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A Data Driven View:

How **Faith-Based**
Independent Schools
Have Fared in the
Post Recession
Economy

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A DATA DRIVEN VIEW: How Faith-Based Independent Schools Have Fared in the Post Recession Economy

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About the Author

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Introduction and Survey Methods

The data sets used in this study come from surveys conducted jointly through Measuring Success and our partners at National Business Officers Association (NBOA) and Independent School Management (ISM).

This report is based on 187 completed surveys and covers the 2011-2016 school years.

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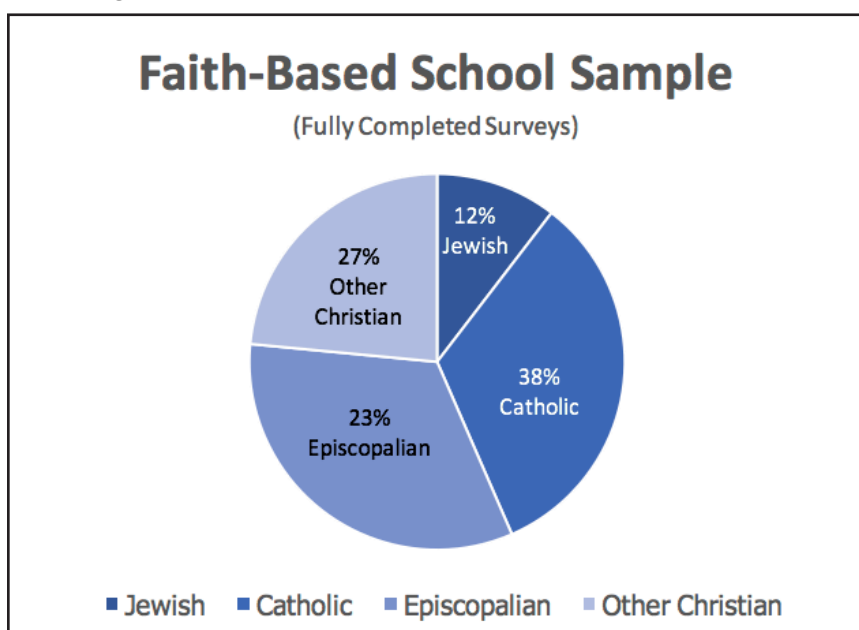
Introduction

Faith-based independent schools are an important component of the North American school landscape. Some studies have put the number of private K-12 schools affiliated with a specific religion at about two-thirds of all independent schools¹. In light of their prominence — and the mission-driven tendency of many faith-based schools to enroll students regardless of ability to pay — Measuring Success decided to conduct analysis into how well these schools are faring following the Great Recession of 2008-2009.

To shed light on this issue we mined a data set that was originally compiled to support a study conducted in conjunction with the [National Business Officers Association](#) (NBOA) and [Independent School Management](#) (ISM). As part of our research, we looked at completed surveys from 187 independent schools (78 faith-based and 109 non faith-based) to investigate the relationship between tuition increases and enrollment post recession. Consistent with previous Measuring Success [surveys](#) (conducted in 2006 and 2011), the results continue to indicate there is no statistically significant relationship between increases in tuition pricing and levels of enrollment.

This same database of school statistics gathered a significant amount of information about responding independent schools' 2011 through 2016 enrollment, tuition revenues, financial assistance levels, operating budget trends, and non-tuition fundraising performance.

Of the schools that responded fully to the survey, 78 indicated they had a religious affiliation. Collectively, these schools enroll 55,000 students and had operating budgets of close to \$1 billion. These schools make up the faith-based component of schools described in this paper. They represent four major categories of religiously affiliated schools including Catholic, Episcopalian, Jewish, and schools from other Christian denominations.



¹ According to research conducted by the Institute for Education Sciences, National Center for Education Statistics.

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In order to assess the post-recession health of faith-based schools during the period queried, we compared the financial health of the faith-based cohort to that of 109 non faith-based independent schools that completed the survey.

These unaffiliated schools had a total enrollment of 66,000 students in 2016 and annual operating budgets of \$1.6 billion. In the cases of both affiliated and non-affiliated school samples, there is diversity in the areas of the U.S. and Canada represented, school size, and mix of grades offered.

Sustainability Trends for Faith-Based Schools

ENROLLMENT: The period 2011 through 2016 represented a challenging period of time for faith-based schools. Enrollment growth for the faith-based cohort averaged only 2.4 percent over the period. In contrast, the non-faith based sample grew by an also modest, but far more significant, 4.3 percent over that period of time.

FINANCIAL AID: As might be expected during times of external financial pressure, the demands for financial aid by parents in faith-based schools increased significantly. The percentage of students receiving financial aid increased from 20 percent in 2011 to 24 percent in 2016. Financial aid per student increased at an even faster clip, increasing by 46 percent over the five-year span from \$1,900 per student to \$2,700 per student.

FUNDRAISING: While our survey did not gather information on schools' endowment fundraising, it did track annual fundraising activity. On that front, unfortunately, the 2011 through 2016 period represented a period of flat fundraising for the faith-based school cadre, with fundraising

static at \$77 million per year. As a result, fundraising as a percentage of operating budget for the faith-based schools actually declined from 9.6 percent in 2011 to 8.0 percent in 2016. Absolute fundraising dollars per student declined from \$1,441 to \$1,419.

How did the faith-based schools cope with the financial sustainability pressures of very low enrollment growth, significant increases in demand

Faith-Based Schools Sustainability Trends

	2011	2016
Enrollment	53,422	54,751 (+2.4%)
Percent of Students Receiving Financial Aid	20%	24%
Financial Aid Per Student	\$1,900	\$2,700 (+46%)

for financial aid, and static fundraising? The data suggest they did so in a number of ways.

For one thing, they increased tuition levels. Gross tuition per student among the faith-based schools increased significantly, by 26 percent, from \$14,800 in 2011 to \$18,000 in 2016. This yielded a net tuition increase per student of 23 percent, taking into account the increases in financial aid.

At the same time, operating expenses per student in faith-based schools over the same period of time increased by only 18 percent, with the result that the ratio of net tuition to operating spending — a strong indicator of financial strength — actually increased over the period from 86 to 90 percent. This compares very favorably with the non faith-based schools' ratio of net tuition income to operating expenses of 80 percent.

Thus, a combination of tuition increases and very conservative spending patterns were used by faith-based schools to ensure their sustainability during a challenging period of time. However, while this makes sense from a fiscal conservatism standpoint, the strategy also brings with it some important vulnerabilities for faith-based schools to consider.

“The strategy brings with it some important vulnerabilities.”



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Emerging Strategic Vulnerabilities of Faith-Based Schools

The heart of any school's long-term sustainability rests on its ability to attract students and grow enrollment. As noted earlier, on that basis, faith-based schools are trailing non faith-based schools. Moreover, based on Measuring Success' extensive experience derived from conducting surveys of more than 100,000 independent school families to understand school choice criteria, the key to enrollment growth is the ability of schools to offer and communicate a superior educational value proposition. Underlying that ability are some key fundamentals including attracting and retaining the best faculty, investing in cutting-edge curricula and technology, and maintaining an attractive physical environment. Exploiting these factors takes significant amounts money.

But, in the arena of providing financial support for education excellence, while both faith-based and non faith-based schools increased operating spending per student by 18 percent over the 2011 through 2016 period, the faith-based schools began and ended the five-year period in question at a significant 30 percent spending disadvantage (equivalent to \$7,000 to \$8,000 per student), compared to the non faith-based schools.

Faith-based schools also fell behind their non faith-based peers in their ability to fund their programs by not increasing fundraising during the 2011 through 2016 period. In contrast, during the same period, the non faith based schools increased absolute fundraising dollars by 38 percent, fundraising dollars per student by \$550 and fundraising as a percentage of operating budget from 8 to 9 percent.

Operating Spending Per Student

	Faith-Based Schools	Non Faith-Based Schools
2011	\$15,000 (69)	\$17,700 (69)
2016	\$21,700 (100)	\$25,600 (100)
Rate of Growth 2011-2016	+18%	+18%

Fundraising Comparisons

	Faith-Based Schools	Non Faith-Based Schools
Fundraising: 2016 vs 2011	+1%	+38%
Fundraising as a Percent of Operating Budget	9.6% (2011) to 8.0% (2016)	8% (2011) to 9% (2016)
Fundraising Per Student	\$1,441 (2011) to \$1,419 (2016)	\$1,680 (2011) to \$2,230 (2016)

Imperative: Funding Excellence to Enable Enrollment Growth

The combination of a lower rate of enrollment growth plus the shortfall in fundraising outcome significantly disadvantaged the faith-based schools relative to their non faith-based peers. The enrollment shortfall for the faith-based cohort resulted in a net tuition opportunity cost of over \$30 million by 2016.

Additionally, the fundraising shortfall — no change in dollars raised per student versus an increase of \$550 for the non faith-based schools — represented an additional \$30 million in lost funds to support educational excellence, for a total shortfall of \$60 million.



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Key Issues to Consider

A hard look at key sustainability metrics for faith-based schools suggests some important issues for the school leaders to reflect on:

- ✓ Is the current approach — where faith-based schools underspend in relation to non faith-based independent schools by roughly 30 percent, on a per student basis — a sustainable strategy?
- ✓ What impact does that lower level of spending have on teaching quality, curricular excellence, advanced use of technology to support learning, and the ability to provide an attractive physical environment conducive to learning?
- ✓ Should faith-based schools consider increasing investment in quality to enable stronger value propositions leading to increased enrollment — particularly given the consistent findings from Measuring Success' research since 2006 that the rate of tuition increases does not impact enrollment, whereas value proposition drives enrollment prospects?
- ✓ Are the governance systems and advancement systems of faith-based institutions pulling their weight in generating funds to enable non-tuition based investment in educational program quality?
- ✓ The lower absolute level of fundraising in faith-based schools (this is a "239 per student gap in 2011 and an \$811 gap per student in 2016) and the flat trend in faith-based schools' fundraising in contrast to the nearly 40 percent growth in fundraising among non faith-based schools, suggest that significant improvement in commitment, processes, and supporting systems may be necessary.

Conclusion

In summary, faith-based schools are a vital part of the landscape of independent schools in North America. They have successfully maintained their financial stability in a challenging post-recession period due to careful stewardship of their financial resources.

However, given the increasingly intense pressures on all independent schools to continuously enhance their value propositions to families and students, and the wide gap in faith-based schools' investments in their educational programs relative to their non faith-based peers, it appears that important shifts in investment strategy and resource development strategies by faith-based schools may be in order to ensure they retain their vital role in the landscape of the educational marketplace.

“In order to enhance their value proposition, shifts in investment and resource development strategies may be in order.”

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About Measuring Success

For more than a decade, Measuring Success has provided custom consulting solutions to help thousands of independent schools, faith-based organizations and nonprofit groups use data to improve efficiency and effectiveness. We provide organizations (large and small) with actionable insights and enhanced decision-making capability.

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