K-12 Education | June 2026

Industry Update

Endowment Insights for K-12 Schools

Insights to Support School Sustainability

Evolving Endowment Strategy

- Endowment governance is tightening, with greater oversight and increased use of Outsourced Chief Investment Officers (OCIO). Growing complexity from alternatives, particularly private equity, hedge funds, private credit, and real assets, alongside spending demands and market volatility is intensifying the focus on liquidity and downside protection.
- Endowments serve as both long-term investments and financial stabilizers. They guide spending, inform capital planning, and influence tuition decisions.
- While strong recent returns have provided relief and flexibility, leaders remain cautious. Gains are viewed as a buffer, not a reason to ease discipline amid ongoing market and geopolitical uncertainty.
- As pressures from financial aid growth, rising faculty and operating costs, and slower tuition increases persist, endowments are playing a more visible role in supporting day-to-day operations, while institutions continue balancing immediate needs with long-term sustainability.

6.8% of K–12 school operating budgets were funded by annual giving in 2025, which is consistent with the ~5–10% range observed across independent schools.

7.1% of K–12 school operating budgets were funded by endowment in 2025, in line with the ~5–10% industry range.

11.6% was the average return for K–12 endowments over $10M in 2025, which exceeds long-term average returns of ~7–8%.

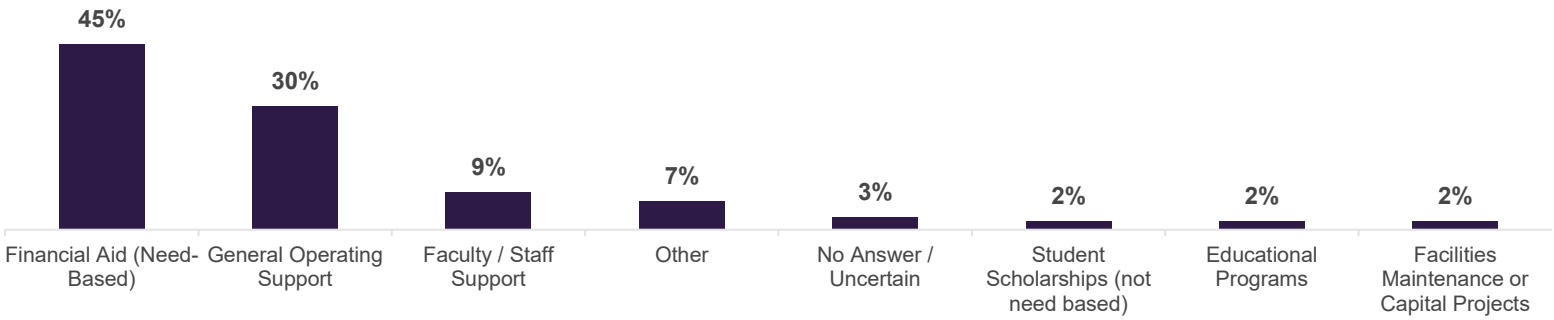
Source: Commonfund Institute SIS, 2025 survey conducted amongst 243 K–12 schools

The Growing Role of Endowments in School Operations

Need-based financial aid remains the top priority for endowment use among private and charter schools, with 45% of institutions directing funds to support student access. However, the 30% allocated to general operating support reflects a growing trend worth noting: schools are increasingly relying on endowment draws to fund day-to-day operations. As costs rise and revenue pressures persist, endowments are being asked to do more than supplement mission-driven priorities. This shift heightens the importance of liquidity management and downside protection. For school leaders, it underscores the urgency of building and stewarding endowment assets to ensure operational reliance does not outpace long-term fund growth.

Endowment Allocation Priorities

Amongst the 243 schools surveyed by the Commonfund Institute, three out of four endowment dollars are directed toward financial aid and core operations — a clear indication that endowments have become essential to both mission and survival for today's K-12 institutions. This allocation pattern reflects a broader, established norm, with financial aid and core operations consistently representing the majority of endowment spending.



Sources: Commonfund Institute, National Association of Independent Schools, National Business Officers Association

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The Discipline Behind the Draw

As endowments absorb more operational pressure, a school's draw strategy is more critical than ever. Rising OCIO adoption reflects boards' need for professional oversight to manage illiquidity, stress-test assumptions, and align spending with long-term sustainability. The broader trend points to a more governed and intentional approach to draw decisions; one designed to help endowments absorb economic shocks rather than fill ongoing structural budget gaps.

Key Questions Every Board Should Be Asking

Is the endowment supporting mission or subsidizing structural budget gaps?

There is an important distinction between an endowment that advances mission priorities and one that quietly underwrites an unsustainable cost structure. Boards should be able to clearly articulate which category their institution falls into and have a plan to address the latter if dependence has grown.

What is our spending policy? Is it sustainable, aligned with long-term returns, inflation, fees, and resilient to market stress?

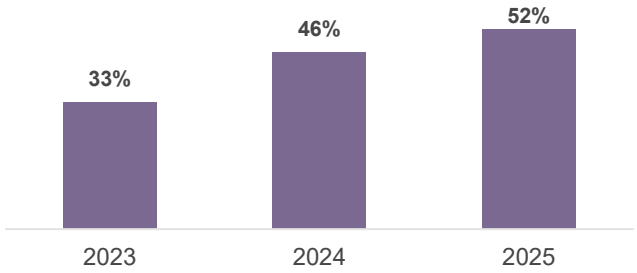
Spending policies must be aligned with long-term return assumptions, inflation, fees, and portfolio risk. Policies developed during favorable markets may not hold up during prolonged downturns. Running multi-year scenario analyses that test periods of below-average returns is no longer optional, it is a core governance responsibility.

Governance is the Strategy

As endowment portfolios grow more complex, governance is evolving to keep pace. Schools are increasingly turning to OCIOs, strengthening committee engagement, and focusing more on liquidity and downside risk. Trustees increasingly recognize that investment policy, spending, capital planning, and tuition strategy are interconnected, treating the endowment as a core strategic lever rather than a standalone asset.

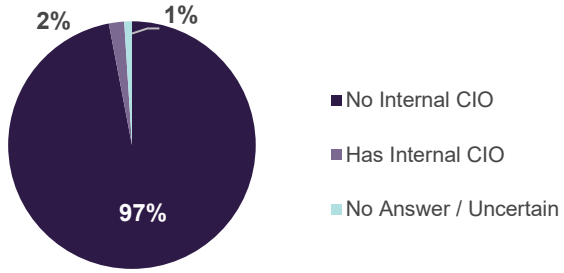
OCIO Adoption is Growing

OCIO adoption in K–12 schools has increased 19% from 2023 to 2025, signaling that professional endowment management is becoming the institutional standard.



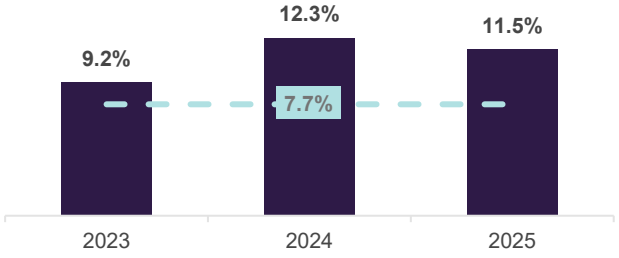
The Case for Outside Expertise

A survey of 243 schools shows that 97% of K–12 institutions lack an internal CIO, indicating the shift toward OCIO models is driven by necessity, not trend. Endowment complexity now exceeds what most volunteer investment committees can manage alone.



Average Annual Endowment Return

Consistent outperformance versus the 10-year average reflects effective investment governance and creates flexibility to manage long-term pressure on tuition, fundraising, and operating margins.



Positioning For What Comes Next

K–12 endowment returns have strengthened, rising from 9.2% in 2023 to 12.3% in 2024 and remaining strong at 11.5% in 2025—well above the 10-year average. While this momentum is encouraging, it should be viewed as an opportunity, not complacency. Schools that use this period to reassess spending and stress-test draw policies will be better positioned as markets evolve. Strong returns create flexibility, while disciplined governance determines whether it leads to lasting resilience. In this environment, a financial partner is critical. Truist's OCIO solution helps institutions design and manage endowment portfolios aligned with their mission, operating realities, and long-term objectives, positioning the endowment not just as an investment pool, but as a sustainable and strategic source of support for the institution's future.

Sources: Commonfund Institute, National Association of Independent Schools, National Business Officers Association

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