



# Education at a Crossroads: Funding Uncertainty and the Opportunities Ahead

## Under the Pressure of an Evolving Environment

As the new school year begins, both K–12 and higher education face heightened uncertainty. Proposed changes at the Department of Education (DoE) and evolving state budget priorities may create uneven funding landscapes. Some states are willing and able to fill potential federal funding gaps; others face tax constraints or competing policy priorities. The result will be a patchwork system that risks deepening disparities.

Despite these headwinds, the fundamentals remain. Learning, credentials, and life experience still matter. The demand for quality instruction and engagement has not diminished, and with the workforce disruption from GenAI, the next decade may see an unprecedented wave of reskilling.

## Where Strategy Meets Real-World Results



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Jim Goodwin, on G2's Technology & Business Services team, brings M&A, debt, and equity advisory experience from seven years at Morgan Stanley, with a focus on education technology. A U.S. Marine Corps veteran, he applies disciplined leadership and sector expertise to his work.



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Jordan Mayes leads corporate development at Top Hat, overseeing M&A, partnerships, fundraising, and serving as Corporate Secretary. He brings expertise scaling technology businesses, venture capital, and growth strategy to advance the company's strategic objectives.



## A Widening Divide in Education

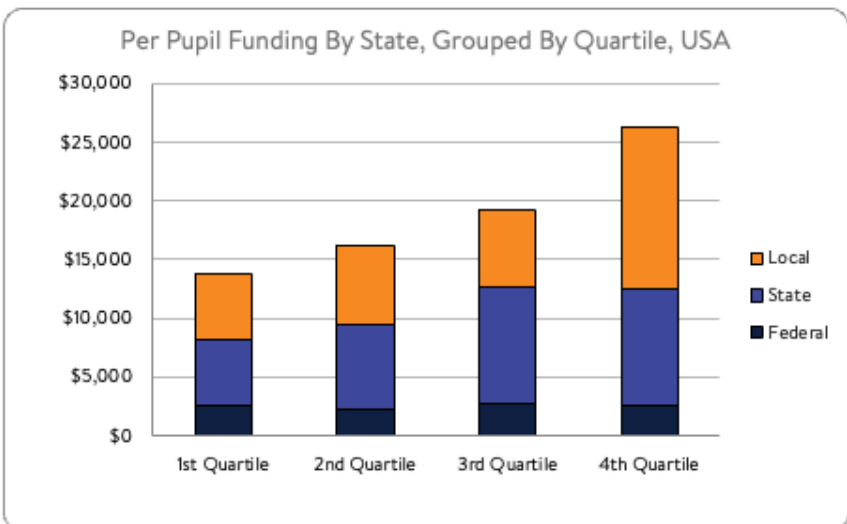
Both K-12 and higher education are at an inflection point, facing a new era of financial disparity. As institutions in both sectors confront shifting economic and demographic landscapes, a clear divide is emerging between those with resource-rich environments and those with resource-constrained environments.

In K-12, the expiration of roughly \$190 billion in federal ESSER aid has left many districts on the edge of a funding cliff. With this one-time pandemic relief gone, and the possibility of further federal cuts looming, financial pressure is intensifying. This leaves state and local governments—and increasingly, private donors—to bear a larger share of the burden. Districts in affluent areas with strong tax bases will likely maintain or even increase per-student spending. Meanwhile, those serving higher-need communities, often with limited tax revenues, may struggle to fund essential programs.

A similar dynamic is unfolding in higher education, creating a stark dichotomy between “haves” and “have-nots.” Selective institutions, or the “haves,” have enjoyed enrollment growth over the past five years, even as the broader market saw a moderate decline. This disparity is set to widen with the impending demographic-fueled enrollment cliff and a slowdown in international student applications. The result is growing pressure on institutions to innovate, demonstrate a differentiated value proposition, and prove a clear return on investment for students.

**“The institutions that win in the next five years will not be the ones that wait for stability. They will be the ones acting decisively to adapt, innovate, and lead through uncertainty.”**

Jim Goodwin, Director,  
Technology & Business Services  
at G2 Capital Advisors



SOURCE: U.S. DEPARTMENT OF EDUCATION, NATIONAL CENTER FOR EDUCATION STATISTICS, COMMON CORE OF DATA (CCD)

## Structural Shifts to Watch

**1. Policy & Regulatory Change:** Implementation timelines for OBBBA (One Big Beautiful Bill Act) reforms will intersect with other measures that could reshape education:

- Targeted voucher programs – May shift enrollment and funding from public to private schools.
- ESEA waivers – Could provide states with greater flexibility on accountability, potentially altering competitive dynamics.
- Federal loan/risk-sharing changes – Likely to influence how higher education institutions recruit, price, and invest in programs.

**2. Institutional Consolidation:** Financial headwinds are accelerating consolidation, particularly among smaller private colleges that are merging or closing to shed fixed costs. While outright mergers are less common for larger public institutions, many are aggressively cutting programs and tightening budgets to remain solvent, as seen at the University of Arizona.

### **3. Course Experience as the Next Frontier:**

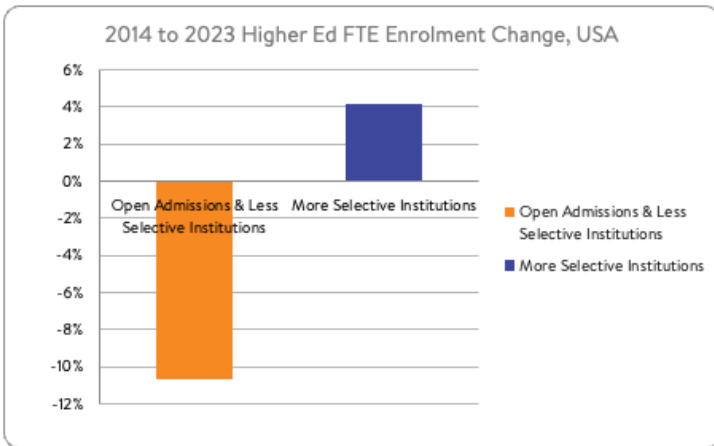
Slowing enrollment has forced a strategic pivot in higher education from recruitment to retention. This new focus is now breaching a traditionally untouchable barrier: the classroom itself. While universities have long managed ancillary services, academic freedom has historically ring-fenced curriculum and teaching methods from administrative oversight.

The pandemic proved to be a catalyst for change. Pressures for affordability, efficacy, and the need to manage larger classes compelled institutions to embrace technology that optimizes the student experience. Generative AI now represents the next frontier in this evolution, promising to improve instructor workloads while delivering personalized engagement and improved outcomes at scale.



**“Recruiting is a costly battle with diminishing returns. The enduring advantage is retention, but its next frontier isn’t just supporting students around their courses, but transforming the core of the learning experience within them.”**

Jordan Mayes, Vice President  
Corporate Development at Top Hat



EDUCATION STATISTICS, COMMON CORE OF DATA (CCD)

## Opportunity for Operators & Investors

In a market where supply is constrained but demand is steady, innovation is the differentiator.

- Bridge gaps in staffing, materials, and student support through scalable, tech-enabled solutions that strengthen instruction and engagement.

- Leverage GenAI to streamline instructor workflows, flag at-risk students early, and personalize content delivery, while safeguarding academic integrity.
- Support adaptive institutions navigating compliance and funding changes with flexible operating models.

Forward-thinking institutions are already driving measurable gains by partnering with a range of providers, from new entrants like Brisk Teaching and Alpha School to established players like Top Hat and EAB.

## The Path Forward

Shifts in funding, demographics, and policy are remaking education. The divide between institutions that adapt and those that fall behind will only widen.

For institutional leaders, this is the moment to invest in course-level innovation, retention, and adaptive operating models. For operators and investors, it is an opportunity to partner with forward-thinking schools to shape the future of learning.

### About G2 Capital Advisors:

G2 Capital Advisors provides M&A, capital markets, and restructuring advisory services to the middle market. We offer integrated, multi-product, and sector-focused services by pairing highly experienced C-level executives with specialist investment bankers. We aspire to be our clients' trusted advisors of choice, including corporations and institutional investors. For more information, visit [www.g2capitaladvisors.com](http://www.g2capitaladvisors.com)

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Top Hat is a leading student engagement platform for higher education, enabling instructors to create interactive, student-centered learning experiences in any course modality. Trusted by over 3 million students and faculty at more than 900 colleges and universities in North America, we're shaping the future of higher ed—one engaged learner at a time. For more information, visit [www.tophat.com](http://www.tophat.com)