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A Report on Independent School Financial Sustainability

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Introduction
by Jeffrey N. Shields, CAE, Executive Director

It's 2010, and the landscape for independent schools is both promising and daunting. It's promising because we're out of the woods of the most severe economic crisis of our time, but remains daunting because many schools are still wrestling with the most important issues that have come to encroach upon their long-term sustainability: tuition priced well above CPI, class size/scalability, tuition dependency, adding but not eliminating programs, teacher salaries, unsustainable increases in financial aid, and building a 21st century school. Ironically, almost every single one of these issues has been discussed at national gatherings of independent school business leaders for the past ten years, but little has changed on a national level. What do we need to do to actually effect change?

Many excellent recommendations for sustainability have emerged from industry leaders in the past year. Many independent school business officers have shared that the solutions are helpful but perhaps too prescriptive, or that the "one-size-fits-all" approach does not speak to the uniqueness of their particular school. NBOA continues to advocate for solutions that meet the mission, cultural, and financial needs of each individual school. Further, NBOA believes that these solutions can only be realized through teamwork, involving the business officer, head, board, and senior leadership team at a school—not by the business officer working alone.

NBOA convened its 2010 Institute for Advanced Financial Management program from September 26-28, 2010, in St. Louis, MO, to confront these issues through a "think-tank" approach. The conference was designed to do three things:

- advance the national conversation about school sustainability in a way that addressed the individuality of each independent school
- give representatives of individual schools the chance to identify the issues that are preventing their schools from moving forward into a sustainable future
- create momentum among the conference participants to take the first steps to implement change with other members of their school's senior administrative team upon returning to their "real lives"

The program brought over 50 independent school leaders together to work on these issues, including business officers (both new and experienced), heads of school, development directors, trustees, and executive directors of independent school associations. Attendees represented a great swath of the independent school landscape: participants were from both boarding and day schools, from co-ed and single gender schools, from schools with enrollments ranging from 200 to 1600, and from all regions of the country. Several of these participants came in teams (i.e., a business officer came with his or her development director and head of school). This great mix of schools evidenced the need for creative and customized solutions.

Prior to gathering, participants had been asked to read an extensive selection of papers and articles reflecting different perspectives on sustainability.

The group heard presentations from two of the main voices on the issue: Patrick F. Bassett, President, National Association of Independent Schools (NAIS), and Terry Moore, Director of Consultants for Independent School Management (ISM). The remainder of the conference was spent in small- and large-group work sessions facilitated by James Honan, Senior Lecturer on Education at the Harvard Graduate School of Education; Ace Ellis, President, Ellis Business Services and NBOA Board Member; and Marc Levinson, Senior Director, Professional Development for NBOA.

This report summarizes the discussions, ideas, and follow-up steps from this 2½-day meeting.

Jeffrey N. Shields, CAE
Executive Director

The New Normal

Patrick Bassett kicked off the conference with a thought-provoking keynote presentation, "The New Normal: A Game-Changing Model for Financially Sustainable Schools" (available for download to NAIS members at www.nais.org), and shared his provocative ideas for sustaining the important work of independent school education in a future that presents many challenges. He noted that over half of NAIS member schools are over 100 years old (and that quite a few schools are over 300 years old), while only 28 Fortune 500 Companies are older than 50 years. "We're doing something right," he said, and asked whether we could continue to "do what's right so that our schools are 'built to last,'" pulling a phrase from Good to Great author Jim Collins.

Bassett discussed a school's need to understand its own value proposition equation, which is:

$$\frac{\textbf{Perceived Outcomes}}{\textbf{Perceived Price}} = \textbf{Value}$$

Bassett noted that for prospective parents, as perceived price goes up, value goes down unless perceived outcomes increase proportionately. He noted that understanding the customer making the purchase is key, and that, for most schools, the target audience is college-educated women ("the Moms"). He highlighted one school that had started a great program to attract more prospective

"Moms" to its school by offering free Saturday morning programming for 3 and 4 year olds on its campus. "Moms who had never set foot on campus suddenly flocked to the school, saw how professional the campus was, and started talking to other Moms with kids in the school's Pre-K program." However, he noted, while "Moms" often make the educational decisions in the family, schools can lose customers when "Dads" become convinced it's not worth the price. "What would change," Bassett asked, "if Dads had a connectedness to the school as much as Moms did?" He cited one Memphis school's attempt to draw "Dads" in by hosting a weekly headmaster's breakfast for fathers and sons, with topics on themes like "How does a boy become a man?"

These ways of increasing the perceived value of a school come with price tags. The key is figuring out whether the price tag is worth it, rather than assuming the school can bear whatever expense it needs to a) prove its worth, and b) fill its classrooms.

Bassett walked the audience through a number of slides showing the 50-year relationship between CPI, tuition, and household family income. He noted that for the past five decades, the "CPI+2" rule of thumb has actually resulted in a reality of CPI+3 or more, but that this "hasn't been a problem" because during that same time period, the top 5% income earners have seen their salaries rise even faster than independent school tuitions, meaning "we could charge what we wanted." However, since 2007, the top 5% incomes have been going down—three years in a row—which has not happened since 1962. He also noted that of the four giving sectors (religious institutions, social services, the arts, and education), education is the only one that went down in this recession (by 10%). Bassett believes that's because there's a perception that educational institutions are rich. Repeatedly, in NAIS focus groups, parents say that the reason they either leave a school (or decide not to attend in the first place) is that it's "too expensive." Bassett believes this may be code for "I'm not willing to sacrifice as much as you're asking me to sacrifice." Be that as it may, parents are having a hard time putting down cash for education these days, which resulted in the only "sale" independent schools have ever had: a spike of 15% financial aid for 15% more families in the last few years. (Bassett noted that this is the same strategy NAIS has recommended for the past six recessions, and he believes it's worked "pretty well" for this one.)

Bassett then discussed scary but familiar numbers: the average difference between net tuition and expense per student, which is $4,800 for day schools and $12,000 for boarding schools. He then noted that 60% of NAIS schools lost enrollment last year (4% on average).

The pressure caused by all of the above factors has led schools to seek new solutions to try to hit their enrollment targets without going under. Schools often try "the usual" steps:

- identifying new markets and developing strategic "capture" initiatives
- creating a host of new financial models: flattening tuitions, moderating tuition increases, and freezing salary increases
- hiring marketing consultants
- making programmatic and facilities improvements to stand up to the competition

But what if you've done all that and you're still not meeting your enrollment targets? Bassett suggests you may have hit your price break point.

Specific clues that you might have hit your price break point include:

- narrowed admission funnel trends
- increased financial aid applications
- flat demographics projections and snapshots for your area (full-pay families with school-aged children)
- growth of competition
- top 5% incomes in your area "feeling less wealthy" due to, among other factors, depressed home values

"While the enrollment drop due to the economy looks like it may be a temporary thing," he said, "if you look at the history, you'll see it's part of a ten-year trend of softening enrollment demand." Why has this happened? Bassett believes it's because people have been living in an "Old Normal" reality, which pretends there is no price break point, and what's needed is a "New Normal" perspective.

The "Old Normal" way of thinking believed in budgeting for excellence. The assumptions inherent in this mindset are:

- our spending spree has no limits to it
- high tuition increases are necessary to expand program and staff while at the same time sustaining both small classes and competitive faculty salaries
- the top 5% families will always be able and willing to pay whatever we ask
- all schools in a local market compete on product, not brand or price
- financial aid is the fixed variable while enrollment is the flexible variable
- the primary purpose of a board is to maximize excellence for current students (in many cases, their own children)

Under these assumptions, the "Old Normal" budgeting process starts with the "needs" of the school, allows "nice to have" items to migrate to the "must have" column, and ends with increasing tuition, usually well beyond inflation.

The "New Normal" way of thinking advocated by Bassett believes in budgeting for sustainability. The assumptions inherent in this new mindset are:

- continued commitment to competitive salaries and "intimate environments" where each child is known (Bassett drove home the important point that small class sizes do not necessarily equal intimate environments. Children can be "known" in a class of 19, rather than 17, and that two-student increase will result in a big bump for your financial sustainability.)
- excessive tuition increases have undermined demand (or will)
- it is necessary to increase "productivity" without a decrease in quality (e.g., have teachers teach more sections)

- schools compete on prestige (“brand”), program (“uniqueness”), or price (“best value”)
- enrollment is the fixed variable while financial aid is the flexible variable
- the primary function of the board is to secure the future of the school (creating their “children’s children’s school”)

With these assumptions, the start and end points of the “traditional” budget are reversed.

What does it mean for financial aid to become the flexible variable? Bassett believes the answer is in tuition discounting, using a net tuition revenue perspective. Essentially, net tuition discounting is “the practice of using variable pricing to fill all the seats in the airplane in order to maximum the revenue from each ‘flight,’” something colleges and universities have been doing for years. Bassett recommends being as aggressive as possible on the financial aid side, saying it’s better to have 20 spots filled with half-pay tuition rather than 20 empty seats.

Thus, budgeting for financial sustainability involves a new kind of discipline, with the following components:

- committing to increasing enrollment without increasing staff
- adopting a “sunset provision” of retiring an old program when introducing a new one so that no net staffing increases are required
- rightsizing: re-thinking class size or workload or the number of teacher specialists and assistants or school size
- devoting 1/3rd of each fund-raising dollar raised (annual giving, special events, and capital giving) to endowment (“If you don’t agree with this,” Bassett said, “go back 25 years and calculate what your current financial reality would be like if your predecessor had adopted this policy.”)

Bassett concluded the presentation by saying that he believed this kind of discipline would create financially sustainable schools that are “built to last."

The 21st Century School

Over dinner, Terry Moore delivered a fascinating presentation, “Direction? Full Steam Ahead” (available at www.nboa.net/Events/iafm2010.aspx) about ISM’s belief in the need for 21st century education.

This presentation expanded on an earlier article published by ISM in 2010, which was a direct response to Bassett’s “The New Normal” (originally published as an article in *Independent School* magazine). Contrary to Bassett’s belief that attention must be paid to the tuition/CPI ratio, Moore and ISM believe that the “game-changer” independent schools need to accept in order to be sustainable in the future is the idea that the “finances of the school are the wrong focus for understanding what changes need to take place.” Rather, schools need to move from “20th century factory” education to 21st century schools. ISM argues that schools that do not understand how to adapt technology to the classroom in a way that changes the “entire architecture of teaching itself” will face enormous pressure in the future competitive marketplace.

Moore began his presentation by describing the calls he and other consultants at ISM had received in 2009, in the immediate aftermath of the economic crisis: "Is the entire game changing? Will parents no longer be able to pay for our education?" etc. To business officers, this question might be phrased as, "Have we reached a price break-point, as Bassett suggests?" To discover the answer, ISM conducted a large survey (13,000 parent participants) to determine whether or not parents were planning to leave independent schools because of the recession. The answer, according to their results, is a resounding "no": 84% of those surveyed said that their children "will or probably will remain in their current school until its last grade." When asked about the perceived value of the education their children were receiving, 85% of parents deemed it "excellent" or "good."

According to ISM, "parents choose schools for a variety of reasons including academic, social, and character-building aspects. They leave for primarily ONE reason—the quality of the faculty's work with 'MY child.' To parents, at least, it seems that the game hasn't changed."

In other words, ISM found that "there is no persuasive, verifiable evidence that schools are pricing themselves into extinction." In other words, we have not reached a price-break point, and there is no relationship between tuition and enrollment.

Given the results of this parent survey, results of an additional survey conducted through the company Measuring Success, and its belief that CPI cannot be used as the primary determiner of inflationary costs, ISM believes that many schools may well need to price their tuition at CPI+3. In fact, ISM believes that this is the "only way a school can deliver value," which has led to the idea, often attached to ISM, of "charging what it costs." Moore said that ISM's position is not that schools should always "charge what it costs," but rather, schools need to know whether they are a school that is *competing* on the basis of cost.

Moore's premise is that there are three types of schools: price schools, product schools, and process schools.

A **price** school:

- differentiates itself on price alone
- is a price leader in its area (meaning, it is the low-cost alternative to the product and process schools)
- typically has a student: faculty ratio of 16:1
- can charge an average tuition of $7000
- when something new is proposed, asks, "what will it do to my price?"

A **product** school:

- assures that nearly all graduates will go on to an Ivy League college
- practices highly selective admission

- typically has a student: faculty ratio of 10:1
- can charge an average tuition of $20,000
- when something new is proposed, asks, "what will it do to my college admissions?"

A **process** school:

- has programmatic uniqueness
- puts students at a variety of academic levels through curricular and co-curricular program that is appropriate for and tailored to the student
- typically has a student: faculty ratio of 8:1
- can charge an average tuition of $25,000
- when something new is proposed, asks, "does it make our program richer or more valuable to a wider market?"

Moore encouraged the IAFM participants to "figure out what type of school you are," noting that schools often say they are *both* a price and product school. "You can't be both," Moore said, "you can only be one." Once a school identifies what type of school it is, it can carve out its value proposition appropriately.

Moore defines the components of a value proposition as 1) a short, easily memorizable mission statement (citing Juilliard's "We exist because we can't imagine a world without music."), and 2) a "guarantee" of two-three concrete things a parent's child will have upon leaving the school. To personify this guarantee, Moore recommends that a school's website contain a "portrait of a graduate."

Moore then moved on to discuss the idea of breaking the "20th century factory model" of education, which models student learning on Industrial Revolution concepts of modules—students all face the same way at the same time, studying for the same blocks of time, molded into the same "products," and using a 9/10-month academic calendar that is based on the demands of the Agricultural Age.

21st century schools, by contrast, give every student an individualized learning plan, use the teacher as a "coach" rather than an authority, divide students into learning groups, maximize the use of technology, create intimate environments in nontraditional ways, and rely heavily on their faculty's creativity. Moore noted that the biggest successes in schools come from faculty who push the envelope. To that end, he recommends that a 21st century school dedicate 2% of its budget just to faculty for professional development. Under this new model, Moore predicts that the average faculty salary will be $70,000, and that teachers will go from teaching four classes a day to two, to allow them time to create an individualized learning plan for their students.

This model, Moore notes, will be adopted by "the cutting edge." He challenged the participants in the room to be that cutting edge.

The Numbers in the Room

After hearing from these two insightful (though very different) thinkers, Marc Levinson and Ace Ellis met with the group to discuss data they'd collected (via a survey sent prior to the conference) on the actual schools in the room, with the intent to figure out where each school was on the "value proposition" scale, incorporating the awareness gained through listening to "The New Normal" and "Full Steam Ahead."

Ellis and Levinson expanded on Bassett's notion of value proposition, calculating it as follows:

$$\textbf{Value} = \frac{\textbf{Outcomes (perceived and real relative to other schools and luxury consumption)}}{\textbf{Price (total cost relative to other schools and values-based experiences)}}$$

Using this rubric, schools would fall into one of three categories, having one of the following:
A **low value proposition**, where outcomes < price, indicated by:

- lots of empty seats
- deficits / Compensation challenges
- high tuition sensitivity
- stiff competition
- ineffective communication of value proposition
- sustainability threat present

A **high value proposition**, where outcomes > price, indicated by:

- waiting lists
- surpluses / Minimal tuition pressure
- 21st century school
- weak or poorly defined competition
- communication of value proposition is not an issue
- potentially complacent

Or **equilibrium**, where outcomes = price, indicated by:

- full (minimal waiting list)
- balanced budget
- tuition pressure
- competition aware
- sufficient communication of value proposition
- tight program management

Of the 34 **day schools** represented at the conference:

- 45% were at 99% capacity or higher
- 53% had wait lists at some grade level

- 65% reported perceived parent sensitivity to pricing
- 75% believed their value proposition was clear

Of the 10 **boarding schools** represented at the conference:

- 56% were at 99% capacity or higher
- 30% had wait lists at some grade level
- 60% reported perceived parent sensitivity to pricing
- 60% believed their value proposition was clear

Additionally:

- 18% of participating schools had deficit operating budgets for the 2010-2011 year
- 18% of participating schools said they were the highest-priced school in their market/area

Given all of the above, Ellis and Levinson assessed that, of the schools in the room:

- 4 schools were likely at equilibrium
- 14 schools displayed signs of a low value proposition
- 26 schools displayed signs of a high value proposition

Ellis and Levinson noted that the outlook in the room was more positive than they had anticipated, but stressed that the idea was to prepare for the future, and to make sure that the value proposition evolved with the needs of the future, including the need to develop 21st century schools. Ellis's assessment of those 14 schools with low value propositions was that they did not understand their customer, and whether the deliverables and benefits of the school are perceived as benefits by said customer.

Debatable Propositions

In thinking of ways to strengthen each school's value proposition, prepare for 21st century education, and achieve financial sustainability, James Honan led a facilitated conversation around the concept of "debatable proposition," with the intent to challenge the participants to propose riskier solutions to current problems, rather than simply exhuming the same solutions from the meetings of 2001, 2003, and 2008.

A debatable proposition is a purposely controversial statement that one can take a stand for or against; it is intended to spark new thinking around both longstanding beliefs and revolutionary concepts. Honan said that debatable propositions were a way to eradicate "cherished theories": things you believe but which you have absolutely no evidence to support.

The group reviewed the **original six propositions** created by Ellis and Levinson:

1. The value of the smaller class experience is not as great as the cost.

The current premise in independent schools that small class size is a critical element to success needs to shift in order to provide 21st century education in a sustainable manner.
The value proposition of small classes alone is insufficient. Other factors relating to the student experience and program design must drive the value proposition. An improved educational experience at lower faculty/student ratios can be achieved through the following ways: maximizing the use of technology, using the vast database of knowledge available online for free, and transitioning the classroom experience from a teacher-centric model to a student-centric model with faculty coaches. The pressure on price and financial sustainability can be significantly reduced through changes in the class size model.

2. Schools should charge what it costs to attend their schools and not rely on other revenue sources.
In order to provide fair and reasonable compensation to faculty and staff, and provide programming consistent with the school's mission, schools should charge what it costs to attend them.
The longstanding debate as to whether a school should actually "charge what it costs" and not rely on other revenue sources to underwrite the cost of education is rooted in a for-profit approach to business with traditional supply and demand theory. Should the emphasis be placed on sustainable revenue sources, rather than simply non-tuition sources? Dependence on non-sustainable, non-tuition revenue to fund programs and underwrite tuition puts the school at risk. Are annual giving and endowment revenue sources dependable enough to be included as part of a sustainable financing model? If so, at what level of underwriting support?

3. Pricing strategies should be determined by the value of the intangible benefits a school provides, rather than through a cost-based approach.
Independent schools offer their students a wide variety of intangible benefits like "the best possible chance to live productive and happy lives." These benefits, rather than the hard costs of delivering the education, should determine the school's pricing methods.
We currently have no definitive/objective way of measuring our effectiveness in delivering the promise of a "productive and happy life," nor, perhaps, do we really understand the value (in a fiscal sense) of this promise to our prospect/parent. It is crucial to dedicate resources to better understanding the value of this promise, i.e., "hope." We should also spend as much or more time aligning our pricing with the perceived value of hope as we do the impact of curriculum design and teaching methodologies on student performance.

4. Financial aid should only be used in service of mission, not to increase enrollment.
Schools need to reevaluate their commitment to financial aid and remission costs to ensure financial sustainability.
Financial aid and tuition remission are important considerations for most independent schools to fulfill their mission and be true to their culture. The financially sustainable school will understand what level of financial aid is necessary to achieve mission-based socio-economic

diversity objectives. Financial aid (expenses) offered above this minimum threshold to support enrollment objectives and/or other non-mission based objectives are a sign that student demand is insufficient and the school is not operating at "equilibrium" with respect to its value proposition.

5. Schools need to fully fund depreciation in order to ensure the long-term sustainability of their facilities instead of relying on philanthropic donations.
Shrinking wealth and economic uncertainty will change the pace of giving to our institutions.
Modern and appropriate facilities are an important aspect of the value proposition offered by independent schools to their families, yet relying on donations to complete these projects is unwise in a recession/post-recession economy. The financially sustainable school will reduce its dependence on future giving to finance its operations, including capital projects, and will instead fully fund depreciation.

6. If schools remain in a 20th century "factory" paradigm of education, they will fail.
The finances of schools are the wrong focus for understanding where change needs to happen; schools will succeed if they transition to an individualized, 21st century model of schooling that fully uses technology.
Independent schools are at a historical crossroads—technology and shifting cultural values are changing everything. All schools must respond to changing parent demands and evolve teaching methodologies to maintain relevance in a rapidly changing world. The 20th century "factory" paradigm of education is quickly becoming irrelevant in today's individualized, technology-focused culture.

The group then brainstormed their own **additional propositions**:

1. **21st Century School:** A school that stays within the 20th century educational paradigm will fail to prepare students for the future and will fail to be financially sustainable.

2. **Human Capital:** The roles of faculty, staff, and administrators need to be redefined: their total compensation needs to be calibrated to a definable rubric, and their workload, productivity, and evaluation methods need to be overhauled to be efficient and effective.

3. **School as a Business:** Use sound business practices as the filter for all decision-making. Identify "good business practice" with each area—ROI, cash use, funding depreciation, funding endowment, etc., and class size.

4. **Class Size:** Increasing class size does not necessarily reduce intimacy, nor does it diminish the educational experience for the student, if it is done on an age-appropriate level with improved professional development.

5. **Financial Aid:** Financial aid is a tool to be used to maximize net tuition revenue while maintaining mission appropriate enrollment. Schools should set a financial aid level that can be sustained over the long term.

6. **Technology:** Even though the cost of appropriate technology sometimes exceeds the value it provides, our schools will not succeed without a continued investment in technology.

Honan divided up the large group into six smaller work groups, and asked them to fully explore the strengths and weaknesses of these additional six propositions. In directing their work, he asked them to:

- Name examples/data that supported or refuted the proposition
- Determine data that did not exist and was needed to support or refute the proposition
- Figure out the "game-changer" in the proposition
- Determine immediate next steps

When the groups reported back to the full assembly, they raised the following issues (arranged by proposition):

#1: 21st Century School: A school that stays within the 20th century educational paradigm, including keeping a 9-month academic calendar, considering enrollment a single-unit sale, ignoring true environmental sustainability, and ignoring virtual learning, will fail to prepare students for the future and will fail to be financially sustainable.
The group that worked with this proposition noted that changing every element listed in the 20th century paradigm meant changing the entire "game." They came to the conclusion that in order for a school to be a 21st century school, several key elements needed to be redefined. First, time itself needed to be redefined, in terms of academic calendar, schedule, and classroom engagement. Enrollment also needed a fresh lens—what does it look like if it's in pieces and parts? Finally, content delivery needed to be redefined, as live content delivery was trumped by virtual and blended approaches. This also meant that the concept of "intimacy" needed to be redefined. The group concluded that data was needed on every single one of these points: data that proved a 12-month academic calendar educated students better, data that proved virtual classrooms can still achieve intimacy, etc.. In thinking about next steps needed to take this proposition further, the group pointed out that marketing a "21st century" curriculum's primacy would essentially be saying that their school's current curriculum was flawed and failing, which could make parents feel badly about their choices. They believed that it would be ideal to beta-test one of the "revolutionary" ideas before bringing it to the whole school. Of primary concern was balancing the beliefs of the 20th century parents and administrators with the 21st century students. The group acknowledged that the ideas presented in this proposition are literally revolutionary, and would take bravery to implement. This prompted a discussion among the entire group about the difficulty of changing an entire school culture.

#2: Human Capital: The roles of faculty, staff, and administrators need to be redefined: their total compensation needs to be calibrated to a definable rubric, and their workload, productivity, and evaluation methods need to be overhauled to be efficient and effective.
This group said that data was needed on how to measure excellence. The group also discussed the fact that today's teachers "want to be compensated for every additional task they take on," which prompted the idea that what motivates one generation does not motivate another. One participant asked, "How can I get my teachers to buy into the idea that they should be taking on additional work?" Another participant said that the concept that resonated most with her on this issue was making a concrete decision at your school as to whether your school is a "family" or a "team." This redefinition of the culture of a school can make "prickly-seeming" budget cuts understandable. "Does a football player come onto the team at 20 years old and expect to be there at 60?" an attendee asked. "No." The group said that the game-changer in this proposition was the idea that the administrators needed to be much more open with faculty in discussing the fact that the school is a business. This, they decided, was the next step in implementing this proposition—having that kind of real conversation with the faculty.

#3: School as a Business: Use sound business practices as the filter for all decision-making. Identify "good business practice" with each area—ROI, cash use, funding depreciation, funding endowment, etc., and class size.
This group declared that in order to implement the "school as a business" concept, every investment made would need its own ROI, which would take into account a new formula that determined how much of every fundraised dollar goes to depreciation and endowment (hearkening back to Bassett's recommendation that 1/3 of each dollar going to endowment and Ellis and Levinson's idea of fully funding depreciation). They said that the game-changer in this proposition would come through the form of education: educating the faculty and trustees on the new ways decisions were being made. The next step would be to have a hard conversation with faculty and leaders about the sacred cows at a school—for example, the AP French department that has 3 students but is fervently defended by the school.

#4: Class Size: Increasing class size does not necessarily reduce intimacy, nor does it diminish the educational experience for the student, if it is done on an age-appropriate level with improved professional development.
The members of the group that dealt with this proposition affirmed that while they believed there was evidence out there to support the notion that larger class sizes can still foster environments where children are "known," actually selling the idea of a larger class size would need to be aggressively marketed, as it has become a hallmark selling point for independent schools. One participant suggested gradually increasing the student : faculty ratio as a child progressed from kindergarten to high school; another participant suggested making sure each student had a mix of classes: some that were small, and others that were large, depending on the subject matter being taught. The group believed that they needed research that explored parents' perceptions of large and

small class sizes, as well as research that proved larger class sizes could provide intimate education. The game-changer in this idea is, as stated, moving from a perception of small class size to a perception of being "known." The group also brought up the idea of re-marketing the values of autonomy and independence.

#5: Financial Aid: Financial aid is a tool to be used to maximize net tuition revenue while maintaining mission appropriate enrollment. Schools should set a financial aid level that can be sustained over the long term.

The group that worked on this proposition noted that extensive data was needed that analyzed whether it would be better, in a variety of scenarios, to take a financial-aid student or have an empty seat. This data would help deal with "bubbles" and "funnels" in financial aid, as well as the "mouse going through the snake" issue of committing too much financial aid to one grade level, leaving little for the next. The group also discussed the fact that financial aid was expressed differently among the missions of the schools at the table: with some, it was "cooked into their mission," with others, it was absent. The game-changer in this proposition is to ignore the advice to do tuition discounting, and consider having empty seats in your school (which is, one participant pointed out, effectively downsizing). Another participant described the mission-financial aid relationship this way: "Financial sustainability is priority 1a. Mission is priority 1b." The group decided that the next steps were to gather the data described above.

#6: Technology: Even though the cost of appropriate technology sometimes exceeds the value it provides, our schools will not succeed without a continued investment in technology.

This group said that schools needed more data on the impact of technology (is technology leading to writing improvement?), the relationship between technology and test scores, and the ideal ways to train "20th century faculty" to teach in a 21st century style. The group realized that although many of the schools at their table had invested heavily in technology, teachers were not effectively using it, because they hadn't been trained by people who understood it—the group conjured up the image of unused smartboards sitting in every classroom. They concluded that the profile of the "master teacher" would dramatically change: the 21st century master teacher would effectively model technology and "coaching-type teaching." The group decided that the immediate next step would be to determine which "21st century idea" needed to happen immediately, and beta-test the idea with a small group at their schools. They also decided they would survey their own students as to what they thought a "21st century school" should look like.

Vision

After working hard on defining the changes that could be made at the individual schools, Levinson asked the schools that had come in "teams" to get together to actually envision the schools' futures. Participants that came without team members were asked to join up with other members from "similar schools," i.e., same-sex boarding schools, schools in the Bay Area, etc. After taking time to brainstorm what their schools would look like in ten years, a few participants shared their visions. Some of the elements of the visions included:

- "becoming a virtual 12-month school where kids learn online over the summer"
- "explaining to parents why tuition rises every year the way the development office says, 'here's what $100 does, here's what $1000 does'"
- "sharing a language teacher with a local high school"
- "growing our school from 300 students to 415 in the next ten years"
- "move from giving $1.5 million to our PPRRSM account to $4 million"
- "having every student spend one semester abroad"
- "one day a week have students study from a virtual location"
- "having iPads in the classrooms"
- "have high school start later in the morning and elementary school start earlier in the morning to reflect developmental stages"

Real-Life Game-Changers

Participants shared a few notable examples of forward-thinking solutions that had been implemented by actual schools:

- One school has created a sustainable model which ties future tuition increases to **CPI + about 1 to 1.5%**.
- Another school has established **one tuition rate** for each entering class of freshmen that remains constant (unchanged) for the four years the student is in their high school (it's called YES – the Year of Entry Set Tuition). The four-year tuition rate is set anew each year, for each new class of freshmen, such that each grade level has a different four-year tuition rate.
- After a board conversation about 21st century education, one school hired an **academic technology advisor** (a new trustee-endowed position) whose entire job is to integrate technology and learning at the school.
- The Online School for Girls, a virtual educational platform, was created by four independent girls' schools in 2009; since its founding, over 20 additional schools have joined, making this a unique venture—**online education with a branded focus that is collaborative, not competitive**, with similar schools.

It Takes a Team

All participants were encouraged to go back to their schools and put one item from IAFM on the agenda of their next senior leadership team meeting or meeting with head of school. NBOA staff members plan to follow up with IAFM participants to assess how successful they had been in implementing some of the ideas proposed during the conference.

One participant noted that after the last IAFM, he had written down a series of notes on the train ride home describing the ideas discussed during the conference, and sent them immediately to his head of school. When he reviewed that letter before attending IAFM this year, he was pleased to see the number of things that had actually been accomplished.

It was clear from the diversity of size, age, and structure of the schools in the room that a "one-size-fits-all" solution won't necessarily work. The compelling nature of the debatable propositions, and the conversation they drew out, is something NBOA recommends you experiment with at your school with your senior leadership team. Start small—with just a single proposition. The work you do will benefit your school—and our entire community—for years to come.