



HOPKINS HOUSE

- A Learning Center for Children and Their Families

M E M O R A N D U M

Date: June 25, 2016

To: Board of Trustees,
Julie Jakopic, Chair

Board of Director,
The Hopkins House Fund,
Mark Moore, Chair

From: Scholarships & Recognitions Committee
Wayne Wright, Chair

Subject: Analysis of Scholarship Spending over 3 years

The analysis below is provided at the request of the committee.

SUMMARY

With a month remaining in the current fiscal year, the Scholarships & Recognitions Committee has to-date expended \$308,397, or 93% of the \$331,250 budgeted for scholarships to children of low-resourced families enrolled in the Hopkins House preschool academy.

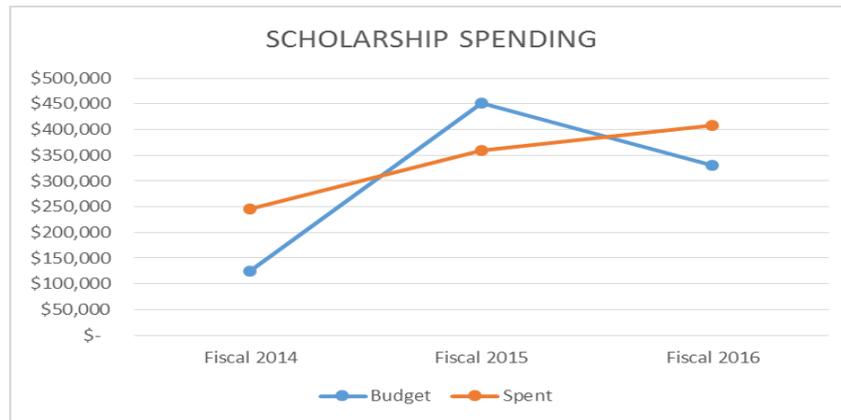
At the current rate of expenditure, scholarship spending is likely to exceed the amount of budgeted funds in the current fiscal year, and this gap is very likely to increase substantially in the next fiscal year as enrollment in the preschool academy grows.

With each passing year, as the losses continue to grow, it becomes clearer that these losses cannot be sustained. As such, the Scholarships & Recognitions Committee, The Hopkins House Fund, and the Trustees will need to agree on a strategy either to contain the growth in scholarship spending or identify and secure funding sufficient to support the anticipated growth.

HISTORICAL SCHOLARSHIP SPENDING

Over the past three years, funding for scholarships to help children of low-resourced families enroll and stay enrolled in the Hopkins House preschool academy has not kept pace with demand.

At the end of fiscal 2015, unexpended funds remained in the scholarship budget and, as a consequence, the trustees reduced the budget in the current fiscal year (FY2016). However, to be sure, scholarship spending in the current fiscal year is certain to exceed this lower budget:



This increased demand for scholarships at the Hopkins House preschool academy over the past three years is the result of a number of factors.

In the years leading up to fiscal 2014, faced with increased operating costs, the Hopkins House trustees sought to hold down the tuition rate, but increase tuition income, by enrolling more students from middle- and upper-income families in the preschool academy. While enrollment of students from middle- and upper-income families increased, the need among students receiving scholarships or government subsidies also increased. As a result, both the scholarship budget and spending rose during this period.

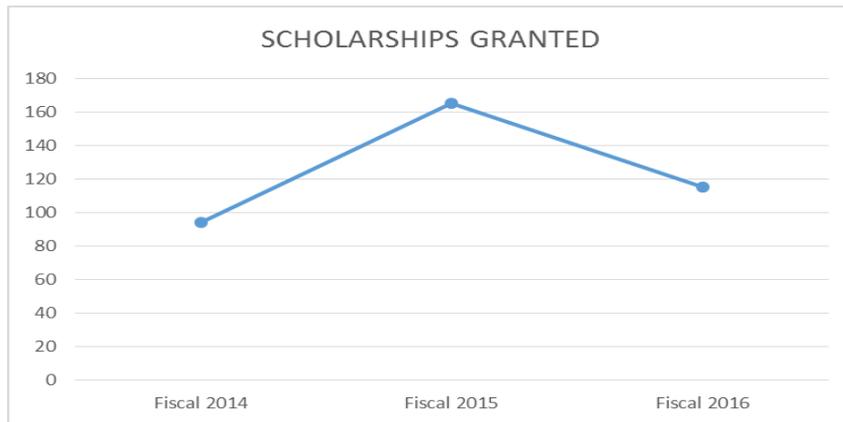
The following year, as the number of students from middle- and upper-income families continued to grow, pressure mounted from donors, trustees, and parents of preschool Young Scholars to increase enrollment of children of low-resourced families. The organization responded to this pressure by granting significantly more scholarships in fiscal 2015, which led to significantly higher spending.

Another important factor that the Scholarships & Recognitions Committee's decision to waive the rule requiring students be enrolled for 3 months before they can apply for a scholarship. This decision was driven by the need to maintain enrollment at the Helen Day Preschool Academy, grow enrollment at the newly expanded James L. & Juliette McNeil Preschool Academy, and build enrollment at the recently opened Innovative Preschool Academy.

In addition to these factors, others have as well contributed to the growing Scholarship Fund budget gap, including:

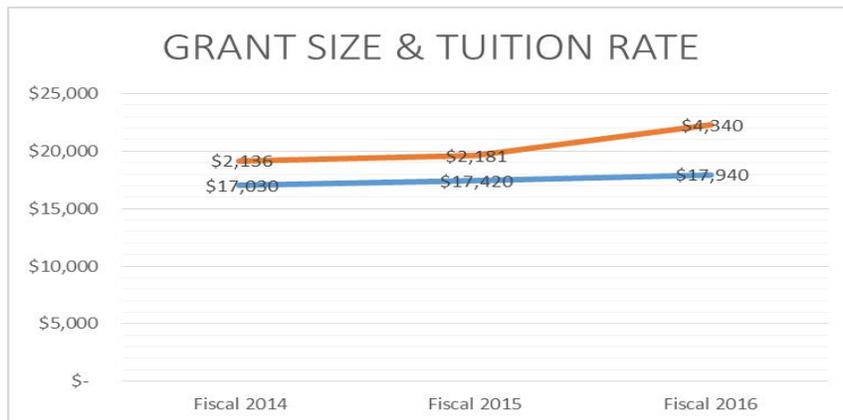
- Rising tuition rate
- Below market reimbursement rate for government subsidized students
- Increased demand

While the number of scholarships granted this year is projected to be 30 percent lower than last year, this is still 22 percent higher than the number granted two years ago:



SCHOLARSHIPS GRANTED	
Fiscal 2016 (Projected)	115
Fiscal 2015 (Actual)	165
Fiscal 2014 (Actual)	94

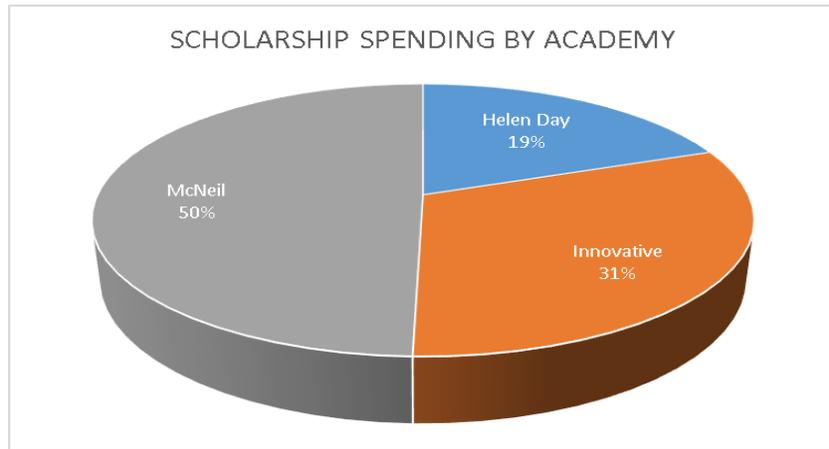
Over the past three years, the size of individual scholarships has also increased. This is attributable to the combination of rising tuition rates at the preschool academy and the growing struggle of low-resourced working families to afford the rising tuition cost of quality preschool for their children:



	AVERAGE GRANT SIZE	ACADEMY TUITION RATE
Fiscal 2014	\$ 2,136	\$ 17,030
Fiscal 2015	\$ 2,181	\$ 17,420
Fiscal 2016	\$ 4,340	\$ 17,940

CURRENT SCHOLARSHIP SPENDING

Through the third quarter of the current fiscal year (March 31), \$309,917 has been expended in scholarship assistance to the children of low-resourced working families enrolled at Hopkins House’s three preschool academies. Half of this total is grants to children enrolled at the James L. & Juliette McNeil Preschool Academy:



SPENDING BY PRESCHOOL ACADEMY			
	Named	Subsidy	Total
Helen Day	\$ 6,800	\$ 53,315	\$ 60,115
Innovative	\$ 54,360	\$ 41,769	\$ 96,129
McNeil	\$ 57,205	\$ 96,468	\$ 153,673
Total	\$ 118,365	\$ 191,552	\$ 309,917

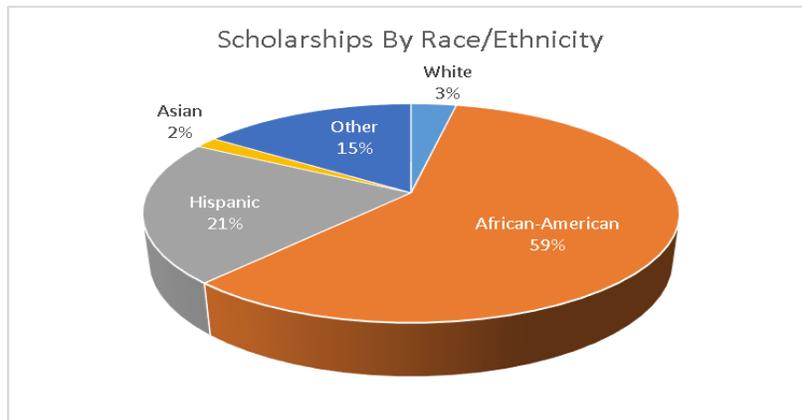
Based on the current rate of expenditure plus anticipated new/renewal scholarships, scholarship spending this year is projected to climb well over \$400,000 and exceed by more than \$76,000 the amount of budgeted funds. *This would be the largest investment by Hopkins House since it began offering scholarships to help low-resourced families afford the rising cost of high quality early care and education for their children:*

SCHOLARSHIP FUND TOTALS - CURRENT FISCAL YEAR		
	Actual	Projected
Approved Budget	\$ 331,250	\$ 331,250
Expended to-date:		
Named Scholarships	\$ 118,365	\$ 120,650
Subsidy Grants	\$ 191,552	\$ 287,328
Total	\$ 309,917	\$ 407,978
Funds Remaining	\$ 21,333	\$ (76,728)
Scholarships Granted	100	115

If this projection proves accurate, this will mean that scholarship spending in two of the most recent three years will have exceeded the amount of budgeted funds by nearly \$200,000:

SCHOLARSHIP FUND TOTALS - PRIOR FISCAL YEARS		
	FY2015	FY2014
	Actual	Actual
Approved Budget	\$ 451,450	\$ 125,000
Named Scholarships	\$ 56,375	\$ 245,607
Subsidy Grants	\$ 303,440	\$ -
Total	\$ 359,815	\$ 245,607
Funds Remaining	\$ 91,635	\$ (120,607)
Scholarships Grants	165	94

This considerable and growing budget gap is the result of a number of factors, including the desire for a socio-economically diverse preschool academy student body. Eighty percent of scholarships granted so far this fiscal year have gone to racial/ethnic minorities:



In addition to increased demand and rising tuition rates, another factor contributing to the growing pressure on the Scholarship Fund is the below market reimbursement rate for government subsidized students.

Through the federally funded Child Care Fee Subsidy program, the Commonwealth of Virginia subsidizes the cost of preschool for low-income working families. However, the government's subsidy rate is substantially below the actual cost of services. The government pays a portion of this cost in the form of child care subsidies and requires parents to pay a fraction of the cost, while leaving a considerable balance to be absorbed by Hopkins House, if it wishes to serve this population.

The Hopkins House trustees are firmly committed to serving government subsidized children along with those from middle- and upper-income families¹.

In previous years, the annual losses generated by the gap between the government child care subsidy rate and Hopkins House's tuition rate were included in the organization's operating net and thus not easy to track. In the organization's fiscal 2015 budget, the trustees increased the Scholarship Fund budget and directed that the child care fee subsidy losses be tracked through the fund.

A second key factor is the unofficial rule, affirmed over the past several years at various meetings of the Scholarships & Recognitions Committee and the trustees, that no family is to be denied a scholarship because Hopkins House lacks the funds. While this practice has helped maintain enrollment at the academy and helped to build a healthy mix of socio-economically diverse students, it has widened the Scholarship Fund's budget gap.

A third factor is the recent opening of the Innovative Preschool Academy in Herndon and expansion of the James L. & Juliette McNeil Preschool Academy in Fairfax County. These two events increased classroom capacity at the preschool academy for 150 new Young Scholars, most of whom will need tuition assistance in order for them to enroll or stay enrolled.

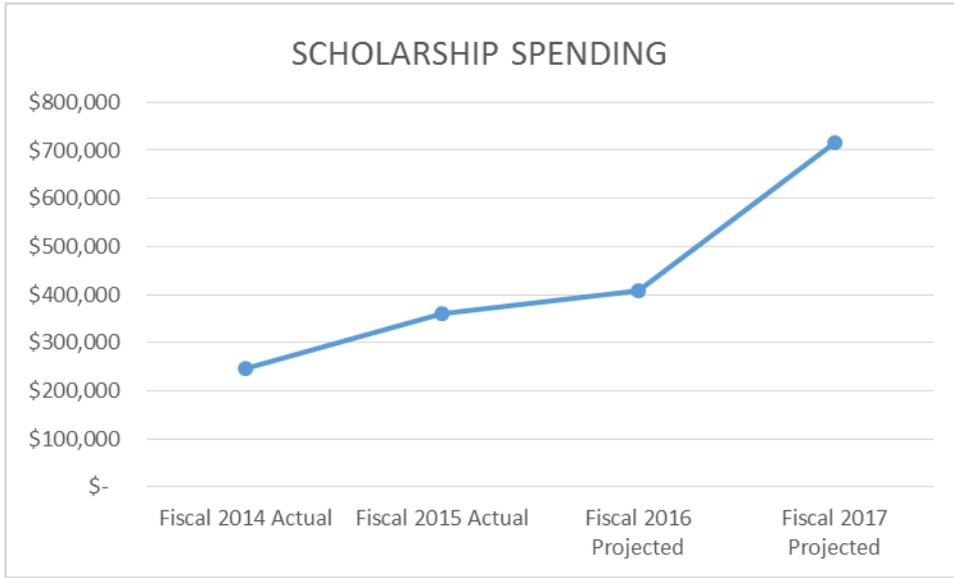
These factors, individually and collectively, have intensified the demand for and increased the size of Hopkins House scholarships granted in the current fiscal year. This trend is likely to continue unabated next year and well into the foreseeable future.

FUTURE SCHOLARSHIP SPENDING

Based on preschool academy enrollment projections and current average scholarship grant size, the Scholarship Fund will need an estimated \$716,000 next fiscal year if Hopkins House hopes to maintain the level of support now given to low-resourced

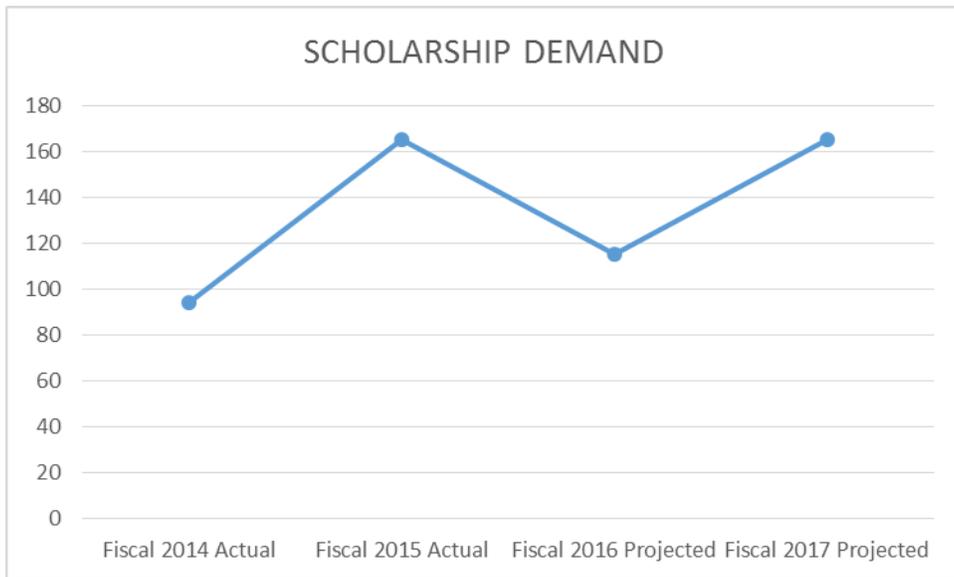
¹ Through their Legislative Support Agenda, and in concert with its community partners, the Hopkins House trustees are working to educate government officials about this issue and the need for increased government funding.

families to help them enroll and keep their children enrolled in the organization's preschool academy.



This additional funding need is \$406,183 above the current Scholarship Fund budget of \$309,917; and, \$308,122 above the projected \$407,978 in current fiscal year Scholarship Fund spending.

This estimate is based on a projected 165 scholarships granted next fiscal year: 50 new scholarships to new students enrolling in the academy, added to the 115 current year scholarships. Multiplying these 165 scholarships by the current scholarship size of \$4,340 totals \$716,100.



If additional funding is not provided, the Scholarships & Recognitions Committee will either need to reduce the number and/or size of scholarships granted next year, or risk substantial overspending in the Scholarship Fund.

RECOMMENDATIONS

The challenge facing the Scholarships & Recognitions Committee is how best to maintain the important and delicate balance between Hopkins House's commitment to providing scholarship assistance to all who need it and the organization's financial capacity to deliver on this promise.

To address the problem of Scholarship Fund budget gaps, the committee may wish to consider the following recommendations:

1. Closely monitor scholarship grants in context to available funds.
2. Consider an informal cap on household income for scholarship eligibility².
3. Regularly and formally communicate with The Hopkins House Fund (the organization's fundraising arm) about the growing need for more preschool scholarships funds.

² *In 2015, the trustees declined to approve policy to cap household income for scholarship eligibility, as recommended by the Scholarships & Recognitions Committee. However, they gave discretion for the committee to apply its own cap, provided extenuating circumstances of need are still considered on a case-by-case basis.*