Parthenon Perspectives

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The Impact of the Education Stimulus Package on K-12

March 2009

The federal stimulus package is poised to add an unprecedented $100B of federal spending to education

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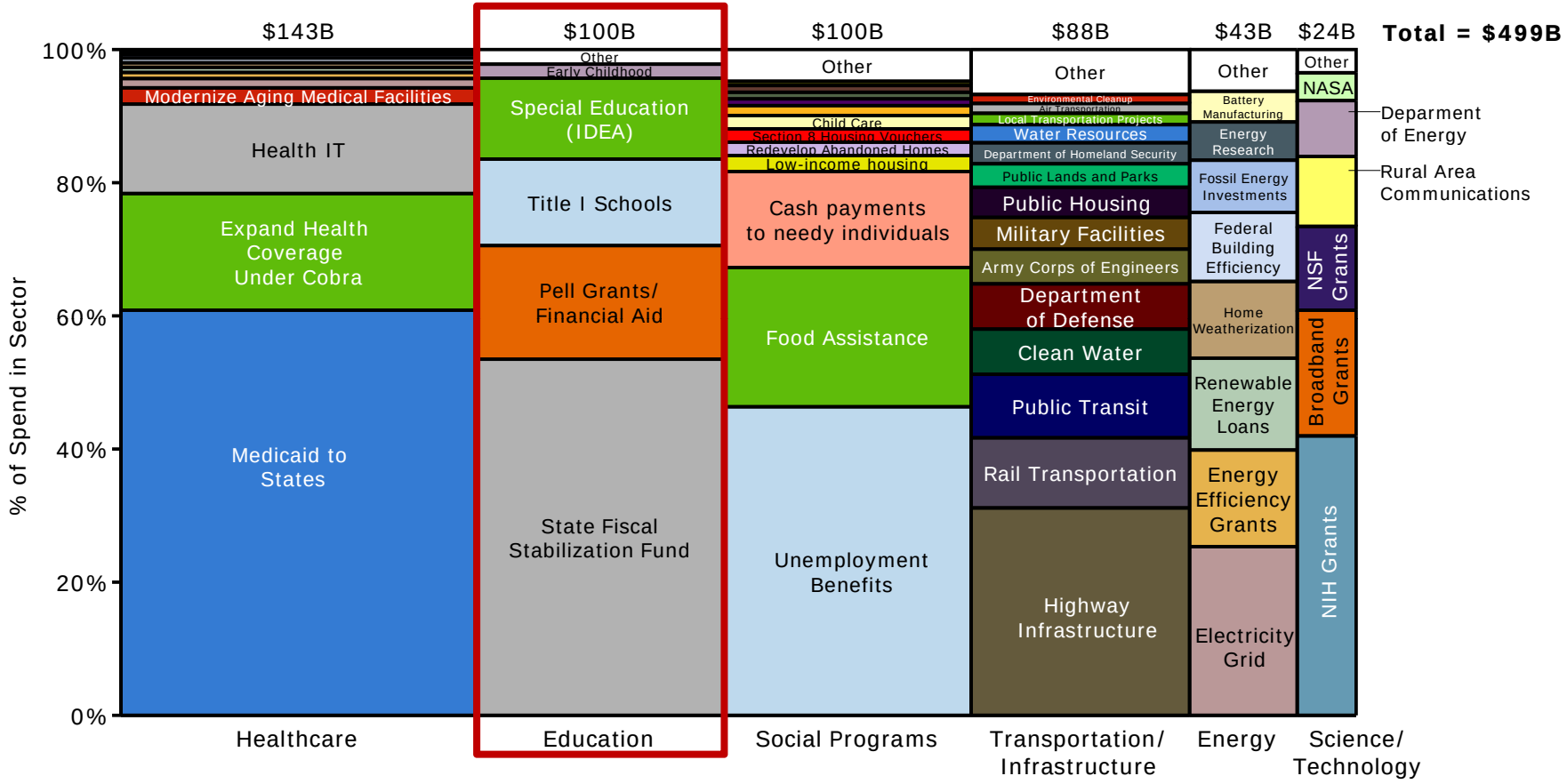
Economic Stimulus Package, 2009

(Does not include $288B of tax savings, for bill total of $787B)



Note: In addition to $499B in spending items, the economic stimulus package also contains $288B in tax cuts bringing the entire cost of the package to $787B.
Sources: The New York Times (http://projects.nytimes.com/44th_president/stimulus);
The Wall Street Journal (http://online.wsj.com/public/resources/documents/STIMULUS_FINAL_0217.html)

Stimulus Package Timing

FY2009 | FY2010

2008 | 2009 | 2010

October 1st | January 1st | September 30th | January 1st | September 30th

Stimulus package passed (02/09)

Distribution of 1st Set of Funds (By end of March 2009)

- Half of Title I, Part A and IDEA, Parts B&C funds released without application (03/09 – 04/09)
- Governors apply for 67% of Stabilization funds and receive within a couple of weeks (3/31/09)
- Program funding under $500M available (e.g., Education for Homeless Youth)
- Half of the Vocational Rehabilitation State Grant available

Distribution of 2nd Set of Funds (July – September 2009)

- Additional Title I and IDEA funds and funds for other programs released (07/09 – 09/09)
- Remainder of Stabilization funds (33%) available

Final Distribution of Funds (Fall 2009 – Spring 2010)

- State Incentive Grants and Local Innovation Grants awarded in 2 rounds
- Title I School Improvement Grants
- Statewide Data System funding
- Education Technology State Grants
- Teacher Incentive Fund and Teacher Quality Enhancement funding

- End of stimulus funding (09/10)
- There is no rollover provision so all funds must be spent by the end of FY11

Note: FY09 and FY10 based on U.S. government fiscal year end of September 30th
Source: U.S. Department of Education; House Education and Labor Committee

The education elements of the stimulus package will be distributed in three discrete tranches

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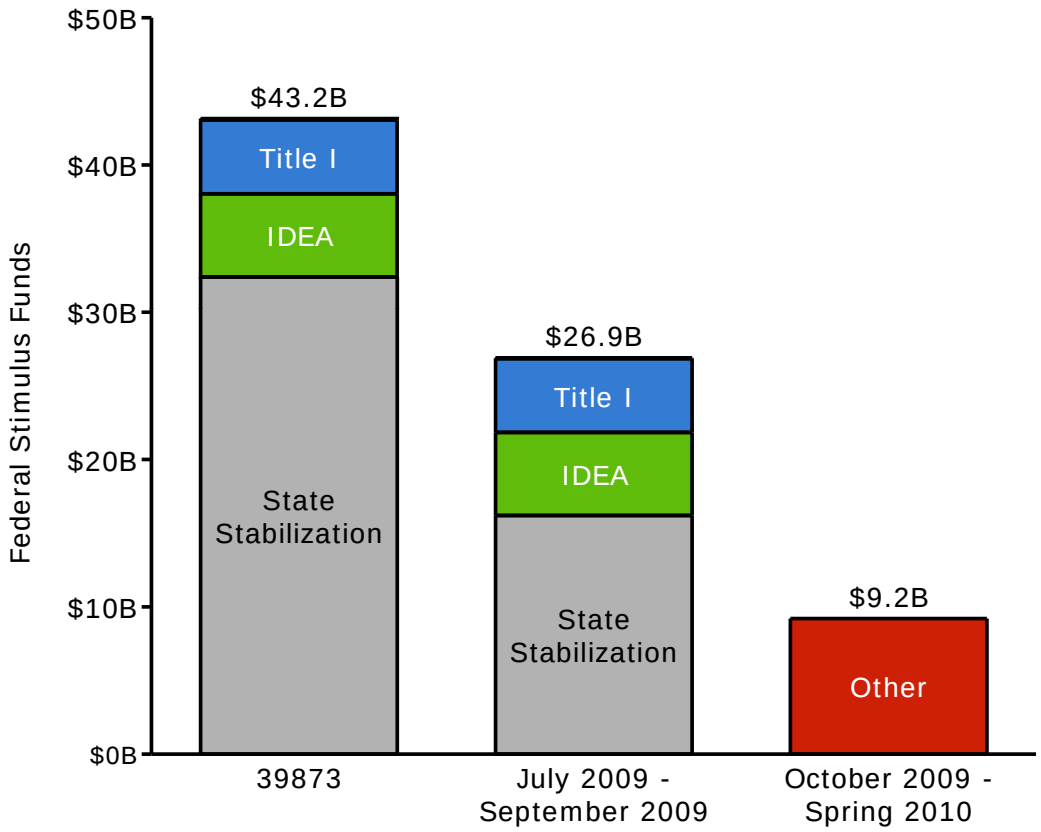
Timing of Stimulus Package Education Funds



Other Category, October 2009 – Spring 2010

- Title I School Improvement Grants ($3B)
- Education Technology State Grants ($650MM)
- Some sources of funding will be competitively awarded:
  - State Incentive Grants ($4.35B) and Local Innovation Grants ($650M)
  - Teacher Incentive Fund ($200M) and Teacher Quality Enhancement ($100M) funding
  - Statewide Data System funding ($250M)

Source: U.S. Department of Education, updated 2/19/09; California Department of Education, updated March 2009

This represents an historic departure from the Federal government's historically small role in K-12 spending

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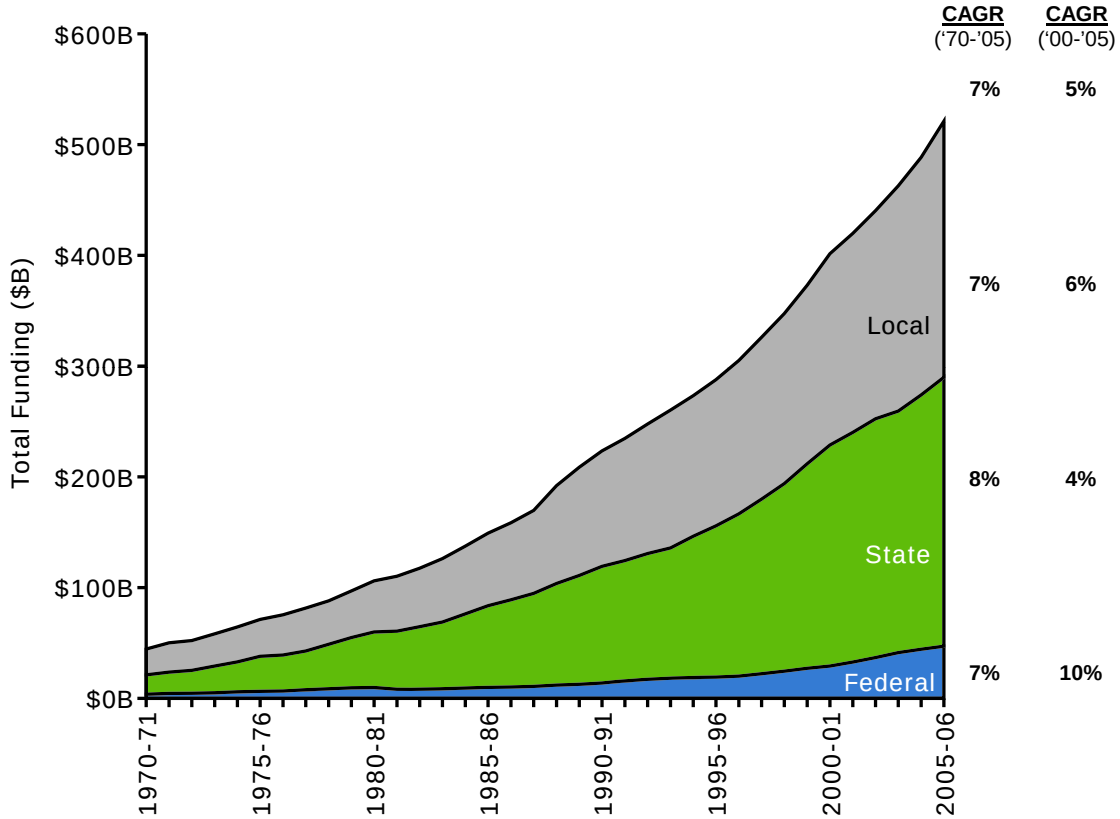
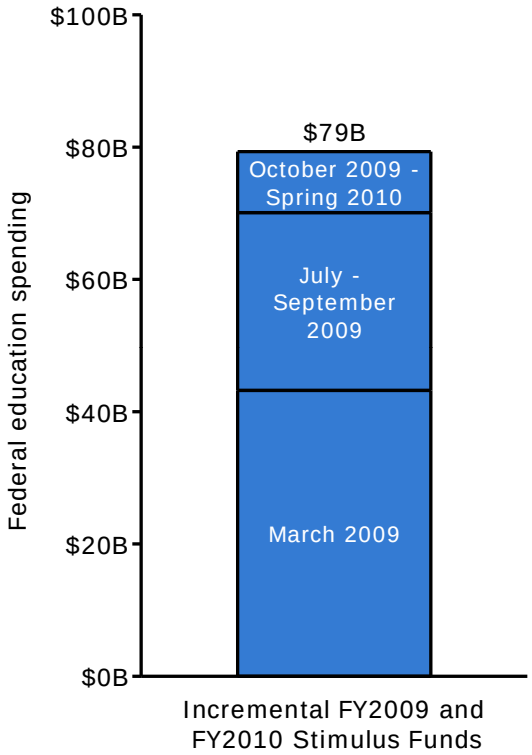
K-12 Funding Sources, 1970-2006



Average Expenditure per Pupil:	1970: $3,812	1980: $5,380	1990: $7,135	2000: $7,751	2005: $8,701

Stimulus Spending



Source: U.S. Department of Education

Existing programs like IDEA and Title I, while poised to dramatically increase, will continue to operate under existing requirements

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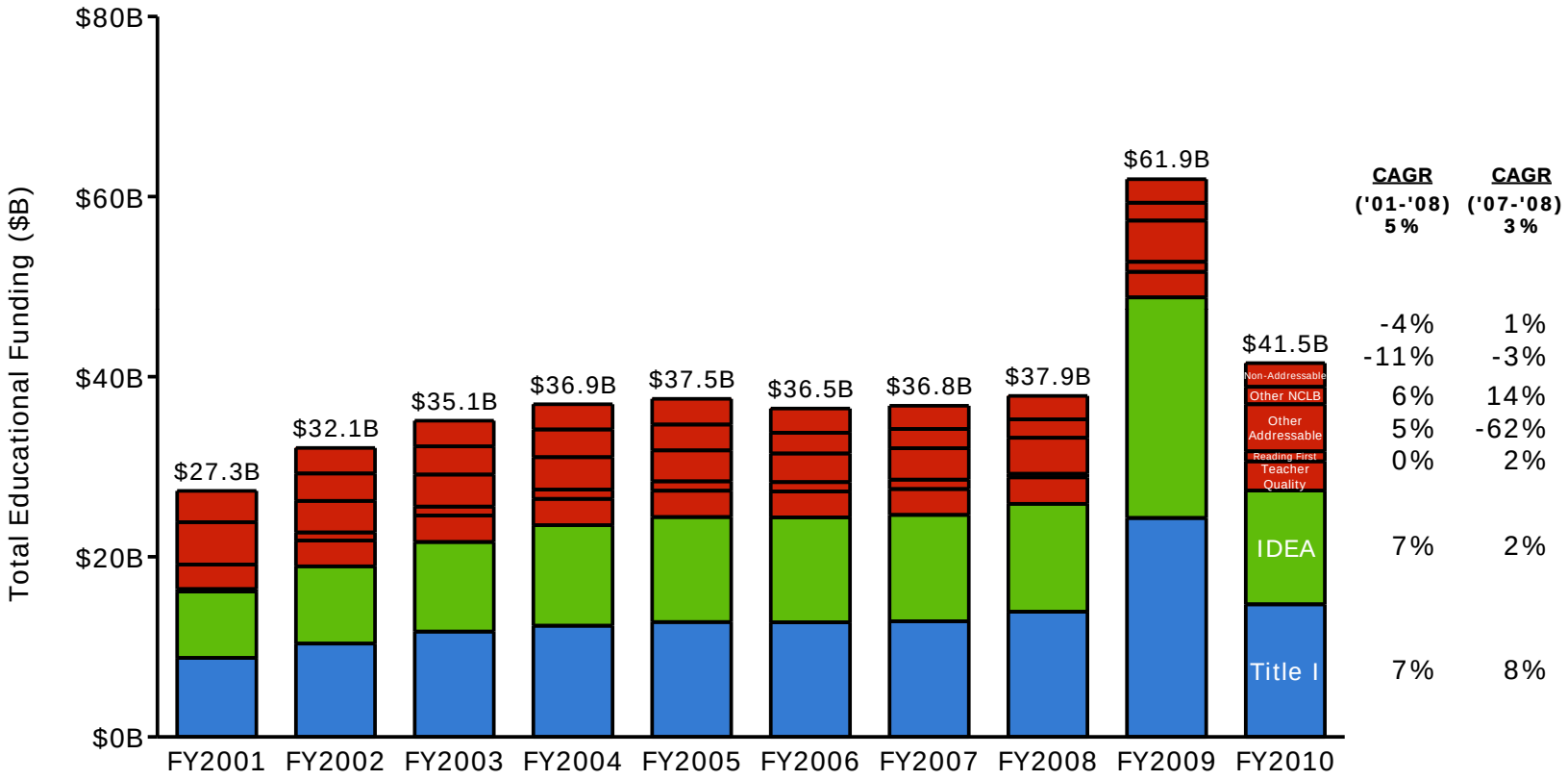
Discretionary Federal Education Spending, 2001 – 2008



Note: FY09 and FY10 numbers reflect stimulus impact on IDEA, Title I and Teacher Quality; Applied '07-'08 growth rate to other spending categories for '09 and '10; state stimulus not included
Source: U.S. Department of Education

1/4 of stimulus funding for K-12 education in FY2009 and FY2010 will go to California, Texas, and New York

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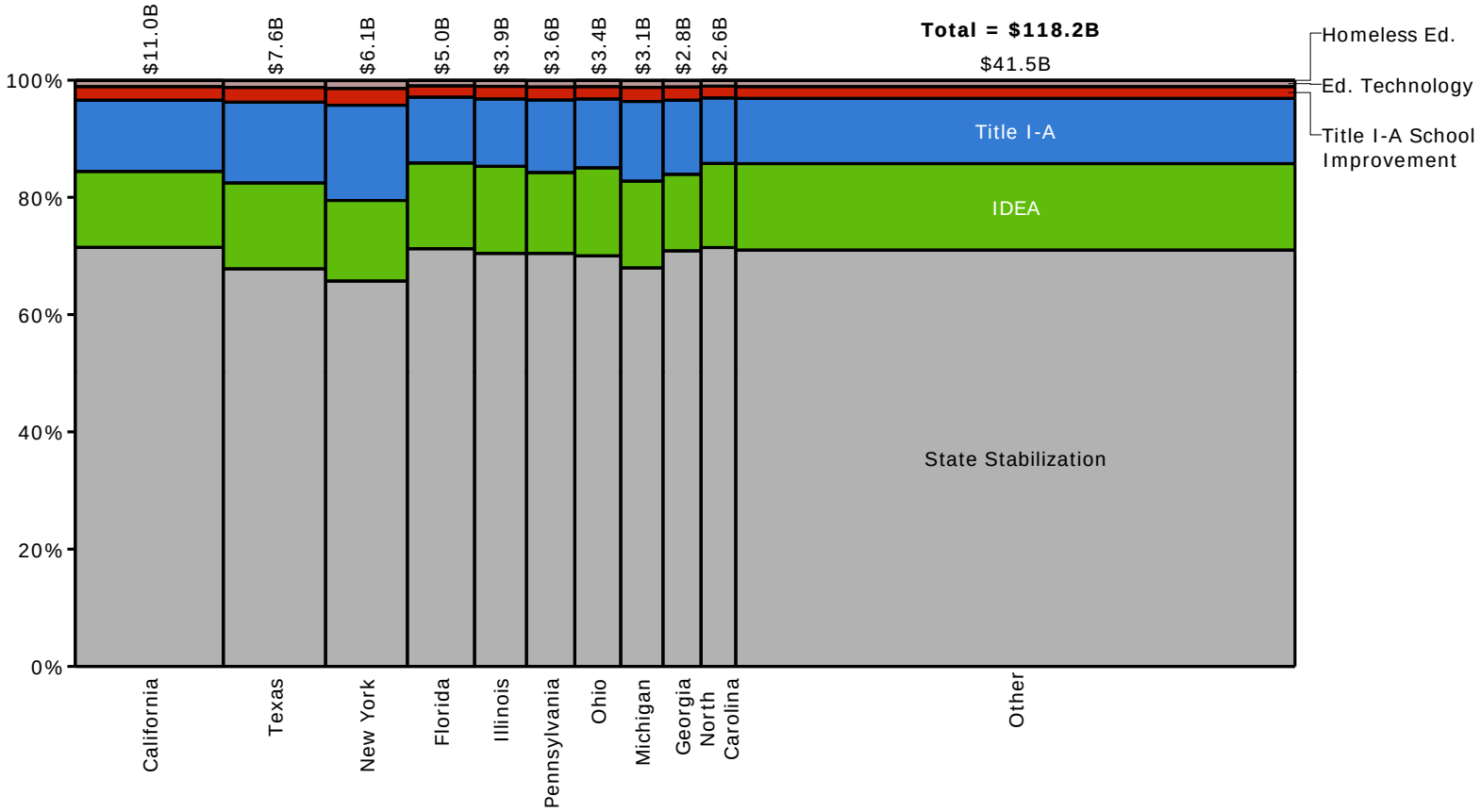
Primary and Secondary Education Stimulus Funding by Category, FY2009-FY2010 (Cumulative)



Note: Does not include funds allocated for School Modernization, IDEA Part B Preschool Grants ($400MM), IDEA Part C Grants for Infants and Families ($500MM), Vocational Rehabilitation State Grants ($540MM), Independent Living State Grants ($18MM), Services for Older Individuals who are Blind ($34MM), Federal Work Study ($200MM), Federal Pell Grants ($25.2B), as well as other state stabilization funds ($5B), Title I for school improvement ($3B) and other K-12 funding ($720MM) for a total funding plan of $106.1B; Other category includes bottom 40 states, D.C., and U.S. territories
Source: U.S. Department of Education, updated 2/19/09; California Department of Education, updated March 2009

In many top 10 States, a small number of districts will receive a significant portion of Title I and IDEA funds

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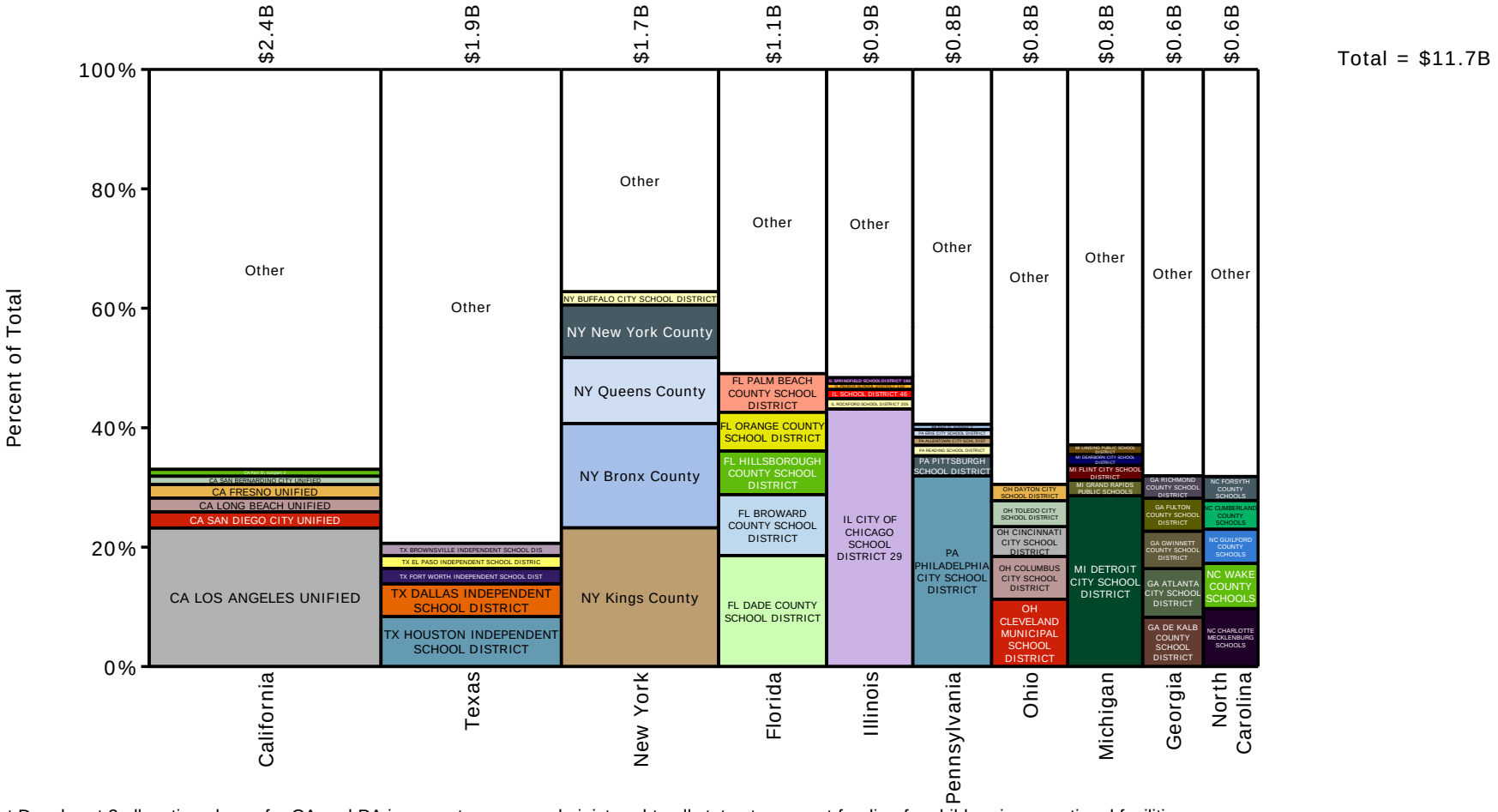
Title I and IDEA Stimulus Fund Allocations For the Top 10 States



Note: Part D, subpart 2 allocation shown for CA and PA is a grant program administered to all states to support funding for children in correctional facilities
Source: House Committee on Education and Labor; Congressional Research Service

The stimulus package will also bring the K-12 Ed-Tech Program back to 2002 levels by adding $650MM to the 2008 budget

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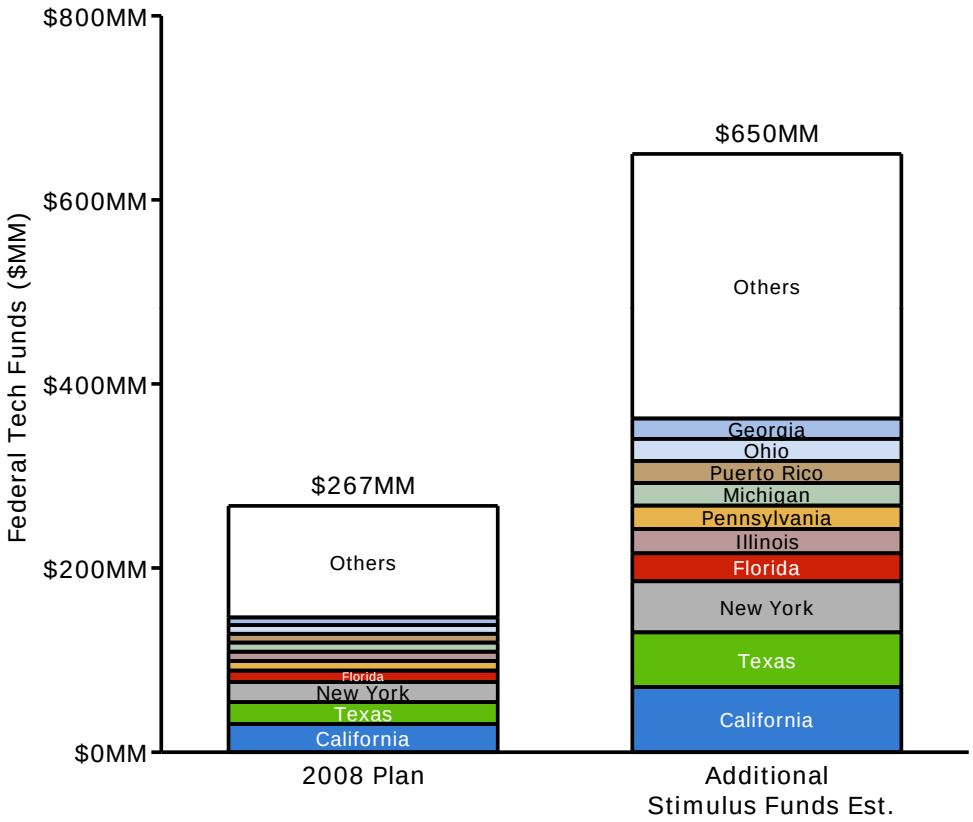
K-12 Educational Technology State Grants ($MM)



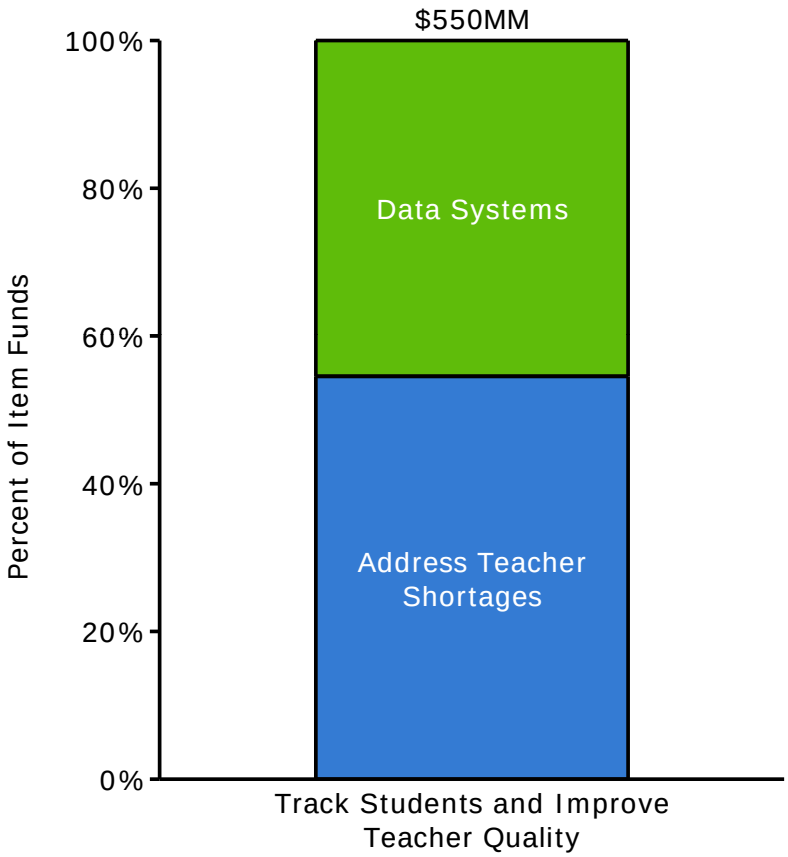
Technology Grants

- Technology formula grants to states are through the DOE's Enhancing Education Through Technology (Ed-Tech) program
- Ed-Tech's primary goal is to "improve student achievement through the use of technology in elementary and secondary schools," and is primarily meant for K-12
- States distribute the funds to districts for teacher professional development in technology (at least 25% of funds), software programs that enhanced curriculum, computer labs, data systems that track student achievement, etc.
- $650MM in stimulus funds to Ed-Tech are in addition to the program's regular budget, which was $267MM in 2008, and will go out over two years
- Ed-Tech's funding decreased significantly under President George W. Bush, and Ed-Tech did not receive the $1B it was slated to receive in earlier versions of the stimulus bill

Note: Ed-Tech program was created by the Elementary and Secondary Education Act, and funds can go to LEAs in partnership with higher ed institutions
Source: Center for American Progress; Edutopia; U.S. DOE; Education Week

The stimulus allots $550MM to help states and local education authorities track student data (for K-12 and HE) and improve teacher quality

Stimulus Data Systems and Teacher Quality Aid to States ($MM)



State Longitudinal Data Systems

- Provides $250MM for the existing statewide longitudinal data systems program to develop data management and warehousing systems through competitive grants
- Systems will link teacher and student data to measure students' achievement over time such that teachers could identify student needs; districts could identify successful or struggling schools; states could measure student college readiness and postsecondary completion; and policymakers could better determine which programs work and which do not
- Unclear on the timeframe for fund disbursement

Source: The New York Times (http://projects.nytimes.com/44th_president/stimulus); The Wall Street Journal (http://online.wsj.com/public/resources/documents/STIMULUS_FINAL_0217.html); RealClearPolitics

Several stabilization funds have clear objectives but less clarity around who can access

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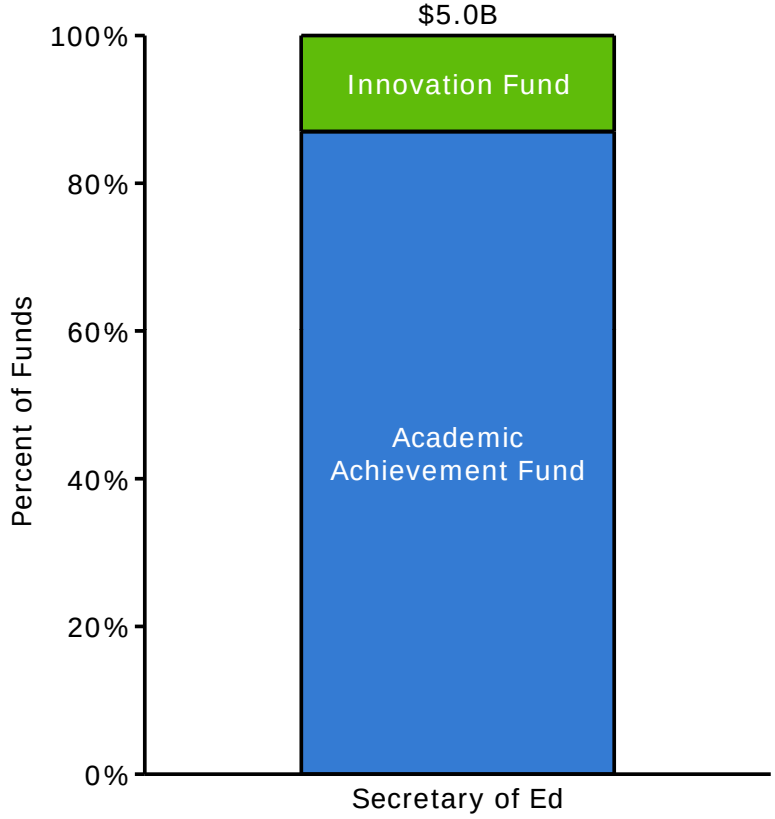
"Race to the Top" Fund (Allocated for K-12 and HE over FY2009-11)



Innovation and Academic Achievement Funds:

- Secretary of Education can spend up to $650MM on the Innovation Fund to provide academic achievement awards to districts, LEA-nonprofit partnerships, or consortia of schools, that are meant to share the awarded best practices
- Secretary of Education can spend remainder of the $5B on grants to states that have improved academic achievement
  - At least 50% of state grants must be sub-granted to LEAs
  - States must submit detailed reports to the Secretary on uses of funds

Source: Center for American Progress; Center on Budget and Policy Priorities; King & Spalding

How will this impact various markets?

Basal: The combination of stimulus spending should act as a moderate counterpart to the impact of the economic cycle	■ State stimulus funds will have some impact on state level deficits in key adoption states who, despite legislative mandates, do face significant budget hurdles ■ Higher level of impact in open territories where state stabilization money will flow towards districts
Supplemental: Stimulus funds could represent one of the greatest selling opportunities for companies who have Title I and / or IDEA eligible services and products	■ Title I and IDEA dollars are effectively doubled for the next two years ■ Intervention, Special Education, and associated Title I / IDEA companies will benefit ■ Winners are likely to be those who can expand existing footprints within a district
Assessment: Limited overall impact; but, niches within the assessments market could experience strong momentum	■ The overall assessment market is driven by other considerations ■ Assessments tied to Response to Intervention (RTI) frameworks and associated intervention markets could thrive

Quick Key to Federal Programs

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Title	Pre-Stimulus Budget	Description
Title I Grants to Local Educational Agencies	$13,899MM	• Utilized by high-poverty areas for locally designed programs that offer extra academic support to help raise the achievement of students (and entire schools) at risk of educational failure; recipients must make adequate yearly progress (AYP) toward proficiency goals
Title I School Improvement Grants	$491.3MM	• Provides assistance for local school improvement activities; ideally funds effective interventions to turn around low- performing schools and school districts
Title IIA Improving Teacher Quality	$2,935.2MM	• Is a major source of flexible Federal funding to help States and school districts strengthen the skills of the teaching force and meet the highly qualified teacher requirement (established by NCLB)
Title IID Enhancing Education Through Technology	$267.5MM	• Aims to improve student achievement through the use of technology in elementary & secondary schools through the integration of technology with both teacher training and curriculum development
Title III English Language Acquisition Programs	$700.4MM	• Designed to improve the education of Limited English Proficient children by helping them learn English and meet challenging state academic content and student academic achievement standards
Title IV 21st Century Community Learning Centers	$1,081.2MM	• Supports the creation of community learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools; offers an array of enrichment activities that complement regular academic programs and literacy/other educational services to the families of participating children
Title VI-B Rural Education Programs	$171.9MM	• Assist rural school districts in carrying out activities to help improve the quality of teaching and learning in their schools
Title VII Indian, Native Hawaiian, and Alaska Native Education	$119.6MM	• Links broader educational reforms in order to ensure that Indian students benefit from those reforms and achieve to the same challenging academic standards as other students
Reading First	$505.5MM	• Provides formula grants to help school districts & schools provide professional development in reading instruction for teachers & administrators, adopt and use diagnostic reading assessments to determine where they need help, implement scientifically grounded reading curricula, and provide reading interventions for young grade-school children
Special Education (IDEA)	$11,989MM	• Provides formula grants to assist in meeting the costs of providing special education and related services to children with disabilities
Striving Readers	$35.4MM	• Supports research-based interventions to help improve the skills of secondary school students who are reading below grade level because they are especially at risk of dropping out of school

Source: US Department of Education

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Our Education Center of Excellence

Parthenon has served as an advisor to the education sector since our inception in 1991. Our Education Center of Excellence has an explicit mission and vision *to be the leading strategy advisor to the global education industry.* To achieve this, we invest significantly in dedicated management and team resources to ensure that our global expertise extends across the public sector and non-profit education providers, foundations, for-profit institutions and service providers, and investors:

Public Sector and Non-Profit Education Providers: We advise governments, publicly funded deliverers of education (e.g., public school districts, public universities), and non-profit providers (e.g., private foundation universities, charter schools) on how to drive system wide improvements and make strategic decisions when balancing the scarce resources of time, people, and funding.

Foundations: We partner with several leading educational foundations to help them develop strategies to differentiate the impact and the return on investment of their education activities.

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