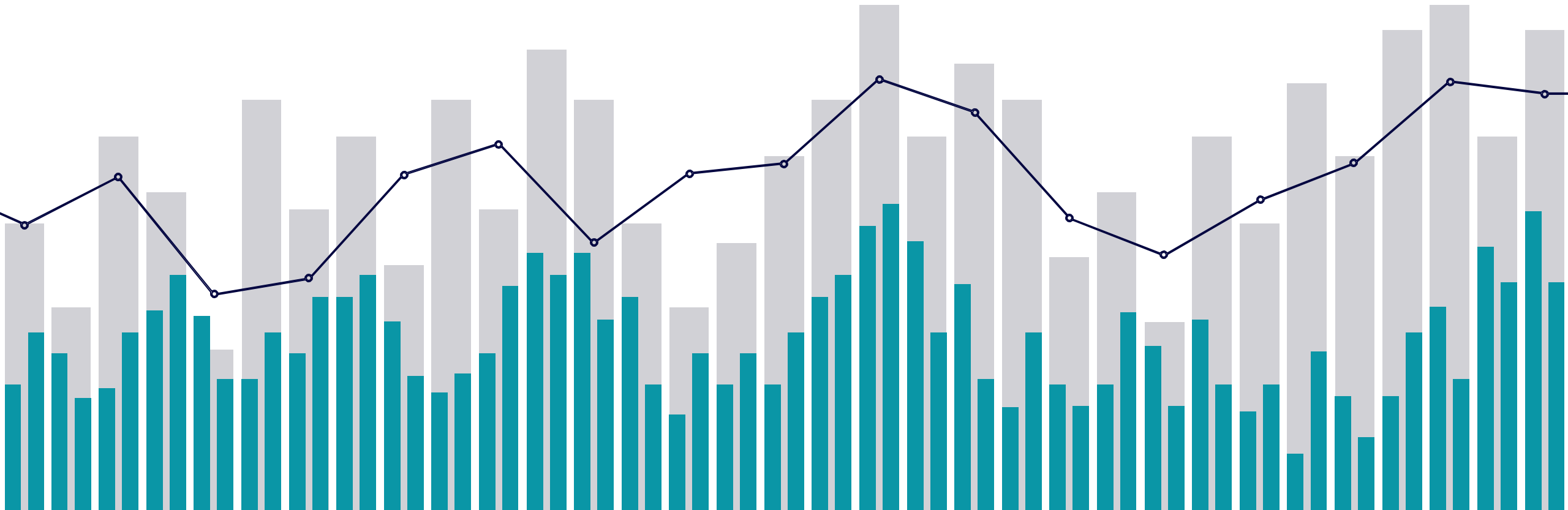
# 5 Tangible Takeaways

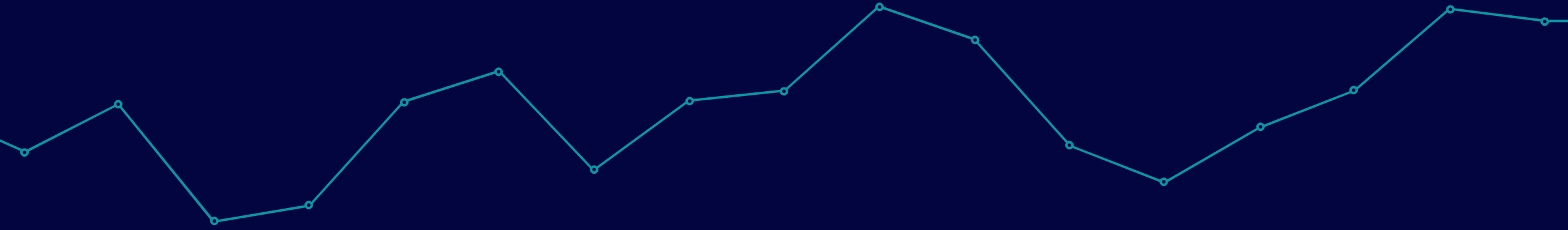
*Mission*  
& DATA





# #1 Paradigm for Tuition Setting



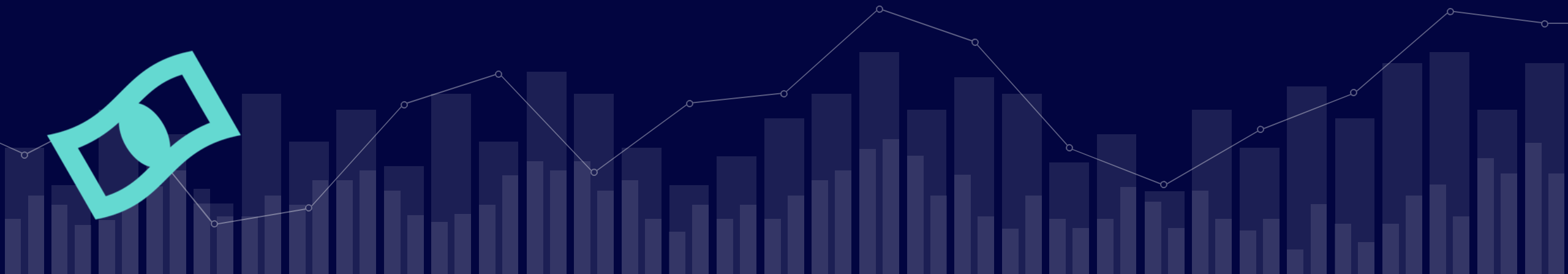


**#2**

**“One-Year”  
COVID Emergency  
Financial Aid**

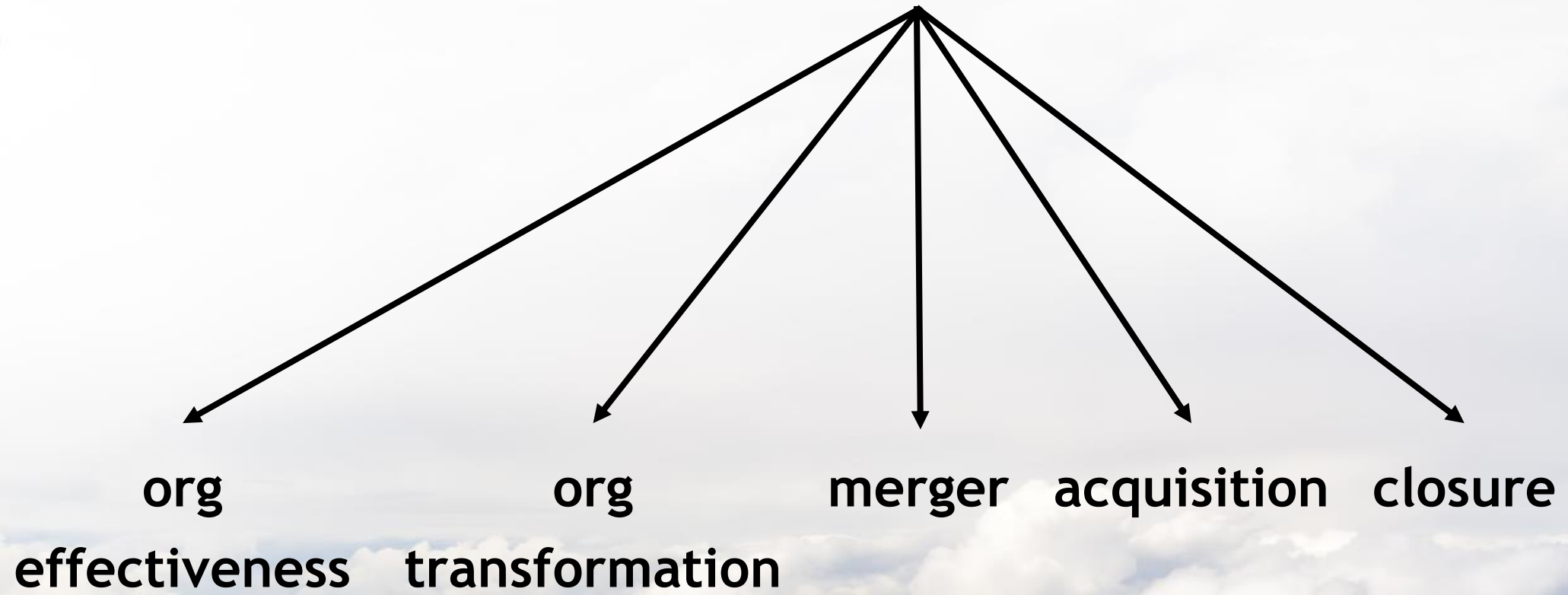
## #3 Total Compensation

- Recognize extraordinary effort (if possible)
- Morale is crucial
- Compounding is a reality
- If forced to choose, build up rather than cut back



**#4**

# When facing a structural budget deficit\*



**\* Without a money tree**

# #5 "Test as you fly, fly as you test"

Ozan Varol,  
*Think Like a  
Rocket Scientist*

Scenario planning

Stress  
tests



Visualization

3  
7

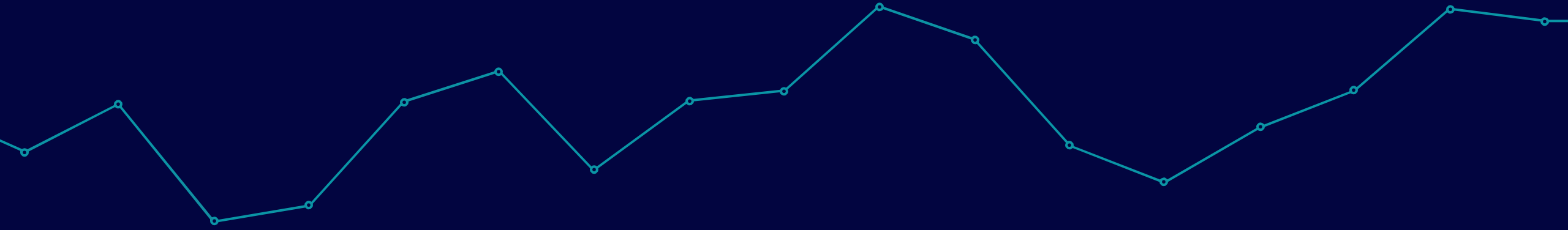


Simulations



Sensitivity  
analysis

Tabletop exercises



**Ari M. Betof, Ed.D.**

Co-Founder & Partner

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*Mission*  
& DATA

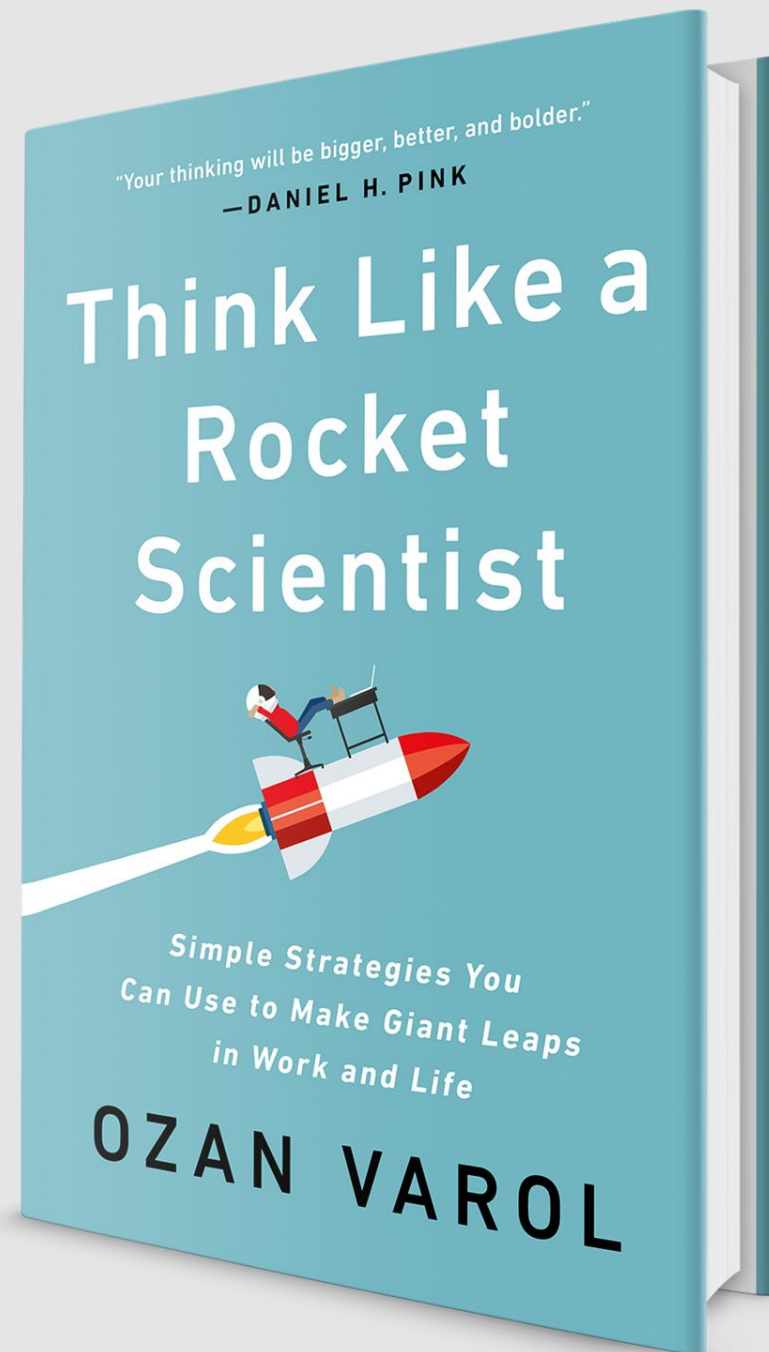
# Enrollment Management & Admission in Turbulent Times

**Southern Association of Independent Schools**  
**December 2020**

“

If you stick to the familiar, you won't find the unexpected. Those who get ahead in this century will dance with the great unknown and find danger, rather than comfort, in the status quo.

**Ozan Varol**  
**Think Like a Rocket Scientist**





1

The **business model** of independent schools is **unsustainable** and it's starting to show.

# Traditional Business Model

**We charge a price that's lower than the cost.**

Example: ABC School; 300 Students

Cost to educate = \$25,000

Published Tuition = \$23,000

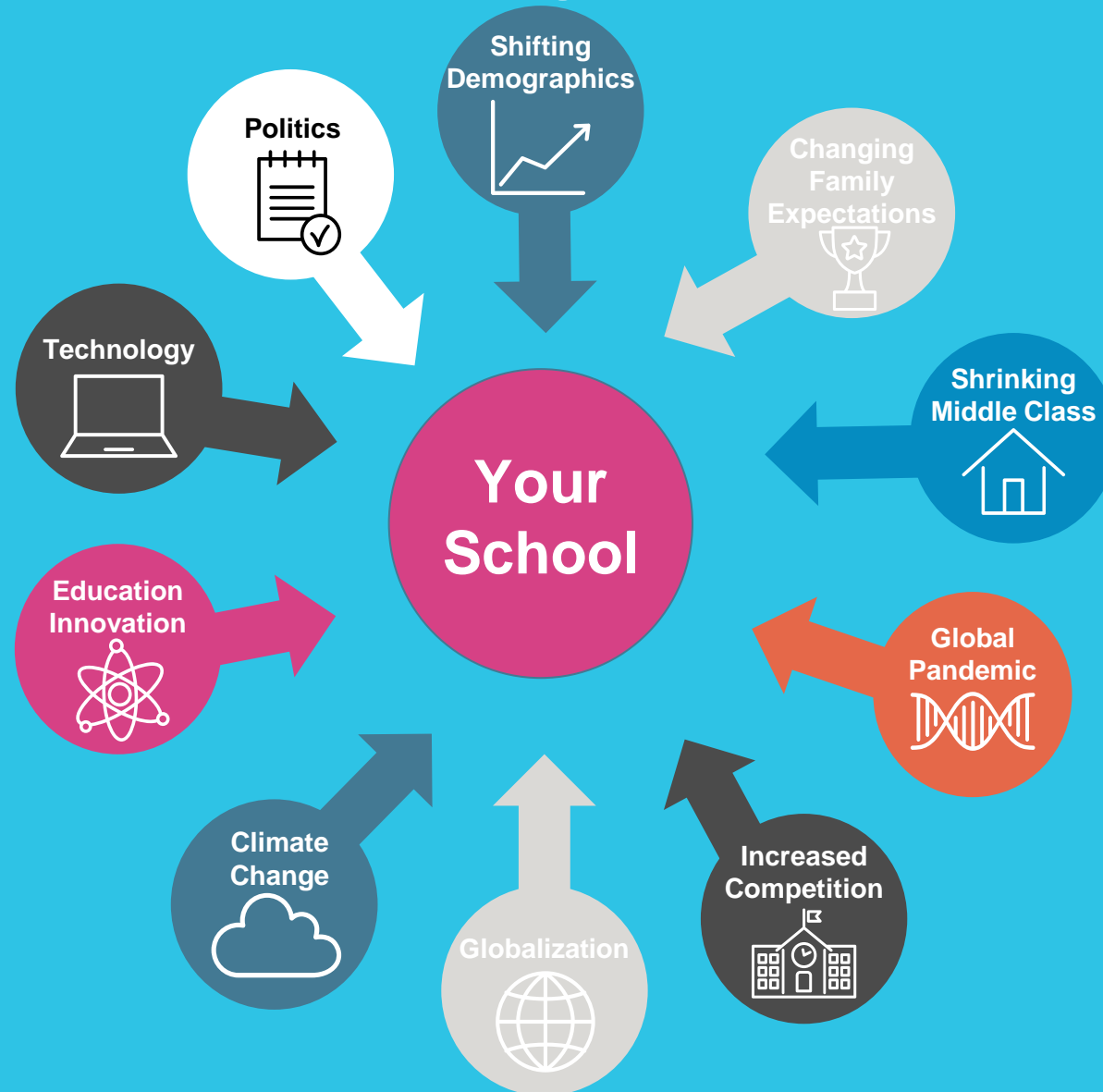
FA/Merit/Remission = (\$3,000)

**Net Tuition = \$20,000 per student**

**Gap = (\$5,000) per student**

**Total Gap = (\$1,500,000)**

# Enrollment Management Disruptors



# EMA Flash Survey

**36%**

**Over Enrolled**

**28%**

**Hit Target**

**37%**

**Under Enrolled**

EMA Flash Enrollment Survey  
Findings, September 2020

completed by 30% of EMA's schools  
(319 schools)

The  
**Enrollment  
Management**  
Association



However, only 19% of schools are now anticipating a **surplus** in FY21 actual results and 51% of schools are now anticipating a **deficit** in FY21 actual results.

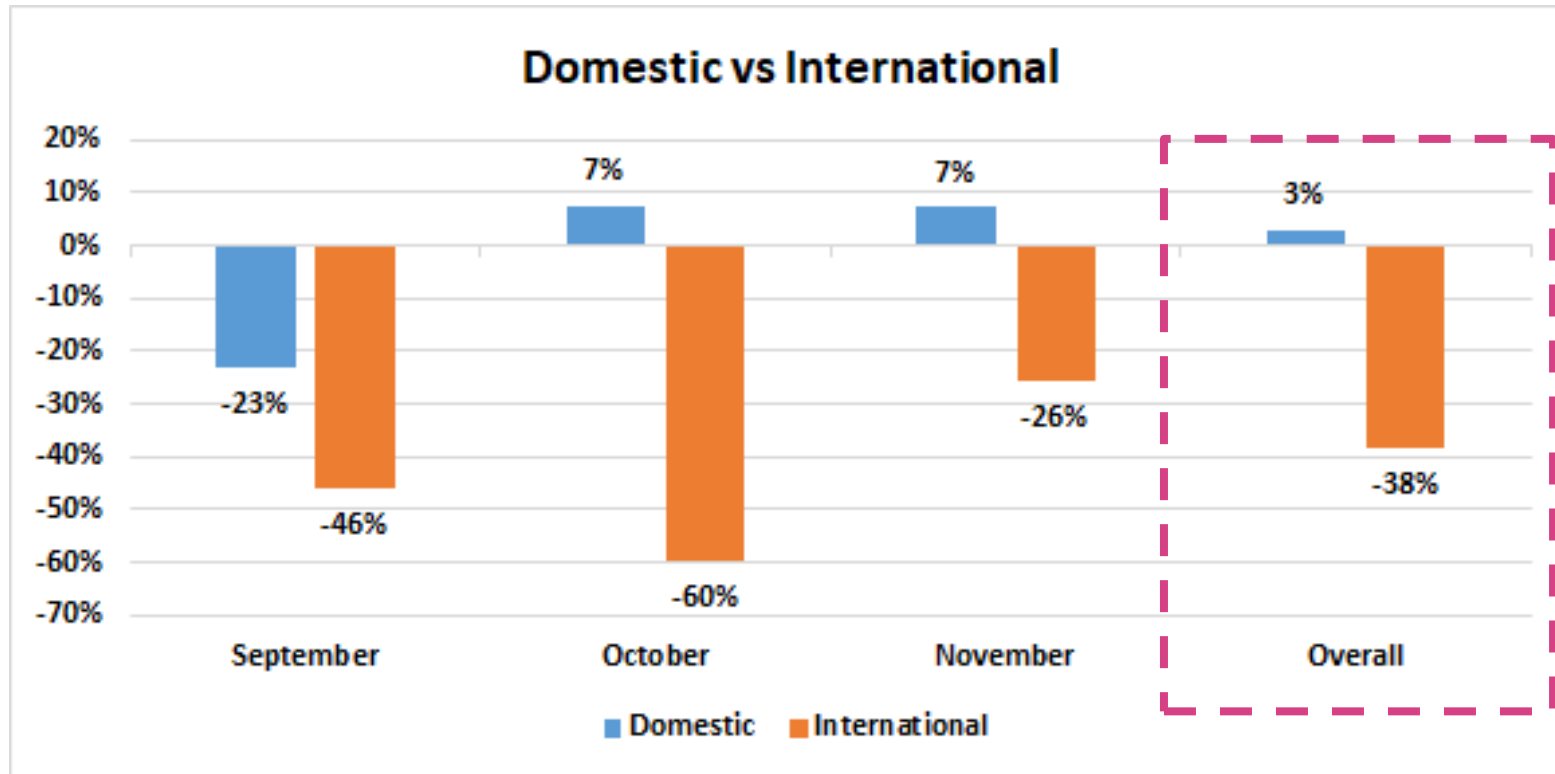
*Source: NBOA Pulse Check Survey October 2020 from a representative national sample of NBOA member schools (217 total responses)*

The  
**Enrollment  
Management**  
Association



# What does this year look like?

- Domestic: Up 3%
- International: Down 38%



EMA has been monitoring the number of applications submitted via the Standard Application Online ([SAO](#)) for fall 2020 compared to fall 2019. Sample size: 9,037 applicants.

Download the latest data!



<https://community.enrollment.org>

The  
Enrollment  
Management  
Association



# Key Takeaway

Don't wait for things to go back to normal.

- Which disruptor do you think will be most critical for your school to address in the future?
- How will you find opportunity in these trends?

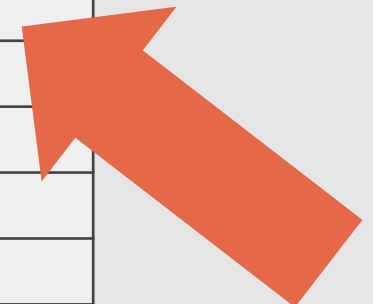


# 2

**Family's perspectives on independent schools aren't shifting... they've shifted.**

# Changing Generations

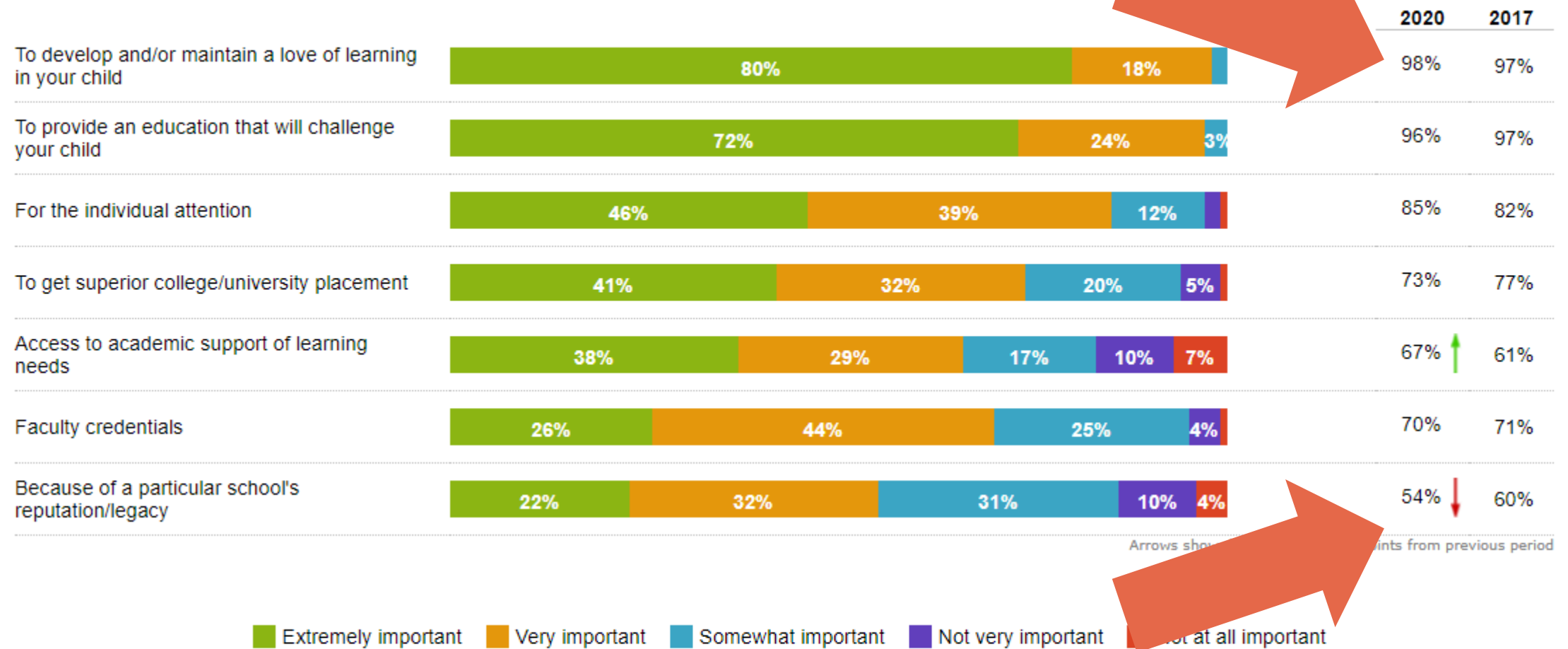
	2017	2020
<b>Parent Age</b>		
Gen Y	3%	8%
Gen X	<b>67%</b>	<b>82%</b>
Boomer	<b>30%</b>	<b>6%</b>
Silent	0%	0%
<b>Marital Status</b>		
Married	81%	80%
Divorced/widowed/separated	11%	11%
Single	6%	6%
Living with partner	2%	2%
<b>Parent's Highest Level of Education</b>		
High school or less	3%	4%
Vocational/technical degree	1%	1%
Some college	6%	6%
Completed 2-year degree	4%	3%
Completed 4-year degree	32%	29%
Post graduate/professional degree	53%	56%



The  
**Enrollment  
Management  
Association**

+

# Why do families apply?



# Gen X Purchasing

Gen X prefers **honest and clear** product and marketing messages that outline an **obvious path-to-purchase**. Gen X is more likely to conduct **online research at home** and then shop in person, while their younger counterparts conduct research on their phones, in the store. The best way to reach Gen X? Email. And while most are on social media, they are much **more influenced by email** marketing campaigns.

# Millennial Purchasing

Traditional marketing has taken a backseat for millennials (less than 1% of Millennials are influenced by traditional ads), but word of mouth marketing, **user-generated content**, and social selling are much more persuasive. **Authenticity** is incredibly important to this generation and millennials are inherently suspicious of being sold or lied to by brands. Millennials want brands to **get real and rally behind a cause**, and they are willing to pay for it – in fact, they are 50% more likely to purchase from a company that supports a cause.

# Key Takeaway

Become parent obsessed.

- Can you hold a parent focus group to discover why families choose and stay at your school?
- Have you reframed your mission as a cause?

# 3

Schools are **innovating**... but families are still taking matters into their **own hands**.

“

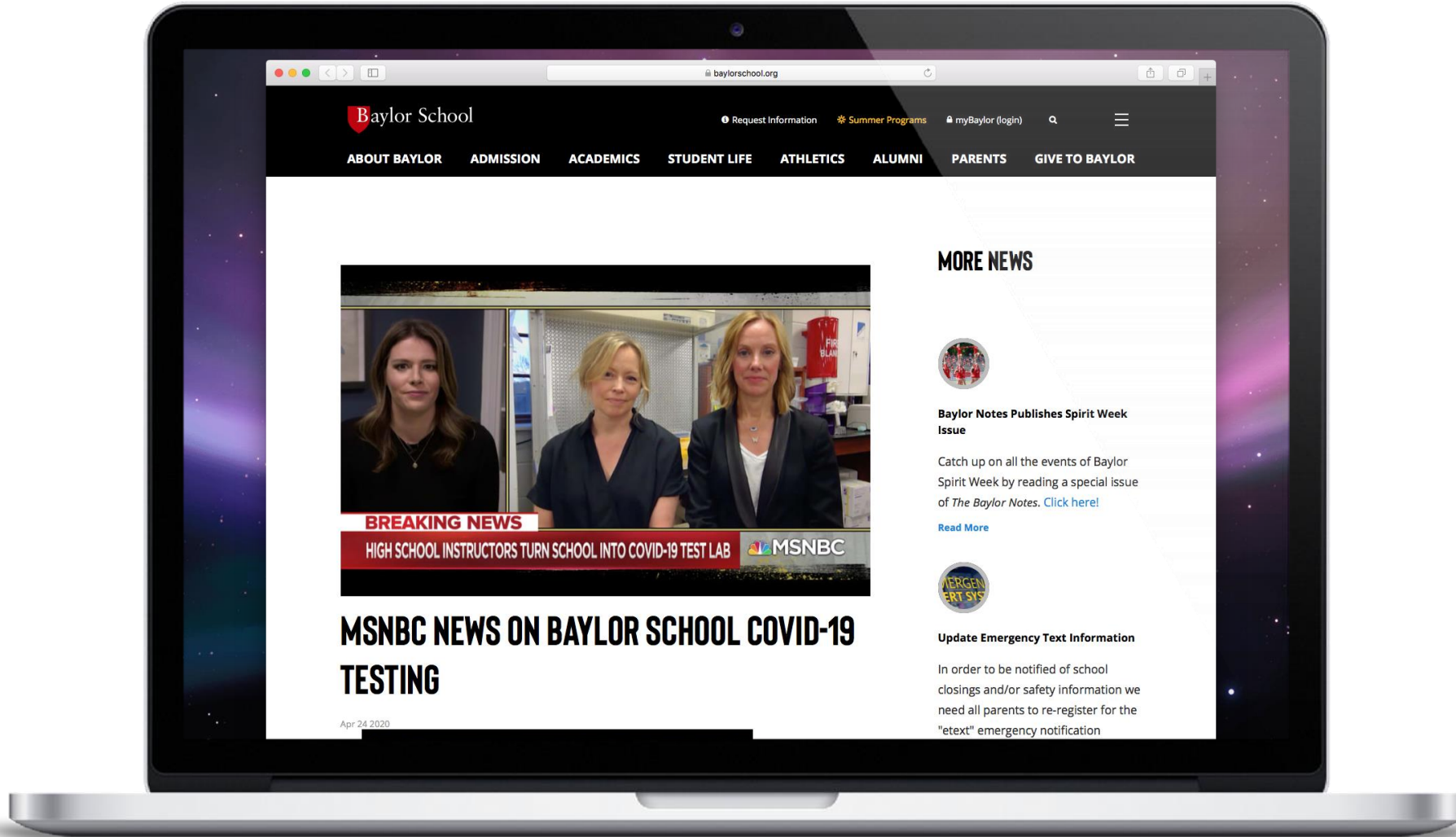
Even the most brilliant business model innovation idea is just that: an idea. It relies on a lot of assumptions and judgments, and in the absence of a crystal ball, the best tool we have is experiments. But established companies are surprisingly bad at experimenting.

Harvard Business Review



# Business Model Innovation

Leadership Support  
Experiment & Decide vs. All Or Nothing  
Ability to Pivot



# MSNBC NEWS ON BAYLOR SCHOOL COVID-19 TESTING

Apr 24 2020

## MORE NEWS



### Baylor Notes Publishes Spirit Week Issue

Catch up on all the events of Baylor Spirit Week by reading a special issue of *The Baylor Notes*. [Click here!](#)

[Read More](#)



### Update Emergency Text Information

In order to be notified of school closings and/or safety information we need all parents to re-register for the "etext" emergency notification

EDUCATION

# Providence Country Day School cuts tuition by more than 35%



by: [Melanie DaSilva](#)

Posted: Oct 1, 2020 / 07:28 AM EDT / Updated: Oct 1, 2020 / 10:49 AM EDT

EAST PROVIDENCE, R.I. (WPRI) — The Providence Country Day School (PCD) has unveiled “The Quest,” which is a plan that redesigns the private school experience.

“The Quest” is to make private schooling more personalized, less expensive, and uniquely geared to

**MORE ENERGY EFFICIENT THAN EVER**

CleanOilHeat NH

Sponsored by the National Oilheat Research Alliance **NORA**

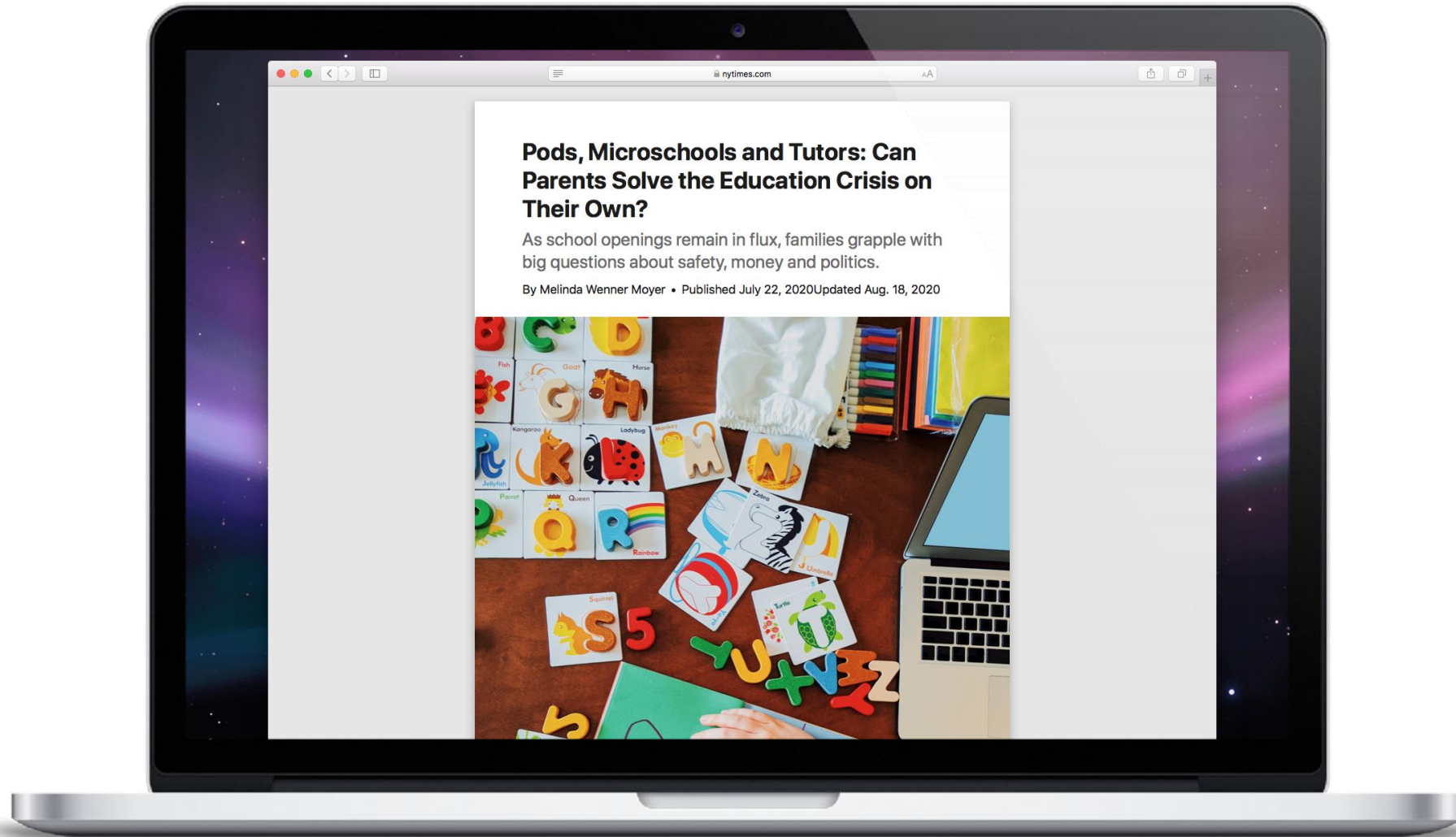
PINPOINT WEATHER 12

Current 51° Overcast	Tonight 51° Rain Late Precip: 60%	Tomorrow 64° Mainly cloudy and rainy Precip: 70%
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**7 DAY FORECAST**

MON	TUE	WED	THU	FRI	SAT	SUN

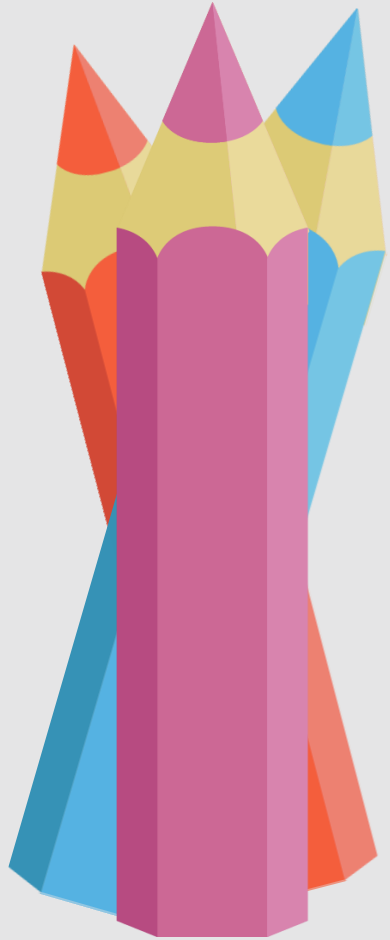
# Families have pain points. Can you help?



# Key Takeaway

Start experimenting today.

- Hold an idea factory with the board.
- Start a small-scale pilot to address a parent need this week.



Don't wait for things to go back to normal.  
Become parent obsessed.  
Start experimenting today.

# Legal and Reflection Points

Debra Wilson

SAIS

# Vaccinations: Employees

- Vaccines all under emergency use authorizations – have not yet gone through full testing
- EEOC and other agencies have not issued guidance yet on mandating vaccines
- Good indication that the threat of COVID-19 is substantial enough that it rises to a direct threat level in the workplace
- Still need exemptions based on disability (ADA) and religious beliefs (Title VII).
  - ADA – must not be undue hardship to employer (accommodation cannot be a significant difficulty or expense to the employer)
  - Title VII – must not be undue hardship to employer (accommodation should not be more than *de minimus* cost)
- Element of just because you can, doesn't mean you should
- Hammer approach is rarely used in the US, and rarely a good one
- More around general encouragement



# Vaccinations: Students

- All 50 states have medical exemptions, 45 states also have non-medical exemptions (religious / religious + philosophical) with mandatory student vaccinations
- Will always have a medical accommodations piece
- Once mandated by state law, state law exemptions will generally apply.
  - Religious schools have a bit more flexibility claiming religious grounds for vaccination requirement, must tie to religious purpose
  - Non-religious schools – Freedom of association argument, much more complex
- If the vaccine is not mandated under state law, schools have a lot more leeway with requiring vaccination of students

# Vaccines: Things to Think About

- Community response to mandating (even with exemptions)?
- Getting a feeling for where people are on the vaccine
- Eventually need community immunity (roughly 70%) to keep spread at bay
- Long-term effects of vaccine likely still unknown
- Minors not part of vaccine tests yet, so risks still underdetermined

# Business Processes Coming Up



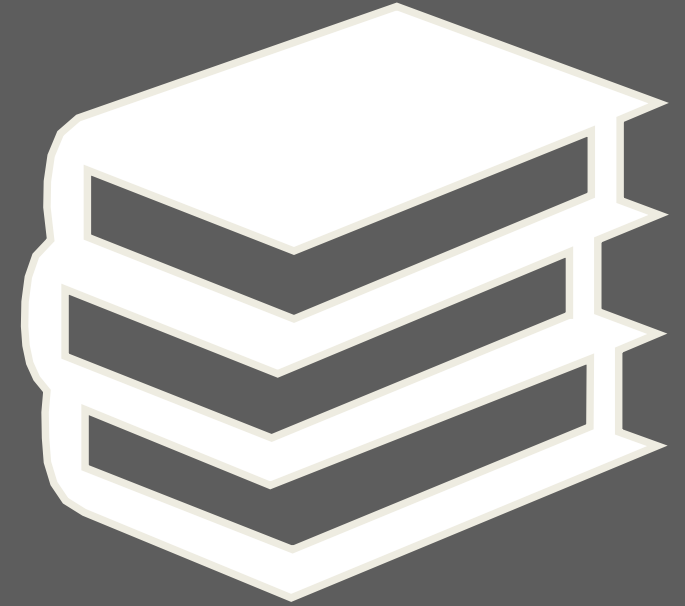
- New families and new staff
- Our processes and timelines might seem bizarre to them
- Think about:
  - Timing and flexibility
  - Communications
  - Community tone
- Around:
  - Tuition payments
  - Enrollment agreements
  - Employment agreements
  - Collections

# Contracts: Enrollment

- Timing of acceptances, deposits, etc., all on the table
- Some schools are looking at incentives for timely returns of agreements
- Language
  - Choice on delivery (where, when, how) of services
  - Force majeure for wide variety of events, with the school in control of responses
  - Strengthen student withdrawal language to ensure parents waive claims of school failing to mitigate damages if student withdraws
  - Include recording and use of recordings for students / parents / surroundings in virtual environment
- Do revisit family handbook for any additions or further incorporation of changes

# Contracts: Employment

- **Contingency language** regarding employment based on budget
- Some schools are talking about not increasing salaries until enrollment is more known
- **Force majeure** / control over delivery place, time, calendar, etc.
- Revisit **handbook policies** for any new or newly permanent adoptions from this year
- Look closely at **IP language**, particularly as more recordings, etc., are being created



# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

### Summary: Buckle Your Seatbelts

- The goals Debra, Ari and I had for schools
- The time is NOW to prepare for 2021-2022

#### Session 1

- Economic predictions - Dr. Fabrizio Perri
- Medical predictions - Drs. Catherine Passeretti & David Cosenza
  - range of possible conditions - best case/likely/worst case
  - importance of planning
  - uncertainty abounds - encouraging vaccine news since November 19<sup>th</sup>

#### Session 2

- Lisa Pullman - INDEX - Data
- Ari Betof - How to approach the 2021-22 Budget
- Peter Barron - Enrollment Management
- Debra Wilson - Legal issues, contracts, vaccinations and more

# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

### My perspective and takeaways

- Historical perspective, current climate and huge regional and individual school differences - across broad patterns
- Psychological stress and need for patience and forbearance
- Traveling the high ethical road

# *Buckle Your Seatbelts!:* *Navigating the Path to 2021-2022*

“Bringing children and educators safely back into public schools has been one of the most vexing, high stakes problems created by the pandemic.”

—*The New York Times, Nov. 30th, 2020*



# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

### Clearly a mixed picture

- Data notoriously imprecise but—
  - Approx. 40% of independent schools claiming to be “fully” enrolled
  - Some regions reporting significant increases from last year
  - Approx. 60% have a decreased 2020-21 enrollment compared to 2019-20
  - Over 50% of schools projecting decrease in enrollment for 2021-22 over 2020-21
  - Over 50% projecting operational deficit

# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

- The Hill— a D.C. news site on Tuesday ran an article with this lead paragraph—

*The COVID-19 pandemic has been a tremendous challenge for America's K-12 education system. Schools have struggled to balance the health needs of their communities with the educational needs of their students. But one corner of the K-12 education landscape has shown resilience and, in many cases, has actually managed to thrive — America's independent, or private, school sector.*

- This article reported a survey of 160 schools from 15 states (MISBO) reporting about half with increased enrollment, about one third decreased and the remainder, about one fifth, stayed the same

# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

- The Hill article also mentions Brown University economist Emily Oster whose current research (10/26–11/8) show COVID-19 infection rates among students, teachers and staff are over 40% lower in private and parochial schools, compared to public schools, in their sampling.

# *Buckle Your Seatbelts!:* *Navigating the Path to 2021-2022*

## State-by-State Map of Where School Buildings Are Opened or Closed

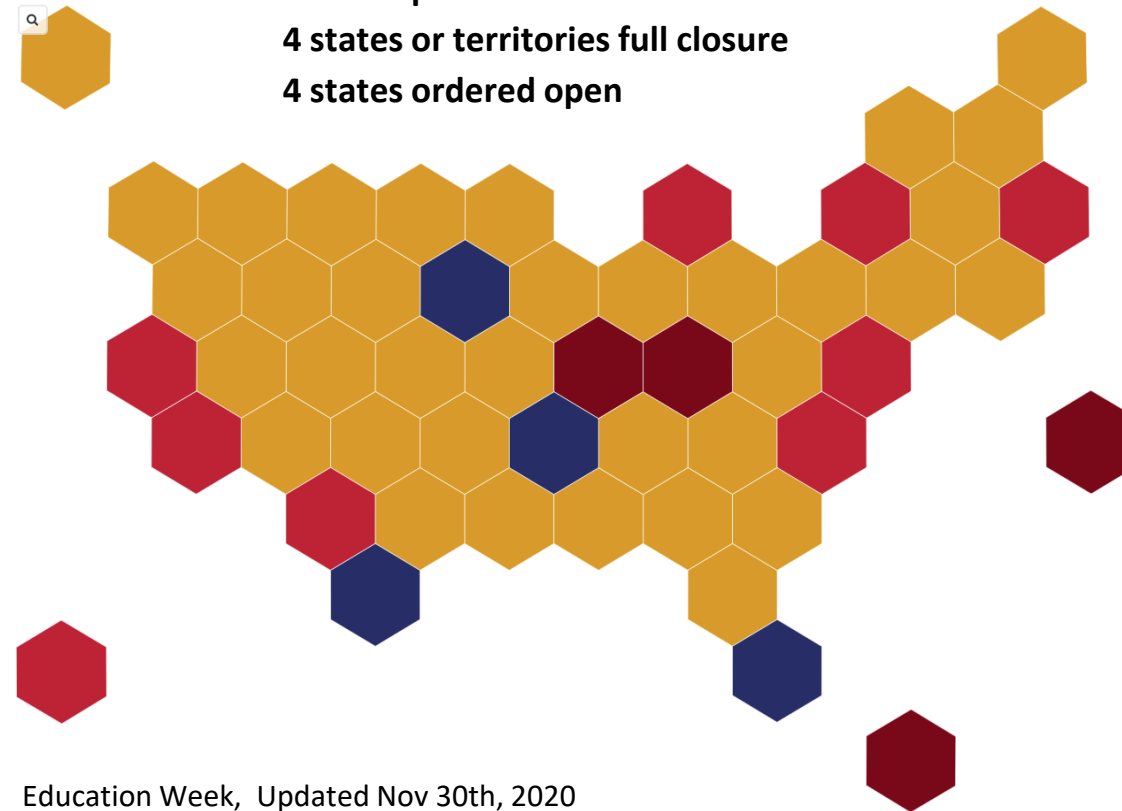
- Full closure in effect
- Partial closure in effect
- Ordered open
- No order in effect

**As of Nov. 30th:**

**9 states partial closure**

**4 states or territories full closure**

**4 states ordered open**



\*Orders include public statements or actions from governors and state officials. They may be subject to waivers or overridden by other officials.  
\*States with an order to provide in-person instruction may grant waivers to individual districts.  
\*Closure orders may include exceptions for small groups or particular populations of students.  
\*Hawaii, the District of Columbia, and Puerto Rico are one-district entities, and are treated as states.

# *Buckle Your Seatbelts!:* *Navigating the Path to 2021-2022*

## Historical Perspective

Pre-pandemic we were in early stages of 3rd great extinction of independent schools



# ***Buckle Your Seatbelts!:***

## *Navigating the Path to 2021-2022*

- Gather good data
- Analyze trends
- Think long-term
- Make the best decisions
- Use the time you have **right now** - budgets mapping the future
- At leadership level, remain open to seeing things as if they could be otherwise (everyone exhausted, leaders too, but school heads, admin leadership teams, and board need to elevate their gaze)
- Many changes, especially in use of tech, here to stay

# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

### Critical Importance of Good Governance

- Head of School / Board Chair Partnership
- Honest discussion in the Boardroom - unified positions publicly
- “Culture eats strategy for breakfast”

# ***Buckle Your Seatbelts!:***

## *Navigating the Path to 2021-2022*

### **This Extraordinary Period for All**

- Reservoirs are empty
- School leaders spent—also faculty, parents, Boards and **children!**
- An end in sight
- Be patient, be forgiving, it won't all be perfect, practicing self-care



# *Buckle Your Seatbelts!:*

## *Navigating the Path to 2021-2022*

My hopes— stay on the high ethical road, keep big picture in mind

- Transparency with Boards, families, employees, each other
- Groups of Heads for mutual support— agreed upon understanding
- Crisis → danger + change point
- Example: Merit Awards / Scrambling up the melting iceberg
- Punctuated equilibrium— not back, forward. Not back to what was, on to what good schools can be
- How to best harness what we are learning about learning
- Relationships remain central
- Focus on what matters - to your school, your community, your unique culture