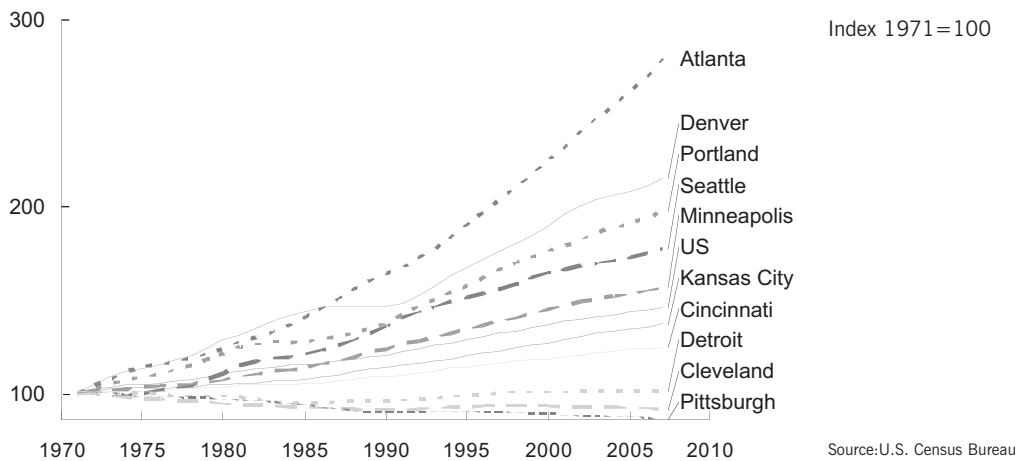


The Pittsburgh Promise™ is the kind of big idea that has the chance to change the fortunes of the City of Pittsburgh, the public school system, and the children and families of Pittsburgh. It has the potential to have a significant positive impact on the community: by better preparing students to be successful in life, by attracting families to stay in and move to the City, and by providing employers in the region with a better educated and more skilled workforce.

The Pittsburgh Promise combined with public school improvement efforts and more high quality schools of choice can go a long way in addressing the challenges that Pittsburgh is facing.

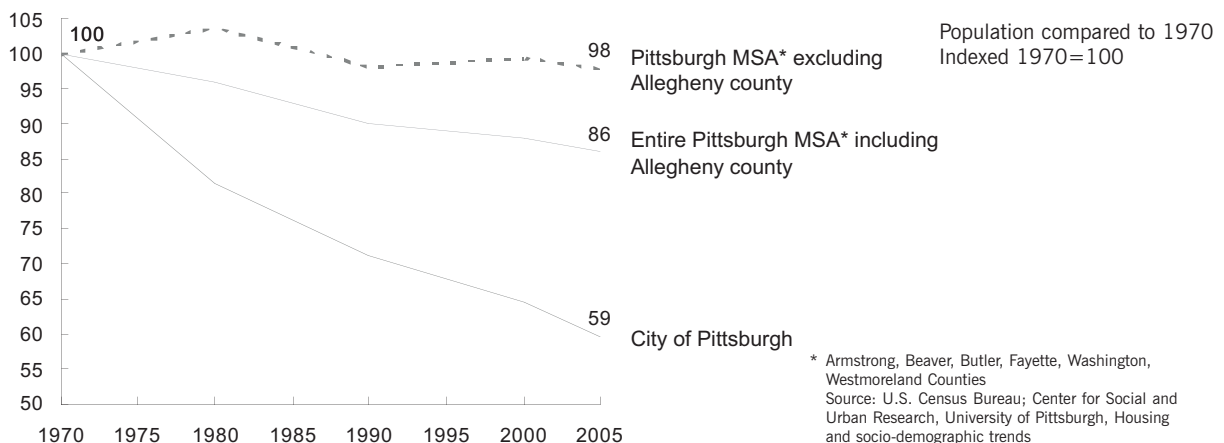
Pittsburgh has many attractions and strengths and is often noted as a region offering a great quality of life. However, over the last 30 years, the Pittsburgh metropolitan region has lagged behind almost every other major metropolitan region in population and economic growth (Exhibit A).

➔ EXHIBIT A: The Pittsburgh metro area has experienced population decline while most other major metro areas in the U.S. have experienced growth

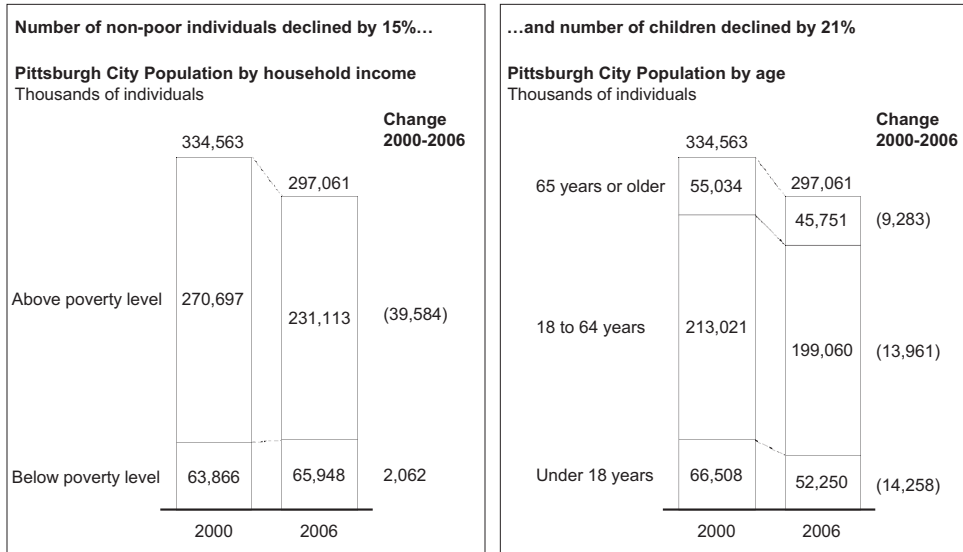


Within the Pittsburgh region, the City’s population has declined by over 40% since 1970, while the population of the suburbs has remained stable (Exhibit B). Consistent with the pattern seen in many other large cities, middle-class families with children are increasingly choosing to live in surrounding suburban communities instead of in the City of Pittsburgh (Exhibit C).

➔ EXHIBIT B: The population of the City of Pittsburgh is shrinking, while the suburbs have mostly held steady



➔ **EXHIBIT C:** Shrinkage in City of Pittsburgh population is greatest in the middle-income bracket and in families with children

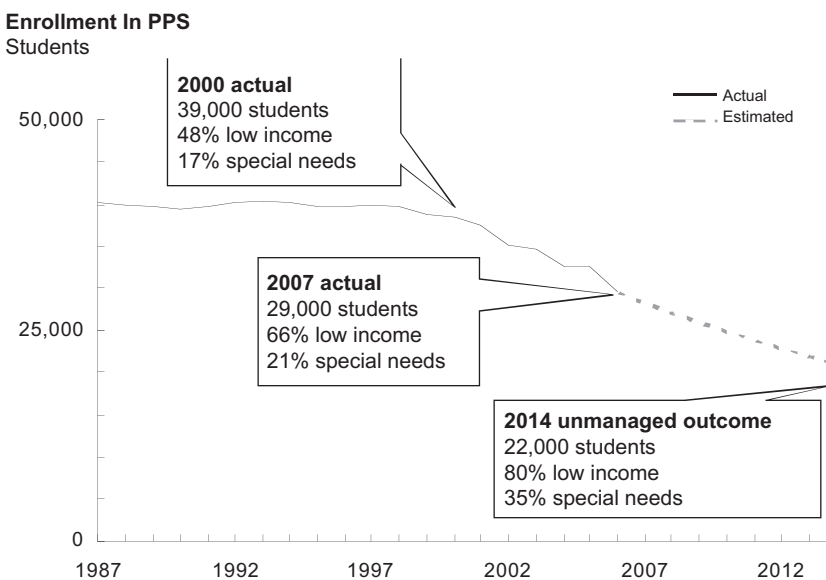


Source: U.S. Census Bureau

As this happens, the City is becoming older and poorer. With this declining tax base, the City faces the challenge of paying for fixed costs for infrastructure and services, many of which support the entire metropolitan region. Reversing the population decline in the City would contribute to the economic health of the region in many ways, both tangible (e.g., an increased tax base to support public services within the City and region) and intangible (e.g., thriving neighborhoods that are attractive places for middle class families to live).

Mirroring the population decline of the City, enrollment in the Pittsburgh Public Schools has declined since 2000 from ~39,000 students (of which ~19,000 were classified as low income) to ~29,000 students today (of which ~19,000 are classified as low income). This decline in middle-class families reflects the plight of the City as a whole. If the current trend of declining enrollment continues, by 2014 Pittsburgh will have an enrollment that is much smaller than today and poorer (Exhibit D).

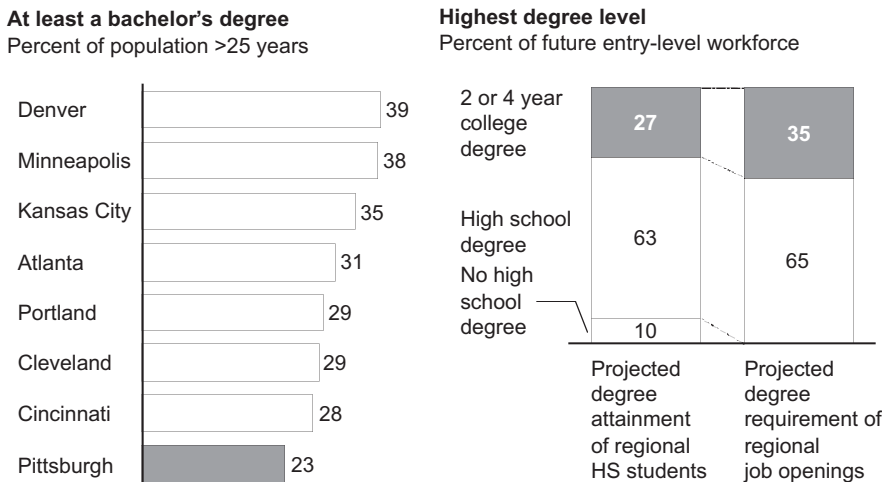
➔ **EXHIBIT D:** PPS enrollment is shrinking along with the city population



Source: PPS enrollment data and analysis; State of PA estimate

From the perspective of employers in high-wage and high-growth industries, Pittsburgh is less competitive than many other similarly sized metropolitan areas. For the most part, this is a result of Pittsburgh having a less skilled and educated pool of potential employees, as well as its shrinking overall population (Exhibit E). Raising the number of Pittsburgh students who pursue education beyond high school will make Pittsburgh a more attractive place for employers.

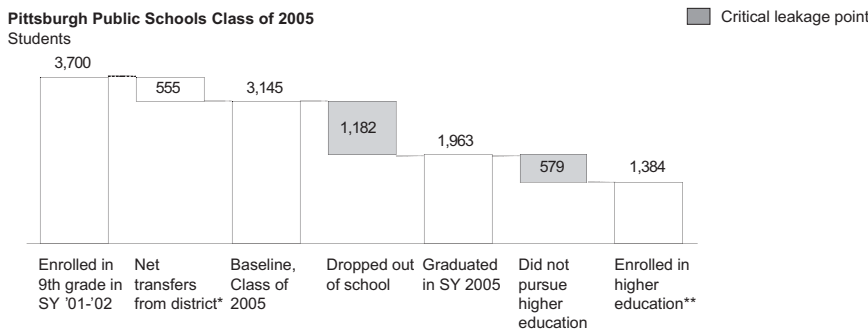
EXHIBIT E: Pittsburgh does not have enough college graduates



Source: Workforce for Tomorrow '03; Carnegie Mellon; US Bureau for Economic Analysis; PA Dep't of Labor and Industry

One factor contributing to the shortfall in college graduates is that students of the Pittsburgh Public Schools drop out at rates higher than both national and state averages (Exhibit F). Increasing the number of students who earn college degrees would benefit the students themselves. Studies have shown that college education is the critical pathway to a higher income and quality of life for the students (Exhibit G). Equally important, increasing the number of Pittsburgh students who earn college degrees benefits the overall economy in the region.

EXHIBIT F: Pittsburgh Public Schools dropout rates are above state and national averages



	% of baseline	% lost at juncture	% of baseline	% lost at juncture	% of baseline
Pittsburgh Public Schools	100	(38)	62	(29)	44
Pennsylvania	100	(19)	81	(40)	49
National	100	(30)	70	(43)	40

Graduation rate is below PA and US average

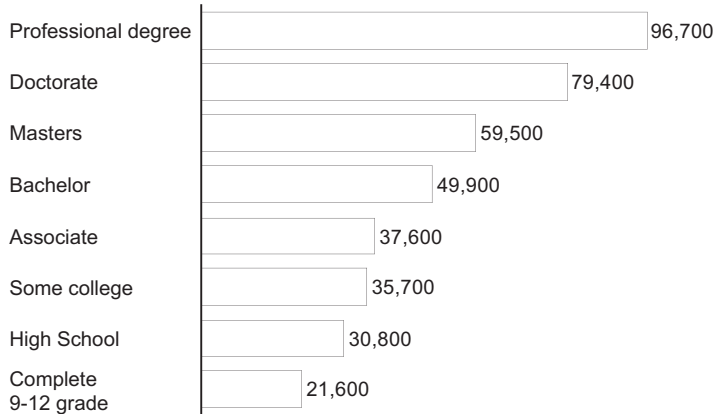
College attendance rate of high-school grads is above PA and US average

* Estimated net student loss out of the district based on total student loss – students who dropped out. Consistent with RAND study of 2005.
** 1,130 students took the SAT in SY2004 or SY2005. 996 students took the PSAT in 2003. 235 took the AP test in 2005

Source: Pittsburgh Public Schools "Fast Facts", SchoolMatters.org (Standard & Poor's); Achieve Data Profile: Pennsylvania, 2007

EXHIBIT G: College opens up the door to higher lifetime earnings potential

Median annual earnings by highest level of educational attainment***
Dollars



* Compared with a bachelor's degree
 ** Hecker, Daniel, "Occupational employment projections to 2014," Monthly Labor Review, February 2002; team analysis
 *** Year-round, full-time workers

Source: U.S. Census Bureau, 2004; Team analysis

So that it has the opportunity to improve the life prospects of all students in the Pittsburgh Public Schools, The Pittsburgh Promise™ was designed not to be need-based or income-based.

The vision of The Pittsburgh Promise has two primary components:

Plan and Prepare: The Pittsburgh Public Schools will be held accountable for providing the programs and strategies that will help students and families plan and prepare for education beyond high school.

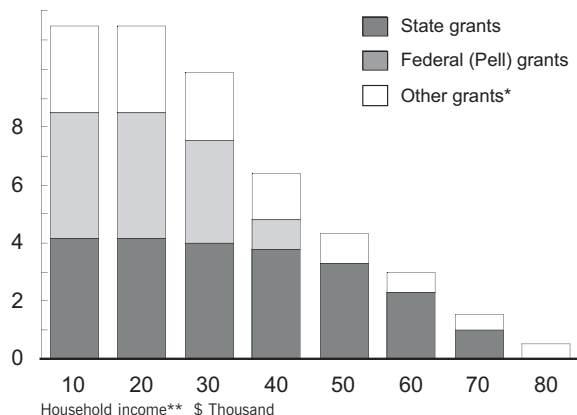
Pay: The Pittsburgh Promise fund has been established to ensure that Pittsburgh Public Schools graduates, beginning with the Class of 2008, have the financial resources available to pay for education beyond high school, regardless of family income.

This design of The Pittsburgh Promise offers benefits to all students and families. It is attractive to lower-income students and families because many students have trouble coping with the debt of loans taken to supplement their financial aid awards. It is equally attractive to the middle-income students and families because the means test used in Federal and State assistance excludes most middle-income families (Exhibit H). Therefore, providing another source of available scholarships beyond Federal and State financial assistance is critically important to ensuring that money is not a barrier to college access.

EXHIBIT H: Financial aid phases out quickly for middle-income families

Student eligibility for need-based grants at Pennsylvania State University

\$ Thousand



Key facts

- Expected total cost of attending Penn State is \$20,688 for 2007
 - \$12,164 in tuition and mandatory fees
 - \$7,416 in room and board
 - \$1,088 for books
- Penn State, Pitt, and Temple are the most expensive PA funded schools; most others cost \$6,000 to \$7,000 for tuition and fees
- Maximum amount is \$4,050 for Pell and \$4,200 for state grant for Public colleges
- Available non-need based grants varies from different colleges. 36% of Penn State students get non-need based grants

* Other grants include Federal Supplemental Educational Opportunity Grant, Penn State need-based grants and scholarships

** Assumes one child in college, married parents with two additional dependents, older parent age of 45, net parental assets of ~100% annual income

Source: Penn State financial aid office, www.studentaid.ed.gov, www.pheaa.org, team analysis