K-12 Education | March 2026

Industry Update

K-12 Education Essentials for Leaders

A 2026 Outlook on the Private Education Market

Looking Ahead

- The independent school sector is experiencing structural change, driven by shifting demographics, rising costs, and evolving family expectations.
- Affordability pressures are increasing for families, making tuition decisions more challenging and heightening sensitivity to cost and value.
- Labor market constraints are affecting school operations, from attracting and retaining teachers to managing rising wage expectations.
- Heightened competition is reshaping the educational landscape, forcing schools to differentiate more clearly and invest in distinctive programs.
- Schools positioned for long-term success will clarify what sets them apart, maintain disciplined financial models, and equip boards to take a forward-looking role in governance.

-0.9%
Expected K-12 enrollment decline from 2025

+13.8%
Avg private school tuition growth from 2024 to 2025

+4.7%
Expected operating cost growth in 2026

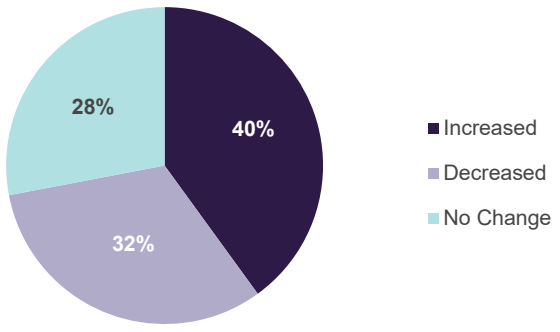
+3.2%
Projected K-12 teacher salary increase in 2026

Enrollment

Enrollment results for 2024–25 show a mixed picture, with 40% of schools reporting growth, 32% experiencing declines, and 28% holding steady. These differences are offering leaders clearer insight into where demand is strengthening and where programs may need refinement. At the same time, schools reporting declines most often cite affordability, competition, and demographic pressures as key drivers. As the 2026-27 academic year approaches, using these patterns to guide priorities, strengthen alignment, and refine communication will help leaders respond earlier and with greater confidence.

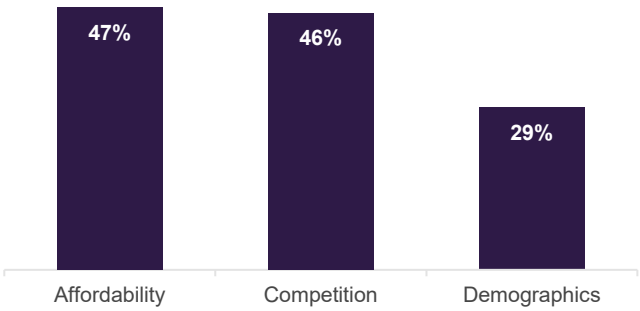
Private School Enrollment Trends (2024-25)

Enrollment results for 2024–25 were mixed, with 40% of surveyed schools reporting increase in enrollment according to NAIS. Leaders should use these differences to identify where their school is gaining traction and where strategic adjustments may be needed.



Top Drivers of Enrollment Declines

Among the surveyed schools, enrollment softness is most often tied to affordability, competition, and demographic pressures. Tracking these forces helps leaders refine value communication and focus resources where they have the strongest impact.



Sources: EdChoice, FutureEd, Harvard Graduate School of Education, National Association of Independent Schools, The White House, U.S Department of the Interior

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Drivers of Private School Affordability

Rising costs, regional price differences, and shifting parent value perceptions are shaping private school demand. Understanding these dynamics helps leaders calibrate pricing, communicate value, and plan for enrollment stability.

The Financial Dynamics Behind Today's Enrollment Trends

Inflation

- Inflation remains a key driver of rising tuition, but the recent Supreme Court ruling striking down most International Emergency Economic Powers Act (IEEPA) based tariffs may ease some cost pressures on essential school inputs.
- While lower effective tariffs could reduce expenses for items such as textbooks, laptops, and supplies, price relief is likely to be slow and uncertain due to ongoing trade-policy volatility and the lagged effect of tariff-era pricing.

Geographic Influence

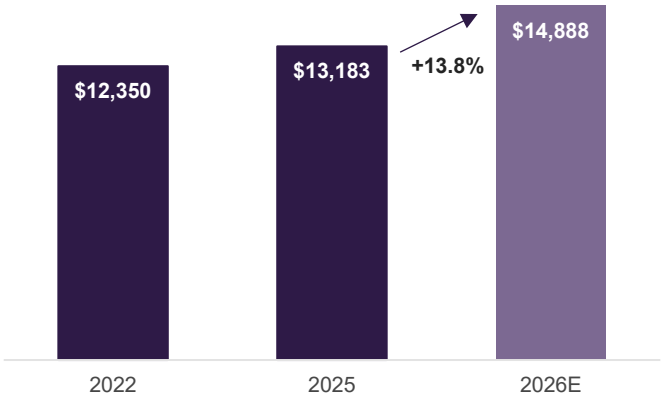
- Geography plays a major role in tuition variation, as regional differences in operating costs, labor markets, and community dynamics shape what schools must charge to remain sustainable.
- Independent schools in the Northeast tend to have higher tuition because of higher living costs and established campuses, prompting some families to consider lower-cost regions such as the South for similar programs.

Value Perception

- Parents' tuition sensitivity varies by income and priorities.
- Families approach tuition decisions differently, balancing affordability with considerations like school reputation and specialized offerings.
- In response, private schools are expanding offerings such as advanced STEM, language immersion, and college-prep tracks, which raise costs but help justify higher tuition.

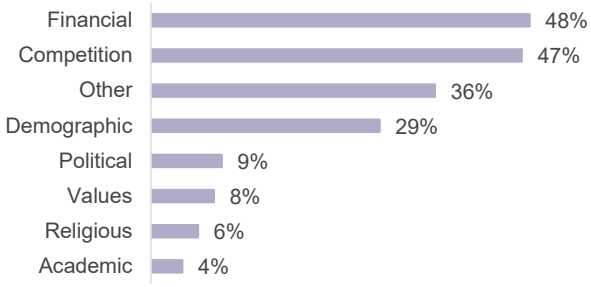
National Average Tuition Growth

Average private school tuition grew by 13.8% between the 2024-25 and 2025-26 academic years driven largely by higher staffing costs and inflation across core school operations.



Cato Institute Annual Survey

Tuition costs continue to be identified as the primary factor behind declining enrollment, though competitive pressure from neighboring schools is nearly as influential.



Cato Institute's fifth annual private school highlights enrollment trends between 2023-24 and 2024-25 academic years.
Note; "Other" category, private schools most frequently cited increased cultural interest in alternative schooling.

Sources: Cato Institute, FutureEd, Hanover Research, IBIS World, Industry Dive, Private School Review, S&P Global

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Trends Shaping the Private School Industry

Changing family economics and shrinking birth rates are redefining private-school demand, making strategic positioning more critical than ever.

Demographic and Financial Pressures in Private Schools

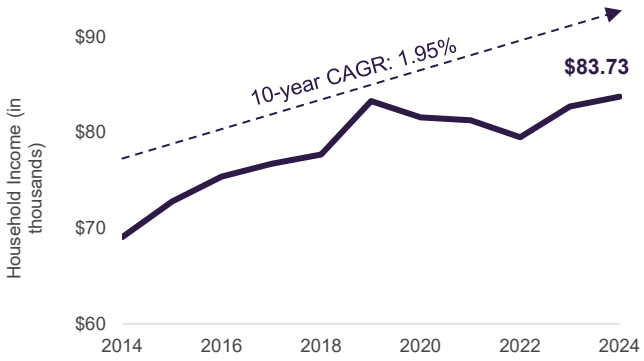
Household Income Trends

Although more U.S. households now earn over $100,000, rising living costs continue to squeeze disposable income. Median household income reached $83,730 in 2024, but growth hasn't kept pace with inflation, and private school tuition is rising even faster. With housing, childcare, and daily expenses climbing, families are becoming more selective, putting pressure on schools to clearly differentiate their offerings.

Shrinking Fertility Rates

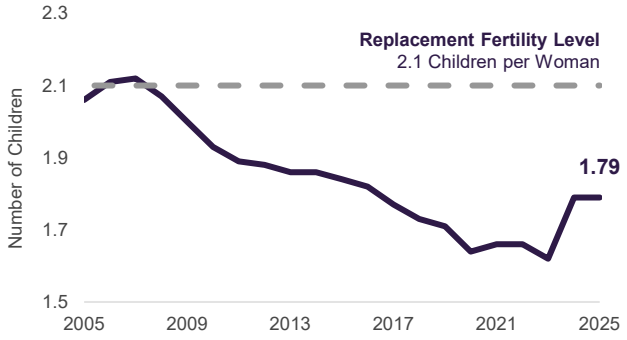
Declining birth rates are shrinking the pipeline of school-aged children. Private kindergarten enrollment fell ~10% from 2019 to 2021, and the U.S. fertility rate dropped to a record low of 1.6 in 2023 before rising modestly to 1.79 in 2025. These shifts reflect how affordability concerns and long-term financial factors are shaping family-planning decisions and influencing future demand for private schools.

Real Median Household Income in the United States



This report presents estimates on income, earnings, and inequality in the United States for calendar year 2024, based on information collected in the 2025 and earlier Current Population Survey Annual Social and Economic Supplements (CPS ASEC) conducted by the Census Bureau. These findings offer insight into shifting economic conditions and emerging disparities.

United States Fertility Rate



The U.S. fertility rate has stayed below the 2.1 replacement level, declining from just above 2.1 in the mid-2000s to a low of 1.61 in 2023 before rising to 1.79 in 2025. This sustained gap indicates long-term pressure on population growth and future K–12 enrollment, making fertility trends an important factor for understanding shifts in school demand and market dynamics.

Artificial Intelligence in Private Schools

Artificial intelligence is becoming a routine classroom tool, and private schools are well positioned to adopt it thanks to their curricular flexibility and stronger staffing and technology resources. These advantages enable more personalized learning and support the expansion of advanced academic programs across campuses. At the same time, schools are preparing for challenges around privacy, academic integrity, and equitable access by developing clearer policies and more formal AI governance frameworks.

School Governance

Independent school boards are taking on a more strategic role as financial, enrollment, and operational pressures intensify. The National Association of Independent Schools reports that over 60% of schools have added new board priorities since 2022, and the National Business Officers Association finds that more than half have updated board policies to strengthen long-term planning, which is an important shift as schools face tighter operating margins, heightened risk considerations, and increasingly complex strategic choices.

Sources: Federal Reserve Bank of St. Louis, National Association of Independent Schools, National Business Officers Association, Private School Review, U.S. Census Bureau

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