

SLOUCHING TOWARDS SUSTAINABILITY

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NorthPointe Christian Schools (NPCS) is predominantly a tuition funded entity, deriving over 92% of its revenue from tuition dollars. This leaves the school vulnerable to downturns in enrollment and the fickleness of families and the economy. In AY 2013-2014, after a 6% tuition increase, enrollment dipped by 50 students, for various reasons. A mixed blessing occurred when another local Christian school closed and we received 27 of their students, but the net effect was a \$300K deficit that had to be raised through fundraising—taking dollars away from the future and applying them to cover the present. Looking at the class sizes currently enrolled, we are expecting smaller class sizes at the MS and HS level for the next three years. Exacerbating this problem is the fact that NPCS is one of the very few remaining CSI schools that provide 100% tuition remission for families of teachers and staff. NPCS also awards tuition assistance to non-staff families to help defray the cost of education. In the past the school raised \$250K in tuition assistance dollars while awarding close to \$500K in non-staff tuition assistance. That fact, coupled with giving \$585K in free tuition each year to faculty and staff yielded a net deficit of over \$750K that is covered through increased tuition to full paying families as well as the requirement for fund raising efforts to simply cover operating expenses. This must change. The purpose of this project was to examine changing the free tuition model for our faculty and implementing a different benefit plan. Using a three year implementation plan, I examined the cost and effect of requiring faculty to pay tuition at the rate of 10% the first year, 25% the second year and 50% the final year of implementation. The plan would include an increase in salary to offset this cost, and would also deal with the cultural issues that would follow a change of this

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magnitude. Concern over a mass exodus of teachers who have grown to expect this entitlement was a valid concern, so discussions included merit pay increases in order to retain our highest performing faculty. This project developed a comprehensive plan to incrementally do away with full tuition remission while retaining our faculty and improving the long term sustainability of the school. I saw this as just one prong of a multi-faceted approach to sustainability. The other efforts included a review of the administrative structure of the school, a thorough historical review of tuition increases (thanks to John Cissel: attach 1) and historical giving requirements (attach 2), and the pursuit of alternative income streams. This project had full support of my board.

What I did:

To gain a full understanding of the impact of tuition, it was important to create a data driven argument, so that is where I began. NorthPointe Christian Schools provides free tuition for all children of faculty. As stated earlier, this benefit equates to an over \$500K hit on our net enrollment income number each year. This benefit is increasing over time as our young faculty begin their families. From a salary standpoint, NPCS is historically low when compared to other schools in the area, but when tuition is included in the package, staff pay approaches a reasonable level. This in itself created a problem, as teachers were essentially on two different pay scales based solely on whether the faculty member had a family or not, and not based on longevity, experience or merit. My goal was to change the benefit structure while still providing a 50% tuition benefit in an effort to gain some net revenue while providing a generous benefit. In order to accomplish this I surveyed multiple schools in CSI (attachment 3) and determined that a 50% remission figure was still better than the vast majority of schools. Implementation would be critical in the success of this, and I determined that there were three options were on the table. I

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could implement this immediately, phase it on over time, or not do it at all. Pros and cons existed in each of these options, but the main concern of myself, my administrators and my Board was losing our high quality teachers. After discussing implementation options with a friend who was a Senior VP at Johnson and Johnson, I proposed the use of a three-year implementation plan. Examining the cost and effect of requiring faculty to pay 10% the first year, 25% the second year and 50% the final year of implementation was the first science project we accomplished (attach 4). The plan would include an increase in salary to offset a majority this cost, and would also deal with the cultural issues that would follow a change of this magnitude. Working with my Board and administrators we determined that we should not initially seek out the faculty's viewpoint on this, as we did not want to create upheaval and angst among the faculty until a decision had been made as to how best to proceed. This project developed a comprehensive plan to incrementally do away with full tuition remission while retaining our faculty and improving the long term sustainability of the school.

What did I learn?

First, I *relearned* that culture is a hard thing to change. Despite my best efforts at presenting the data to educate the Board and administrators on the unsustainability of our school under our current model of 100% faculty tuition remission and reliance on tuition and giving as sole sources of income, at the end of the day, *culture* won.

Second, I learned that compromise can at least start the ball rolling toward strategic change. After presenting the plan to the faculty and staff (in what I thought was an irrefutable argument based on fact) I was approached by many faculty members with an impassioned argument against this initiative. Their argument was clear and hard to refute. They had knowingly taken a significantly lower paying job at NPCCS *because* they knew it would be made

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up in tuition for their family over time and they were willing to sacrifice that pay because they wanted their children to receive a Christian education. Apparently, this was also part of our interview process when attempting to encourage teachers to work at the school. “The pay isn’t as good as you may get elsewhere, but you do get free tuition to help offset the lower pay.” Our idea of not including faculty in the discussion was detrimental to achieving buy in from the most important set of stakeholders, and in the end may have helped this plan succeed.

Third, don’t mess with people’s paycheck! This is seen as a “third rail” issue no matter how well it is communicated. We created compensation sheets (attach 5) to highlight the total compensation of our faculty in an effort to show the value of this tuition benefit. This may have in fact backfired as it highlighted how GOOD this tuition benefit was for them and caused more resistance to change.

Fourth, when rallying support for these new plans with donors by arguing the fiscal responsibility of cutting this benefit, I learned not everyone thought our teachers were underpaid, and many of our constituents still view teaching as a 9 month job. “Can’t they just get another job in the summer?” I found little support for an effort that raised salaries for teachers to offset shrinking tuition remission benefits. I often heard the argument that it really doesn’t cost us anything to give them free tuition until our classrooms are full and we are turning away full paying customers. As a data point, NPCCS currently gives away 20% of its operating budget in aid and some classes have 10+ faculty members children in them and that will continue through a 12 year period. This will have an effect over time as enrollment grows.

Lastly, even in the face of the best data, and seeing the reality of schools closing around you, it is difficult to overcome the inertia and make significant changes to a group fearful of change. There continues to be a mindset of “This just can’t happen to us.”

What difference did it make?

This initiative opened some eyes to the idea that changes do in fact need to be made. After discussing this with the Board and principals, we compromised and instituted a plan to grandfather existing teachers with the 100% tuition benefit for them, while all new hires would enter on a higher pay scale and receive 50% tuition remission. Instead of eventually making a \$250K difference per year over a three year period, it became a very long strategic shift and will generate modest returns over the next ten years. We hired our first new teachers this year under this model and continue to refine this process.

Unintended consequences of this action have started to appear. We now have three pay scales:

- Existing faculty receiving 100% tuition (lower pay)
- Existing faculty eligible for 100% tuition but not using (single, or no kids) (higher pay or tuition credits for college courses)
- New faculty eligible for 50% tuition (higher pay)

This effort has also brought up questions as to whether faculty under the old model can enter into a new contract under the new model in order to receive higher pay instead of free tuition. This had not been considered as the 100% tuition was essentially tax free and we did not think anyone would want to give that up. We are currently exploring solutions to these issues.

EPILOGUE

As a part of this move toward sustainability, I recommended to the Board at the beginning of this past Academic Year that we reorganize NPCCS due to high administrative costs. The structure of Superintendent and three principals at a school of 725 K-12 students was excessive in my mind, and my recommendation was to eliminate the Superintendent position and go to a Head of School model, dual hatting the High School principal as Head of School, at least until enrollment reaches 1000. Although initially dismissed as a desired course of action, the

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school is moving in that direction upon my resignation which is effective June 30 of this year. That reorganization effort stands to save the school close to \$200K per year in salary and benefits (including ironically my daughter's tuition benefit, which I will now pay in full), and coupled with a reorganization of our highly staffed resource room, we stand to save close to \$350K per year in the short term.

Participation in the Van Lunen Fellows program has been extremely helpful to me in my role as Superintendent, and will also serve me well as I take on the role of CEO of Christian Schools International. You can be sure that I will recommend this program highly to my CSI member administrators! Thank you for allowing me to be a part of this program!