BELLWETHER
EDUCATION PARTNERS

PERSONALIZED LEARNING POLICY PLAY #3:
CREATE FUNDING MECHANISMS FOR SCHOOLS TO COVER ONE-TIME START-UP COSTS INVOLVED IN IMPLEMENTING INNOVATIVE MODELS

CONTEXT

Funding limitations can create a barrier for districts seeking to implement personalized learning models. Over time, well-designed personalized learning models should be sustainable using existing public funds, although they will require a shift in how schools and districts allocate resources. In the near term, however, implementing such models often involves one-time start-up costs for technology, infrastructure, and professional development. Many districts and schools may not have sufficient funds in their current-year operating budgets to cover these costs. Except for major capital expenses—such as buildings—schools and districts typically use current-year revenues for investments in instructional materials, professional development, personnel, and design changes. Because they lack mechanisms for spreading these costs across multiple years, many schools and districts view the initial cost of implementing whole-school personalized learning models as an insurmountable barrier.

Statewide innovation grants (see Play No. 1) can help overcome some of these barriers, but states and districts should also consider alternative—or complementary—strategies to help finance initial investments in personalized learning.

PLAY IN ACTION

States can create mechanisms to help schools and districts invest in personalized learning. Districts should consider setting aside funds each year to create a district innovation or R&D pool that individual schools could tap for one-time costs associated with implementing new models. Most private industries consider R&D a core operating expense that is built into annual operating budgets, but R&D expenses have not historically been incorporated into school district budgets, limiting practitioner-driven innovation in education. An innovation or R&D pool would allow districts to collect innovation, technology, or professional

development funds across the district to support concentrated investments in the testing, design, and implementation of high-potential models at individual schools. These schools would serve as R&D laboratories, generating models and lessons that other schools in the district could replicate at lower costs. As a condition of receiving funding, they would agree to share lessons learned with other schools, and open their buildings to other schools and districts that want to learn. To create these pools, districts could either allocate a certain percentage from their overall budget or raise money from private funds or special grants.

Another option is a revolving loan fund, from which districts or schools could borrow at zero or low interest to finance one-time investment or start-up costs. Districts or schools would pay the loan back over a number of years, enabling them to spread the costs of up-front investments over multiple budget cycles. Many states currently utilize revolving loan funds to finance construction or renovation of school facilities, or to provide start-up capital for charter schools. Compared with traditional fixed loans, revolving credit offers a lower interest rate and greater flexibility for schools to adjust the loan amount after approval. This flexibility may be helpful for schools piloting new innovative models, since they often need to make real-time budget changes depending on model or product effectiveness.

Illinois established its School Technology Revolving Loan Program in 1999 to fund technology for classroom instruction. In 2014, 22 districts received loans ranging from $30,000 to $400,000. One recipient, River Trails School District, near Chicago, plans to use the loan to improve wireless infrastructure, purchase Chromebooks for student use, and provide educators with professional development.

IMPLEMENTATION CONSIDERATIONS

Districts with an innovation or R&D pool will need to create a process for distributing funds to individual schools. They may wish to create an application process whereby schools provide their rationale for piloting a new model, their plan for developing and implementing the model, and the estimated costs. Schools must also be able to discuss how a new model or product will lead to improved student outcomes. Districts may wish to limit funding eligibility to schools that have demonstrated a certain level of student performance, leadership continuity, and leadership and staff capacity, in order to maximize chances for success.

Policymakers seeking to establish a revolving loan program will need to determine how to structure and oversee such a program. The revolving loan fund may operate as a program within the state department of education (in Illinois, for instance, the State Board of Education operates the School Technology Revolving Loan Program), or the state may decide to provide start-up capital

to a nonprofit organization to distribute and oversee loans (see Play No. 4).

Policymakers must also decide who will be eligible for loans. They may want to open up a revolving loan program to all districts, or they may want to focus on applicants that meet certain criteria, such as a history of serving a substantial percentage of high-needs students, a strong track record of improving student outcomes, or plans to use loans to invest in state-approved models or providers with strong evidence of success (see Play No. 2). States may also want to consider creating an independent advisory board, including financial and personalized learning experts, to vet and approve loans.

In addition, states will need to define the purposes for which funds may be used. Illinois's loan program specifically supports technology hardware and does not allow districts or schools to use funds to support other crucial costs related to personalized learning, such as design consultants, software, and professional development. To maximize the potential impact of loans in supporting innovation, states should consider broadening the purposes for which loan funds may be used.

Policymakers must also consider loans' interest rates and repayment terms. Districts in Illinois that borrow from the School Technology Revolving Loan Program receive a three-year loan with a 2 percent interest rate. Districts make payments twice a year, for a total of six payments. Specific loan terms in other states will likely depend on a state's budget and financial capacity, as well as the needs of local schools and districts. Rather than dictating the terms themselves, states may wish to give the loan fund's leadership the authority to set terms, within parameters established by policy, or to tie the terms to those of other loans or bonds that public entities may access. States could also choose to vary loan terms based on district need and other factors. For example, districts and schools in high-poverty communities might receive a more favorable rate or repayment terms than those in more affluent communities.

LEGISLATION

Illinois, H.B. 2354 (amendments to the School Technology Revolving Loan Program)

RESEARCH AND RESOURCES

Learn more about the **School Technology Revolving Loan Program** in **Illinois** at: http://www.isbe.net/ed-technology/html/revolving_loan.htm

A press release with information on **2014 School Technology Revolving Loan Program recipients** in Illinois can be viewed at: http://www.isbe.state.il.us/news/2014/jan9.htm