

# Financing the Future

toolkits

## An E-Learning Funding Methodology

Time is money. And so is technology. In fact, locating the funds to fuel 1:1 eLearning initiatives, classroom eLearning and teacher notebook programs can prove so challenging that many education technology programs simply don't get off the ground. Funding, however, can be a crucial way of galvanizing support at a foundational level. Firstly, funding should be structured so that all have a chance to opt into the program, regardless of income bracket, meaning that all beneficiaries of eLearning initiatives should make some contribution, however small. Also, your chosen funding model should be structured for sustainability, rather than depending on one-time grants, appropriations or limited tax concessions.

With these basic tenets in mind, a successful funding methodology can be organized into three phases:

1. Survey the environment
2. Maximize all possible sources of funding
3. Develop a needs-based segmentation model for funding contributions

### Phase 1: Survey the Environment

The first step in identifying funding sources is to understand who will be the beneficiaries of a planned eLearning initiative, as those who benefit are the logical parties to contribute funding.

Beneficiaries typically fall into three categories:

- **Public sector stakeholders such as federal and state governments, schools and school districts.** eLearning offers federal, state and local governments a chance to improve competitiveness and innovation within their constituencies. For states and schools, eLearning can also improve competitiveness for future education funding, especially where future budgets are based on student progress.
- **eLearning suppliers, including PC and software vendors, telecommunication service providers, local resellers, educational service companies, and local businesses such as banks.** Educational service providers naturally rely on eLearning funding for their core business. And by underwriting eLearning loans, financial services suppliers such as banks or credit unions can increase their customer base, create more opportunity to sell future services, and help improve the local community's economic prospects, which will—in turn—fuel additional future growth for their businesses.

- **End users (parents, students, and teachers).**

End users gain a variety of personal benefits from eLearning. Students gain new access to personalized technology and learning tools, experience increased engagement and more authentic learning experiences, and increase their preparedness and chances of success in the knowledge economy. Teachers are able to spend less time on administrative tasks and more time exploring resources and tools that stimulate their effectiveness in teaching. They also learn technologies and skills that may be transferable to their personal lives and their career growth. In addition to helping their children succeed, eLearning initiatives that enable home use of PCs may facilitate parents' first exposure to technology as well, enabling them to learn new skills that offer personal enrichment and economic opportunity.

Once you have identified potential beneficiaries, realistically assess their ability to contribute and their interest in contributing to an eLearning initiative. In general, governments' ability to contribute is quite modest, the exception being that grants are often available for special interventions such as reading assessments or support for disabled students. To the extent that eLearning initiatives can be shown to address these focus areas, federal and state governments may be a potential source of funding.

PC suppliers, sometimes in conjunction with local lending companies, are often willing to help offset purchase costs via a PC leasing program. They may also be persuaded that favorable pricing for an eLearning initiative can result in students, teachers and families gaining PC skills that lead to recurring revenue streams for the suppliers.

End-users, regardless of income bracket, should contribute in some way to eLearning initiatives because they have the most to gain, and because contributing will increase community pride in and commitment to eLearning programs. In this phase, try to determine what might be a reasonable financial contribution for those in the median income bracket and what percentage of users might qualify for assistance.

In our experience, the most successful eLearning funding models are built on beneficiary contributions based on the median income, as opposed to the least common denominator, with a sliding scale for those needing subsidies.

Make sure your model is sustainable: don't count on one-time funding such as limited grants or donations, and don't assume constant levels of family income. If an eLearning initiative fails because a grant runs out or an economic downturn affects family income, it will be more difficult to build participation for future programs. Instead, look for a flexible combination of funding sources in which one beneficiary group can fill in for another as conditions change.

## Phase 2: Maximize All Possible Funding Sources

Once you've identified potential sources of funding, think about how funding sources can be combined to meet eLearning needs. Each beneficiary may be more willing to contribute when shown that other parties are also willing to invest. There are many tactical ways in which schools can maximize possible sources of funding:

- **Combining education funding sources.** Instead of tapping only into general education operating funds for technology, think about whether notebooks for teachers could be paid for by teacher salary budgets, treasury funds, or a combination of both. In Victoria, Australia, the government supplies a subsidy of \$1,200 for teacher notebooks as part of the teachers' compensation package, enabling teacher salary and compensation to help offset technology costs. Furthermore, teachers make a salary sacrifice of \$5.40–\$8.40 per pay period to help finance the technology. Ultimately there is a zero-sum loss to the teacher, as their salary sacrifice is tax deductible, meaning that the state and federal treasuries help underwrite part of the costs as well.
- **Public/private partnerships.** Banks sometimes have an interest in supporting teacher or parent purchase programs as a customer acquisition mechanism. For example, Fairfax County Public Schools in Virginia worked with the Apple Federal Credit Union to create a special loan program in which customers, staff, students and parents could open a checking account (with a \$5 minimum balance) and apply for a zero-interest, 24-month loan for a new PC.
- **Forming consortia.** Ideally, eLearning programs could consolidate federal or state-level PC purchasing power to negotiate low pricing. In the absence of state or federal initiatives, schools can form consortia to negotiate PC purchases. Such a consortium can even serve as a cooperative, pooling funds to support qualified, needs-based assistance.

- **Philanthropy and aid from development agencies.** Countries such as Rwanda have benefited from philanthropic and development aid to help underwrite the costs of their 1:1 eLearning initiatives. For countries that are not likely to benefit from development agency aid, philanthropic contributions may be available for a particular school. For example, gift aid in the UK allows parents to make a tax-exempt contribution to underwrite costs for underprivileged students. In turn, the recipient school earns back the gross value of the gift before tax.

## Phase 3: Develop a Needs-Based Funding Segmentation Model

After developing a financing model, and maximizing sources of funding, the final step is to establish a policy and fund for those users who cannot make the median contribution to PC purchase. Now estimate what is a realistic contribution for these users and how you might qualify their need. For example, assistance programs might be targeted towards students who have been pre-qualified for free or reduced school meals or towards teachers whose salaries are below a given threshold.

Once the target populations are identified, consider how you might pool funds from Phase 2 to support assistance, and develop a scaling model.

## Conclusion

In today's global economy, eLearning is not a question of "if", but rather "when." The 21st-century skills to be gained through eLearning are critical to the success of individuals and nations. Fortunately, from new credit options to international aid and development programs, there are more financing options available today than ever before. To take advantage of these, schools and governments need to learn about these options, think creatively about maximizing revenue flows, and develop robust mechanisms for supporting those who need assistance. In doing so, they will create much brighter futures for everyone involved.