

Getting What You Pay For and Charging For What You Get

by Bruce Williams, The Oaks: A Classical Christian Academy

Most school boards face the same tensions. Our board calls it “the three-legged stool”—small class sizes, higher teacher salaries, lower tuition for families. If these three are not balanced proportionately, the stool will tip over. We have the best chance of keeping the stool upright when we make principled decisions. The best boards make decisions based upon principles that will stand the test of time and not succumb to the pressure of pragmatism and its immediate gratification. As an example, one of the most common questions I hear from prospective families who are thinking of coming to our school is, “How will my child be treated if he/she is put back a grade and, as a result, is older than the others in the new class?” My response is based upon the principle of God’s sovereignty: God has ordained this time for your child to enter this school. The fact that your child is at a different knowledge level than other students is not because the others are smarter on their own, but as a result of God’s grace. It is only by God’s grace that any of us know anything at all; therefore, other students should not be prideful about their knowledge. They should be thankful for the knowledge and thankful for another student in the class. This is the principle of God’s common grace. When understood rightly, students love one another and our Heavenly Father’s sovereignty is glorified.

Like parents, school boards are called upon to constantly apply the wisdom of God’s Word to their decision-making process in light of

God’s sovereignty. If there is poor thinking taking place, then we can anticipate poor results. It is important that boards understand biblical principles of economics when establishing tuition because those decisions, either positive or negative, will have ripple effects.

Christian education; our students were not going to raise money for the school; and we wanted to hire as many male teachers as possible. We needed to be able to pay our teachers well in order to support these heads of households.

In our infancy, to help get

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Many of the schools within ACCS haven’t yet grown very far from their infancy stage. Boards are making financial decisions based upon their constituency of young parents with little resources. Many of our schools’ financial problems are the result of giving away too much in order to get students into a desk at a reduced rate, but a rate less than what it costs to educate a student. This difference has to be made up somewhere and that typically comes at the expense of teacher salaries.

I would like to share a bit of our story and a providential meeting that God ordained to help get our school turned around. Before I jump in, I’ll share two principles that are applicable: first, change comes at a price; second, we must look further down the road than just the immediate future.

Our school was structured upon another three-legged stool when we started: we were committed to classical and

teachers and prospective families, we offered many of the traditional discounts. Teachers received a percentage discount based upon the amount of time they taught (full time received 100% tuition discount, half-time received 50% tuition discount, etc.); families received a 10% discount for the second child, 20% for the third, 50% for the fourth, and 100% for fifth on. Does this sound familiar?

Now for the providential meeting. While visiting with a headmaster of another school and asking about his annual tuition amount, I learned it was \$700 less per student than ours, and he was saving 10% of his tuition income each year for a “rainy day.” He was also paying \$35,000 each month for their new building. I was astonished and needed to come to grips with how he was doing this. We were very frugal each year with our budget while trying to keep our staff salaries above our competition, but we were not seeing this kind of surplus in our finances.

He explained that the school gave NO discounts. Did you say

Bruce Williams is the headmaster at The Oaks: A Classical Christian Academy in Spokane, WA. He is also the chairman of the ACCS Board of Directors.

Getting What You Pay For . . .

NO discounts?! Yes. I knew this wouldn't fly with our board. They would not dare affect our most significant asset: our teachers.

Just a quick side note I think you will find interesting: even though I was keeping within our budget, tuition was not covering 100% of our needs. Each year we relied on generous gifts to make ends meet. Just two months before my conversation with the fellow headmaster, our board had determined to meet all expenses with our tuition income. In order for this to occur, the plan was to raise tuition \$500 a year over the next three years—a \$1,500 tuition increase by 2013. This was their go-ahead plan. I was happy with the concept, but not at all confident that our families would be able to swallow that large of an increase.

The idea of no discounts intrigued me enough to put pencil to paper. I invite you to try the same thing. I counted the number of families with one child (we had 55). Then I counted the number of families with two children (we had 53). Our total families with one or two students was 108. The number of families with three children was 16, and the number with four was five. We had five families with five children.

I then went to our business manager to ask how much our discounts totaled for both families and teachers. The total was \$198,000. This was an interesting number because our board had realized that over time the discrepancy between expenses and income was currently \$800 per student and would advance beyond \$1,300 per student by 2013. When multiplied by our number of students this discrepancy roughly equaled our \$198,000 discount total. As I looked at these figures, I realized

we didn't have a true "financial crisis." We were currently charging enough, but giving away too much. I also realized that the number of families that fell into the last two categories of having four or five students could also pay the full amount for their children; we simply were not asking them to do so.

I took these figures to the board and asked them to consider removing the tuition discounts or at least the multiple student discounts. As they looked at removing the multiple student discounts, they realized they could save more than \$100,000. Since they were unwilling to consider putting the teacher discounts up for discussion, I asked if I could do some research on increasing their pay if they had been at the school for eight or more years. I wanted to match salaries to our state's government teacher salaries with eight or more years of experience and I felt our benefits were already very good. Our board covers 100% of the staff and dependents' medical insurance, 50% of their medical deductible, and 3% matching funds for their retirement accounts.

The board determined that the teachers were getting a solid education for their children while being paid a reasonable salary. After all the discussions, the board eliminated all multiple student discounts and reduced the teacher discounts by 50%. They also significantly increased our teacher salaries and adjusted the tuition assistance for families from \$40,000 to \$75,000. With all these changes we were able to reduce the overall amount of assistance from \$198,000 to \$106,000. We did not need to raise tuition at all for the 2010–2011 school year.

Going back to our previous

figures of families with one or two students, they were looking at an increase of \$500 to \$900 per family if the board held to the original plan (\$500/year increase for the next three years). Now, by not raising tuition, we had 108 happy families, and a much better looking financial picture. This also presented a positive outlook for new incoming families.

As mentioned earlier, change is difficult and these decisions did cost us some families, especially those with larger families. Out of the five families with five children we lost two, but our decision was a principled one and, therefore, easier to live with.

I sat down with each of the teachers and their spouses and shared ahead of time what the board was considering. Out of approximately 27 of these meetings, only two were negative. All the rest believed it was the best decision for moving the school ahead.

In light of the current economic situation our schools are facing across the country, I believe these financial moves have helped to put our school in a much better fiscal position. In fact, I have finished our preliminary budget for next year, and the board will be raising tuition a modest 2.3%. I am continuing to fund tuition assistance at 5% and we are projecting a shortfall of only \$34,000 (significantly down from this year's \$106,000). My numbers are based on a conservative decrease in enrollment; thus if our enrollment stays the same, we would finish in the black.

We are not at the 10% surplus for a "rainy day" account yet. But the three-legged stool remains upright. I am very thankful for strong biblical principles of finance and a board willing to make difficult but sound, principled decisions.

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