



INDUSTRY

Private Schools K-12

LAST UPDATE

12/13/2004 (Updated Quarterly)[Return to Main Profile Menu](#)[Email Alert Signup](#)

Industry Profile

Call Prep Sheet

CONTENTS

[Critical Issues](#)
[Quarterly Industry Update](#)
[Industry Overview](#)
[Call Preparation Questions](#)
[Business Risk Issues](#)
[Trends & Opportunities](#)
[News & Media Information](#)
[Financial Information](#)
[Industry Forecast](#)
[Website Links](#)
[Glossary of Acronyms](#)

CATEGORY

Public Services, Education, and Recreation

SIC CODES

8211

NAICS CODES

611110

RELATED PROFILES

- ▶ [Colleges and Universities](#)
- ▶ [Community Colleges](#)
- ▶ [Local Bus Transportation](#)
- ▶ [Public Schools K-12](#)

**Critical Issues**

Provides insight into the industry's most important issues

Many Private Schools Expensive - Although the cost to attend many private religious schools is modest, only \$2,000 for local Catholic elementary schools on average, the cost to attend a large number of the 6,000 independent private schools is beyond the means of most Americans. The average annual cost to attend a private boarding school is about \$20,000; for a non-boarding school about \$9,000. Some school districts are slow or inconsistent in implementing a new law that allows low-income students to use vouchers for private schools, lawmakers say. The law allows private schools to apply for publicly-financed vouchers to low-income children in K-12 to help offset private school tuition.

- ▶ Some private schools are seeking to reduce insurance costs by joining to form a single non-profit organization.

Difficulties for Some Catholic Diocese - Catholic schools account for 30 percent of the nation's private schools and enroll nearly half the US students in nonpublic schools. In the past 10 years, (until 2002 when it declined 1 percent), enrollment increased. Now the Catholic Church is concerned that increasing sexual abuse lawsuits will be so costly that educational services will have to be curtailed. Lawsuits against some Catholic diocese over past sexual abuse may reduce future funds available to support Catholic schools. Damage requests against some diocese exceed \$100 million; payments on this order would require that Catholic schools raise tuition significantly from the current low levels.

- ▶ About 40 Catholic schools in the Chicago area risk being closed or reconfigured at the end of the school year, the *Chicago Tribune* says.

**Quarterly Industry Update**

Provides insight about industry changes for the previous three months

Private Schools Reduce Costs via Self-Insurance - Private schools in California seeking to reduce costs have joined to form a single non-profit organization to self-insure against worker's compensation claims. California's worker's compensation law, which allows similar companies to form joint self-insurance groups, created the opportunity for private schools to save as much as 30 percent of current worker's compensation costs. Private schools may find joining together key to reducing many costs and remain a competitive alternative to public schools.

Private School Graduates Better Prepared for College - Graduates of private high schools were more likely to maintain higher grades in college than their public school counterparts. While 58 percent of college students will maintain a "B" average or higher, 67 percent of graduates of private schools will do the same, indicating these students may be better prepared for college, according to the National Association of Independent Schools.

Security: Concern at Private Schools - Police emergencies and terrorist threats at private schools highlight the importance of emergency plans at private schools. Some private schools have developed extensive emergency plans to protect students and staff in crisis, while others have little more than fire and natural disaster plans, according to the National School Safety and Security Services. Schools that implement and practice a security and safety plan, including natural disaster evacuation and student lock-down drills, will be best prepared for the unexpected, according to security experts.

Public School Teachers Send Children to Private School - Compared to the average parent, teachers at US public schools are more likely to choose to send their child to a private school, according to the Fordham Institute. More than 20 percent of US public school teachers send their child to private school, while only 17.5 percent of parents choose private education over public. The apparent unwillingness of public school teachers to send their own children to public school may further encourage other parents to consider private school alternatives for their own children.

Private School Athletics Dominate State Championships - Private schools have become athletic powerhouses in several states, drawing criticism from public school coaches. A lack of transfer restrictions, no district boundaries, and the ability to recruit the most talented athletes have advantaged some private schools to dominate state championships in consecutive years. State athletic officials, at the request of public school coaches and administrators, have looked into ways to level the field, but have been unsuccessful in finding alternatives that satisfy both public and private schools.

Industry Overview

Coaches you on important industry aspects including operations, size, human resources and more

Approximately 27,000 private primary and secondary schools operate in the US, serving about 5 million students and with a combined annual revenue of \$25 billion. About 80 percent of these schools are affiliated with **religious organizations**: 30 percent with the Roman Catholic Church. There are around 8,000 Catholic schools, 13,000 other religious schools (of which 5,000 are Conservative Christian), and **6,000 independent** nonsectarian (nonreligious) schools. 60 percent of private schools are elementary schools, 10 percent are secondary, and 30 percent provide both elementary and secondary education.

While **most private schools are tax-exempt, nonprofit entities, some are for-profit**. About half of private school students attend Catholic schools, which average 300 students. Other religious schools and independent schools are smaller, with an average of 130 students; the average public school has 530 students. The student-teacher ratio (for full-time equivalent teachers: FTE) is 17 at Catholic schools, 12 at other religious schools and 9 at independent schools, compared to a national average of 16 in public schools.

Parents send their children to private schools because of the perception that they are more secure and disciplined than public schools, and that they provide a better moral and academic education. Catholic high schools have a graduation rate of 95 percent, versus 66 percent for public high schools. The average **combined SAT score** is typically 10 percent higher at private schools. Various objective measures, like test scores and eventual college attendance, seem to bear out the academic superiority of private schools, but experts caution that parental attitude and involvement may account for these differences.

Both public and private elementary and secondary schools have two types of costs: **instruction** (teachers, equipment, libraries), which accounts for 62 percent of the total; and **support services** (counseling, health services, activities, athletics, maintenance, administration, etc.). The average annual amount spent on a student in the US public school system is about \$6,200, with substantial regional differences (\$9,600 in New Jersey, \$4,000 in Utah) that partly reflect differences in living costs. Private schools spend less per student per year than public schools (about \$3,500), but have a wide range of spending. Per student spending varies from \$2,000 in Catholic elementary schools to \$4,000 in Catholic secondary schools to more than \$9,000 in independent secondary schools. The (generally) lower spending per student in private schools results in part from **lower salaries** and benefits paid to teachers. In Catholic schools, the average teacher salary is about \$25,000, in independent schools about \$30,000. The average teacher salary in public schools is over \$35,000. Forty-two percent of public school teachers have a masters degree, versus only 30 percent of private school teachers, but private school teachers are **more satisfied** with their jobs, both because of the more favorable climate for teaching and because they have more control over the curriculum they teach.

Public schools receive their income mainly from levies on local property taxes (44 percent), from state funds (48 percent), and from the federal government (7 percent). Private schools receive income from **tuition**, from **gifts**, and from **endowment funds**. Independent private schools receive a net (after financial aid grants) of 60 to 70 percent of their income from tuition, 10 percent from gifts, 10 percent from endowment investments, and the rest from various fundraisers and services. The average annual gift to independent schools from alumni and parents is about \$500. The average endowment per student at independent schools is \$25,000. **Cash flow** at most private schools is **very uneven** throughout the year, since tuition is collected mainly at the beginning of semesters or trimesters, while expenses are paid year-round. Most private schools are small; therefore, losing or gaining even a few students can have a substantial financial effect.

Private schools are **regulated** by the states, which generally set minimum standards for school facilities, teachers and curriculum. State laws vary, but have been challenged in court when they interfere with religious instruction in church-related schools, or when curriculum regulations are so detailed that they deprive parents of choice in their children's education. Private schools are eligible to participate in a large number of government programs, especially those aimed at disadvantaged children. **Admission policies** vary widely. Some private schools will accept any applicant who satisfies minimal requirements. Some elite schools have 10 applicants for every available opening. On average, there are 1.5 applications for each opening. Since many private schools compete mainly with the public school system, their tuition is expense- rather than demand-driven. Tuitions are often calculated after all expenses have been added up.

Call Preparation Questions

Provides several business-related questions to ask business owners. Excellent for call planning.

QUARTERLY INDUSTRY UPDATE QUESTIONS

How has the school addressed security threats?

Many private schools haven't considered threats other than fires and natural disasters, according to security experts. Schools best prepared to handle today's threats practice both evacuation and lock-down drills, and develop a security plan that addresses internal and external threats.

What problems has the school encountered in competing athletically with local public schools?

The lack of regulations on private schools allows them to attract and recruit the best athletes; in some cases, private schools have dominated state athletic championships.

CONVERSATION STARTERS**Have high tuition costs modified the composition of the student body?**

Although the cost to attend many private religious schools is modest, only \$2,000 for local Catholic elementary schools on average, the cost to attend a large number of the 6,000 independent private schools is beyond the means of most Americans.

If a Catholic school, what difficulties has the school experienced due to recent scandals?

Catholic schools account for 30 percent of the nation's private schools and enroll nearly half the US students in nonpublic schools.

What affect has competition from public magnet and charter schools had on enrollment?

Magnet and charter schools are efforts by the public school system to compete with traditional local public schools, but within the public system.

Has the school increased recruiting of foreign students?

US private boarding schools attract a large number of students from other countries.

Does the school actively manage the student-teacher ratio?

The low class size at independent private schools is cited in parent surveys as a primary reason why private schooling is superior to public schooling.

Does the school expect that education IRAs will become an important funding source?

Education IRAs can be used for private elementary or secondary tuition or to pay for expenses for private or public school, grades K-12.

OPERATIONS, PRODUCTS AND FACILITIES QUESTIONS**Is the school a tax exempt, nonprofit entity?**

A small minority of private schools are run as for-profit companies.

Is the school independent or does it have a religious affiliation?

Of the 27,000 private schools, only 6,000 are secular.

What grades does the school cover?

Most schools are either elementary (K-8) or secondary (9 to 12).

How many students are enrolled?

The average for independent schools is 130 versus 530 in public schools.

What is the ratio of students to (full-time equivalent) teachers?

In public schools, the average is 16; 17 in Catholic schools; 9 in independent private schools.

Does the school have athletics and healthcare facilities?**Is this a boarding school?****Does the school have extended-day programs?****What are the admission criteria?**

Many private schools have rigorous academic requirements for admission.

CUSTOMERS, MARKETING, PRICING, COMPETITION QUESTIONS**What is the annual tuition?**

This varies from \$2,000 at Catholic elementary schools to \$9,000 (on average) at independent private schools.

Has the tuition increased in recent years?**How does the school reach potential customers?**

Many independent private schools advertise in targeted magazines. School directories are also an important channel.

Does the school rank students according to their level among other students in their grade?

Most small private schools dropped the class ranking system years ago. The trend of moving from affirmative action is forcing many private schools to reinstitute class ranking.

Does the school market specifically to families of a certain ethnic or religious background?

For example, where traditional public schools fail to serve children of Hispanic heritage, charter schools tailored to their individual needs give them opportunities to excel.

REGULATIONS, R&D, IMPORTS, AND EXPORTS QUESTIONS**Does the school feel that federal or state regulations governing private schools are a burden?**

Regulations vary from state to state.

What new security measures has the school instituted to reduce liability?

Typical measures to reduce liability are camera surveillance and security guards.

What policies does the school have for dealing with suspected child abuse?

Abuse by teachers or parents has become a major liability issue.

ORGANIZATION AND MANAGEMENT QUESTIONS**Is the school governed by a board of trustees?**

Many independent private schools are governed by a self-perpetuating board.

Does the board of trustees hire the principal and set tuition levels?**Does the board of trustees or the principal hire the teachers?****How does the school attract and retain qualified teachers?****How many teachers and other staff does the school employ?****FINANCIAL ANALYSIS QUESTIONS****How does the school manage the uneven cash flow?**

Tuition payments often come in surges at the beginning of semesters or trimesters.

How much of the annual budget is covered by tuition payments?

This is generally 60 to 70 percent.

Does the school have an endowment fund?

Many independent schools have endowment funds that average \$25,000 per student.

Does the school receive annual gifts from parents and alumni?**Does the school receive any state or federal funds?****Has enrollment been increasing or decreasing in recent years?****Does the school have a waiting list?****How much does the school spend annually on capital projects?**

This may be 10 percent of the operating budget.

How much financial aid does the school offer?

At many private schools, the majority of students receive some financial aid.

BUSINESS AND TECHNOLOGY STRATEGIES QUESTIONS**Does the school foresee a growing or declining enrollment in future years?**

Demand for school services often depends on the demographics of the surrounding community.

Does the school believe that more government aid for private schools is likely in the future?

Government aid to private schools continues to be a controversial issue.

What is the ratio of students to personal computers?

Many schools have acquired computers in the last few years.

Do students have Internet access at the school?**Has the school added computer and other technology courses in recent years?**

Business Risk Issues
Provides insight into key issues that negatively impact businesses

See First Research's top Business Risk Issues in more detail in [Critical Issues](#).

Competition from Public Magnet and Charter Schools - Magnet and charter schools are efforts by the public school system to

compete with traditional local public schools, but within the public system. Magnet schools offer advanced or specialized classes that draw students from a wide area. Publicly-funded charter schools, operated by community-based groups, private business, or groups of educators and parents, are free from many of the regulations that ordinary public schools must adhere to. Over half the states have passed legislation authorizing charter schools, and about 2,000 charter schools operate nationwide. To the extent that magnet and charter schools succeed in correcting some of the deficiencies of the public school system, they directly compete with private schools.

Liability for Violence, Child Abuse - Violence is a real concern for all schools, as several hundred lawsuits were filed against private schools in recent years over violent incidents. While about 37 states have laws giving schools immunity from liability for violent acts, school officials may not enjoy the same protection. Child abuse has become a major moral and financial issue for private schools in recent years.

Information Disclosure - Private schools face growing consumer pressure to release more information: as private school becomes more accessible, the public wants some means by which to measure private school performance. Education experts say that if tax-supported private school tuition vouchers and other ways of funding private schools with government money become popular, private schools that receive such money will be obliged to report test scores, teacher qualifications, and graduation rates, as public schools do now.

Trends and Opportunities

Provides insight into industry trends and market opportunities

BUSINESS TRENDS

Enrollment - Demographically, the number of private school children in kindergarten through eighth grade is expected to stabilize during the next few years, after growing 14 percent in the past decade. All K-8 children in private schools has held fairly constant at 12 percent; high school students in private schools has also been fairly constant at 9 percent. The number of high school students in private schools is expected to keep growing for another 5 years at an annual rate of 1.5 percent before peaking in 2007.

School Vouchers - Private schools are likely to see a rise in enrollment: some states are developing statewide voucher programs that fund low-income students in school districts with poorly-performing public schools to allow them to transfer to private schools. Individual cities nationwide have enacted voucher programs, but no statewide programs are currently in place. Funding for vouchers comes from the state, generally in the amount of the per student funds the state sends to local school districts. Opponents argue that vouchers are unconstitutional, since they are used mainly to send children to schools with religious affiliations, and deprive local public school districts of funds when they need them the most. Private schools themselves view voucher plans with some wariness, since accepting public funds would subject them to various regulations that could interfere with their current practices on admissions, curriculum, and religious practices.

School Construction Costs - Contractors have to press to meet a short summer building schedule for school renovation projects. Construction costs have been escalating at up to 4 percent for elementary schools, according to ENR, and up to 8 percent at some high schools. The average cost per student for a high-quality facility is \$27,600 for a high school and \$17,275 for an elementary school.

Class Ranking - Most small, private schools dropped the class ranking system years ago, saying it's meaningless. Class ranking forces students to focus increasingly on grades to get into prestigious colleges and less on learning. However, with new pressures on public colleges to find alternative admission policies other than affirmative action, more states are turning to class ranking as an alternative to determine a student's qualifications for college admission. The trend of moving from affirmative action is forcing many private schools to reinstitute class ranking.

Private Schools Criticized: Lack of Diversity - The population of private schools is more homogeneous than US society as a whole, including fewer blacks, Hispanics, and children with special needs.

Student Cheating - A survey of the ethics of US youths finds that students attending private, religious high schools are more likely to cheat on tests than those who attend public, nonreligious schools. Compared to 72 percent of students at other schools, 78 percent of students attending private religious schools say they have cheated at least once on exams in the past year.

INDUSTRY OPPORTUNITIES

International Students - US private boarding schools attract a large number of students from other countries. At some independent schools the percentage is 25 percent or more.

Reputation for Superior Academics - The low class size at independent private schools is cited in parent surveys as a primary reason why private schooling is superior to public schooling. The student-to-teacher ratio is about 9 to 1. Parents also cite a safer environment and a better focus on academic achievement.

Education IRAs Include Private Schools - Education IRAs can be used for private elementary or secondary tuition or to pay for expenses for private or public school, grades K-12. Changes in tax laws now provide this indirect subsidy for private education. Although the current effect is small, education IRA's are expected to grow significantly as future sources of school funding.

News and Media Information

Provides links to sources that have daily articles. Useful for prospecting and keeping informed

NEWS ARTICLE SUMMARIES

"Work Pays Their Way in Private School." October 17, 2004. *Newsday*.
 Cristo Rey schools, benefiting from large corporate donors, provide inner city children access to private school education in exchange for part-time work. Students at the 11 schools work 1 day each week throughout the school year, their families pay a modest fee, and corporate donations cover the remaining tuition.

Financial Information
 Provides financial and economic statistics beneficial for assessing a business' financial strength

ECONOMIC STATISTICS AND INFORMATION

Average Tuition Paid by Private School Students

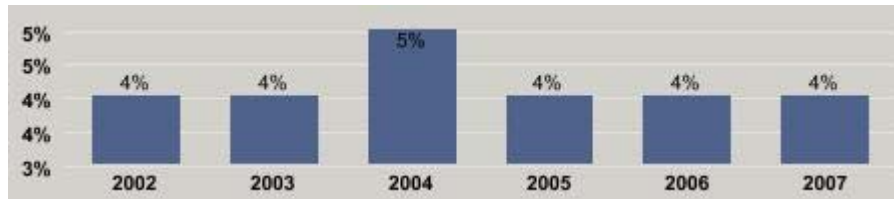
US Department of Education 1993-94 Survey

Type of School	Total	Elementary Schools	Secondary Schools	Combined Schools
Catholic	\$2,178	\$1,628	\$3,643	\$4,153
Other Religious	\$2,915	\$2,606	\$5,261	\$2,831
Independent	\$6,631	\$4,693	\$9,525	\$7,056
Total	\$3,116	\$2,138	\$4,578	\$4,266

Industry Forecast
 Provides forecast to plan with customers

The value of production at private education, along with museums, nonprofits, and research, is forecast to grow at an annual compounded rate of 3.8 percent between 2004 and 2007, faster than public education.

Museums, Non-Profits, Research & Private Education Growth Steady



Source: IERF, Inc.
 First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy.

Website Links
 Provides you with the very best websites for the industry

FIRST RESEARCH FAVORITES

National Center for Education Statistics - Elementary/Secondary Surveys <http://nces.ed.gov/surveys/SurveyGroups.asp?group=1>
 Includes statistics from the Private School Surveys.

ASSOCIATION WEBSITES

Independent Schools Association of the Central States <http://www.isacs.org>
 Excellent statistics about 200 independent schools in the Midwest.

National Association of Independent Schools <http://www.nais.org/>
 Association of 1,100 independent schools.

National Catholic Education Association <http://www.ncea.org/>
Statistics about Catholic schools.

National Christian School Association <http://www.nationalchristian.org>
Information.

OTHER

US Department of Education - Office of Non-Public Education <http://www.ed.gov/about/offices/list/oi/nonpublic/index.html>
Studies and statistics.

Private Schools: A Brief Portrait http://nces.ed.gov/pubs2002/2002025_Analyses.pdf
Data from The Condition of Education 2002.

Glossary of Acronyms

Provides definitions of the most frequently used acronyms in the industry

DOE - Department of Education

FTE - Full-time equivalent teacher

GED - General Education Development

NAIS - National Association of Independent Schools

NCEA - National Catholic Educational Association

NELS - National Educational Longitudinal Study

NCES - National Center for Education Statistics

"The purpose of the Profiles is for sales call preparation and general business and industry analysis. Profiles provide general background information only and are not intended to furnish detailed information about the creditworthiness of any individual borrower or purchaser or to be used for making any loans, leases or extension of credit to any individual borrower or purchaser. First Research, Inc. is not an investment advisor, nor is it in the business of advising others as to the value of securities or the advisability of investing in securities, and the Profiles are not intended to be relied upon or used for investment purposes."



First Research

© Copyright 2004, First Research, Inc. All Rights Reserved.

This information cannot be copied, sold or distributed in any manner without the written permission of First Research, Inc.
<http://www.firstresearch.com>