



Management Consulting to Independent
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INCOME OPPORTUNITIES IN TIGHT ECONOMIC TIMES

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With the value of their investment portfolios declining or uncertain, independent school parents may be decreasing their discretionary spending and charitable donations. However, from the research done by Littleford & Associates, independent schools will remain a vital option for those parents who consider educating their children to be a top priority and the best long term economic opportunity available.

Here are three areas in which independent schools can continue to enhance their income.

1. Tuition Setting and Billing Procedures

Independent schools have been historically advised by some consultants to "bundle" fees so as not to "nickel & dime" parents. This has turned out NOT to be an effective strategy for either generating income or parental good will.

It is a distinct marketing and perception advantage to bill fees separately from tuition. Schools that charge a tuition of \$15,500, with no other fees "look" more expensive to parents than schools that charge \$13,500 with separate fee charges for athletics, labs, lunch, books, transportation and computers. As long as those fees are stated "up front" and are not a "surprise" for parents who have planned their expenses for the year, parents both understand and accept the separate fees. It is important to educate new parents and current parents each year about the rationale for certain fees.

Many schools have a "Renewal and Replacement" fee of \$75-\$300 for the damage (depreciation) each child causes to a school plant each year. This fee can be explained clearly, and its use is obvious to parents who see improvements and repairs each fall.

Schools today often use a front end "building fee" for NEW enrollees to ensure that they help to pay for new buildings from which they will benefit over time. For a K-8 school, a new technology center may be paid off not only with bonds, or fund raised dollars but also with building fee income which can run \$7500 per child. A child entering at Kindergarten may pay the full fee while one entering at the 6th grade may pay a lesser amount.



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Schools need to think of "unbundling" their cost package if they have begun to look uncompetitive or the market price leader over time. Schools that have NOT bundled their fees into their total tuition bill, should continue to explain periodically the use of fee income for specific projects and explore the creation of appropriate new fees that both enhance the program and clearly identify the improvements that flow from that fee.

1. Annual Giving: Renewed Parent Interest

All schools want to increase the amount of unrestricted annual giving each year, and many schools have surpassed the one million dollar a year mark. In tighter economic times, however, schools may have to justify and explain better the uses of the annual fund.

One of the best tools to maintain or enhance annual giving is to earmark a portion of the program for the renewal and education of faculty AND ensure a portion of the money goes there. All parents know that their children will benefit from the annual professional growth and development of teachers.

Schools must do a better job of explaining how these monies are spent, who received them and why and how those experiences by specific teachers may lead to much enhanced experiences for children in the classroom. Appropriate and creative explanations and marketing of these programs will capture the attention and interest of parents and prompt them to INCREASE giving, not just to maintain it. This is a 'win-win' situation as teachers, students and the school overall benefit.

1. Profit Centers

Most schools know that they need to make a profit in some areas of school life to offset the shortfall per student between tuition revenue and costs. For example, many independent schools, not only universities, generate very significant revenue from their school stores.

Other income generating programs can include summer school, sports camps, food service, bus service, night classes for adults, and partnerships with area corporations for seminars and other uses of school facilities during the year and in the summers.

In the coming months, schools may see a downturn in giving or a pessimistic attitude on the part of boards. If schools look carefully at their billing approaches, tuition and fee setting policies, strategies for annual giving and the creation of more and better income producing profit centers, long term economic improvement may result, and the school's financial picture need not suffer.

For more information on this subject, please read our article on profit centers and how other schools have successfully implemented them as revenue sources.



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John Littleford
Senior Partner