



The Five Fundamentals of Financial Aid

The vision of our Catholic schools is to provide students in the Archdiocese of Chicago vibrant, high quality Catholic schools that are available, accessible and affordable.

We all share this vision and wish to fulfill it. One of our challenges is that the vision of affordability must be balanced with the need to maintain financial viability. We must thread the needle of providing affordable tuition rates to the community being served while also ensuring we generate sufficient revenue to support operations. Based on where we are today, we firmly believe there is an opportunity to do more good (i.e. make our schools affordable to more families) while also strengthening our financial results.

Many of our schools experience the following four conditions:

- 1) **Diverse socio-economic communities**, with families at widely varying income levels;
- 2) **Under-enrollment**, with large numbers of empty seats in certain sections;
- 3) The published or “**list**” **tuition rate** is set at a level that is not affordable for many of the families that can be served by the school
- 4) **Insufficient funded scholarships** for all who are in need and apply; and

As a result, many lower-income families who might have filled empty seats cannot afford the list price and therefore are turned away if they don't receive a scholarship or discounted tuition rate from the school.

Under these conditions, turning these families away without offering them a needs-based tuition rate is both inconsistent with our values and *an entirely avoidable hit to our financial outcomes*. To say this another way, we're trying to maximize total revenue within the bounds of having full classrooms, which is different than trying to maximize average per-student tuition across the school.

Since there is almost zero incremental cost to educate an additional student who fills an empty seat, any tuition paid by that student's family improves our finances. Since each family's situation is different, the way to manage these opportunities is to identify and set a minimum tuition rate or “floor” for the applicant. This “floor” should be pegged to each family's ability to pay, not to a fixed percentage of the published rate.

Not only do we need these new students, we WANT these students. Full classrooms enliven all students' educational experience, and socio-economic diversity provides a richer learning environment for all. Finally, it is clearly the mission of the Church to provide this opportunity to families who cannot afford to pay more.

So, we are in a win-win situation if we execute properly: the school benefits and the family benefits.

Below are the “Five Fundamentals” of an effective financial aid program. These provide the structure to enable each school to calculate a means-tested tuition offer for each family that represents strong stewardship, rigor and charity. The Archdiocese has more detailed process and procedure documents and tools that schools can use and customize for deployment with their staff and for their families.



The Five Fundamentals

1. **Financial Aid Committee:** The Pastor, Principal and School Board must clearly communicate to all families that the school's financial aid program is driven by a consistent, confidential and committee-driven process. Decisions cannot be left in the hands of just one or two people or the credibility of the financial aid program will deteriorate. Similarly, if families think that they can bypass the committee and appeal to someone the process will be compromised.

The financial aid committee ideally consists of the principal, the pastor, the business manager, a Finance Council member, and a member of the school board (who is not a current school parent). The Committee should meet frequently enough to process families' financial aid applications with a reasonably quick turnaround time. The longer the turnaround time from application to offer, the higher the risk a family does not wait to register. We recommend that the school commits to a turnaround time of no more than two weeks.

A strong Committee uses a collection of inputs -- blending a bit of science and art -- to calculate the tuition rate the school will ask a family to pay. Using benchmark data from the school's awards to families in current and prior years, the application information provided by the family, the recommended tuition rate calculated by a 3rd party financial aid service (such as FACTS and SMART), and any other relevant inputs, the Committee determines the financial aid package they will offer to each family.

The key question the Committee must be prepared to answer is: "If all the rates paid by each family were made public, would we be confident defending them in terms of consistency between families of different financial circumstances?" (We certainly don't recommend making these decisions public, but we must be prepared for the possibility of information getting out, and be confident in the equity of our process.)

The Archdiocese is building a tool for Financial Aid Committees that will model suggested ranges of discounted tuition rates based on bands of household income levels, derived from actual tuition rates paid by families at all AoC schools, and based on a school's appropriate geographic and demographic peer group. The first version of this tool will be available from the Office of Catholic Schools on **May 7, 2018**.

2. **Financial Aid Assessor:** A good financial aid program should employ professional services to help determine how much tuition any family is reasonably able to afford. These providers help the school with an initial, unbiased assessment of need, and they offer a suggested tuition rate based on each family's situation. Using this objective tool also provides assurance to the school community that the financial aid process is fair and not subject to preference.

As you likely know, any AoC school **must** use the FACTS Grant & Aid product if they want access to Caritas or Phoenix AoC scholarship funds. But whether you use the services of FACTS or SMART (the only two AoC-endorsed financial aid service providers), their calculation of a suggested tuition rate for each family is not the only factor financial aid committees would use in determining tuition rates to offer; the committee should also consider other information. Indeed, as many schools know, for some families with severe economic need, the tuition rate recommended by the 3rd party service is often \$0. And yet



these families are paying tuition & fees to the school. This further shows that the “recommended” rate should be one of multiple inputs to the financial aid committee.

If schools are currently contracted with FACTS or SMART, the process to setup this service for you and your family applicants is very manageable. You can contact the vendor directly and/or your School Finance Manager to facilitate this process.

We recommend that schools pay the application fee charged by these service providers and do not ask families to pay for it. At the same time, the AoC is endeavoring to ensure those rates are managed to their lowest possible level.

Even if schools in the short run don’t have access to FACTS or SMART, to help evaluate families’ need, the most fundamental need of the financial aid committee is for families to provide the school with actual documentation to demonstrate need.

- 3. Fill the Right Seats:** Every year, the school should set an enrollment goal for each of its sections. The Principal and Business Manager should determine the maximum number of students they would accept before capping enrollment and establishing a wait list. Filling each section to its maximum capacity may be desirable financially, but this may not be good for the students (or school) programmatically, academically and culturally. Schools should consider the age of the students, the capabilities of particular faculty members, and other factors which could lead to varying enrollment targets across sections. These should then be clearly communicated to the Financial Aid Committee.
- 4. Variable Tuition Floor Reflecting Family Need:** The Archdiocese and most Pastors and Principals recognize that the relationship between school and family is most successful when the families have some level of financial investment in their school. A locally-calculated tuition floor enables school leadership to find an acceptable balance between support for families who need it and a minimum, equitable commitment that we expect all families to make.

We don’t expect this floor to be the same for every family since it is the *justifiable bottom rate* for a family based on their need. Thus, a family that makes \$100,000 a year applying to a school with a list price of \$5,000 might have a floor that is *equal to list price*, since list price is only 5% of that family’s income. A family that makes only \$20,000 a year might have a floor of \$1,000 (i.e., 5% of that family’s income). The concept of the “floor” is the bottom rate that the principal can offer TO THIS FAMILY based on needs assessment.

Since the Committee won’t know how the applicant will respond to the financial aid package, they should give the Principal (or person that directly communicates financial aid offerings to the family) both an “initial offer” tuition rate, and a tuition floor below which the Committee is not willing to go.

- 5. Making the Offer:** Once a family’s application has been vetted through the 3rd party assessment and the financial aid committee has generated a financial aid package, the Principal should meet with the family to extend the offer. Again, the idea is to minimize the length of time between the initial conversation and the offer. This is the key moment in the relationship where the Principal can accomplish multiple objectives:



- a. Build or continue to build the relationship between school and the family.
- b. Reiterate the value proposition the school provides to the family and the student. Remind them why this family should make this investment in their child over all the other available options.
- c. Ensure the family understands the commitment the Parish and school are making in the family, e.g., explaining the total cost to educate and the efforts the Parish and school are making to cover much of the investment in the student, while asking the family to make their needs-based contribution.
- d. Ensure the (new) family understands the future continuity of this year's financial aid package. The current financial aid package is based on the current resources of the household; therefore, the financial aid offerings to a family next year would generally and relatively be the same.
- e. Should the family reject the principal's initial offer and offer additional information about their financial situation or willingness to "work off their tuition", the principal should be empowered by the committee to consider additional discounting, so long as the final rate stays above the floor identified for that family.
- f. If the school believes that they will NOT have a reasonable opportunity to come to an agreement with the family *following* the meeting, ensure the interested family does not leave the meeting without the Principal reaching agreement subject to the minimum tuition floor.
- g. If the family does not accept the ultimate financial aid offering and declines to (re)enroll their child, this conversation ensures the Principal confirms -- with maximum confidence -- the reason(s) why the family is leaving or chooses not to enroll at the school. This information should be diligently measured and tracked for all families.

Once the family agrees to the financial aid package, the Principal should share the features and expectations of Tuition Collection including a signed, annual tuition contract, keeping the financial aid package confidential, agreeing to the consequences of not paying tuition on time or in full, e.g., exclusion days, and other features of the school's robust Tuition Collection program.

In closing, our colleagues, including the Directors of Vicariate/Turnaround Operations, School Finance Managers, Marketing & Enrollment Managers and Regional Directors, are at the ready to help you develop a new or improve your existing Financial Aid program. We encourage you to employ their services to help your school.

**The Office of Catholic Schools
Archdiocese of Chicago**

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