



“How much of our average revenue should come from

Tuition?”

As every headmaster and business officer knows, tuition is arguably the most important source of revenue for almost all independent schools. Analyzing the aggregate data that measures the percentage of revenue represented by net tuition is important and enlightening for those in charge of the finances at independent schools. Understanding the importance of tuition revenue within a school’s budget allows school leaders to take proactive steps toward financial sustainability, expand or modify financial aid programs based on economic indicators, develop ancillary programs for alternative income, and clearly communicate the educational value your school offers to students and parents. In this FastStats, we’ll examine the ratio of (net) tuition revenue versus total revenue for both SAIS and NAIS schools for the 2007-2008 to 2011-2012 school years.

an independent school’s revenue is generated via tuition. It is interesting to note, however, that the median percentage of revenue that SAIS schools derive from tuition is consistently lower than the overall NAIS medians. Perhaps, in this region of

| Year | SAIS Median Total Revenue | NAIS Median Total Revenue | SAIS Net Median Tuition Revenue | NAIS Net Median Tuition Revenue |
|-----------|---------------------------|---------------------------|---------------------------------|---------------------------------|
| 2007-2008 | \$10,531,788 | \$8,572,670 | \$7,550,032 | \$6,413,332 |
| 2008-2009 | \$10,139,725 | \$8,953,185 | \$7,464,032 | \$6,769,361 |
| 2009-2010 | \$10,389,570 | \$9,146,879 | \$8,164,862 | \$7,292,175 |
| 2010-2011 | \$10,248,608 | \$8,818,704 | \$7,747,900 | \$6,866,953 |
| 2011-2012 | \$10,772,759 | \$9,189,632 | \$8,268,075 | \$7,031,256 |
| | \$10,416,490 | \$8,936,214 | \$7,838,980 | \$6,874,615 |

the country, it is more difficult for independent schools to ask parents to pay more for tuition, and thus SAIS schools have to make up for the revenue short fall in other ways. If this is the case at your school, please share your thoughts with me. I have noticed in my travels that you generally get more school for the money in the SAIS relative to other regions in the country, even taking into account cost of living.

The data indicates three important facts regarding tuition revenue in SAIS and NAIS schools:

- First, there is relative, year on year, consistency among hundreds of independent schools regarding the percentage of revenue that comes from tuition. Essentially, we can say that, typically, about 75 percent of

75%

Percentage of revenue that should come from tuition.

- Second, a distinctive trend has emerged over the last five years: the percentage of tuition revenue relative to total revenue has increased for both SAIS and NAIS schools—perhaps as a response to macroeconomic conditions nation-

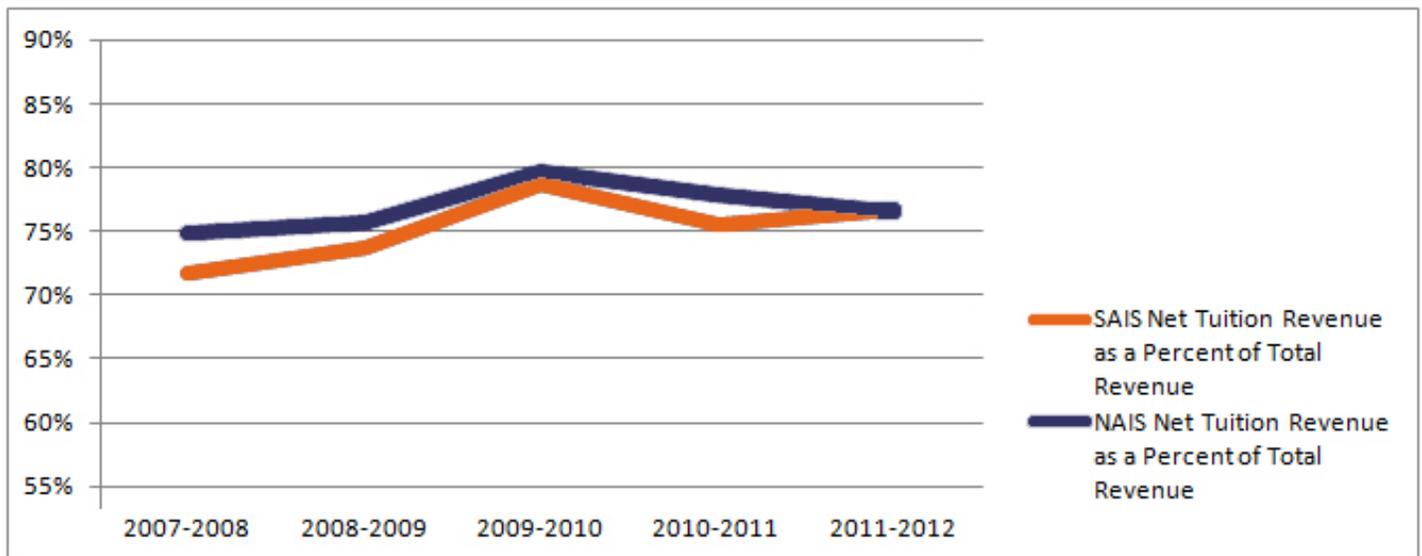
wide. That is, perhaps schools systematically cut back on their fundraising efforts, especially at the peak of recession - see 2009-2010. Now schools seem to be trending back towards the historical median of about 75 percent.

- Third, the most valuable takeaway for a school looking at this data is in applying the findings to its own situation. Unless a school has a very unusual revenue stream, the aggregate data presented here is an excellent benchmark. That is, about three quarters of your revenue should come from (net) tuition. If your percentage is significantly higher, that could mean you are not doing enough to generate revenue outside of tuition. If your percentage is significantly lower,

it might mean you are too dependent on less stable revenue sources.

FastStats is produced to provide useful information to SAIS member schools and to start meaningful conversations among independent school leaders. Please share your ideas and thoughts with colleagues at SAISconnect. If you'd like to see FastStats address a particular topic, submit your question to Angela Warner, SAIS Communications Manager, at angela@sais.org.

-Dr. Jeffrey Mitchell, Headmaster
Tuscaloosa Academy



| Year | SAIS Net Tuition Revenue as a Percent of Total Revenue | NAIS Net Tuition Revenue as a Percent of Total Revenue |
|----------------|--------------------------------------------------------|--------------------------------------------------------|
| 2007-2008 | 72% | 75% |
| 2008-2009 | 74% | 76% |
| 2009-2010 | 79% | 80% |
| 2010-2011 | 76% | 78% |
| 2011-2012 | 77% | 77% |
| Median Percent | 75% | 77% |

