

The Sustainability of Small Independent Schools

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*“Small schools
are magical,
amazing places.”*

- SMALL SCHOOL HEAD



Presentation Overview

We define a **small independent school** as having **200 or fewer** students, which comprises **30%** of NAIS's schools.

1. Capstone project partnered with an organization
2. Previous capstone surrounding tuition increases
3. Exploratory in nature

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Landscape

What is the landscape of small schools in terms of types of schools, enrollment trends, and financial factors? (DASL)



Challenges

What are small schools' most pressing challenges surrounding sustainability? (survey and interviews)



Approaches

What approaches, activities, and strategies have worked for small schools to support sustainability? (survey and interviews)

Problem: Small School Sustainability

State of **NAIS schools**

- Tuitions on the rise above inflation levels
- COVID impacts: Enrollment declined in 2021 but back up in 2022
- Admin salaries up more than teachers'
- Most do not use consortia or outsourcing to save money

State of **small schools**

- Number of small member schools increased by 30% from 2002-2017
- Small schools more likely to report issues with financial health, enrollment, competitive salaries
- More small schools limit tuition increases to inflation
- COVID impacts unknown
- Higher enrollment decline from 2018-2022



Research Methods

Mixed Methods

- Quantitative - DASL data, survey results
- Qualitative - survey open-ended, interviews

	DASL DATA	SURVEY	INTERVIEWS
PURPOSE	● Analyze landscape & find trends	● Assess small school leaders' perceptions of sustainability ● Understand challenges & what works well	● Understand nuances ● Identify approaches, activities, strategies that are working
DESIGN	● 473 schools ● Self-identify enrollments numbers ● 16 years of data (2007-2022), plus updates for 2023	● 33% response rate ● Mix of Likert scale, multiple choice, and open-ended questions	● 130 leaders willing to be interviewed ● Interviewed 5 leaders



Sample

	LEVEL			GENDER			DAY OR BOARDING		
	Elementary	Secondary	Both	Co-Ed	Boys	Girls	Day	Mixed	Boarding
ALL NAIS N = 1,668	38%	13%	50%	88%	5%	7%	83%	14%	2%
DASL SAMPLE N = 473	60%	21%	19%	90%	6%	4%	82%	14%	4%
SURVEY SAMPLE N = 198	69%	13%	19%	92%	2%	6%	87%	12%	1%
INTERVIEW SAMPLE N = 5	60%	20%	20%	100%	0%	0%	100%	0%	0%





Small School Landscape

Small School Landscape

Small schools are:

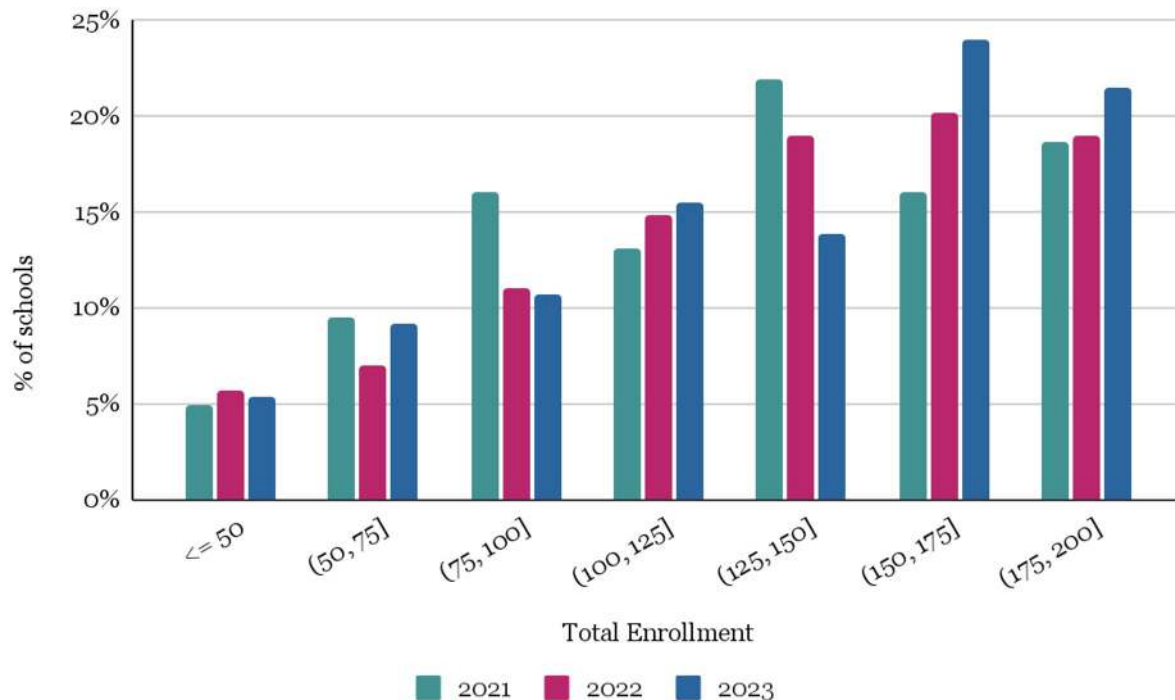
- 60% elementary
- 82% day schools
- 90% co-ed
- 22% religiously affiliated

	LEVEL			GENDER		
	Elementary	Secondary	Both	Co-Ed	Boys	Girls
SMALL SCHOOLS	60%	21%	19%	90%	6%	4%
ALL NAIS	38%	13%	50%	88%	5%	7%
iated	REGION					
	East / Mid-Atlantic	New England	Southeast / US Territories	West / Southwest	Midwest	
SMALL SCHOOLS	33%	18%	9%	28%	11%	
ALL NAIS	29%	16%	14%	31%	10%	



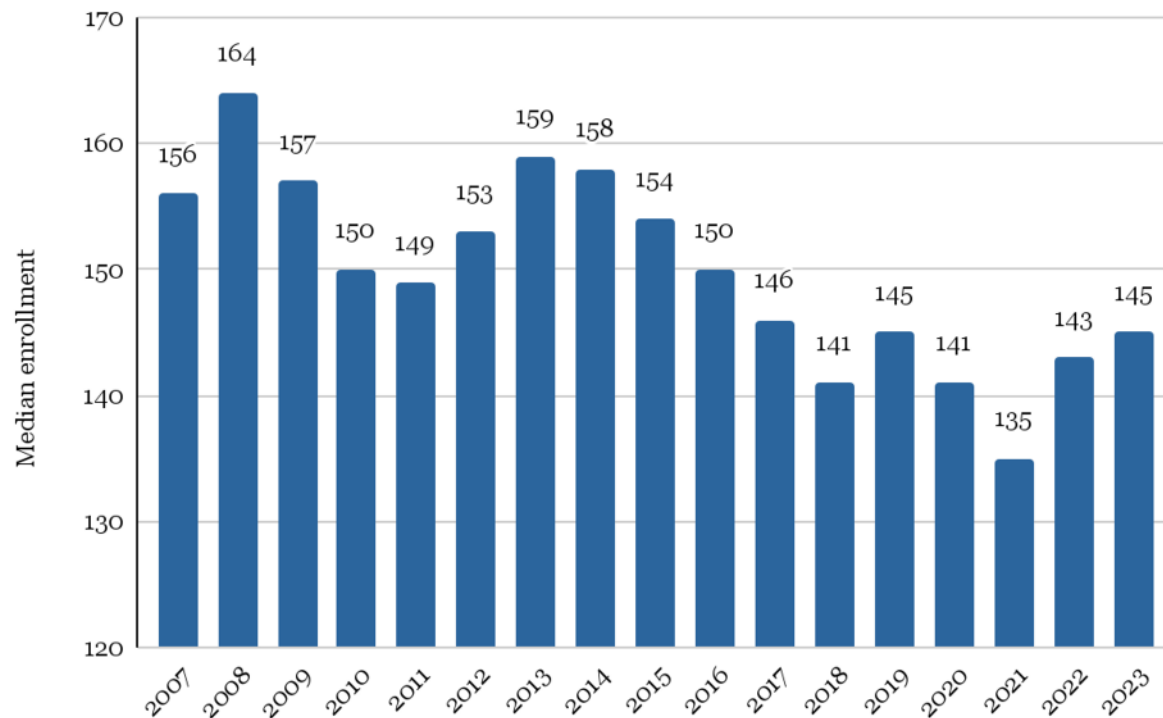
Small Schools by Enrollment

- About 25% of small schools have enrollments of 100 or fewer
- From 2021 to 2023, there was slight growth in the percentage of larger schools and a decline in smaller schools

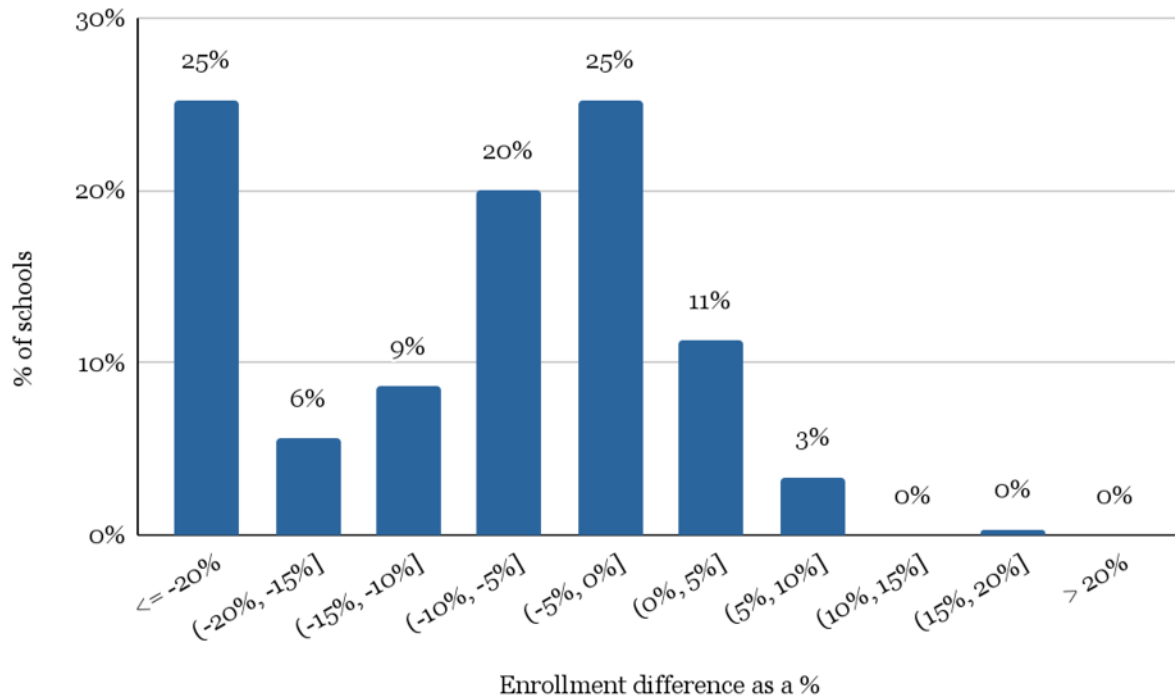


Median Enrollment by Year, 2007-2023

Small school median enrollment from 2007 to 2023 shows an overall decline



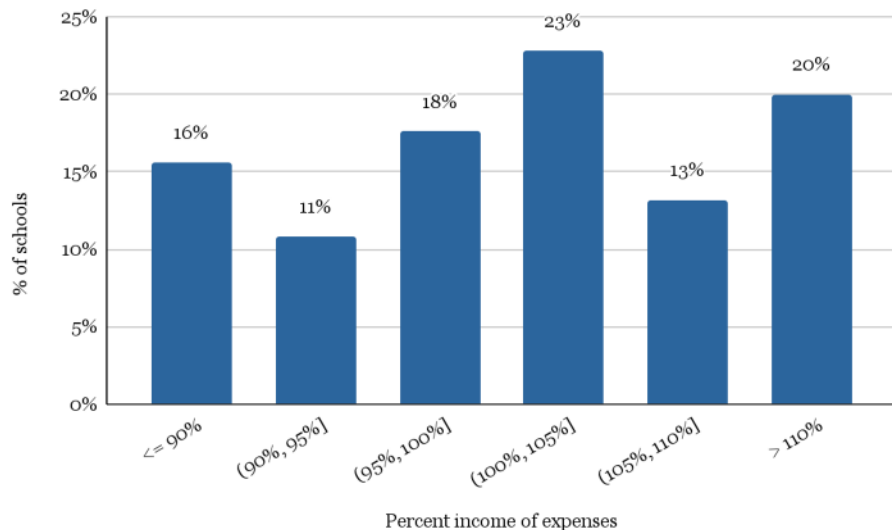
Enrollment Difference, 2023



- Enrollment difference is a school's actual enrollment minus target enrollment divided by actual enrollment
- In 2023, 60% of small schools were under-enrolled by 5% or more of their self-reported enrollment targets

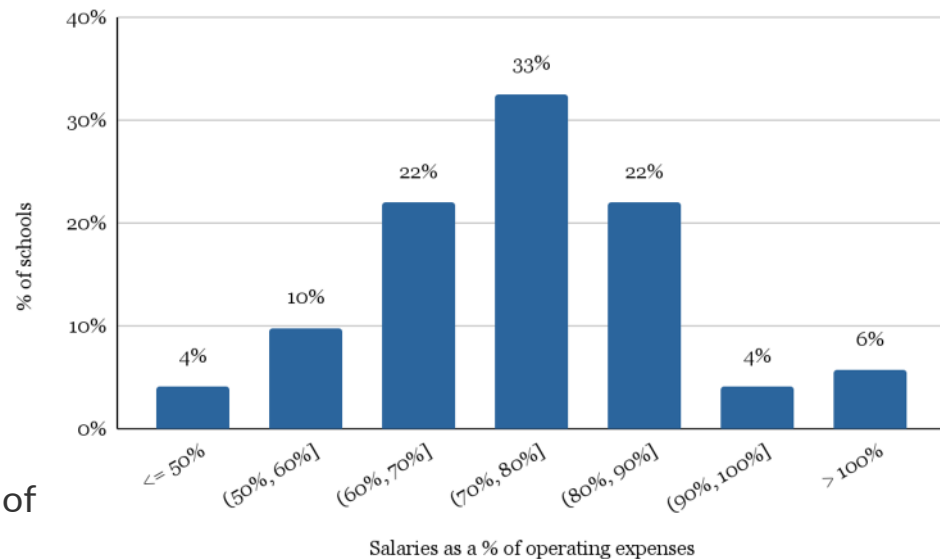


Income & Expenses, 2021

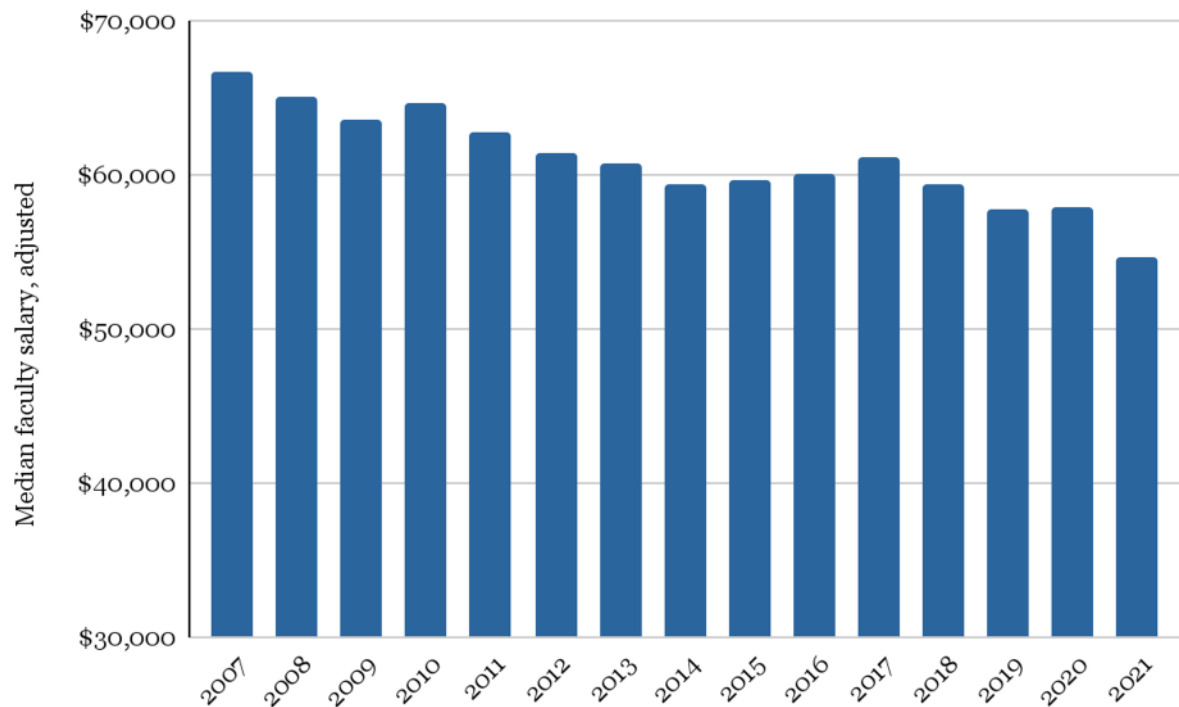


Salaries make up > 70% of operating expenses for 65% of small schools

45% of schools have total operating expenses that exceed total operating income, as indicated by a percentage less than 100



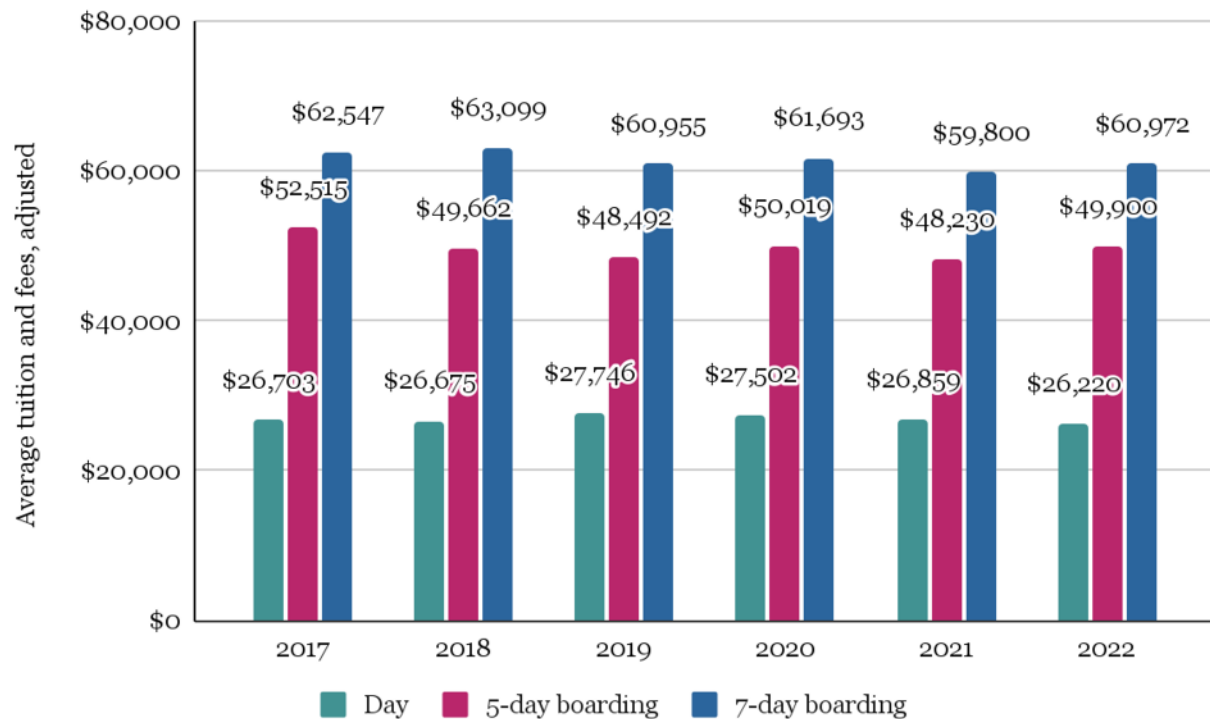
Median Faculty Salaries, 2007-2021



- Inflation-adjusted faculty salaries are decreasing overall
- For many small schools, yearly increases in salary have not kept pace with the inflation rate



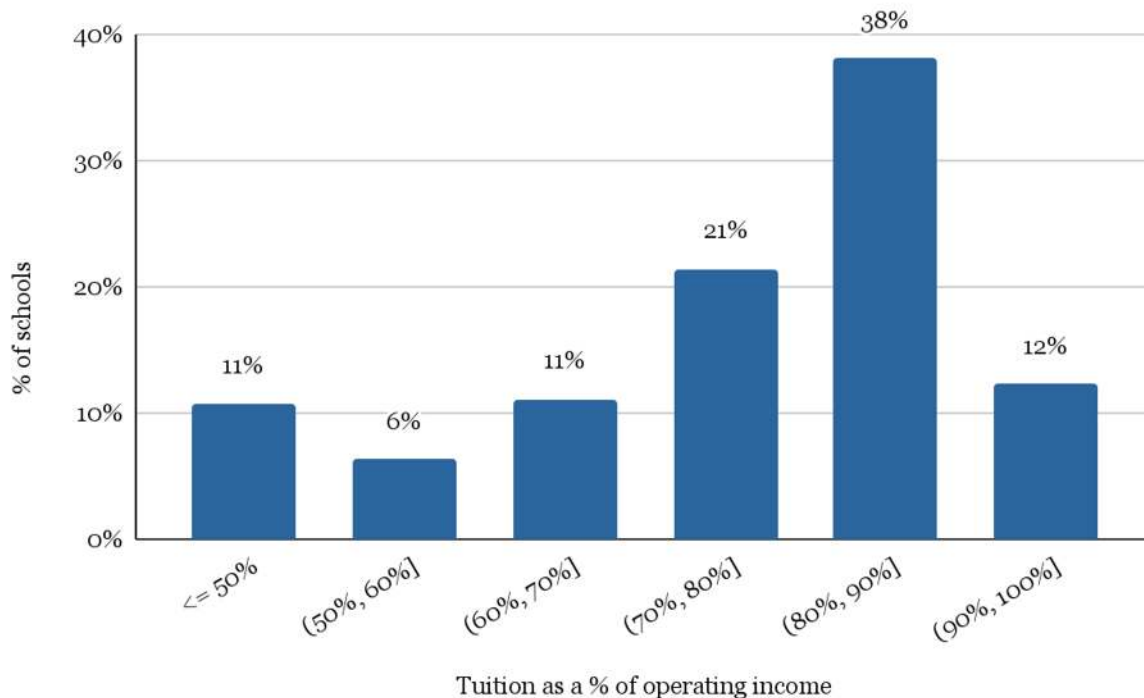
Median Tuition Values, 2017-2022



In recent years there has been a downward trend as median tuition levels have not increased above levels of inflation



Tuition as a Percent of Income, 2021



- Small schools are tuition dependent
- Net tuition revenue accounts for > 80% of total operating income for half of small schools

Discussion

- From these landscape findings, what stands out to you? Do any of these results surprise you?
- When you think of the term “school sustainability,” what factors come to mind?
- How often does your leadership team talk about sustainability? How often should they?



Sustainability Challenges

Defining Sustainability

<i>How would you define school sustainability?</i>	
RESPONSE CATEGORY	% OF RESPONSES N = 186
Multiple categories	50%
Financial	20%
Planning	10%
Environmental	8%
Mission	7%
Enrollment	3%
Community	1%
Development	1%

Sustainability is “the ability to **present the program** and to **meet student needs** over the long haul, with **resources, mission, and leadership** to rise above shifting with each change in market forces.”

- SMALL SCHOOL HEAD

Sustainability means “a school that can demonstrate **long term financial viability** through a combination of steady enrollment, endowment, and annual giving.”

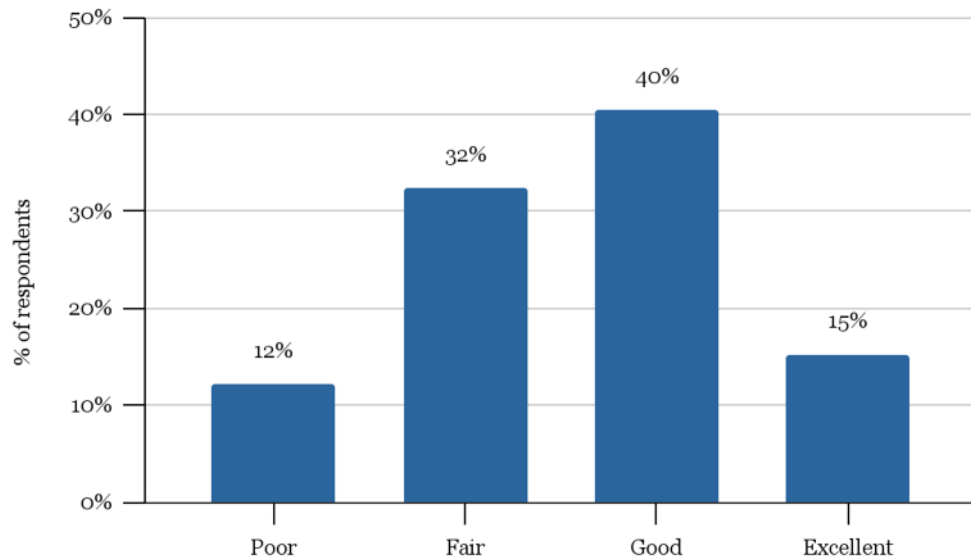
- SMALL SCHOOL HEAD

Sustainability is a “balanced **budget**, growing **endowment**, staff **retention**, **succession planning**, and a strong **board**.”

- SMALL SCHOOL HEAD

Sustainability means having access to the **resources**, financial and otherwise, necessary **to achieve the organization's mission** in both the short and long term.

Sustainability Challenges



At the present, how would you describe your school's overall financial health?

What do you believe are your school's biggest challenges relating to sustainability?

RESPONSE CATEGORY	% OF RESPONSES <i>N</i> = 183
Enrollment	46%
Financial	17%
Marketing/branding	9%
Development	7%
Tuition	7%
Faculty/staff	6%
Strategic planning	5%
Other	3%

Enrollment

- Overall, median enrollments are down for small schools across school levels
- 51% of small schools reported enrollments at least 5% less than their target numbers
- 25% of small schools have enrollments less than 100 students
- Not meeting enrollment targets by even one or two students can impact the bottom line



“We’re a small enough school where a handful of kids will make a difference.”

- SMALL SCHOOL HEAD

Tuition

- Leaders feel they have no choice but to raise tuition because costs rise each year; they wonder if yearly tuition increases are sustainable
- Schools are tuition dependent
- 50% of schools have tuition as 80% or more of their operating income
- Many leaders expressed the need for full pay families



“Anytime I see the long term projections for tuition, it's frightening. And we all wonder, Is that sustainable? Will it just go on forever? I've been in this business a long time, and I don't see any other way except for tuition to keep going up.”

- SMALL SCHOOL HEAD

Salaries

- For many, increases in faculty median salaries have not kept pace with inflation
- Cite rising housing prices and the cost of living as major concerns
- 37% of leaders surveyed felt not very or not at all capable of offering competitive salaries and benefits to their employees
- Some had to freeze or lower teacher pay during the pandemic



Sustainability is “the ability to pay (salary/benefits) everyone what they are worth.”

- SMALL SCHOOL HEAD

Endowment & Debt

- Many small schools struggle to build their endowment
- Using endowment and cash reserves to bail the school out in lean times or to pay expenses and loans can be problematic later
- Debts and debt ratios can have a large impact on a small school's financial picture

"We started an operating reserve with \$1,000 in each account. . . . You've got to start somewhere."

- SMALL SCHOOL HEAD



Facilities

- Facilities challenges among most pressing needs
- Need for a plan around the school's facilities
- Deferred maintenance costs can be a major issue
- Leaders are divided on the benefits of renting vs. owning their school's space

"I know of schools that are always in this financial stress and financial struggle, because their expenses are so huge, because they've set this bar with their facilities, and then there's that threat of that benefactor pulling away or it was a one-time thing."

- SMALL SCHOOL HEAD



Pandemic Effects

- Many school leaders cited the pandemic's effect on enrollment as a reason COVID had a net positive impact on their small school
- Availability of PPP loans was a positive impact of the COVID pandemic

"From an enrollment standpoint, COVID has been good to us. We've been able to be in person the whole time, other than the first two months when the school was locked down."

- SMALL SCHOOL HEAD



<i>In your opinion, has the pandemic improved or worsened [sustainability] challenges?</i>	
RESPONSE CATEGORY	% OF RESPONSES <i>N</i> = 185
Improved	48%
Worsened	25%
Both	15%
Neither	12%

Discussion

- Have you seen these challenges at your school?
- What are some approaches your school has taken to become or remain sustainable?
- What steps do you hope to take in the future?



Promising Approaches

Endowment & Debt

- Many schools either made the choice to create an endowment fund or expressed the need to focus on endowment growth as a means of sustainability
- One school secures funds before moving forward with any project so they don't accrue debt



"Eliminating debt was priority. It wasn't for a lot of schools, but it was to us."

- SMALL SCHOOL HEAD

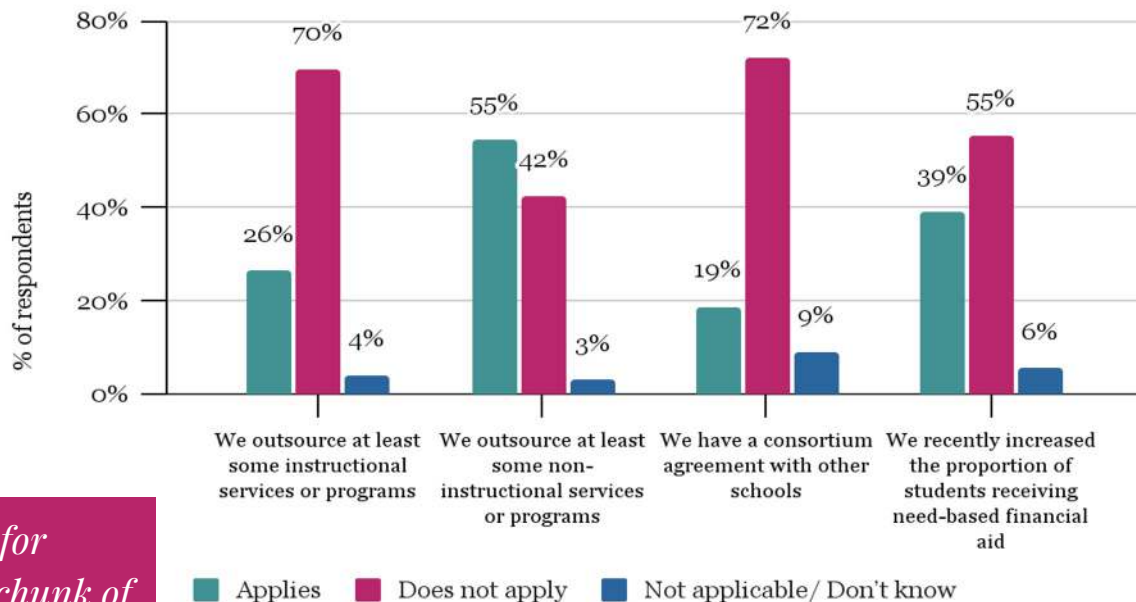
What changes, if any, has your school made in the last five years that might positively or negatively impact sustainability?

RESPONSE CATEGORY	% OF RESPONSES N = 183
Multiple	57%
Financial	11%
Enrollment	7%
Leadership	5%
Programs	3%
Mission	4%
Other - development, facilities, hiring, marketing, tuition	13%



Auxiliary Revenue & Outsourcing

- Add auxiliary programs like preschools and summer programs
- Not many schools outsource but it could be promising
- Desire for a consortium agreement but lacked bandwidth to coordinate it



“[Auxiliary programs are] an opportunity for maybe some good marketing and to add a chunk of change to the operating budget, but not like that golden egg that a lot of people had thought about.”

- SMALL SCHOOL HEAD



Partnerships & Board Relationship

- Partnerships can potentially lead to mutually beneficial outcomes, whether through visibility or even financially
- One school partnered with their state association of independent schools in order to share resources with other schools, like speakers or professional development sessions, which helped them to save money
- Relationship between head of school and board



“I feel like it’s all about the board and the relationship with those people. Not just putting people on the board for willy nilly reasons, but there has to be a specific reason and they need to know why.”

- SMALL SCHOOL HEAD

Mission

- Successful schools understood their mission, knew how they were situated within the marketplace, and could articulate their value proposition to families
- Survey responses indicated that a school's mission and set of values drives the types of programs and classes that they continue to provide and create
- Several school leaders stated that what drew families to their schools during the pandemic were the small class sizes, in-person classes, and ability to use outdoor spaces

“We messaged very well on what we were going to do, and we delivered at a really high level.”

- SMALL SCHOOL HEAD

“You have to have a great understanding of your school and what you’re able to offer and what you’re not able to offer. Stay true to your core and your mission.”

- SMALL SCHOOL HEAD





Summary of Key Findings

- **Landscape**
 - Mostly elementary, co-ed, and day schools
 - Enrollment declines across all types of schools
 - Tuition dependence with expenses exceeding income for many
- **Sustainability challenges**
 - No consistent definition or indicators
 - Meeting enrollment goals with rising tuition, operating costs, and providing competitive salaries
 - Building endowment, managing debt, and maintaining facilities
 - COVID had a positive impact for many
- **Promising approaches**
 - Strong relationship with board and mission alignment
 - Increase revenue through auxiliary streams, endowment, and partnerships, while eliminating debt



Recommendations

1. Clearly define what is meant by sustainability, and use this definition to drive conversations with stakeholders.
2. Consider consortium agreements with other organizations, especially for non-academic services.
3. Focus on building and articulating a strong program.
4. Seek support as needed in the areas of financial planning, facility ownership, and building an endowment.
5. Network with other small school leaders.

Discussion

- What do you see as the most critical next step in improving your school's sustainability?

“I would define [sustainability] as having the resources to provide relevant and meaningful learning opportunities over a long period of time, while having the capacity to challenge the status quo and reimagine program, facilities, and organizational models as the world continues to shift.”

- SMALL SCHOOL HEAD

Resources for Small School Leaders

- Full research study: [The Sustainability of Small Independent Schools](#)
- Research summary: [Summary of Findings from The Sustainability of Small Independent Schools](#)
- Resource guide: [Financial Sustainability](#)
- Magazine article: [The Sustainability of Small Schools](#)
- Trends: [Trendbook 2023-2024](#)
- Network with NAIS Connect: [NAIS Small Schools](#)

Contact Us

Please reach out if you have any additional feedback or questions!

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