

# ELECTRONIC EDUCATION REPORT

Business Intelligence on Opportunities in the Educational Software Industry

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## **EER Outlook 2007**

### **Continued Integration of Technology Into Instruction Forecast for 2007**

As 2007 begins, educators hope progress will be made on the ongoing integration of technology into everyday instruction, while education technology providers look for opportunities around that integration.

"We are starting to see the golden age of education enabled by technology," Warren Buckleitner, editor of the *Children's Technology Review* (Flemington, N.J.), told *EER*. "It's starting, but it's taken about 40 years longer than everyone thought it would."

Schools need to look at cell phones, iPods, blogs, wikis, digital cameras, projectors and whiteboards to see what role they can play, Buckleitner said, but the place to start evaluating technology in education is with the role of the teacher.

Rather than saying here is the technology you need to use in your classroom to make instruction better and help kids learn, we need to ask what jobs a teacher does, how they assess, how they communicate with parents, Buckleitner said.

*See Outlook, page 4*

### **Will Changes to NCLB Await a New Administration or Begin with Reauthorization?**

Conventional wisdom has been that any substantive changes to *No Child Left Behind* would not come until a new president takes office in 2009, but lively debate around scheduled reauthorization of the law this year could lead to earlier revisions.

*NCLB* has sparked a debate about U.S. education that has grown with concern that American students are falling behind their international counterparts in an increasingly interconnected world. In the five years since the passage of *NCLB*, scores on

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#### **EER Pulse**

##### **Spending per Pupil**

- **The U.S. ranked fourth in spending per student from primary through secondary grades (\$107,614) among 32 countries belonging to the Organization for Economic Cooperation and Development.**
- **Luxembourg (\$188,605), Switzerland (\$129,950) and Norway (\$120,603) topped the U.S., while Brazil (\$11,356) and Turkey (\$11,233) spent the least.**

**Source: Organization for Economic Cooperation and Development, 2006**

the National Assessment of Education Progress have climbed for some groups and grade levels, but racial and economic achievement gaps remain.

Some Democratic members of Congress have claimed that since the inception of the law President Bush has underfunded *NCLB*. Since achieving majorities in both houses in the last election, Democratic lawmakers have raised the possibility of more funding; of schools getting credit for raising student achievement even if they fall short of *NCLB* goals; and sought ways to provide more students with access to


tutoring. Legislators also are considering pushing for alternative tests for limited English and special education students and the promotion of voluntary national education standards in response to questions about the rigor of state standards.

The Forum on Educational Accountability, a coalition of 100 groups including the National Education Association and the NAACP, has endorsed 14 changes to *NCLB* including lowering proficiency targets and providing more assistance to failing schools.

In published interviews, Secretary of Education Margaret Spellings has said she is open to reviewing how student progress should be measured. The department is supporting five state pilot growth-model programs where students far below grade level get credit for making significant strides while falling short of proficiency. However, Spellings maintains the administration is committed to the goal of all students being proficient in reading and math by 2014.

Lawmakers and educators eagerly await the budget the president will propose next month to see how much funding is committed to raising student achievement and what programs receive that funding.

State Educational Technology Directors Association executive director Mary Ann Wolf told *EER* that in addition to seeing the continuation of designated education technology funding, SETDA would like to see specific funding for data programs as states strive to use data to inform student instruction and meet the reporting requirements of *NCLB*.



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**EER Stockwatch**

Share Price Values for Instructional Software Publishers, Jan. 5-19, 2007

(closing prices)

	<i>Ticker</i>	<i>Jan. 19</i>	<i>Jan. 12</i>	<i>Jan. 5</i>	<i>% Chg. 1/5-1/19</i>	<i>% Chg. YTD</i>
Educate	EEEE	\$7.66	\$7.49	\$7.40	3.5%	7.6%
LeapFrog*	LF	\$10.31	\$10.02	\$9.34	10.4%	8.8%
Plato Learning	TUTR	\$5.24	\$5.20	\$5.27	-0.6%	-2.6%
Renaissance Learning	RLRN	\$16.41	\$16.51	\$16.77	-2.1%	-8.3%
Scientific Learning	SCIL	\$5.30	\$5.40	\$5.40	-1.9%	-1.9%
Siboney Corp.	SBON.OB	\$0.11	\$0.11	\$0.11	0.0%	0.0%
Average for Group		\$7.51	\$7.46	\$7.38	1.8%	-0.8%
NASDAQ Nat'l. Mkt. Composite Index		2,451.31	2,502.82	2,434.25	0.7%	0.9%

\*LeapFrog is the only index company listed on the NYSE, all others listed on NASDAQ

Source: Yahoo! Finance; Simba Information

**Digital Directions Launches HELP Program for ELL Students' Math**

Digital Directions International (Carbondale, Colo.), an educational technology publisher of digital educational content for the K-12 market, last quarter launched HELP (Help with English Language Proficiency), a Web-based supplementary curriculum designed to remove language barriers from the learning of math skills and content.

DDI, which has six employees, focuses on helping English-language learners, primarily Hispanic students, increase performance in mathematics by providing language acquisition support.

DDI, which spent nearly five years developing the HELP program, has sold the product to 10 districts across Texas, California and Colorado since its October launch.

Another 10 districts have begun using the tool free of charge as part of a \$5 million grant from the U.S. Department of Education, chief operating officer Barbara Freeman told *EER*.

Freeman said the company's target is to have 100 districts using the technology for the 2007-08 school year. DDI will focus its efforts in California and Texas to start. Given the number of ELL students, those states are the most logical starting point for HELP, according to Freeman.

The HELP program is aligned to national standards for grades 6-8 and Freeman said funding is in the works to develop programs for grades 3-5 and early high school students.

If purchased by June 30, unlimited use of HELP costs schools \$4,500, or \$45 per student for smaller schools. The price also includes professional development for the teachers.

After June 30, Freeman said the price likely will be about \$6,000, or \$60 per student.

DDI's sales team is led by Hugh Conway, who was hired in early December specifically to help sell the HELP tool into schools.

Freeman said the product is unique in the marketplace, but that DDI will be competing with the limited time schools have in their computer labs as well as Spanish textbooks that use what she termed "old methodology."

Digital Directions International: 303 554-1884;  
www.helpprogram.net

## States Receiving Technology Money From Microsoft Settlement

To date, 18 states and the District of Columbia have reached settlements with Microsoft Corp. (Redmond, Wash.) totaling over \$2.5 billion dollars—a significant portion of which will be funneled to educational technology for needy schools.

Montana schools have already received technology upgrades as a result of that state's settlement, but most states have just begun to receive funding vouchers. The states provide guidelines as to how vouchers may be used for hardware and software purchases and professional development related to those purchases.

California reached the largest total settlement to claimants at \$1.1 billion with \$400 million to \$600 million earmarked for schools. New York (\$350 million) and Wisconsin (\$229.3 million) also are scheduled for large settlements, although the portion of that to go to schools has not yet been designated.

Settlements in Montana, West Virginia, Florida, Kansas, Nebraska, North Carolina, North Dakota, South Dakota, the District of Columbia,

### Microsoft Settlement Funds Available to Schools

State	Est. \$ (M) Available
Arizona	\$60
California	\$400-\$600
Florida	\$80
Massachusetts	\$16
Minnesota	\$55.2
Montana	\$10
Nebraska	\$10
New Mexico	\$15.4
North Carolina	\$40.9
South Dakota	\$4.6
Tennessee	\$15.3
Vermont	\$4.7

Source: QED

Tennessee, Minnesota, California, Massachusetts, Arizona, New Mexico and Vermont have been given final judicial approval.

The settlements result from class action lawsuits in which plaintiffs alleged that Microsoft unlawfully used anticompetitive means to maintain a monopoly in markets for certain software, and that as a result, it overcharged consumers. Microsoft denies those allocations.

*More information about the settlements is available on the Microsoft Web site (<http://www.microsoft.com/about/legal/consumersettlements/>) or in a white paper from Denver-based QED ([www.QEDdata.com](http://www.QEDdata.com)).*

## Outlook ... cont'd from p. 1

According to Buckleitner, teachers need to know how to write a blog and what a wiki is; they need to have a Web site for their class and should communicate with parents by e-mail.

Every student needs to have digital portfolios that follow them from year-to-year, he said.

“Kids are picking up digital skills; the class of 2006 is completely fluent in text messaging whether we like it or not,” Buckleitner said. “The culture of the digital generation is like a glacier, it can’t be stopped, and it’s going to change education.”

In the classroom, Farimah Schuerman, cofounder of Academic Business Advisors (Chappaqua, N.Y.), sees a race for the desktop. As things get more aggregated, someone will own the central core, be the point of entry, she said. Many players have the potential—from publishers like Pearson (Upper Saddle River, N.J.) and McGraw-Hill (New York) to technology companies like Blackboard (Washington D.C.) or SchoolNet (New York)—but who will emerge as the access to resources and the provider of curriculum-authoring tools is key, she told *EER*.

“The single biggest problem now is that schools are learning how kids are doing, where they are at, but they still don’t know what to do about it,” Schuerman said. “Someone has to provide the prescription—if a student hasn’t learned, these are the steps to take.”

### *Range of Opportunities*

Many involved in the education technology field expect opportunities around home-school connections, professional development and virtual education to expand in 2007.

“Some companies with products intended for schools will see an opportunity for parent sales; other products will be refined to allow a child to sign on anywhere, anytime,” Schuerman said. It is important for a superintendent to be able to show how a purchase has impacted learning and that parents can wrap their arms

around a product they see being used at home, she said.

Mary Ann Wolf, executive director of the State Educational Technology Directors Association (Glen Burnie, Md.), noted some federal programs require 25% of funding be spent on professional development, but said many states are spending much more. A growing number of states have portals and are developing communities of learners focused on how to change teaching and learning, she told *EER*. Wolf sees technology as having a role in many states’ initiatives toward data-driven decision making and for professional development, particularly in math and science.

Educational observers expect math and science to continue to be pre-eminent in 2007 with schools looking to raise student achievement in those subjects by providing more professional development to help teachers present difficult concepts and reach struggling learners.

There is huge interest in K-12 virtual education, according to Schuerman, driven by students who want to accelerate, take more courses or graduate early; as an alternative to summer school, or for homeschoolers; for students who cannot be in school because of physical liabilities; and from foreign students who want to attain a U.S. high school diploma to boost their chances of attending college in this country.

Wolf also sees increased interest in virtual learning for both students and teachers. As states look to what they can provide, funding models continue to evolve.

“States are looking at what students need to be competitive in a global economy,” said Wolf. The research data that many states now have to show how technology has raised achievement

and improved education will help answer those needs going forward, she said.

Buckleitner sees a short-sightedness on the part of educational investors, saying they are only interested in the tried and true because they haven't visited a school or ridden on a school bus. "Business needs to know there are a lot of opportunities and the key to tapping into them is riding the waves of technology," he said.

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## Quality Counts Report Ranks States On Children's Chances for Success

*Quality Counts 2007*, the annual report from *Education Week* with support from the Pew Center on the States, this year moved from an exclusive focus on K-12 education to a broader perspective on how K-12 education interacts with other factors.

The centerpiece of that effort is a state Chance-for-Success Index that factors in high school graduation rates, middle school mathematics

### Chance-for-Success Rankings of States

Virginia (1), Connecticut (2), Minnesota (3), New Jersey (4), Maryland (5), Massachusetts (5), New Hampshire (5), Wisconsin (8), Nebraska (9), Vermont (9), Iowa (11), Illinois (12), Kansas (12), North Dakota (12);

Pennsylvania (15), Colorado (16), South Dakota (16), Delaware (18), New York (18), Rhode Island (20), Utah (20), Washington (22), Maine (23), Wyoming (24), Hawaii (25), Michigan (25), Montana (27), Ohio (27), Alaska (29), Indiana (30), District of Columbia (31), Florida (31);

Missouri (33), California (34), Idaho (35), North Carolina (35), Oregon (35), Georgia (38), Arkansas (39), Oklahoma (40), Kentucky (41), South Carolina (41), Nevada (43), West Virginia (43), Alabama (45), Mississippi (45), Tennessee (45), Texas (48), Arizona (49), Louisiana (49), New Mexico (51).

Source: *Quality Counts 2007*

and elementary reading proficiency, but also includes family income, parental education and employment.

"The Index captures the cumulative effects of education experience from birth to adulthood and pinpoints the chance for success at each stage and for each state," said Christopher Swanson, director of the Editorial Projects in Education Research Center (Bethesda, Md.). "We find that a child's life prospects depend greatly on where he or she lives."

After correlating 13 factors, the project's editors designated Virginia as the state where the average child starts out ahead of the curve. New Mexico was seen as the lowest-ranked state, where weak school performance is combined with socioeconomic disadvantages of poverty, linguistic isolation and low parental education.

In general, the Index shows that individuals born in the South and Southwest are less likely to experience success, while those residing in the Northeast and North Central states are more likely to do so.

### Tracking Educational Readiness

This year, for the first time, *Quality Counts* tracked state efforts to create a more seamless education system based on more than 80 indicators in five categories. The report examined the extent to which states have defined what young people need to know and be able to do to move successfully from one stage of education to the next.

In general, the report finds more activity in the early years. Forty-two states report having early learning standards aligned with academic expectations for elementary schools; 13 states have a formal definition of school readiness. Only 11 states have adopted a formal definition of college readiness.

### States That Track Educational Readiness

*States with a formal definition of school readiness:*  
Alabama, Arkansas, Florida, Georgia, Hawaii, Kansas, Maine, Maryland, North Carolina, Ohio, Oregon, Texas, Wisconsin.

*States with a formal definition of college readiness:*  
Arkansas, California, Indiana, Kentucky, Michigan, New Jersey, New York, Oklahoma, South Carolina, Tennessee, West Virginia.

Source: *Quality Counts 2007*

*Education Week: 301 280-3100; www.edweek.org*

### People ...

Assessment, software and service provider **CTB/McGraw-Hill** (Monterey, Calif.) this month named **Ellen Haley** president, reporting to McGraw-Hill Assessment and Reporting Group president Mostafa Mehrabani. Haley, who joined CTB/McGraw-Hill in 1986, has led the company's publishing, research, programs and technology departments. She succeeds David Palumbo, who departed in May to pursue other opportunities.

Special education management software provider **Spectrum K12 School Solutions** (Towson, Md.) this month expanded its management team with the appointment of **Scott Cary** as vice president of marketing, **Don Fabricant** as executive vice president of sales, and **James Hermans** as vice president of product management. Cary previously founded and led the Product Management Institute (Falls Church, Va.), which helps organizations transform product management into product performance. Fabricant previously was senior vice president of sales for Thomson Learning's (Stamford, Conn.) career and professional group division. Prior to joining Spectrum K12, Hermans was senior vice president of global services at Blackboard (Washington, D.C.).

### Partnerships & Acquisitions ...

Business-to-business information company **1105 Media** (Chatsworth, Calif.) this month acquired the **Florida Educational Technology Corp.** (Orlando, Fla.), producers of the annual K-12 FETC conference.

**In2Books** (Washington, D.C.) and **ePALS Classroom Exchange** (Ottawa, Ontario, Canada) merged this month, bringing together In2Books literacy-based subject matter curriculum with ePALS' network of collaborating classrooms. The combined company, called ePALS and headquartered in Washington, D.C., will create and distribute learning programs and services and collaborative technologies, such as e-mail and blogs, specifically designed for the K-12 home and school markets. **Ed Fish**, CEO of In2Books since June 2006, will be CEO of the combined company.

**Harcourt Assessment** (San Antonio) last month acquired **Edformation** (Eden Prairie, Minn.), a privately held company that markets formative assessment materials, standard assessment probes, and online monitoring and reporting software, including AIMSweb, a screening and progress monitoring tool for special education teachers, curriculum specialists and school psychologists.

### News Briefs ...

**Riverdeep** (Dublin, Ireland, and San Francisco) will close its Cedar Rapids, Iowa, call center by April 1 as part of resource management changes following last month's merger with **Houghton Mifflin** (Boston). The plan will eliminate all 65 jobs at the center as the work previously done there will be transferred to Boston and other Houghton Mifflin locations.

**Tom Snyder Productions** (Watertown, Mass.), a Scholastic company, last month introduced

*Scholastic Keys in the Classroom*, a teacher resource book to accompany its software programs Scholastic Keys and MaxData. Scholastic Keys gives elementary students a kid-friendly interface and educational enhancements for Microsoft Word, Excel and PowerPoint; MaxData gives students an age appropriate introduction to databases.

**Curriculum Advantage** (Duluth, Ga.) last month introduced a new state edition for Ohio and updated state editions for Indiana and Pennsylvania of its flagship Classworks offering. Classworks customized state editions read student scores from state reports and automatically prescribe individual learning paths for each student.

**Pearson School Systems** (Folsom, Calif.) this month released Pearson Inform 4.0 enhancing

the data analysis tool with improved system administration and greater information with student information systems.

**Pearson Prentice Hall** (Upper Saddle River, N.J.) last month chose **Defined Mind** (New York), a producer of multimedia literacy and test prep tools, to publish the third edition of Vocabulary Accelerator01, which combines songs with a 15-chapter workbook to build vocabulary skills.

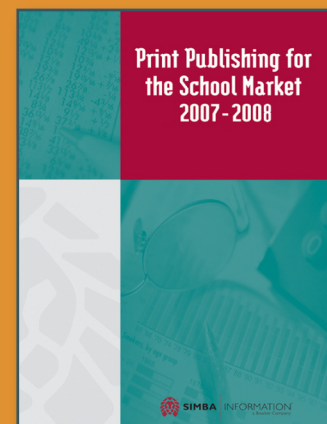
**Voyager Expanded Learning** (Dallas) last month added a third course in the VoyagerU professional development series. Getting Reading Results: A Continuous Improvement Process is intended to help kindergarten through eighth-grade teachers use assessment to identify students who struggle to read and target instruction to fit student needs.

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