



Neither Income Nor Expense

by John Shelhamer

Ever encountered “income-based tuition aid?” (In other words, aid based on income alone, ignoring differences in life’s circumstances.) An advocate recently said:

I like this system because it is income driven, not expense driven. In other words, if a family has built up a good deal of debt due to poor lifestyle choices, they will not get more aid simply because they have more expenses. Even systems that cap debt at a percentage of income are flawed, because they effectively penalize families who have good strong conservative financial priorities and have done their best to be fiscally responsible and keep debt to a minimum.

A Christian school is in the ministry of providing an excellent education within a Biblical worldview. To do this a student needs to remain enrolled through to graduation. Inadequate aid will not accomplish this. So, I do agree with the writer of the above statement when he said: "Start with the philosophy of how you want your program to operate ..."

What is the goal of tuition aid?

At CFS we believe the goal of tuition aid is to enable low, middle income, and financially troubled families to provide a Christian education for their children. A student needs to complete the course and graduate with a Christian worldview to have received a Christian education.

Our philosophy is to take them where they're at, enable them to enroll, and teach them about money management so they can have a reduced dependence on aid as time goes on, and provide sufficient aid to survive the course.

CFS exists to consistently provide Christian schools with verified quantitative and qualitative financial assessments, determining what individual families can realistically afford for tuition in combination with the knowledge and tools necessary to strengthen families financially.

To do this a school needs to start with the most accurate assessment possible of each family’s ability to pay. Most families are so scattered with multiple incomes, and multiple sources of credit and debt that few have an accurate understanding of their own finances.

So, what happens with families being offered an inadequate award? They take whatever aid the school offers because they don’t really know what they need to make ends meet.

If this award happens to be too little, which often it is, then they will struggle until they can struggle no longer. Then they’ll dis-enroll. In this case the money given to that family for two or three years will have been misspent, and whether you have been a good steward of the funds that God has entrusted to your school may be questioned.

Accuracy

In looking at income-based versus a more comprehensive evaluation, the question of accuracy and fairness must be examined.

To begin with: who are your school families needing tuition aid? The majority of families applying for aid carry more than the national average of debt load. Many of your families with “good strong conservative financial priorities” do not need aid or do not apply.

If a school is using an income-driven approach, here’s the dilemma: do you try to create tables that are mostly fair for those with healthy finances or for those with unhealthy finances? If the tables are set to meet the needs of the healthy, then the unhealthy will enroll, but will never be able to survive more than a few years. If the tables are set to meet the needs of the unhealthy, then the healthy are unfairly rewarded and funds are again wasted.

This approach is unfair to someone – all depending on where you put the numbers in your table.

Illustrations of inequity abound. Let’s take 4 next-door neighbors, all with the same income: one has a \$4K monthly mortgage, one has their house paid for but has \$3K in student loans, one has a \$2K mortgage with another \$3K in monthly medical expenses, and one recently divorced - she is stuck with the partner’s debt payments and one income. They cannot all be treated the same just because they have the same income.

Neither “income driven” nor “expense driven”

Actually, at CFS we wouldn’t describe our approach as income driven or expense driven. It’s much more comprehensive than that. We evaluate all sources of income and gifts, plus basic living expenses, assets, and living situation (marital status, numbers of children, etc.). This comprehensive evaluation calculates the most accurate ability to pay. (Rated at >90% accuracy by our clients!)

To think that you can tell a financially troubled family “we’re going to give you the same award as this healthy family over here, and we’ll just expect that you will fix your financial condition” is unrealistic. One size does not fit all.

As we have surveyed the same schools again and again we have seen that increased tuition with starvation level tuition assistance awards has created a scenario where there are fewer and fewer middle income families enrolled. The “income only” philosophy only exacerbates this problem and accelerates the drop in enrolled middle-income families.

This is probably the key difference in approach:

For CFS it boils down to whether your commitment is to entice families to enroll, or to enable their child to stay through to graduation.

Overall CFS’s award recommendations are not higher than anyone else’s, but they are more accurate. They are best for the school because families know that they are treated fairly, and, given our recommendations, able to survive financially over the entire course of their child’s education.

Couple this with CFS’s Financial wellness curriculum to provide accountability and reduce aid dependence, and you have a win-win situation for the school, for the family, and for the student.