Election Spotlight: Education Sector

Within the education sector, IBISWorld has altered three key external drivers to reflect potential changes in funding under each presidential candidate. If primary school vouchers go into effect as per Governor Romney's plan, federal funding for primary and secondary schools would likely decline as it is diverted away from public schools and toward private schools. IBISWorld has altered this driver to reflect a 5.0% decrease in total funding in 2013 and an additional 5.0% decrease in 2014. Furthermore, government funding for universities is likely to decline under Romney's platform – by 5.0% in each of 2013 and 2014 – as a result of proposed lending policy changes that would reduce the amount of available funds to students. Instead, aggregate household debt would increase by 5.0% in each year to reflect students' move toward borrowing from private lending institutions as money-strapped institutions continue to increase tuition to cover operational costs. IBISWorld estimates that, under President Obama, no changes will occur since any policies he proposes would be merely an extension of his existing plans, leaving the industry's drivers and risk scores unaltered.

The effects of these combined changes in key external drivers on the risk level of education-related industries are displayed below. IBISWorld's industry risk rating determines how much risk an industry will face over the next 18 months by assessing the operating conditions for companies in the industry. A score between 1.0 (low) and 9.0 (high) is assigned to each industry, and adjusted for each Presidential scenario based on the probability that one or more of the industry's key external drivers will change within the period.

Education Industries Risk Level By Candidate

		Change	
4.88	8.31	3.43	Public Schools
4.23	6.37	2.15	Testing and Educational Support
4.50	5.56	1.06	Colleges and Universities
3.77	4.83	1.06	Junior Colleges
3.11	3.56	0.46	Trade and Technical Schools
3.97	3.91	-0.06	Credit Card Issuing
4.61	4.55	-0.06	Credit Counselors, Surveyors and Appraisers
6.27	6.19	-0.08	Commercial Banking
4.34	4.21	-0.13	Debt Collection Agencies
3.59	1.02	-2.57	Private Schools

Public schools receive about 90% of their revenue from governments, so a reduction in funding could hurt the industry. For more info, see page 5.

Colleges and universities are heavily reliant on federal government grants so a decline in federal funding would negatively impact the industry. For more info, see page 3.

Commercial banks would benefit if they are allowed to offer educational lending once again.For more info, see page 4.

A decrease in government funding for primary and secondary education would buoy private schools since the quality of public education depends heavily on public money. For more info, see page 5.