



COMMITTED  
TO SERVICE  
EXCELLENCE



# School Funding Guide



Advisory Services

# How to Fund a School

A school needs to plan out important aspects like the mission it will serve and its curriculum. Nonetheless, the successful opening and operation of the school relies on adequate funding. This is an essential aspect of the process that supports everything else.

This guide covers many aspects of funding, including types of funding that are required for securing both initial launch and ongoing operation.





## Funding Is the Top Challenge of Starting a School



When the plan is to open a new school or taking over the management of an existing one, the main hurdle is how to fund it. A budget needs to include both income and expenses. The costs may vary, yet there are many types of costs in common, whether school is for early childhood, college students or executive education or anything in between.

There are many school startup expenses to consider, including:

- A deposit or down payment for the facility;
- Potentially the cost to build a school;
- Staff recruitment costs and first month(s) salaries;
- Furniture and classroom supplies;
- Sports equipment or other outdoor structures;
- Kitchen, housekeeping, grounds-keeping and office equipment and supplies;
- Administrative expenses such as utility costs, insurance and professional fees;
- Research and planning expenses associated with opening a new school;
- Library costs;
- Student program and service costs;
- Student transportation;
- Student food services;
- Technology expenses;
- Marketing costs.

The viability of the school project will depend on how much income and funding sources can be secured. Ambitions and planned expenses will need to be adjusted accordingly to balance the budget.

Tuition is an essential factor in a school budget. General recommendation is to determine the frequency and quantity the school expects to receive in tuition payments. A school that plans to bring in \$50,000 twice a year in tuition payments should likewise start with about \$50,000 as start-up money. One that plans for \$100,000 once a year should start with \$100,000. The start-up money provides enough funding to hold over the school for expenses and income while the school waits to receive the total of its first tuition funds.

# Initial and Investment Funding Sources for Schools

**New schools can turn to a variety of sources when raising enough funding to get started. Many school-related funding sources are similar to starting any kind of business, while some may be unique to education. Common sources of school funding include:**



## **Banks and Institutional Loans**

Owners can always try to obtain enough funding through a bank, which can offer a business loan or line of credit to get started. In many cases, the bank will require a thorough business plan outlining the school, in addition to a form of collateral to show the owners have the means to repay the loan.

## **Third-Party Lenders**

Depending on the type of school, the owners may be able to turn to a third-party lender instead of a bank. This is often the case for private schools within a network, particular religious affiliation or national organization. The overarching organization often has funding sources that may be available to schools branching off underneath it.

## **Venture Capital or Seed Funding Organizations**

These organizations seek out promising businesses to invest in during the early stages of startup. A school can go after this type of funding by focusing on what makes it stand out from the competition, distinguishing features it may have and/or what factors are likely to make it succeed as a business.

## **Equity Partners**

An equity partner differs from an organization or institution that lends money, as this type of investor also expects to gain a portion of business control for the money provided. This aspect makes this type of funding higher in risk, as decision-making over the school needs to then be shared with the investor. When trying a partnership like this, it's essential to first determine whether the investor shares the same vision for the school and

agrees upon a decision-making process.

## **Grants**

Another strategy is to seek out relevant grants and apply for them. This method takes a lot of work in research and application preparation. Nonetheless, it is often a good way for a school to secure funding.

## **Government Resources**

Governments see education as a primary lever for the betterment of the society. They may offer grants to boost a particular type or field of education, or to support a minority group. It is a good idea for schools to look into this option, yet owners should keep in mind that the criteria for these funding opportunities are often strict and can be affected by future election results. This may not be the best primary funding source.

## **Personal Funds**

Some owners may bring their own money. In this case, owners can become investors and pay themselves back when it makes sense to do so. In this case, investing owners should maintain detailed records and plan out a timeline or milestone for repayment.

## **Fundraising**

Philanthropic community members and even parents may want to contribute funds to a school in the area. A school may even want to hire a full-time fundraising staff position to dedicate time and effort to raising money.

# Ongoing Funding Sources for Schools

After securing funds for investing into a school, owners will rely on ongoing funding sources to cover the costs of running the school and providing salaries and income.

These are main school funding sources that are recurring.



### Tuition

School tuition is the main way to obtain recurring funding. As any business, a school covers its expenses and makes income through paying for the education services. The costs of running the particular school salary and income expectations can help guide the amount to charge for tuition.

Other factors determine tuition fees as well. For example, an exclusive private school is likely to charge more, just as college tuition would cost more than the tuition for a kindergarten. The location of the school also has a part to play.

When determining tuition rates, owners should perform market research to better understand the tuition rates for competitors in the same area. It may be possible to charge somewhat more if the new school offers something extra to competitors or if the competitors have long wait lists and cannot handle demand.

### Country & State Funding Sources

Schools can look to where the school will be located to see if this is a viable recurring source of funding. The owners will need to look into requirements and laws pertaining to this option in their specific area.

Options for additional government funding may include: tax credits, or indirect funding, such as scholarships for students that will expand the student pool or lower recruitment costs.

### Sponsorships

Schools may want to reach out to the local community to find interest in sponsorships as a funding source.

COMMITTED  
TO SERVICE  
EXCELLENCE



# Determining the Best Funding Structure

Once new owners better understand the types of funding available to them, it's helpful to understand common structures of school funding and management contracts. Owners should fit the structure to the unique situation and goals of the school, while keeping in mind that structures vary by country.

In general, school contracts that include an originating school and new school fall into four categories.



### 1. Co-operation Agreement

This type of school structure is like a business joint-venture (JV) but is usually regulated by local government. In general, this structure works in a way where the local partner finances the school and the originating school carries out the bulk of the startup work, including recruiting staff, sharing the mission and values, developing curriculum and so on. In exchange for this effort, the originating school generally receives both an upfront fee and recurring payments that are a percentage of the school's income.

### 2. Franchise

This model involves the new school taking on the same branding and basic curriculum of an established school. In general, the new school pays the originating school an upfront fee as well as a recurring royalty fee in order to use the official school brand and curriculum.

In this case, new owners do not need to put as much research into establishing a new school but can instead follow an established model. Fees are often determined by student

headcount or operating income, of which the new school shares a portion with the established brand.

### 3. Management Fee

This school structure involves the local partner providing full financing of the school. The originating school carries out the daily operations for a management fee. The originating school invests the bulk of the time and effort, and in return gains a large amount of control and ongoing revenue.

### 4. Direct Investment

This is not the model most schools will turn to, yet it does provide another option. This type involves a significant investment, putting effort into developing a large management structure and knowledge of the local market. For those with these attributes, this structure provides them with complete control over the new school as well as a larger share of revenue.







## Funding for Families

Another aspect of school funding is families that need financial assistance to attend the school. The school needs to determine whether it will provide discounts and scholarships for these families and come up with parameters on the number of families it will support and the amount of financial support it will provide.

Scholarships are an essential means for a school to attract a diverse student body and ensure that minority groups have access to education. Funding for these scholarships is therefore essential. Private foundations, and fundraising activities with Alumni and industry partners are the most common sources to activate.

# Gain Support in Starting a New School

Just as an accountant can provide professional expertise to guide the school's finances, consultancy services can support new owners through the process of opening a school. EHL provides professional consultancy and training specific to education, which can guide new owners through all aspects of financing a school. Take a step forward toward the dream of opening a school by looking into EHL's training and consultancy offerings.

Individuals, partners or groups who are considering opening a new school have many financial aspects to consider in advance. Careful research and planning can make a significant difference to the success of the school startup process and continued operations.



COMMITTED  
TO SERVICE  
EXCELLENCE

# Ready to get funding for your school?

Get Personalized  
Advice

Discover our  
INVEST IN EDUCATION  
toolkit



Sources, references  
and inspirations

