

Baird's Annual Back-to-School Report

FALL 2025

Foreword

Baird's 2025 Back-to-School Report reveals the perspectives of public school key decision-makers (superintendents and principals) across the country. Strengthening school safety, addressing enrollment & teacher staffing challenges and reversing learning loss are top priorities for many districts. School leaders are balancing federal policy uncertainty with cautious optimism of future budget growth. Districts are focusing on skills-based learning as vocational skills education is being more prominently taught in classrooms. Schools are seeking better ways to connect with parents and enhance school-to-home communication streams. Finally, as AI becomes more prominent across all aspects of life, schools are seeking to better understand the impact that it could have on education.

These dynamics create unique opportunities for solutions providers and investors alike. In many ways, the themes unfolding in K-12 education today point to the possibility of sustained demand for scalable solutions that can support school districts to drive measurable outcomes.

In this report, we share insights from our survey of principals and superintendents, as well as other key dynamics in K-12 education.

METHODOLOGY

The survey was conducted online in September 2025 and included responses from 151 public school and district leaders - comprising 42% superintendents and 58% principals. The sample represented districts with varying student population sizes, with the majority serving between 500 and 2,500 students. Respondents came from communities with diverse socioeconomic backgrounds, with 42% from low-income, 26% from middle-income, 25% from high-income and 7% from mixed-income schools and districts.

Key Themes



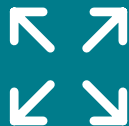
Uncertainty at Federal Level Complicates Planning, but Budgets Expected To Hold (or Increase)



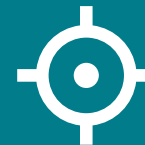
School Safety Remains a Top Spend and Planning Priority



Core Subject Curricula Level-Up To Address Declining Learning Outcomes



Technical Education / Career Prep Will Continue to Expand



Focus Remains on Smarter Tech – from AI to School-to-Home Messaging

Uncertainty at Federal Level Complicates Planning, but Budgets Expected To Hold (or Increase)

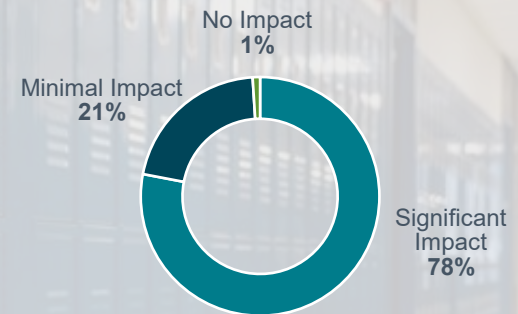
A key tenet of the second Trump administration's approach to education policy is a plan to abolish the federal Department of Education, with the stated goal of transitioning power of education policy decision to states. In this scenario, federal funding for K-12 education would be distributed to states through block grants. Education Secretary Linda McMahon first laid out the planned approach for the wind-down of the Department of Education in March 2025. However, to date there has been minimal guidance provided vis-a-vis the actual mechanics of shuttering the Department of Education at the federal level and thus, the effort has been more political rhetoric than concrete policymaking.

Federal dollars account for a relatively small portion of school budgets; according to the Department of Education, state and local funds account for 92%, while federal funds account for only 8%. While small, that amount of funding is meaningful to districts and uncertainty around not only the role of the Department of Education, but more importantly funding from federal sources, has created budgeting and planning challenges for school leaders for the upcoming school year and beyond.

Despite this uncertainty, the vast majority of school leaders expect their budgets to either stay the same, or in many instances, increase over the next two academic years. This suggests school leaders expect money currently coming from federal resources will be redistributed and that, in net, won't have a monetary impact on their districts once all is settled. The challenge, though, is the timing and uncertainty of when those decisions will be made and how they will be executed. As such, we expect school districts to cautiously continue current spending programs, knowing that there might be a pause in funding as the mechanism for the shift in funding from the federal government to the states goes in place. This underscores the planning challenges highlighted by responding school leaders.

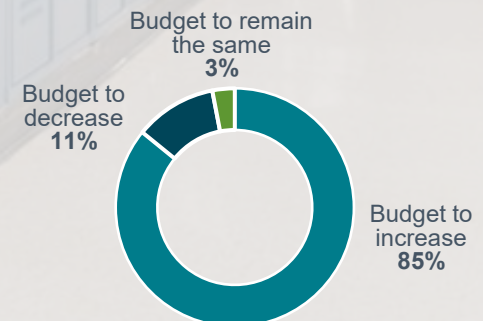
78% felt significant impact on ability to plan for 2025 – 2026 school year

Impact of Proposed Closure of U.S. Department of Education

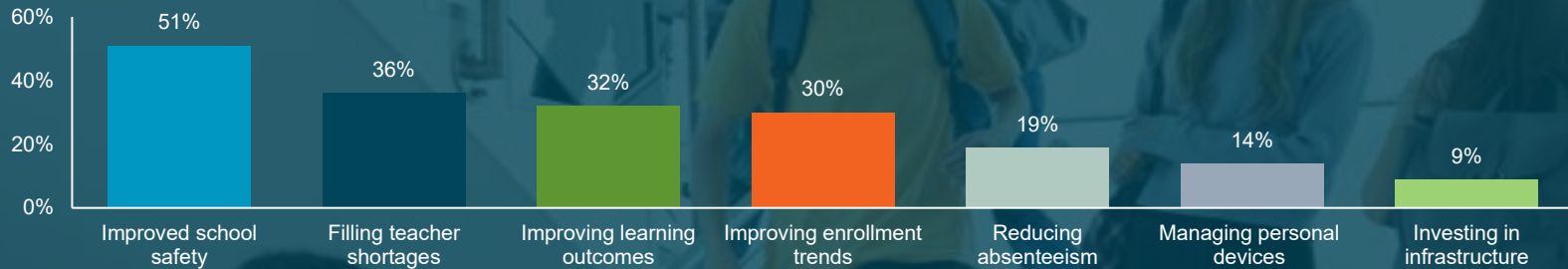


85% of respondents expect their budget to increase

Anticipation of Budget Change in Next Two Years



Main Areas of Focus for Schools Entering the 2025 – 2026 School Year (Top Two Selected)



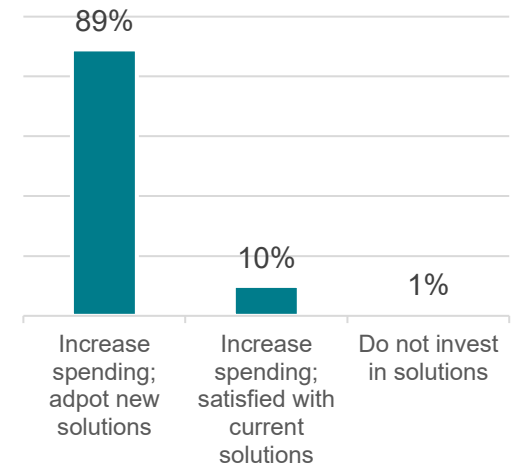
School Safety Remains a Top Spend and Planning Priority

Schools are facing a myriad of challenges. Enrollments are down, a critical trend given school budgets are typically directly linked to school enrollments. There is a pronounced shortage of teachers, with the supply / demand imbalance increasing as older teachers retire or leave the profession and not enough new teachers enter the profession each year. Additionally, there is still a noticeable gap in learning outcomes more than five years after the onset of COVID and the subsequent education fallout. The recently released NAEP scores, largely viewed as “The Nation’s Report Card,” showed continued disappointing results. However, the top concern for school leaders by a wide margin is school safety.

The use case for school safety has expanded to cover both extreme and everyday use cases. The unfortunate trend of active shooter situations in K-12 schools across the U.S. is not abating. In parallel, the need for solutions for “everyday” scenarios such as medical emergencies, behavioral incidents in schools and others is growing. As we discussed in our [2022 Back-to-School report on School Safety](#), schools are now getting access to a broader set of solutions that can be utilized to maintain safety within the school building and creating important data linkages to drive situational awareness.

In light of the ever-growing importance of school safety, as well as the increasing number of tools available to schools, school leaders are overwhelmingly planning to increase funding towards school safety solutions.

Respondents’ Investment Related to School Safety



\$12.5B

projected size of School Safety and Campus Security Market by 2032 – a CAGR of 19.6%

Learning Outcomes Continue To Slip – Districts Intend To Level Up Curriculum in Core Subjects

The National Assessment of Educational Progress (NAEP), known as "The Nation's Report Card," is the largest nationally representative evaluation of U.S. education, administered by the National Center for Education Statistics under the Department of Education. Since 1969, NAEP has tracked student achievement across subjects, providing critical data to inform policy and comparing performance among states, districts and student groups.

The newly released 2024 data reveals troubling declines in student performance. U.S. high school seniors' reading and math scores have fallen to their lowest levels in two decades, with reading scores now 10 points below 1992 levels and math scores at their lowest since 2005. Additionally, 45% of seniors scored below NAEP's "basic" level in math (a five-point increase since 2019), while 32% fell below basic in reading (a 2-point increase). For eighth graders, science scores dropped four points compared to 2019, with declines observed across all performance levels.

These results reflect a continuation of the broad-based score decline observed over the past decade, exacerbated by the disruptions of COVID-19. Baird survey data suggests that the NAEP scores are no surprise to educators as science, literacy and math came in as three of the top four responses for areas in need of curriculum change. While it is generally agreed that states and districts should take a more aggressive stance in reversing declines in core academic areas, budgetary challenges (post-runoff of ESSER funding) and competing priorities have hindered progress.

Source: [The Nation's Report Card](#)

High school seniors were not tested in science in 2024.

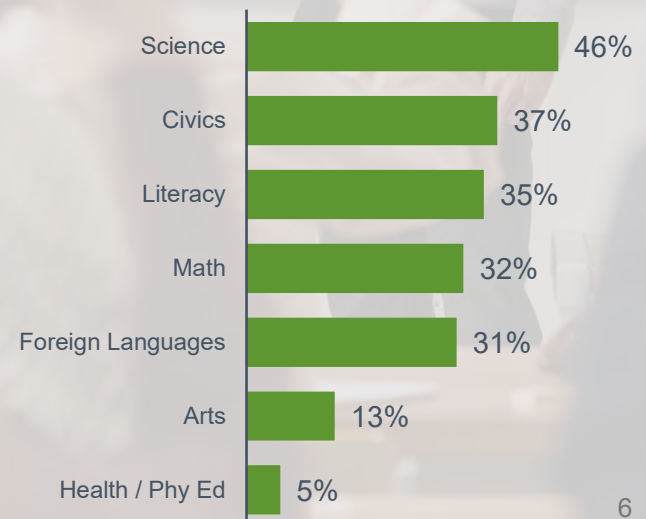
Civics was last tested in 2022 and recorded its first-ever NAEP score drop, reverting to 1998 levels.

2024 NAEP Results

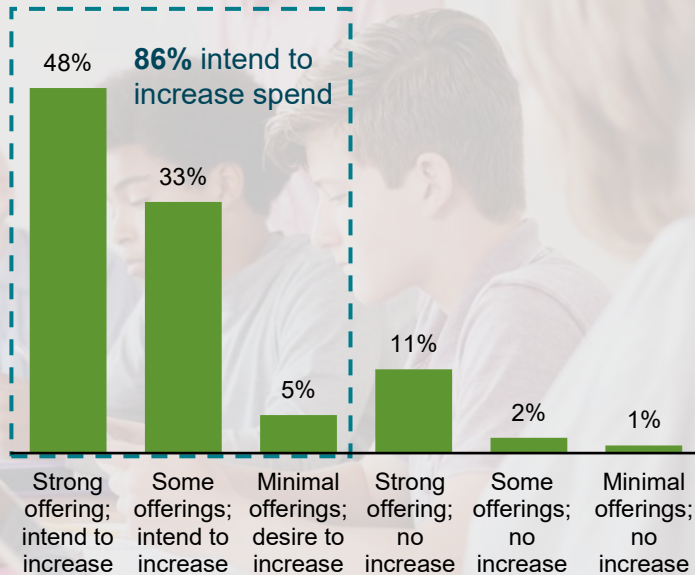
Math	<ul style="list-style-type: none">45% of 12th graders scored below basic22% scored at or above proficientAverage math score lowest in NAEP history
Reading	<ul style="list-style-type: none">32% of 12th graders scored below basic35% scored at or above proficient
Science	<ul style="list-style-type: none">38% of 8th graders scored below basic, the highest level since 200931% scored at or above proficient

Respondents Planning Curriculum Changes in Core Subjects within the Next Five Years

(Top Two Selected)



Desire to Increase Vocational / Skills-Based Learning Offerings



6.5M skilled workers shortage by 2030

~74% of employers report persistent skills mismatch

72% of recent graduates feel unprepared to enter the workforce

Technical Education / Career Prep Will Continue to Expand

Districts are prioritizing career and technical education (CTE) in the post-pandemic era. Preparing students with career-focused skills via CTE is one of the most pressing challenges facing districts today. **86% of our survey respondents indicated they want to increase their skills-based learning offerings**, showcasing how this type of instruction has moved into K-12. CTE also has a positive effect on key education metrics. According to an ACTE report, CTE students have an average high school graduation rate of 96% versus the U.S. average of 85%.

Skills-based learning has also emerged as one of the Trump administration's education priorities. Education Secretary Linda McMahon highlighted the importance of skills-based learning and workforce readiness at this year's ASU+GSV Summit, shortly before President Trump's April executive order to modernize and enhance the country's workforce development programs, among other initiatives.

Across the board, growth and investment in this segment is outpacing investment in core or supplemental curriculum (which has lagged in the post-ESSER world). As we discussed in our Private Company Technology & Services Conference on the increasing importance of career and technical education, the need for CTE solutions is pressing but it's a specialized area – meaning fewer players in the market and a “land grab” dynamic.

Administrators Remain Focused on AI and Its Impacts, but Investment to Come

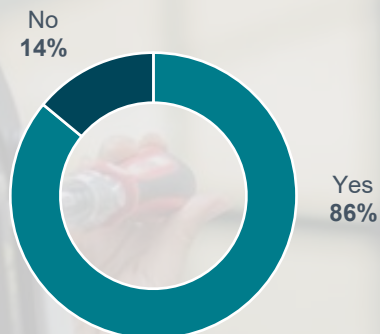
AI is in the early innings in education with schools focusing on how it's impacting student learning rather than making significant investments in AI technology. Teachers and school districts are wary of students leveraging generative AI to complete assignments and how it is impacting learning. That said, schools clearly see opportunity and strategic importance in AI, with nearly all respondents indicating AI is top-of-mind in planning and implementation discussions.

88% of respondents say that focusing on AI for education delivery is a high priority

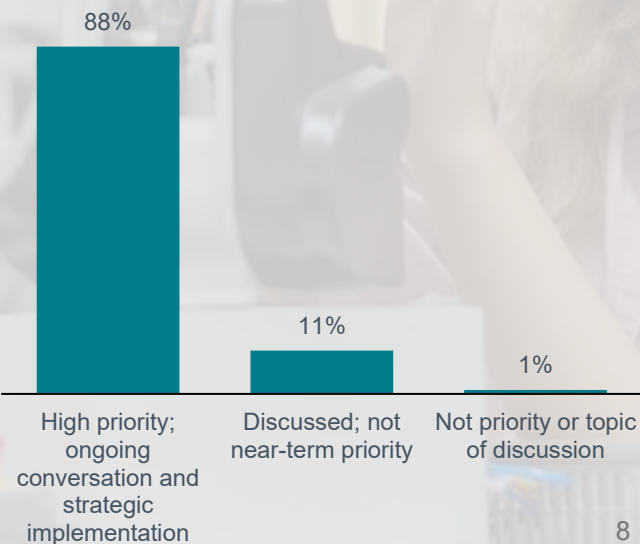
Given this ongoing level of apprehension around AI in the classroom, many districts are not yet elevating AI capabilities to the level of purchase or investment driver. That said, service providers are increasingly folding in AI capabilities to drive efficiency and productivity across operations, though this trend is probably most prominent in corporate learning versus K-12.

Despite the slower pace of adoption of AI for education delivery, districts are looking to make meaningful investments to increase data connectivity and utilization in the near-term. The use of AI could be beneficial for administrators looking to improve decision-making and data utilization, including uncovering patterns around student outcomes and predictive applications.

Intention to Invest in Increasing Data Connectivity to Drive Decision Making



Focus on the Impacts of AI and Education Delivery



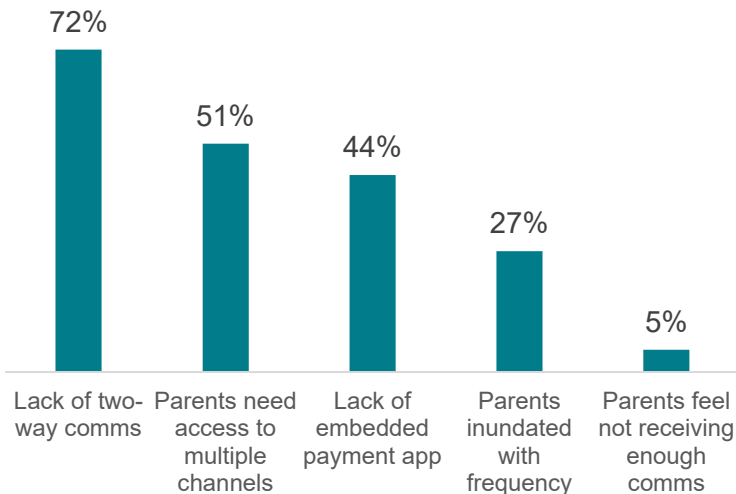
School-to-Home Communication Remains A Challenge

While the proliferation of technology in education has opened many new doors, it's also inadvertently created new challenges for educators. An accelerating issue is the complexity of school-to-home communication. Nearly three-quarters of respondents indicated two-way communication regarding requests and inquiries was one of their top challenges in communicating with students' families. Additionally, half of respondents indicated parents needing access to multiple channels of communication, such as web, texting and apps, was a challenge. Tech resources and improved data connectivity could support more impactful school-family communication, among other key initiatives – but as we alluded to on the previous page, this is not necessarily a planning or spending priority for schools.

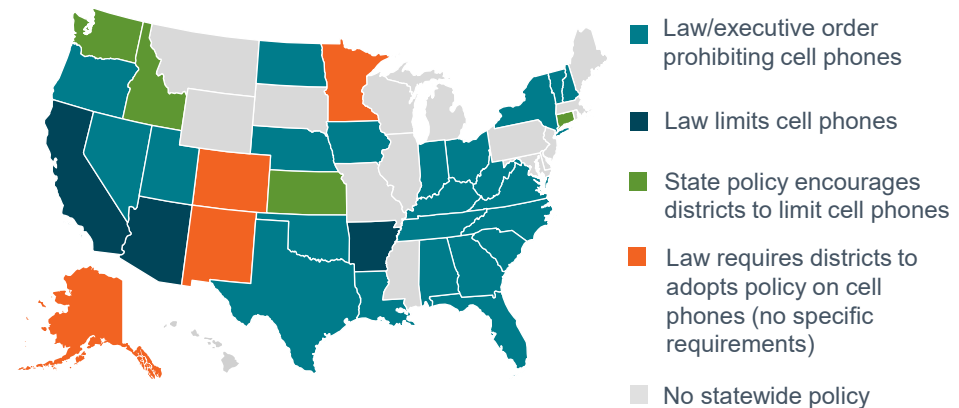
Further complicating this dynamic is the growing trend of cell phone bans in schools. As of early September 2025, 34 states have enacted laws or policies regarding students' phone usage in public schools, including 26 states that prohibit phones in classrooms and/or schools. While many view this as a boon for learning, it complicates parent-student communication during the school day. Given this, it's likely parents will want better communication channels with schools in the future – underscoring the opportunity for communications solutions that equip districts and teachers to more effectively communicate with “home.”

72%
of respondents
struggle with two-
way communication
with families

Biggest Challenges Faced in Home-to-School Communications



State-Level K-12 School Cell Phone Policies



Source: [Ballotpedia](#); As of September 2025

Connect With Our Team

Since 2004, Baird's Knowledge Solutions team of dedicated investment banking and institutional equity research professionals have been actively covering the sector. Today, our coverage spans the education lifecycle – from early childhood education to professional training and compliance – and reflects experience across a wide range of business models including traditional and online schools, digital content / assessments, professional skills development / CE and workflow software-based enterprise solutions.

We welcome the opportunity to discuss these themes and how Baird's Knowledge Solutions team can assist your business growth and strategic objectives.



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