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ADVANCING BUSINESS EXCELLENCE IN INDEPENDENT SCHOOLS | NOVEMBER/DECEMBER 2020



No Right

Whether it's deciding how to allocate precious financial aid dollars or where to invest shrinking revenues, independent schools are facing difficult decisions.

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Rise and Reinvention of Merit Aid

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Metrics for the Multiverse

THE BOTTOM LINE

- Developing and practicing an ethical framework in advance of financial aid discussions can help school leaders make consistent, mission-based decisions.
- While ethical decisions have no "right" answers per se, drawing on core values can help school leaders communicate the final decision clearly and persuasively.
- The school benefits when not just the business office but all staff and faculty weigh both what is financially sustainable for the school and what feels fair and equitable for families.

Ethics in Action: Design for Social Innovation

Professional Development
August 28, 2017

The campus at Kent Place School (below) and a meeting of faculty and staff at the school's Ethics Institute (above).

An *Ethical* Framework

Pressures on the financial aid budget aren't just financial. Agreeing upon values and sticking to them help make every dollar count — and the school community stronger.

for

Financial Aid

By James R. Palmieri, NBOA

Kent Place School (KPS) is in an enviable position, literally. The preschool-grade 12 girls' school is located in the metropolitan New York City market — Summit, New Jersey, to be specific — which has a strong appetite for independent schools and many families that can pay for it. The financial aid budget is healthy, thanks to the generosity of parents, alumnae, trustees, foundations and friends, and the school had rebounded financially from the challenges of the Great Recession of 2008. The COVID-19 pandemic has caused disruption but not resulted in an enrollment decline.

Even with these advantages, however, decisions about allocating financial aid can be challenging at the 650-student preschool-grade 12 school for girls. To help make the best choices, KPS draws on one of its unique offerings: the Ethics Institute at Kent Place School. I know the institute well, as I worked at KPS in various capacities between 2005 and 2013. I also know the challenges of financial aid decision-making well. Following my time at KPS, I served as a business officer — officially, assistant head of school — at Trinity Hall, a girls' high school in Tinton Falls, New Jersey, before coming to NBOA.

Numerous processes and decisions in that role required me to draw on an ethical framework and supporting

values, to adhere to the school's mission, guide my team, and exercise compassion for all involved. The most challenging of all these tasks, the one which required the most attention, research and consideration, was financial aid distribution.

As a start-up school, Trinity Hall had limited financial resources, and a core set of questions surfaced again and again: *How do we adequately ensure confidentiality for the applicant family? How can we fairly assess family expenditures? How do we assess a business owner whose reported income seems unrealistically low given the family's assets? How do we ensure a level playing field for all applicants? And how can we avoid playing "let's make a deal" with parents?*

Hence my interest in speaking with my former colleague, Karen Rezach, Ed.D., founding director of the Ethics Institute at Kent Place School, and senior staff at KPS. A leader in primary and secondary school ethics education, Rezach has been teaching and facilitating ethics workshops for students, parents, faculty, administrators and private organizations for more than ten years. Though academic in nature, Rezach's guidance of the Ethics Institute transcends curricular and co-curricular programming to inform and enhance the school's overall operations, including business and enrollment practices and procedures.



Down the Rabbit Hole

Historically financial aid existed to provide the independent school community with “accessibility” for students and families, with more aid going to families making less income, but the financial crisis of 2008 rapidly transitioned schools to focus on “affordability” for all families, when fewer American families became capable — or willing — to pay the tuitions we charge and operate from. The COVID-19 pandemic has exacerbated the trend and will likely have a longstanding impact on our industry.

In the 2019–20 schoolyear, before the COVID-19 pandemic, private nonprofit colleges and universities on average offered a 52.6% discount rate to first-time, full-year, first-year students, according to the 2019 NACUBO Tuition Discounting Study. Taken together, all undergraduates from these colleges received a 47.6% discount on average. The discounts, which come in the form of grants, fellowships and scholarships, mean these institutions forgo about half the revenue they otherwise would collect if they charged all students the tuition and fee sticker price. The college discount rate has increased every year for the past ten years; in 2010, first-time, full-year first-year students had an average 42% discount rate and the rate for all undergraduates was 36.4%. See go.nboa.org/NACUBODiscountStudy19 for a press release of the study.

While private, nonprofit independent schools do not discount nearly as sharply — the average discount rate in the 2019–20 school year was 17% according to NBOA’s BUIS data collection platform — it is a trend we would do well to watch. See “The Rise and Reinvention of Merit Aid” on page 16 for more on this topic.

Shifting Gears, Setting Guardrails

The financial aid committee at KPS consists of Head of School Jennifer Galambos, Chief Financial Officer Genevieve Madigan, Assistant Head of School for Enrollment and Strategy Julia Wall, and Director of Financial Aid Adrianna DeGazon. KPS uses Tuition Aid Data Services (TADS) to calculate families’ financial need, and Wall confirms board policy is to award grants consistent with the TADS calculation.

The school’s guiding mantra in aid decisions is this: “If you’re a girl who’s ready to change the world, we believe money shouldn’t stand in your way.” And while the committee does its level best to make that assertion a reality, financial aid budgets are not limitless.

Yet even with these tried and tested processes to ensure confidentiality, equality and sustainability, aid decisions are complex, time-consuming determinations that require collaboration, ethics and values-based decision-making.

“For a long time, the goal of financial aid at Kent Place was to positively impact the diversity of the student body,” explained Wall. “The primary objective was to enroll as many students from different backgrounds and income brackets as possible. But over the past several years, the primary objective has shifted to supporting all existing students in having an equitable core experience.” Thus at KPS, like at most other independent schools, financial aid now goes to a range of income brackets, including middle-class families who in the past may not have received aid. (See sidebar at left for more on this nation-wide trend.) Furthermore, the goal is to provide not only tuition assistance, but also resources to cover the complete school experience, including uniforms, transportation, local and global trips and athletics.

While there has been a shift, the process is still tied closely to the school’s mission, “to offer students of diverse backgrounds, in preschool through grade 12, an academically rigorous curriculum



Karen Rezach, Ed.D., founding director of the Ethics Institute at Kent Place School, leads a learning session for faculty and staff.

in a caring atmosphere; to encourage them to contribute to and find success in this challenging program; to inspire young women to leadership; and to strengthen moral awareness.” In simpler terms, fairness, care, cooperation and responsibility are the guideposts.

The shift to prioritizing an “equitable core experience” at Kent Place has required extending the financial aid budget, Wall acknowledged, as well as establishing guardrails to ensure that budget does not balloon beyond the school’s reach. Board policy states that financial aid cannot exceed a pre-determined set percentage of the school’s gross tuition revenue, according to Madigan. “It takes a full board vote to exceed that percentage, and it has to be a very compelling case,” she explained.

While KPS distributes aid across its divisions — that is, the primary, middle and upper school — it has different parameters for each unit. For preschool, the maximum financial aid available for qualified applicants is 50% of tuition; for kindergarten, it is 80%; for grades 1–5, it is 85% and for grades 6–12 it is 98%. This breakdown accounts for the significant financial commitment the school makes to

The Ethics Institute at Kent Place School

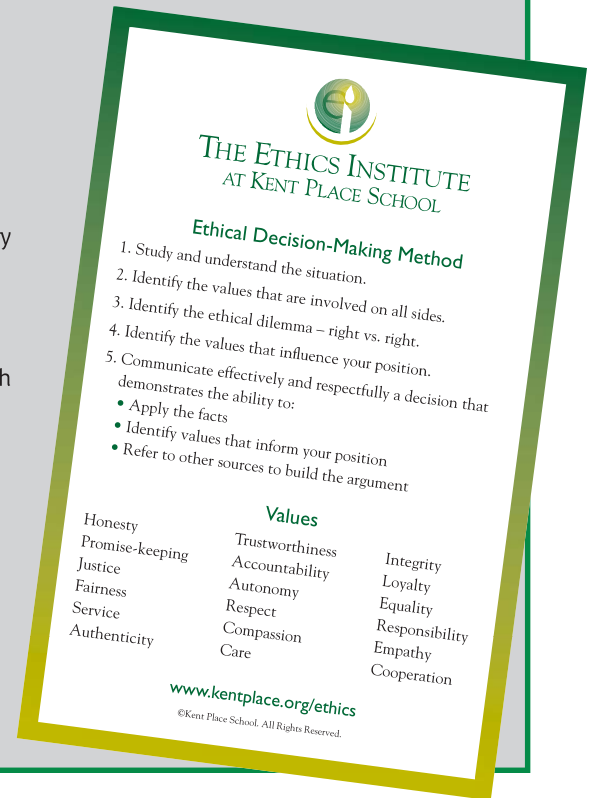
The Ethics Institute at Kent Place School (EIKPS) was founded in 2007 with a mission to promote the process and practice of ethical decision-making in primary and secondary school communities. EIKPS prepares students to be compassionate citizens and the most effective leaders of tomorrow via the following measures:

Student Programming: Meaningful learning opportunities for K-12 students, including ethics in the disciplines, elective classes, student clubs, an advisory program, lunch and learn events, summer programming and Ethics Bowl competitions.

Training and Curriculum: Professional development workshops for all types of educators interested in incorporating ethics into their pedagogical work.

Parent and Community Events: Workshops, chats, guest speakers and other avenues for considering and discussing important ethical issues.

Partnerships and Collaboration: Context-based ethics programming that allows students to collaborate with industry leaders, educational institutions and nonprofits that put ethics into action.



new families — the younger the student, the longer the period of aid distribution.

Yet even with these tried and tested processes to ensure confidentiality, equality and sustainability, aid decisions are complex, time-consuming determinations that require collaboration, ethics and values-based decision-making.

Applying the Framework

A core group developed the following framework for ethical decision-making: Rezach, other KPS senior leaders, the KPS Ethics Committee, students and faculty, and key partners, including the Hastings Center, a bioethics research institute, and the Kennedy Institute of Ethics at Georgetown University.

1 Study and understand the situation.

Consider these questions: What are the issues in the situation that are most relevant for you, or are most pertinent? Are there facts about the issue/situation that you feel are critical to consider? Who are the stakeholders? What perspective might each stakeholder bring to this situation?

Take this example: You are the director of admission and financial aid at an

independent school in a highly competitive market. You have just completed the arduous task of assigning your financial aid dollars to the newly accepted ninth-grade class. The following week, the parent of one of your newly accepted financial aid students calls to request more aid. The parent discloses the amount of aid the family received from a competing school and said that if your school could match it, the student would definitely enroll.

2 Identify the values that are involved on all sides.

Values are something (principle, quality or entity) intrinsically desirable or valuable. What are the values that are involved in the decision?

Case study, continued: The situation presents several values to consider. Is the parent being *authentic* — did the other school truly offer that large of an award? Is the parent being *honest* — if we increase the award, will the student enroll? Is the award from the other school trustworthy — what are its processes for assessing need? Will increasing the award be *unfair* to other families in the process? Is the greater *responsibility* of the school to conduct a consistent process or to hit the enrollment target? How do we show *empathy* towards

this family understanding the financial commitment at stake? And is *compassion* or *equality* more important to my school?

3 Identify the ethical dilemma — right versus right.

Ethics is the branch of philosophy dealing with values relating to human conduct. Ethical dilemmas do not have clear "right" versus "wrong" answers; instead, an ethical dilemma presents a situation where there can be more than one "right" answer. For every "right" answer, there is usually another equally compelling "right" answer that must be considered.

Case study, continued: While this student was not one of your top candidates, she was well-regarded by the admissions committee and the school could really use the student to make its target enrollment and net tuition revenue goals. The family's financial aid report stated that you have already awarded this family 100% of their calculated need. The goals of consistency and sustainability seem to be at odds.

4 Identify the values that influence your position.

Which values rise to the top in a given situation or dilemma? Base your position on that value.



Sample Ethical Dilemma for Tabletop Exercise

Developed by the Ethics Institute at Kent Place School

You are the director of admissions and financial aid at an independent school. Over the years, you have seen an increase in applicants requesting financial aid, and your board has generously responded by increasing your financial aid budget to accommodate this growing need. Inevitably, however, there just never seems to be enough money to fund all the qualified applicants. The admission committee would love to admit two students, but the school cannot afford to fund them fully, making it an impossibility for these students to afford the tuition.

What letter do you send the families? Do you send them a denial letter? A waitlist letter? An acceptance with no aid? An acceptance, but financial aid waitlist?

Case study, continued: For this enrollment leader, three values rose to the top: 1) *Trustworthiness and transparency*. The school followed a process that allowed for a fair and accurate assessment of the family's application. That allows for clear communication about why the school will not alter its determination. 2) *Integrity*. This director felt accountable for stewarding the school's financial aid budget responsibly and adhering to the policies and processes to distribute aid accordingly. 3) *Equality*. Most families, even when they receive aid, are asked to stretch to pay for the education and services our schools provide. The other families in the process would prefer to pay less, too.

5 Respectively communicate a decision that demonstrates your ability to apply the facts, identify values that inform your position, and find support from outside sources.

When you reach a decision, articulate it in such a way that you express an understanding of the complexity of the issue as well as respect for the varying perspectives and stakeholders involved. Communicate the values identified to help formulate the basis for your decision.

"I grapple with this issue internally all the time: the balance of what is fiscally responsible for the school, and what feels inclusive and equitable for students," said Wall. "And I feel the entire school leadership team should be balancing those two things all the time. It's not just the job of the business office to that."

The Whole Community

What students learn from lessons in ethical decision-making, the entire school administration can apply too. "What is critical to the process is that students do not simply 'react' to an issue," explained Rezach. Instead, they need to "do a deep analysis of a situation to deliver an informed decision." In the case of financial aid, school leaders will not simply react to demanding families or enrollment pressures but rather carefully formulate decisions they can stand by and clearly articulate.

Thus the EIKPS ethical decision-making method, if adopted widely, can support school community and culture building. When norms and expectations are identified and communicated, transparency increases and confusion decreases. Rezach offers school leadership the following suggestions seeking to bolster ethical decision-making:

Be clear about your school's values and discuss how values are reflected in policies and decisions. Present them forthrightly so that all constituents and outside community members know what your school stands for and what can be expected from the school. An interesting exercise is to poll your constituency groups and ask them, "What do you consider to be the school's top 3 values?" This will tell you whether or not you are being clear enough.

Be clear about department priorities. The business office, admissions, development and other departments need not be working in silos but rather under one mission and vision. Department priorities include

personnel policies and expectations, as well as product or output, including financial aid distribution. A department's priorities must align with the school's values.

Use case studies to target areas that need attention. It can sometimes be hard to discuss ethical dilemmas that are happening in real time at the school, or even to identify what the values are that guide decisions when confronted with all too real situations. Tackling a case study through tabletop discussion exercises is a great way to encourage discussion. Participants will likely discover the values that truly are important to not only them as individuals, but also to the community. See sidebar above left for an additional example.

Encourage focused, values-based decisions. Utilize the ethical decision-making model for every dilemma or difficult situation in your school, and decisions will be consistently values-based and ones that everyone can live with — not necessarily agree with, but respect and accept. When your decisions are based on your values, you become an ethical community.

Leadership drives the bus in many of these decisions. Leadership from the top — the board, the head, the chief financial officer and the entire administration — is crucial. It's about more than getting it done, but rather what school leadership will commit to. *What commitments are you going to make?*

"Have a north star," advised Rezach. "Having a clear mission and objectives makes it much clearer. Otherwise, it is scary to put a stake in the ground." **N**



James R. Palmieri, Ed.D., is NBOA's executive vice president and the president of the board of trustees at One Schoolhouse.

james.palmieri@nboa.org

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