

Assumption Catholic School, Bellingham, WA

A New Approach to Tuition

Strengthening our financial position and increasing transparency.

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February 2021 – August 2024

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Introduction

March 2023

Coming out of the COVID shutdown, school and parish finances were in significant flux and a lot of new decisions had to be made. At one point my school principal and I had a disagreement about how to use some of the COVID funding, and during this discussion I suggested that parish's school subsidy meant that certain parish and school needs should be funded equally and at the same time. Otherwise, the idea that the school should be better funded than the parish seemed unjust, since the parish was underfunded partly *because* it was helping the school. My principal responded – rightly – that it was unfair to hold the school back just because of the presence of a subsidy, and that the school should be free to benefit from its own increases in fundraising and revenue generation.

My principal and I work well together, so this specific disagreement was resolved in short enough order, but the conversation forced me to think deeply about the school's funding structure and revenue sources and how these all relate to each other. That push ended up sending me down a rabbit hole, resulting in a white paper, many discussions, and eventually a new tuition model that I am convinced is a significant benefit to our school, parish, families, and donors.

I have assembled this packet of all the letters, memos, and communications around this tuition model change so that the stakeholders in my own community can have a full picture of how this all came together. It is also my hope that any other pastor, principal, or Catholic school leader who wants to attempt a similar change will benefit from these materials.

(August 2024) I have included an updated Faith Community Scholarship Application, along with some hard-learned lessons on budgeting.

Whitepaper: Rethinking Tuition and Subsidies

February 2021

Introduction

This whitepaper proposes that all tuition discounts be converted to funded scholarships. However, for the sake of clarity of discussion, this idea has been divided into two steps:

1. That tuition always be set at the actual cost of educating each child.
2. That tuition be made affordable through a series of itemized scholarships from various sources.

The goal of this proposal is to put the school on the soundest possible financial footing, to help parents better understand how the education of their children is paid for, and to allow parishes and other fundraisers to be more directive in how they leverage their donations.

Current Model

Currently, tuition is discounted (i.e. set at less than the actual cost of education), and the difference between tuition revenue and actual cost is covered by fundraising, parish subsidies, and the school endowment. This is a very common tuition model for Catholic schools. We will call this the “discount” model of tuition.

For the 2019-2020 and 2020-2021 school years, revenues and costs were the following:

	2019-2020	2020-2021 (est.)
Total Expenditures	\$1,634,098	\$1,712,694
Tuition Revenue	\$1,064,240 (195 enrolled PS-8)	\$1,243,794 (209 enrolled PS-8)
Gap due to discount	(\$569,858)	(\$468,900)
Parish Subsidies	\$157,000	\$157,000
Fundraising Sources	\$230,358	\$127,400
Parent Teacher Club	\$162,500	\$162,500
Endowment	\$20,000	\$22,000

The issues with the current model are:

1. The revenue sources used to cover the discount are more unpredictable than tuition itself.
2. When the discount is applied to all families equally, it is harder to adjust tuition levels to match family income levels.
3. Endowments and parish subsidies are required to cover the school’s operational budget, and cannot be leveraged to attract specific students (e.g. Catholic students or low-income students).

Proposal #1: Tuition is Set at Actual Cost

It is proposed that tuition should be set at the actual cost of education. It should be possible to determine the exact cost of educating one student each year by taking the total annual expenses of the school and dividing by the number of children enrolled that year. Of course, future planning, such as capital expenditures and building a rainy-day savings account, also need to be “expensed” each year for this calculation to be accurate and reasonable.

Charging the full cost per student each year has multiple benefits:

1. As long as tuition collection is enforced, the school will be guaranteed to make budget each year because tuition revenues will always equal budgeted expenses.
2. Because yearly revenue is known exactly (because it is set exactly), 5- and 10-year capital improvement plans become far easier to implement and far less dependent on fundraising or enrollment windfalls.
3. Parents will know the full cost of educating their students, something which increases financial transparency and which may spur more advocacy for public support for Catholic school students.
4. Fees that apply to the entire school (e.g. registration fees) can now be eliminated and included in the total tuition number, since it will be understood that tuition covers the entire cost of the education.

There are difficulties as well:

1. Cost per student is heavily dependent on the number of students, and that number is not known by February, the time tuition rates are currently set.
2. The sticker price for the school will increase significantly.
3. Budgeting must be even more exact, including budgeting for savings and for unexpected costs.

Later in the whitepaper we will address these difficulties.

Proposal #2: Tuition is Made Affordable through Scholarships

Even though the school will receive the same amount of money from each student, equal to the full cost of their education, it is not expected that every dollar will come from each student's family. Instead, students will be eligible to receive scholarships which will assist families in paying their tuition each year. These scholarships are, essentially, the discounts families have already been receiving. However, they will now necessarily be tied to a funding source.

As we establish a scholarship system, we might divide them into three forms:

1. **Financial-aid scholarships**, which are used to assist families who would have a hard time paying the full tuition amount.
2. **Merit scholarships**, which can be earned by the student or their family.
3. **Co-op scholarships**, really a sub-class of merit scholarships, which would be available to families who participate in specific fundraising activities.

The primary benefits of the scholarship model are:

1. Unlike discounts, which are not necessarily funded, scholarships must be paid out each year, meaning that the school always receives its expected revenue. This, of course, requires that scholarships always be tied to specific funding sources and that scholarships are only promised in amounts that each funding source can actually fulfill.
2. Almost perfect financial transparency. In addition to knowing exactly how much their children's education costs, parents will also know every fund used to help pay for their children's tuition. If leveraged properly, this can significantly solidify fundraising and marketing messaging for these funds.

Addressing the Difficulties

Difficulty #1: Setting Tuition

Currently, tuition for the following year is announced at the same time registration is opened for that year, usually February of the previous school year. Unfortunately, setting tuition based on the actual cost of educating each child is not possible until the total registration for the year is known.

One possible solution is to use an educated guess, always planning to guess low so that errors do not result in unpaid expenses. This is what the school currently does, though it will have more negative ramifications in the proposed model because of the need to make the budget more exact.

Another possible solution is to off-set expenses and revenues by a year, always planning to bring in the exact revenue in the current year needed to pay for the expenses of the previous year. This solution requires a significant savings account in order to maintain cash flow during revenue/expense mismatches, but it is theoretically possible. It is also a bookkeeping headache.

Finally, this difficulty can be addressed by using a “Groupon” model – that is, by publishing estimated tuition rates at registration time for different numbers of registered students. This will allow families a rough budget estimate. Parents would then be encouraged to find new families to enroll in the school, knowing that for each additional family that enrolls over the summer the tuition rate per student will drop, with the final number set by July.

Difficulty #2: Sticker Price

Even though it is expected that significant tuition assistance scholarships will be made available, many families may be turned off by the sticker price, to the point that they immediately dismiss the idea of enrolling in the school.

The only solution is to advertise tuition assistance everywhere that tuition itself is advertised. Most simply, this can be achieved by advertising that “tuition is \$x,xxx per student, *but our average family only pays \$y,yyy per student.*” However, it is also possible to advertise specific scholarships, so that families immediately know what is available to them. For example, “\$x,xxx scholarship available to each Assumption Parish family” or “Families making less than \$xx,xxx only pay half.”

Unfortunately, for third-party private school information aggregators, the school does not have control over how its tuition information is presented. This appears to be an unsolvable problem and will be a negative trade-off to consider when deciding whether to adopt this new model.

Difficulty 3: Budgeting

In the actual cost model, every dollar must be planned and accounted for, which requires *budgeting* for unexpected costs.

Though the school finance committee will be instrumental in determining how best to approach this, it can be assumed that at least some amount of money must be budgeted each year for a rainy-day or emergency fund. It could be as simple as setting tuition at 105% or 110% budgeted expenses.

Specific Scholarships

Financial-Aid Scholarships

Financial-aid scholarships are expected to come from three sources: external funds, the endowment, and the school budget.

External funds include organizations like the Fulcrum Foundation, which already provide financial-aid scholarships to Catholic school families. The school administration should continue to work to identify additional sources of external funding.

Endowment funds are disbursed by the Foundation Board, according to their own internal processes. Under this model, it is recommended that, apart from truly exceptional circumstances, endowment funds always be used for financial-aid scholarships. This consistency in usage can allow for a consistency in messaging and fundraising. It is also recommended that endowment funds be allocated formulaically just as Fulcrum funds are.

The school budget may or may not include a line-item for financial-aid, but it is recommended that it does. Even though each additional line-item in the budget brings an increase in tuition for all families, having some amount of tuition assistance allows our economically advantaged families to partially subsidize our economically disadvantaged families, something the social doctrine of the Church would encourage. Having a line-item for tuition assistance would also allow the school some flexibility for tuition forgiveness for families experiencing unexpected financial hardship, in a way that the endowment funds, theoretically allocated at the beginning of the year, would not.

Merit Scholarships

Merit scholarships are traditionally used to recruit a specific type of student to a student body. In the collegiate context, we often think of academic and athletic scholarships.

In the context of Assumption Catholic School, the primary merit scholarship would be the **Faith Community Scholarship**. Currently, the Catholic parishes of Whatcom County are expected to provide an annual subsidy to the school to support its continued operation, based on the idea that Catholic parishes should consider the local Catholic school to be an essential ministry. With an actual cost model of tuition, however, these subsidies will no longer be necessary for operational expenses. Nevertheless, the parishes continue to have an interest in ensuring that *Catholic students have access to a Catholic education*.

To that end, parish subsidies would automatically be converted to and listed as Faith Community Scholarships until the parish instructs the school otherwise. The expectation will remain that local parishes should budget some funding to help their students attend a Catholic school (per Archdiocesan regulations), but parishes will be free to set their own scholarship levels and requirements. It is hoped that the parishes will work together to try to offer similar levels of funding to their parishioners so that families do not switch parishes solely for financial assistance. For reference, during the 2020-2021 school year, parish funding per student was:

Parish	Total Subsidy	Number of Students Claiming that Parish	Total Funding per Student
Assumption	\$115,000	96	\$1,198
Sacred Heart	\$30,000	28	\$1,071
Ferndale/Blaine/Lummi	\$10,000	23	\$435
Lynden/Deming	\$2000	0	N/A

For reference, the “Catholic discount” in 2020-2021 was \$1044 and in 2021-2022 will be \$1080.

It should be noted that certain non-Catholic denominations without their own schools might consider a Catholic education to be a benefit for their parishioners and could also offer a Faith Community Scholarship. Assumption School could work with these churches and current non-Catholic families to establish a formal program.

Co-Op Scholarships

One thing that has to be contended with in the scholarship model is the role of currently-mandatory fundraising activities, often run through the PTC. In the current discount model, every family is given discounted tuition and, therefore, every family must participate in the fundraising activities that make that gap possible. But in the actual cost/scholarship model, where a family could theoretically choose to pay the full amount of tuition that would cover the actual cost of their children's education, requiring participation in these fundraising activities may no longer be necessary. This is already true with the current "buy-out" option, but would be more explicit in the scholarship model.

Ultimately, it is up to the PTC to determine its own requirements, internal organization, and funds distribution. However, for the sake of argument, consider a scenario where participation in PTC fundraising activities goes from "opt-out" (as it currently is) to "opt-in." In this case, the PTC might consider a "co-op" model for its fundraising activities, in which families sign on to participate in certain fundraising efforts and then only those families receive the benefits of that fundraising in the form of a "co-op scholarship." So, for example, if 100 families chose to help with the Spaghetti Dinner, and that dinner raises \$20,000, each family would receive a \$200 Spaghetti Dinner scholarship. (The PTC would have to decide whether to distribute this benefit *per family* or *per student*.) It is strongly recommended that these scholarships be paid out like dividends, dependent entirely on the actual amount raised, so that these scholarships are never promised at levels that do not materialize (though an estimated amount may be provided at the beginning of the year for budgeting purposes.)

The annual auction requires special consideration because of the sheer amount of money it is responsible for each year. Even with a co-op scholarship model, the PTC might consider designating only a portion of the revenues for the co-op dividend, holding other parts of the revenue for special projects (esp. "Fund a Need") or for financial-aid scholarships.

Finally, mandatory school volunteer hours will need to be clarified, because their current purpose is not entirely clear. On the one hand, relying on volunteers rather than paid staff does provide an economic benefit for the school. On the other hand, requiring volunteer hours is an important way to ensure parental engagement in the school community, something particularly called for by the Church's teaching that parents are the primary educators of their children. If primarily financial, the school will need to begin to budget *as though they have to pay all of their volunteers*, so that any volunteer hours can be rewarded with funded co-op scholarships (again, tuition discounts do not work in this model, and every scholarship must be funded from somewhere.) If primarily communal, then these volunteer hours must continue to be mandatory, and the possibility of a buy-out needs to be removed.

Implementation

Based on the release date of this whitepaper, the following might serve as a timeline for moving forward. If discussion takes less time than expected, the timeline can always be expedited:

- March - April 2021 – Assumption Pastor / Principal discussion and refinement
- April – August 2021 – School Commission and local parish discussion and refinement
- *School Year 2021-2022 – Depending on the progress of discussions, certain informational notes may be added to the tuition statements to lay a groundwork, such as the total cost of education or the amount of subsidy provided by the auction or the family's faith community.*
- September – October 2021 – Communication to School Community and wider comment period
- November 2021 – January 2022 – Budgeting process based on new financial model
- February 2022 – Re-presentation at State of the School, presentation of new tuition rates, explanation of scholarship eligibility
- School Year 2022-2023 – Implementation of the model, with the following exceptions:
 - PTC fundraising activities and volunteer hours remain mandatory; all fundraising revenues are distributed to every family equally.
 - Parish Subsidies will not be adjusted but will be listed as “Faith Community Scholarships.”
- School Year 2023-2024 – Full implementation of the model, including implementation decisions by the PTC and subsidizing parishes.

Appendix 1 – Sample Tuition Statement

Total Educational Cost (Tuition)	(\$8,500)
Faith Community Scholarship (Assumption Parish)	\$1,000
Co-Op Scholarship (Auction)	\$1,000*
Co-Op Scholarship (Spaghetti Dinner)	\$150*
Financial Aid (Endowment)	\$500
Amount Due	(\$5,850)

*Estimated amounts. Actual amounts will be paid out after the event has concluded.

Appendix 2 – Archdiocesan Policies on School Subsidies

Without an exemption from the Office of Catholic Schools or the Archbishop, we are required to respect current Archdiocesan policy related to Catholic school subsidies¹:

1.5 (C) The canonically appointed leader of a Catholic School is responsible for the fiscal operations of the school. The canonically appointed leader should subsidize the parish school from parish resources according to a reasonable formula, with due consideration to the mission and the operating needs of the school and the resources and mission of the parish.

1.5 (D) The canonically appointed leader of a parish without a school, whose children attend a Catholic School in another parish, shall consider in good faith the ability of the parish to subsidize an in-parish rate for parishioners and to participate in fundraising efforts by the parish with the Catholic school. For direction on how to compute the “Reasonable Formula” for supporting a neighboring Catholic school consult the Appendix for the formula.

The referenced Appendix has been included as Appendix 3 to this whitepaper.

¹ https://mycatholicschool.org/wp-content/uploads/2020/11/Final-Organization_Section_1 -Rev-11-17-20-1.pdf

Appendix 3 – Calculating School Subsidies

Archdiocese of Seattle, Office for Catholic Schools GUIDELINE FOR REASONABLE FORMULA FOR SUBSIDY

Commitment:

Parishes represent the first and basic level of financial support to elementary schools. The mission of Catholic Schools in the Archdiocese of Seattle in collaboration with parish leadership, is to provide a Catholic education through excellent religious, academic and co-curricular programs, that is accessible to all. Therefore, all parishes, with or without a school, should cooperate in funding Catholic schools. Integral to the mission is sound budgeting that includes tuition assistance for needy families.

Guidelines for parishes with a school:

1. The parish should subsidize the school according to a reasonable formula to be determined by the pastor in cooperation with the principal.
2. The subsidy should be large enough to close the gap between the per-pupil cost of education and the school's regular sources of income of tuition, fundraising, and endowment.
3. In computing the subsidy consideration should be given to indirect subsidies and shared salaries for custodial services, utilities, use of space, and debt incurred through remodeling or adding buildings to the school facility.
4. The parish and school should cooperate in establishing a three-to-five year subsidy plan which establishes clear targets for anticipated enrollment, tuition and fundraising goals and ensures for fair contributions from both the parish and school.
5. The parish should not decrease the subsidy because of the school's successful fundraising efforts. A percentage of parish and school fundraising revenues should go toward the school's endowment fund.
6. A school should admit Catholic students from parishes without a school at the in-parish tuition rate. In return, a parish without a school should subsidize the host school in return according to the Guidelines for Parishes without a school set forth in the following section.
7. If a parish is unable to fund the subsidy for any reason, the pastor should inform the Superintendent, so that, if possible, alternative and supplementary funding can be found as soon as reasonably possible.

Guidelines for parishes without a school:

1. Parishes without a school, whose children attend a parish school, should subsidize the host school according to a reasonable formula determined by the pastor with these guidelines in mind.
2. The following is a suggested reasonable formula. The parish subsidy of the host school may be divided by the number of children enrolled in the school and then multiplied by the number of children from the sending parish. For example:

Parish subsidy of host school = \$110,000

Total students enrolled = 250

\$110,000 divided by 250 = \$440

Number of students from sending parish = 6

Total subsidy charge to the sending parish = \$2640

Note: The "total subsidy" might be modified to include the indirect subsidy provided by the parish.

3. In lieu of applying the reasonable formula, a sending parish may subsidize a parish school based on a percentage of the sending parish's ordinary income. To accomplish this, inter-parish agreements should be executed for a specific term and reviewed annually.

Guidelines for setting tuition for non-Catholic Families:

The above formula, or the true per-pupil cost, may be used in establishing tuition for non-Catholic children.

Implementation:

By September 2005, all parishes with schools will report to the Superintendent of Catholic Schools their policy for subsidizing their schools, the agreements in place with parishes without a school for helping to subsidize the school, and the rationale for the tuition charged to non-Catholic families.

Addendum: School Commission Decisions

March 2022

Following the discussion in the School Commission in March 2022, it was decided that there would be no Co-Op scholarships. The community and universal nature of these shared endeavors was seen as too valuable to sacrifice. "Everybody gives to Annual Fund so everyone benefits from Annual Fund; everyone gives to PTC, so everyone benefits from the PTC." These financial benefits would be distributed to every student equally.

Volunteer hours were also strongly considered as beneficial in-and-of-themselves, as ways to make sure families were invested and partnering in their children's education, and not beneficial because of potential cost savings.

Tuition Change Terms and Calculations

August 2022

General Principles

The overriding principles of the tuition change are:

1. Every child brings with them funds equal to the cost to educate them.
2. Any amount not paid by the family must be funded by another source.

General Terms

- “Estimated Enrollment” – The *lower* estimate for the next school year enrollment.
- “(SY→)” – The upcoming school year.
- “(←SY)” – The current or just completed school year.

Tuition Line Items

Cost to Educate

Definition: The best-estimate of the cost to educate each child. This necessarily includes all institutional costs, including financing funds for maintenance, workers’ compensation, unemployment, tuition assistance, etc.

SY23 Calculation:
$$\frac{\text{SY23 Budgeted Costs}}{\text{SY23 Total Enrollment}}$$

Future Calculation:
$$\frac{\text{(SY→) Budgeted Expenses}}{\text{Estimated Enrollment}}$$

School Tuition Assistance

There are various ways in which the school provides tuition assistance, and these can either be grouped together into one line item (“Assumption Tuition Assistance”) or broken out into whatever number of categories are helpful. **NB:** Every form of assistance must be funded in some way. If it all gets grouped together, then everything can be debited to a general tuition assistance fund. But if we want to rely on multiple categories (“multi-child assistance”, “employee assistance”) a different line item should be included in the school budget for each. Some potential scholarships/funds/line items:

- **School Foundation Scholarship:** Money from the endowment.
 - **SY23 Calculation:**
$$\frac{\text{SY23 Endowment Funding to General Fund}}{\text{SY23 Total Enrollment}}$$
 - **Future Calculation:** Distribution determined by Endowment Board.
- **Annual Fund Assistance:** Money from the Annual Fund, applied equally to all students.
 - **SY23 Calculation:**
$$\frac{\text{SY22 Annual Fund Income}}{\text{SY23 Total Enrollment}}$$
 - ***Future Calculation:**
$$\frac{(\leftarrow\text{SY})\text{Annual Fund Income}}{\text{Estimated Enrollment}}$$

- **School Financial Aid:** Financial aid specific to a family, funded either through the General Fund or from a portion of the Annual Fund.
 - **SY23 Calculation:** Remainder between Cost to Educate and every other listed fund.
 - **Future Calculation:** Determined and distributed by the school.
- **Multi-Child Scholarship:** Financial aid available to families with multiple children in the school.
 - **SY23 Calculation:** Current multi-child discount amount.
 - **Future Calculation:** Determined and distributed by the school. Could also be abandoned by the school with the idea that parishes would consider it in their distributions.
- **Employee Assistance:** Additional funds available to school and parish employees.
 - **SY23 Calculation:** Current employee discount amount.
 - **Future Calculation:** Determined and distributed by the school.

[“Faith Community Scholarship”](#)

Definition: Scholarship given by the family’s faith community. In SY24, replaces the direct subsidy from the Catholic parishes.

SY23 Calculation: Whatever the current “Catholic Discount” is.

Future Calculation: Will be determined by each faith community, on a family-by-family basis, and reported to the school at the beginning of the school year. Will be paid out either monthly, annually, or quarterly, as determined by the principal and pastors.

[“Fulcrum Scholarship”](#)

Definition: Need-based tuition assistance given by the Fulcrum Foundation.

SY23 Calculation: Whatever money has been given by Fulcrum this year.

Future Calculation: Determined by the Fulcrum Foundation.

[“PTC Scholarship”](#)

Definition: Money given by the PTC to the school for tuition assistance, divided by each participating student.

SY23 Calculation:
$$\frac{\text{SY22 PTC Donation}}{\text{SY23 Enrolled Students}}$$

Future Calculation:
$$\frac{(\leftarrow \text{SY}) \text{ PTC Donation}}{\text{Estimated Enrollment}}$$

[Other Considerations](#)

[*Future vs. Current Year Funding](#)

For already extant fundraising sources (e.g. Annual Fund, PTC) the current practice is that the funding brought in that year is used to supplement the income for the current year. In other words, the school budget begins with a gap between tuition income and expenses, and the fundraising is used to fill that gap. Unfortunately, this

requires speculation (even if based on historical trends) about how much a given fundraising source will raise in a given year. If this fundraising sources misses, then the school is forced into deficit spending for that year.

It would be far more financially sound for the fundraising from the current year to be applied to the next year, so that the school knows exactly how much money is has available to spend from these fundraising sources. This is core to the “every discount is funded” philosophy of this tuition change.

However, getting from the “current year” model to the “future year” model is financially difficult, because it requires foregoing that funding for a full year (e.g. foregoing in SY23 the funds raised by the PTC in SY23, so that they can be applied to SY24). One possible solution would be to forego those funds over multiple years (e.g. forego 1/3 of raised PTC funds over the course of 3 years, or 1/2 over the course of 2 years).

All the “future calculations” for these funds currently assume the “future year” model.

[Volunteer Hours & Buy-Out](#)

In the consultations discussing this tuition model change, the consensus was that volunteer hours (apart from the PTC fundraising hours) are far more important for *community* reasons than for *monetary* reasons. To that end, it behooves us not to fall into the trap of speaking about volunteer hours as something that reduces the tuition burden (else we be required to create a scholarship fund to reflect that) and the buy-out as equivalent to the monetary value of those hours. Instead, the buy-out is more akin to a penalty for being unable to participate in the community expectation and should be added on top of the Cost to Educate amount.

Sample Tuition Breakdowns

September 2022

Family	Anderson	King (Angie)	King (Michele)	Moore
<i>Number of Students</i>	2	4	3	1
<i>Cost to Educate</i>	(\$20,000.00)	(\$40,000.00)	(\$30,000.00)	(\$10,000.00)
<i>PTC Scholarship</i>	\$4,000.00	\$8,000.00	\$6,000.00	\$2,000.00
<i>Annual Fund Assistance</i>	\$1,000.00	\$2,000.00	\$1,500.00	\$500.00
<i>School Foundation Assistance</i>	\$200.00	\$400.00	\$300.00	\$100.00
<i>School Financial Aid</i>	\$2,000.00	\$0.00	\$0.00	\$0.00
<i>Multi-Child Scholarship</i>	\$0.00	\$7,000.00	\$0.00	\$0.00
<i>Employee Assistance</i>	\$0.00	\$0.00	\$3,000.00	\$0.00
<i>Fulcrum Scholarship</i>	\$0.00	\$3,000.00	\$0.00	\$0.00
<i>Faith Community Scholarship</i>	\$2,000.00	\$0.00	\$3,000.00	\$0.00
<i>Family Tuition Amount</i>	(\$10,800.00)	(\$19,600.00)	(\$16,200.00)	(\$7,400.00)

Budgeting Considerations

January 2023

Cost to Educate

The most important final result of the school budgeting process is setting the *Cost to Educate*, off of which the tuition number is established. Theoretically the *Cost to Educate* is simply the full cost of running the school divided by the number of students that year. However, two factors complicate this:

1. We have to provide a tuition number *before* registration, so the dividend of the equation (number of students) is an educated guess. In order to ensure that the school always has enough funding to operate, we use the *lower* limit of our estimated range.
2. *Cost to Educate* must encompass every dollar spent. This requires creating funds in the school budget for deferred maintenance, capital expenses, tuition assistance, etc. For funds like tuition assistance, we are functionally asking our more economically secure families to subsidize our less economically secure families (because we raise tuition for *everyone* in order to assist a sub-set), but we feel comfortable doing this as an expression of social justice.

As a rule of thumb, every dollar in the budget equates to ~\$0.0053 of tuition/student, based on a lower range estimate of 190 students.

Necessary Funds

Remember, under the new tuition system, there are no more tuition discounts. Every dollar off of tuition must be funded from somewhere. As such, we need to create or enhance the following funds.

- Employee Assistance Fund (FY23: \$10,200)
- Multi-child Assistance Fund (FY23: \$66,516)
- School Financial Aid (FY23: \$64,558)

Fund Raising Funds

The remaining weakness in our budgeting process is the fact that we *project* how much money the PTC, the Annual Fund, and the Endowment will raise in a given year. Our budget would be far more secure (and our cash position stronger) if we *raised* the funding in one year but did not *receive* it until the next year. Then we would have the cash in hand before spending it. However, in order to get from our current system to this more secure system, we need to forego some or all of the funding from these funds for a year, or over the course of multiple years. My recommendation is:

- FY24: Forego 1/3 of PTC funding, placing it in a holding account.
- FY25: Forego 1/3 of PTC funding, placing it in a holding account.
- FY26: Forego 1/3 of PTC funding, placing it in a holding account.

- FY27: Spend the PTC holding account; all PTC funding this fiscal now applied to the next fiscal. Begin this cycle with the Annual Fund.
- FY30: Spend Annual Fund holding account; begin this cycle with the Endowment.

Another way to do this that might mitigate some of the budget pain is to begin evaluating these funds on a Jan. – Dec. cycle, rather than a July – June cycle. This would allow the school to know how much money was raised by these sources before budgeting, while only losing half-a-year of funding in the process. So, for example:

- At present, the PTC would raise funds July 2023 – June 2024, and apply those funds to the July 2023 – June 2024 school year.
- We want to get to a place where the PTC would raise funds January 2023 – December 2023, and apply those funds to the July 2023 – June 2024 school year.
- We transition by foregoing the rest of the funding from the PTC *this fiscal* (Jan. – June 2023), and apply everything raised from January 2023 onward to FY24.
- Unfortunately, there is no situation in which one year does not lose out on auction funding, so even this transition would likely have to be spread over multiple years. Theoretically, since the Annual Fund raises most of its money in the Fall and the Auction in the Spring, transitioning PTC and Annual Fund at the same time (over multiple years) using this system could balance out the pain.

At minimum, we could at least implement this present-to-future transition for the Endowment this budget cycle, since it currently funds us \$30,000, which is an easier amount to swallow.

Or, and this is honestly where I expect the Budget Committee to go, we could ignore this problem entirely for FY24 (because we are already dealing with enough uncertainty and transition) and take it up in future years. I simply feel compelled to keep this front of mind, even this year, so that we do not forget it is something we ought to address *eventually*.

Parent Letter

November 2022

Dear <Family>,

In the 2020 – 2021 school year, the Bellingham School District spent more than \$20,000 per student² and the Ferndale School District spent \$16,000³, both aided by state money, property taxes, and district levies. Our school aims to excel these districts in offering a quality (Catholic!) education, accessible to all who desire it, and yet our only funding source is the tuition of our families and the gifts of our benefactors. As you can imagine, keeping quality high and tuition low is a constant battle.

To that end, in order for our school to continue to fulfill its mission long into the future, I have found it necessary to change our tuition model beginning in the 2023-2024 school year, and I am writing to you to explain this change.

The short version is that very little will change regarding the amount you pay each year. Most of the changes regard communication and our internal budgeting.

The longer version is that we are changing whether our fundraising efforts support the school general fund or directly support families by offsetting tuition.

In our current tuition model no family pays the full cost to educate their child, so there is always a gap between tuition revenue and actual school expenses. Through our fundraising efforts (PTC, Annual Fund, Endowment) and parish subsidies we make up this gap each year (praise God!), but this system creates inherent uncertainty and risk in the school finances and budgeting.

With our new model, however, we are going to set tuition at the full cost to educate each student, meaning that every student will bring with them exactly the amount that the school requires to make budget each year, removing much of the risk. However, because that tuition amount is much higher, it will be offset by generous scholarships to keep the education affordable. All of our same fundraising efforts will be in place, but they will go directly to offset tuition, rather than the school general fund. This makes the school finances more reliable while making the benefit of our fundraising more obvious. **On the reverse of this letter, you will find a printout of your current tuition bill, presented according to the new model.**

The one change that will have an immediate effect on our families is that the local parishes will no longer be providing direct subsidies to the school's general fund (which used to fund the “in-parish subsidized rate”) but will instead be providing “Faith Community Scholarships” directly to parish families. The amount and requirements of these scholarships will be up to each individual pastor, so Catholic families should expect a letter from their parish in the coming months about how to apply for next year.

If you have any questions, please contact me at frmoore@assumption.org.

² <https://schooldataproject.com/bellingham%20school%20district>

³ <https://schooldataproject.com/ferndale%20school%20district>

Letter to Local Pastors

February 2023

Fellow Whatcom County Pastors,

After a substantial conversation with Fr. Ross, and necessary changes to the timeline, I have modified the information in this letter. You can disregard the letter from Dec. 30, 2022.

For the 2023-2024 school year, Assumption Catholic School is changing its tuition model to reflect the actual cost to educate each student, with the higher tuition rate being offset by scholarships.

The upshot for our county parishes is that your school subsidies will no longer be paid in a lump sum deposited directly into the school general fund. Instead, your subsidies will be in the form of tuition assistance scholarships (called “Faith Community Scholarships”) awarded to individual families. This memo is my recommendations on the details of this change.

A More Personal Approach

As discussed during the sub-deanery meeting on May 18, 2022 and again on November 30, 2022, the greatest benefit of this change from the parish perspective is a more direct and personal connection between the pastors and their families that attend ACS. Even though it begins as a financial interaction, it is my hope that this scholarship process can give pastors greater transparency into the faith lives of their school families and that pastors can leverage this information to invest in these families and to assist them to grow spiritually.

To that end, it is completely up to the pastors to determine how and according to what criteria they will award scholarships to their families.

The Benefits of Unity

The authority of the pastors is balanced out by the benefit of unity between our parishes. The more our scholarship requirements and amounts match, the less likely families will be to change parishes for purely financial reasons. Though pastors are free to adopt their own approaches, the default assumption should be that we act together unless there is a compelling reason to do otherwise. As agreed at the November 30, 2022 sub-deanery meeting, we will use a common letter and application for the first year. Scholarship amounts are still up to each individual pastor.

Nature of the Scholarship

In our discussion on January 11, 2023, Fr. Ross highlighted the ambiguity about who this scholarship is for. Is it need-based, such that we should be reviewing each family’s financial records? Or is it more of a reward for Catholic families, wherein each Catholic family is given some assistance just for being Catholic?

Ultimately, this is a need-based scholarship. If a family, even a Catholic family, is able to pay full tuition, it is our expectation that they would. However, we are not asking about financial information because “need” looks different for each family. What we know is that every family has a number they are willing to pay: above that number, and they stop sending their kids to Catholic school; at or below that number, and they are able and willing to send their kids to Catholic school. We are trying to get them to discern that number for themselves and, if actual tuition is higher than that number, to ask their parishes to help them make up the difference.

Yes, we are trusting our families to be honest with us, and to ask for what they need. Yes, our tendency is not to trust people when it comes to money. However, our research on other schools using this model (most call it the “Fair Share” model) indicates that families actually are trustworthy on this question. It is also my hope that, since you are working with your parish families directly, you are more likely to trust them and they are less likely to lie to you or selfishly inflate their numbers.

Process

Step 1: Each parish designates (internally) an amount of money it will put towards scholarships for the next school year. Ideally this will happen during a normal budgeting process. *I strongly recommend that each parish use its subsidy amount from FY23 as its scholarship amount for FY24, until we better understand how many families will apply and what their level of need will be.*

Step 2: Applications will be submitted to the school office by **March 15**. The school will then compile the information into a spreadsheet for each pastor (with family name and amount of request) along with a packet containing all the application answers, and send these along to the pastor.

Step 3: Pastors should review the requests and applications, and make decisions in the spreadsheet.

Step 3a: If the total request is *lower* than the parish’s budgeted amount, then I recommend giving every family what they have asked for. This is a transition year, and the less chaos the better while we try to figure out what this will actually look like.

Step 3b: If the total request is *higher* than the parish’s budgeted amount, then hard decisions have to be made. One possibility is to raise the budgeted amount. Another possibility is to cut every request by a certain percentage. A final possibility is to decrease specific families’ amounts, based on internal criteria (community involvement, etc.).

Note: If possible, we also recommend holding some money in reserve, in case a parish family applies to the school later in the year.

Step 4: By **March 31**, pastors give to the school office:

1. The spreadsheet with decisions, so that the office can adjust the tuition statements.
2. A payment plan by the parish for the total scholarship amount (e.g. a lump sum payment, or a monthly amount).
3. The school will communicate these decisions to the families. However, you are welcome to communicate with families independently as well, especially if you want to explain your decision or encourage them in their improvement of faith practices.

May the Lord raise up disciples in our midst!



Faith Community Scholarship Explanation

January 2024

Assumption Catholic School (ACS), like all Catholic schools, exists to carry out the mission of the Church, which is to make Christian disciples of all nations (Mt. 28:19-20). When it comes to our children, it is the responsibility first and fundamentally of Catholic *parents* to raise their children as disciples of the Lord, but Catholic schools can and do serve as indispensable allies in this work, building on and deepening the faith received first at home. Because Catholic school is so helpful in raising up disciples, **it is the desire of our parish that every Assumption Parish family should have the opportunity to send their children to Catholic school** and that finances should never be an obstacle. The Faith Community Scholarship is our way of trying to make this happen.

However, even exceptional work by our Catholic school cannot overcome a lack of faith at home. As a rule, unless a Catholic student prays at home and attends Mass weekly, there is nothing our school can do that will successfully bring them to a point of discipleship. To that end, **it only makes sense for our parish to provide Faith Community Scholarships to assist families who are already doing the work of discipleship at home**. Our application for this scholarship will ask about your family's faith practices because we want to make sure our parish resources are always being used, fundamentally, to raise up disciples of the Lord. However, we also know that discipleship is a process, **so please feel free to tell us how you are improving your faith if you are not quite yet where you want to be**.

Finally, the **Faith Community Scholarship has no pre-determined amount**. Our desire is to help every Catholic family attend Catholic school, so the only financial question we ask is **what does your family need to make Catholic school accessible?** Note that we do not define "need". We know that every family is unique, with different financial considerations, so we are trusting our families to let us know what makes sense for them this year. We want your children in Catholic school! Keeping in mind that these scholarships come directly from the Sunday donations of our parishioners, we may or may not have the resources to fund every request, but we will try to do so within the limits of our parish budgets.

Attached to this letter you will find the shared application for the Faith Community Scholarship. Please return it to the school office by **March 01**.

Thank you for raising your children as disciples of Jesus Christ!


Fr. Moore
Pastor, Church of the Assumption

Faith Community Scholarship Application

For tuition assistance at Assumption Catholic School during the 2024-2025 school year.
For members of the Church of the Assumption.

Application Due: March 01

Decisions Communicated: April 01

1. Family Demographic Information
 - a. Parent(s) name(s):
 - b. Parent(s) email address(es):
 - c. Student(s) Name(s) and 2024-2025 Grade Level(s):
2. Catholics are required to attend Mass each weekend and holy day of obligation. Which Mass (location and time) do you attend weekly? If do not attend weekly Mass, how will you work to improve this; what do you need from your parish to help with this improvement?
3. Catholics are asked to give sacrificially to the needs of their parish through time [volunteering] and tithing [financial giving]. Do you currently do this? If not, how will you work to improve this; what do you need from your parish to help with this work?
4. Ideally, every family would be able to pay the full amount of tuition for each child, since this is what it costs to educate each child. However, we want to make sure every Catholic family can send their children to Catholic school regardless of their finances. As such, **how much financial assistance do you need from Assumption Parish, in order to send your children to Catholic School?** This number should: (1) be an *annual* amount for the *entire family* (not monthly, not per child), (2) already account for Fulcrum Support and support from the school.

For example, if your total tuition for 3 children is \$15,000, but you can only pay \$10,000 this year, then you need to ask for \$5,000. But if you have already received \$1,000 from Fulcrum and \$1,000 from Assumption School, then you should ask the parish for the remaining \$3,000.

If you have any questions, please direct them to Fr. Moore. You may also consider setting up a 25-minute meeting with him (using <https://frmoore.com/bookings>) if oral responses are easier for you.

More Budgeting Lessons Learned

August 2024

Setting Tuition vs. Calculating Revenue

The calculations outlined above are used in two distinct phases, **setting tuition** and **calculating revenue**. Which numbers are the constants and which are the variables changes during each phase. Not being sufficiently attentive to this change results in budget shortfalls.

Setting Tuition

In the Setting Tuition phase, which happens around December of the preceding school year, tuition is fluid while general scholarships are fixed.

Steps:

1. Calculate **Total Cost** for the upcoming school year [“(SY→)”].
2. Determine (SY→) amounts for (1) the PTC donation, (2) the Endowment donation, (3) the Annual Fund donation, and (4) any other revenue source which is applied equally to all students.
3. Subtract the (SY→) **Total General Scholarship** number from the **Total Cost**. This is the amount that has to be raised from tuition.
4. Divide the **total amount to be raised from tuition** by a conservative estimate for the number of (SY→) students. This is the **tuition number per student** for the upcoming school year.

Calculating Revenue

Now that the tuition number has been advertised to parents, that number will not change.⁴ Now, tuition is fixed while all scholarship numbers can vary.

Specifically:

1. The **Tuition Revenue** line item will always be advertised tuition number x actual number of students.
2. The **Total General Scholarships** will always be whatever number given by those different funds/organizations. These numbers can change throughout the year if those funds/orgs over/under perform or renegotiate their amounts.
3. The **General Scholarships per Student** will change as more or fewer students register. Whatever number this was calculated as when setting tuition is now invalid, and this number has to change according to current reality. **NB:** this number only exists for communication and advertising purposes anyway. We use this number to communicate to parents how much they benefit from these funds, as an incentive to continue to support these funds.⁵

⁴ Unless my Groupon model for tuition mentioned in the whitepaper is adopted, whereby *estimated* tuition is advertised, but actual tuition is not set until August when the total number of students is known.

⁵ In the 2023-2024 School Year, we kept both the tuition per students AND the general scholarships per student numbers constant. This resulted in a significant budget shortfall, because with each new student who registered, we assumed that student was getting the same amount from general scholarships like the PTC, and we increased the PTC revenue on our books. Instead of increasing the total PTC money on our books, we should have decreased the amount of PTC money per student with each new student who registered.

Negative Revenue

Somewhat connected to this tuition model change, but also related to a necessary implementation of Archdiocesan policy, was the introduction of “Negative Revenue” to our books.

The theory is this:

1. **General Scholarships** are *independent* of student tuition, so these revenue streams are always positive, without any negative line items balancing them out.
2. **Total tuition revenue** is calculated by taking the full tuition ask and multiplying by number of students, with the idea that *every student is paying full tuition*.
3. **Student-specific scholarships**, however, are used to *pay a portion of a students' tuition*. As such, these amounts need to be *subtracted* from the total tuition revenue number.
 - a. In other words, if we calculate that John Smith is going to pay \$9,000 in tuition, and Assumption Parish pays \$1,000 of that amount, the school does not magically have \$10,000.
 - b. Instead, John Smith's family paid \$8,000 and Assumption Parish paid \$1,000.
 - c. To reflect this accurately on our books, we:
 - i. Continue to record John Smith as paying \$9,000 in tuition in the *total tuition revenue* line item.
 - ii. Record the \$1,000 from Assumption parish as positive income, under an Assumption Faith Community Scholarship line item (to reflect that such a check was received from said parish).
 - iii. *Subtract* \$1,000 in revenue under a different Assumption Faith Community Scholarship negative line item, to reflect that we are not *also* receiving the full \$9,000 from John Smith's family directly.
 - d. From a revenue perspective, every scholarship used to pay a portion of full tuition (viz. FCS, Fulcrum, some Endowment) should be zeroed out by balancing a positive revenue and negative revenue line item.
4. **True “discounts”** (e.g. multi-child, employee, ACS School support), defined as tuition scholarships paid from the school general fund, show up only as negative revenue without a balancing positive revenue stream.