



VIRGINIA PUBLIC SCHOOL AUTHORITY EDUCATIONAL TECHNOLOGY GRANTS SURVEY

**TO THE GOVERNOR AND
THE CHAIRMAN OF THE SENATE FINANCE
AND HOUSE APPROPRIATIONS COMMITTEES**

**OFFICE OF TECHNOLOGY AND VIRTUAL LEARNING
DIVISION OF INSTRUCTION
OCTOBER 15, 2015**



COMMONWEALTH of VIRGINIA

Steven R. Staples, Ed.D.
Superintendent of Public Instruction

DEPARTMENT OF EDUCATION
P.O. BOX 2120
Richmond, Virginia 23218-2120
October 15, 2015

Office: (804) 225-2023
Fax: (804) 371-2099

The Honorable Terence R. McAuliffe
Governor of Virginia
Patrick Henry Building, Third Floor
1111 East Broad Street
Richmond, Virginia 23219

The Honorable Walter A. Stosch, Chairman
Senate Finance Committee
Innsbrook Centre
4551 Cox Road, Suite 110
Glen Allen, Virginia 23060-6740

The Honorable S. Chris Jones, Chairman
House Appropriations Committee
P. O. Box 5059
Suffolk, Virginia 23435-0059

Dear Governor McAuliffe, Delegate Jones and Senator Stosch:

I am pleased to submit the Virginia Department of Education's report on a survey to assess the interest of school divisions to lease technology equipment with VPSA grants instead of purchasing the equipment, if such an option was available. This survey was conducted pursuant to Item 136.C.12 (Educational Technology Payments) of the 2015 Appropriation Act.

1. The Department of Education shall survey school divisions in the second year regarding their interest in using the education technology grants for lease expenditures if allowable sources of funding were available for such expenditures. School divisions shall submit responses to the survey by September 1, 2015, and the Department of Education shall provide a summary of the responses to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2015.

If you have questions or require additional information relative to this transmittal, please do not hesitate to contact Mark Saunders at (804) 786-0307, or mark.saunders@doe.virginia.gov.

Sincerely,

Steven R. Staples

SRS/jw
Enclosure

c: The Honorable Anne Holton



CONTENTS

Introduction.....3

Summary of Results4 - 5

Appendix A.....6 - 7

Appendix B.....8 - 19



Introduction

Virginia's Web-based Standards of Learning (SOL) Technology Initiative began in 2000. Its goal is for Web-based systems to improve SOL instructional, remedial, and testing capabilities in high schools, middle schools, and elementary schools. The initiative has four objectives:

1. Provide at least one computer for every five students
2. Create Internet-ready local area network capabilities in every school
3. Assure adequate high-speed, high-bandwidth capabilities for instructional, remedial, and testing needs
4. Establish a statewide Web-based SOL test delivery system

Funding for the initiative is generated by proceeds from the sale of educational technology equipment notes, sold by the Virginia Public School Authority (VPSA).

In 2010, the initiative was expanded to allow school divisions to use funds to purchase handheld multifunctional computing devices that support a broad range of applications and that are controlled by operating systems providing full multimedia support and mobile Internet connectivity. School divisions that elected to use funds to purchase such qualifying handheld devices were required to continue meeting the SOL online testing requirements.

In the 2015 Appropriation Act Item 136.C.12, the 2015 General Assembly directed the Department of Education to conduct a survey in fiscal year 2016 to assess the interest of school divisions to lease technology equipment with VPSA grants instead of purchasing the equipment, if such an option was available, as follows:

1. The Department of Education shall survey school divisions in the second year regarding their interest in using the education technology grants for lease expenditures if allowable sources of funding were available for such expenditures. School divisions shall submit responses to the survey by September 1, 2015, and the Department of Education shall provide a summary of the responses to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by October 15, 2015.

In accordance with the legislative directive, an online survey was conducted from July 17 to September 1, 2015. The survey was announced on July 17 with Superintendent's Memo #175-15 (see Appendix A). There were a total of 64 respondents to the survey. This report provides a summary of the survey results. See Appendix B for the survey items. See Appendix C for complete responses, bar graphs, and comments provided by survey respondents.



Summary of Results

Potential advantages of a lease agreement

Survey respondents were asked to select various potential advantages of having lease agreements. A majority believed that one of the best advantages was being able to spread costs over a period of time. Two other perceived advantages were that a division was not locked into purchasing devices which become obsolete very quickly and that it was helpful to include software, service, maintenance and other costs in a lease for predictable costs. Comments noted that being able to purchase a large number of the same version of devices for less upfront cost would:

1. facilitate more regular rotation of equipment;
2. support the use of digital materials in division-wide programs where each student has access to a device for educational use (often called a one-to-one program); and
3. ease demands on technical services within the schools, since the same version of any particular device would be widespread, rather than various versions purchased over several years.

Another practical advantage was that schools would not need to worry about disposal of equipment, since it is lessor responsibility.

Potential disadvantages of a lease agreement

In identifying the disadvantages, respondents noted that having the option to lease would not require divisions to do so and that divisions who found lease terms untenable would not pursue them. The vast majority were mainly concerned that budget cuts might lead to funds no longer being appropriated by the General Assembly for technology purchases, leading to problems for schools that did not own the equipment. Other disadvantages were related to specific terms of a lease; to name two: the inability to cancel a lease and having a very long-term lease. In the comments, it was noted that leases may be higher in the long run than purchasing and that changing from one-time purchasing events to ongoing commitment of funds might overextend the division.

Technology equipment or services included in a lease

The majority of the respondents felt that equipment (including printers and copiers) should be included in the lease agreement, along with repairs and replacements. Just slightly over half thought software should be included, while less than half wished to include installation services. Other items that were suggested by respondents were storage devices, servers and networking equipment and a battery refresh after three years.



Local school board policy allowance for long-term lease agreements

Of the 64 responses, 69 percent noted that their school board policies allowed long-term (more than three years) lease agreements, while 31 percent indicated their policies did not. One important comment brought up a legal issue:

“We use CIP (Capital Improvement Program) to purchase most of our hardware beyond VPSA. In a sense, bond funding is like mortgage funding...so in past conversations, we have questioned whether a lease is possible within a bond.”

Length of lease term

When asked which length of lease term would be of interest, 37 out of the 64 respondents chose three years. In the comments section, 10 respondents noted that they would like four- and maybe five-year leases. Seven indicated that they would not be at all interested in leasing.

Leasing options of interest to you

Respondents identified several highly valuable leasing options, including service and maintenance agreements, locked in interest rates, early termination clauses, and a buyout option at the end of the lease. Less interest was shown in insurance required by the lessee to include loss of equipment.

Type of lease

Of the 64 respondents, 44 were interested in the commercial-type leasing, and 41 were interested in the tax-exempt municipal lease-to-own financing type. Comments were related to the two options and did not suggest any other types.

In summary, a majority of respondents indicated interest in the possibility of leasing as one option when purchasing equipment and associated technology services.



Appendix A

Superintendent's Memo #175-15



COMMONWEALTH of VIRGINIA
Department of Education

July 17, 2015

TO: Division Superintendents

FROM: Steven R. Staples, Superintendent of Public Instruction

SUBJECT: Survey of School Divisions' Interest in Leasing Technology Equipment

A reporting requirement approved by the 2015 General Assembly directs the Department of Education to conduct a survey to assess the interest of school divisions to lease technology equipment with funds generated from notes issued by the Virginia Public School Authority instead of purchasing the equipment, if such an option was available.

In accordance with this legislative directive, the Department of Education requests that school divisions complete the brief survey located at <https://www.surveymonkey.com/r/G2SRBXH> by Tuesday, September 1, 2015.

Questions regarding the survey should be directed to Mark Saunders, director of technology and virtual learning, at mark.saunders@doe.virginia.gov or (804) 786-0307.

SRS/ms



Appendix B

Survey of School Divisions' Interest in Leasing Technology Equipment with Funds Generated from Notes Issued by the Virginia Public School Authority

Legislation approved by the 2000 General Assembly provides funds to local school divisions for the purchase of equipment used to reach the goal of: (1) a 5-to-1 student to computer ratio; (2) an Internet-ready local area network (LAN) capability; and (3) high-speed access to the Internet. The funds may also be used to purchase handheld multifunctional computing devices. School divisions that elect to use these grant funds to purchase such qualifying handheld devices must continue to meet the online testing requirements. Funds are also available to qualifying schools for the purchase of laptop or tablet computer devices for ninth-grade students reported in fall membership and content creation packages for teachers. The funds are generated from the sale of educational technology notes issued by the Virginia Public School Authority (VPSA).

As required by the 2015 General Assembly, the Department of Education is conducting this survey to assess the interest of school divisions in leasing technology equipment with funds generated from the educational technology notes issued by the VPSA instead of purchasing the equipment, if such an option was available. School divisions should respond by September 1, 2015, and the Department of Education will provide a summary of the survey responses to the Governor and the Chairmen of the Senate Finance and House Appropriations Committees by October 15, 2015.

Please respond to the following survey items:

1. Potential advantages of a lease agreement:
 - School division is not locked into purchasing devices that will be obsolete soon
 - Spreads costs over time
 - Ability to include software, service, maintenance, and other costs into lease costs
 - Possible low interest rates
 - Others (please explain)
2. Potential disadvantages of a lease agreement:
 - Funds unavailable to pay leases in future years (i.e., budget cuts lead to funds no longer appropriated by the General Assembly for the educational technology grant program or by a local school board for lease payments)
 - Absence of “funding clause” (a clause that cancels or provides an opportunity to cancel a lease)



- Long-term leases during which time the equipment may become obsolete
 - Locked in for a period of time regardless of use
 - Other (please explain)
3. What technology equipment or services should be included in a lease?
 - Hardware (local printers, copiers, etc.)
 - Software
 - Installation services
 - Repairs/replacement
 - Other services (please explain)
 4. Does your local school board policy allow for long-term (more than 3 years) lease agreements?
 - Please explain
 5. What length of lease term would be of interest to you?
 - 1 year
 - 2 years
 - 3 years
 - Not interested in leasing
 - Other (please explain)
 6. What leasing options would interest you?
 - Service/maintenance details (breakage and replacement)
 - Buyout option at end of lease
 - Insurance required by lessee (including loss of equipment)
 - Early termination
 - Locked in interest rate
 - Others (please explain)
 7. Which type of lease would interest you?
 - Commercial-type leasing: The company owns the equipment; lessor makes monthly payments and returns or purchases the equipment at the end of the lease period.
 - Tax-exempt municipal lease-to-own financing: Ownership passes to the school division upon delivery. The interest rates are based on the municipal rates for which a school division may be eligible. Municipal lease contracts may contain “nonappropriation of funds” language. The tax-exempt financing may mean that if funds aren’t available for any legal reason, the lease can be terminated after that budget year and the equipment returned.
 - Other (please explain)
 8. Additional Comments:



Appendix C: Complete Responses to Survey

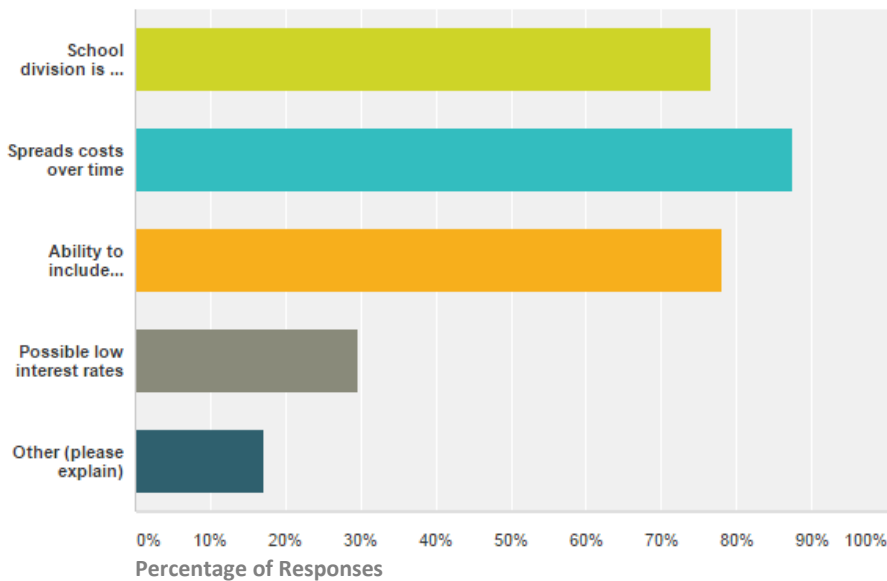
Survey Item #1:

Potential advantages of a lease agreement: (check all that apply)

- School division is not locked into purchasing devices that will be obsolete soon (49 agreed)
- Spreads costs over time (56 agreed)
- Ability to include software, service, maintenance, and other costs into lease costs (50 agreed)
- Possible low interest rates (19 agreed)

Potential advantages of a lease agreement: (check all that apply)

Answered: 64 Skipped: 0



Other (11 responses)

- Division would always have the most current technology.
- Allows for more routine refreshes of tablet devices that have a shorter life cycle (both hardware and software) than traditional desktops or laptops.
- Enables school divisions to refresh equipment in timely cycles.



- Reduced repair cost.
- The ability to lease gives school divisions more capability to reach a 1:1 because of the cheaper upfront cost of the equipment.
- The use of the VPSA tech notes to pay for annual lease payments of laptops creates a sustainable funding source for leased technology. The majority of our textbooks are now digital and tied to the use of technology which must be funded annually.
- Lease agreements would allow us to spread the cost over time and then have a low dollar buy-out at the end of lease.
- Lessor becomes responsible for disposing of equipment at end of lease.
- It would make it easier to manage computer images. If you could lease computers, all the computers would have the same internal components which allows for fewer images and quicker downtime for repair. Right now, you'd have to wait a year to purchase the same computer but it would have different components that would require a separate image.
- Provides school division the ability to maintain a regular rotation plan.
- Usually there is an option to purchase the device at the end of the lease for \$1. If the devices prove durable and useful, this is a great option.

Survey Item #2:

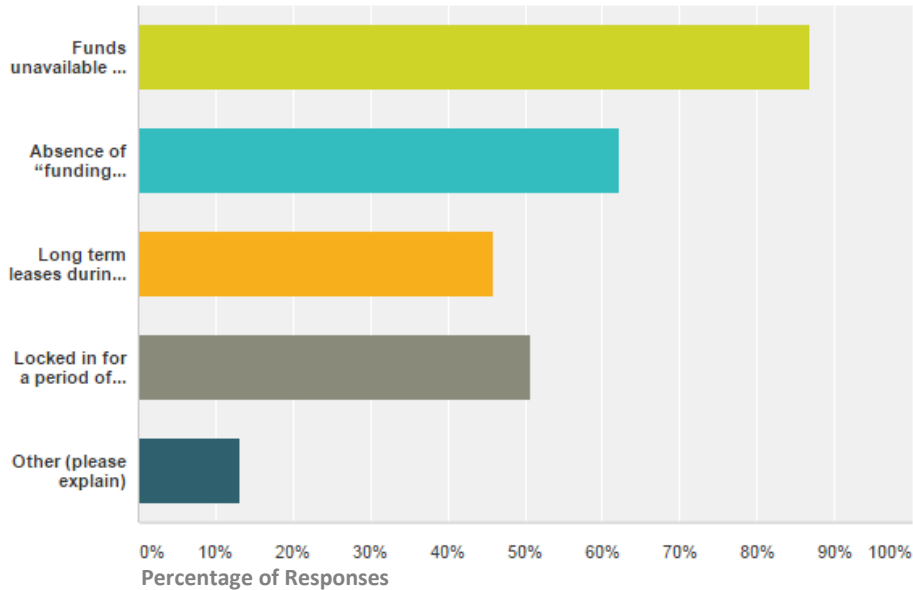
Potential disadvantages of a lease agreement: (check all that apply)

- Funds unavailable to pay leases in future years (i.e., budgets cuts lead to funds no longer appropriated by the General Assembly for the educational technology grant program or by a local school board for lease payments) (53 agreed)
- Absence of “funding clause” (a clause that cancels or provides an opportunity to cancel a lease) (38 agreed)
- Long term leases during which time the equipment may become obsolete (28 agreed)
- Locked in for a period of time regardless of use (31 agreed)



Potential disadvantages of a lease agreement: (check all that apply)

Answered: 61 Skipped: 3



Other (8 responses)

- Keeping track of leased equipment could be a difficult task. We keep computers for about 10 years with upgrades to machines. These have an upfront cost of about \$700. This would average out to about \$6/month. Would this be comparable to the lifetime costs of leasing?
- The cost seems higher over the same period of time for the same number of devices versus purchasing.
- If in the future it was decided to void this ability, what would school divisions do if they are in the middle of a lease?
- Cuts in future funding hurt school districts regardless of source. Advantages exceed disadvantages.
- Creating an ongoing commitment of funds that have traditionally been one-time type of expenditures can lead to overextending the entity.
- Total cost of ownership is likely to be more.
- We do not see any disadvantages. If there are, then don't lease.
- Is a lease really less expensive for the LEA?



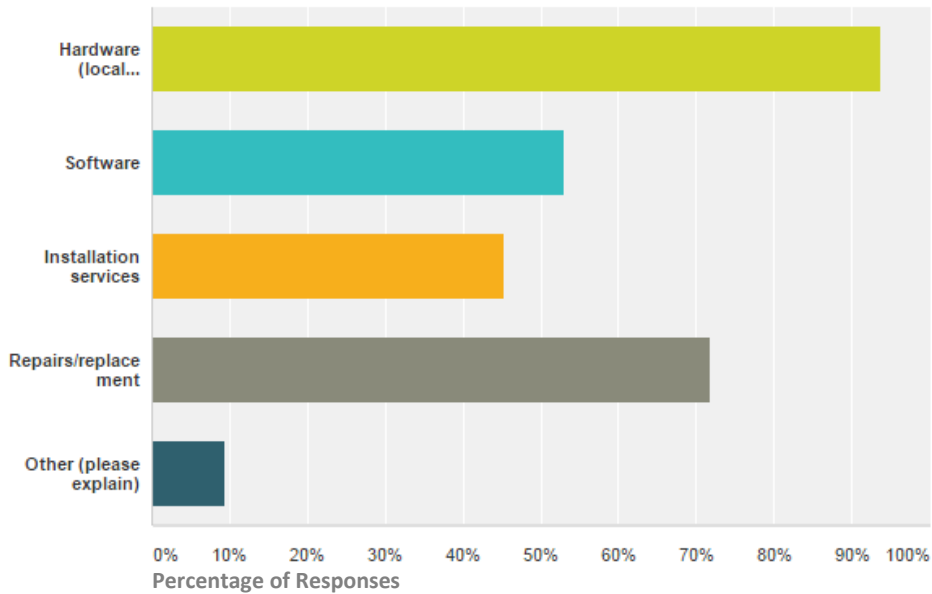
Survey Item #3:

What technology equipment or services should be included in a lease? (check all that apply)

- Hardware (local printers, copiers, etc.) (60 agreed)
- Software (34 agreed)
- Installation services (29 agreed)
- Repairs/replacement (46 agreed)

What technology equipment or services should be included in a lease? (check all that apply)

Answered: 64 Skipped: 0



Other (6 responses)

- Not interested.
- Items included should be determined as driven by the needs of the division.
- Storage, Servers, and Networking Equipment.
- Operating System software.
- Battery refresh clause after 3 years, and maybe depot repairs.



- Chromebooks, Windows Laptops, etc.

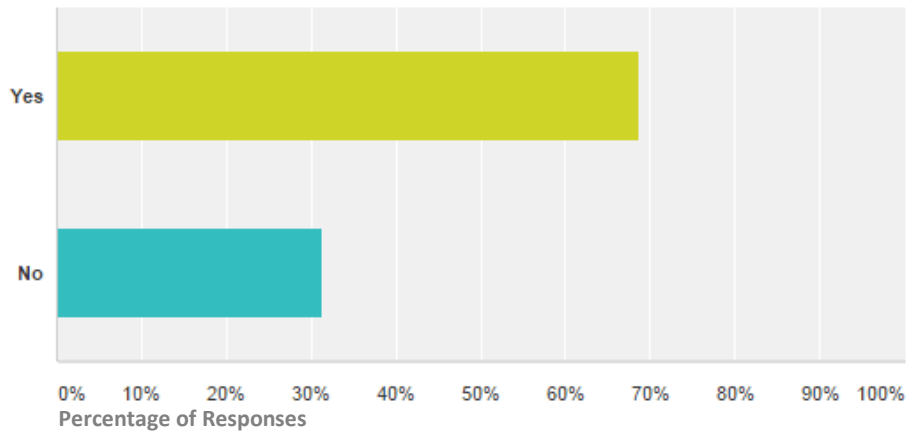
Survey Item #4:

Does your local school board policy allow for long-term (more than 3 years) lease agreements?

- Yes (44)
- No (20)

Does your local school board policy allow for long-term (more than 3 years) lease agreements?

Answered: 64 Skipped: 0



Comments (19 responses)

- I would have to verify with the board how long that a lease can be.
- Multi-year lease agreements are not currently addressed in SPS local school board policy.
- 4+ year leases for laptop hardware for elementary and secondary schools.
- No policy regarding this as far as I can tell.
- In order to lease, school board is presented with options and they vote on their opinions.
- Sorry I cannot explain, but as far as I know, we can have a lease agreement as long as we want.



- We have done 3 and 4 year leases.
- Our board allows for a four-year lease program.
- Not sure on this.
- With a non-appropriation clause.
- Current practice does not allow us to take on debt for future fiscal years.
- Not specified.
- Not specifically in policy, but heavily avoided.
- I'm not aware of any specific policy but we did do a 5 year lease to own for our phone system and switching network.
- There is no language in school board policy prohibiting leases or specifying terms.
- Actually they will allow it, but only under certain circumstances. They always prefer not to do a lease.
- We currently are leasing computers for a 4 year term.
- Not a policy, per se, but the Board is certainly free to vote for or against a recommendation (contract) based on the merits of the contract at any duly convened meeting of the Board.
- We use CIP (Capital Improvement Program) to purchase most of our hardware beyond VPSA. In a sense, bond funding is like mortgage funding...so in past conversations, we have questioned whether a lease is possible within a bond.

Survey Item #5:

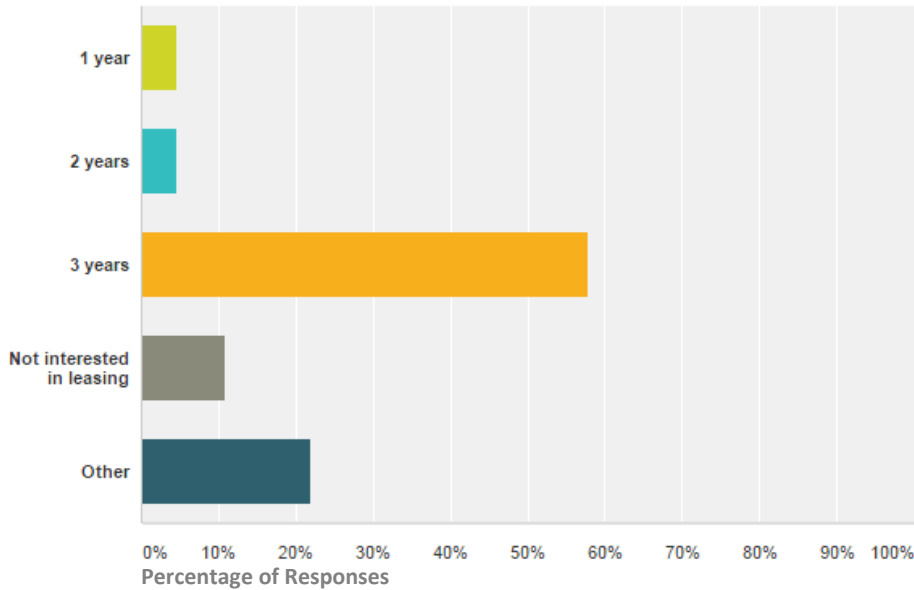
What length of lease term would be of interest to you? (Select only one choice)

- 1 year (3 agreed)
- 2 years (3 agreed)
- 3 years (37 agreed)
- Not interested in leasing (7 agreed)



What length of lease term would be of interest to you? (Select only one choice)

Answered: 64 Skipped: 0



Other (14 responses)

- no longer than 5 years.
- 3 or 4 year lease terms depending on the technology.
- 4 years - aligns with expected life of laptop computer.
- 3 or 4 years.
- Up to 5 years
- It would depend on the equipment.
- 4.
- 4 years would be reasonable.
- I think the term should be negotiated between the school system and the vendor.
- 4 or 5 years.
- 3-4 year term depending upon cost of device.
- 5 years for noncomputer equipment (copiers, printers).

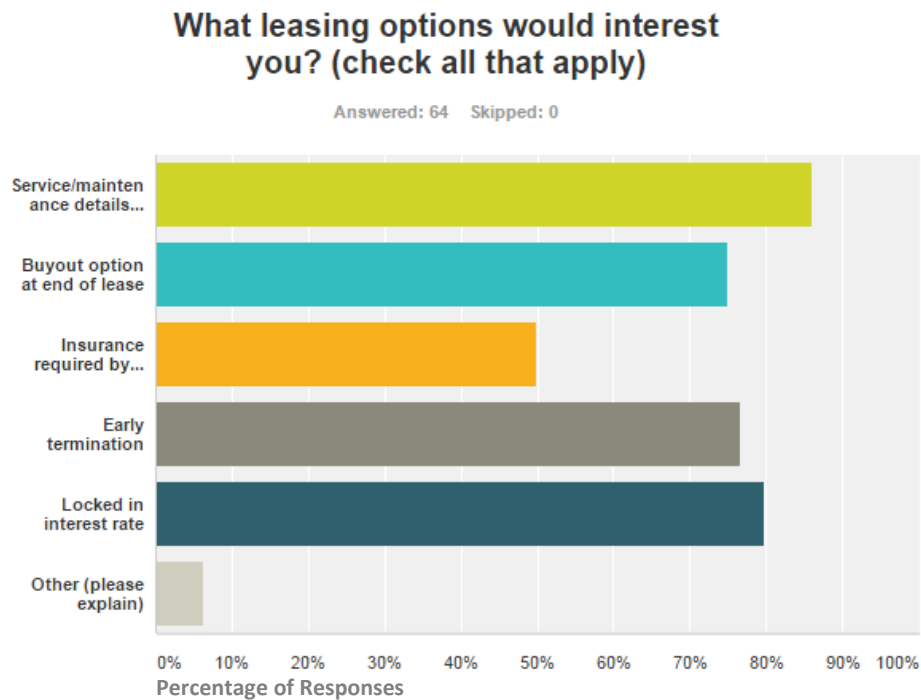


- 4 years to match a rotation plan.
- 3 or 4 years, depending on the device

Survey Item #6:

What leasing options would interest you? (check all that apply)

- Service/maintenance details (breakage and replacement) (55 agreed)
- Buyout option at end of lease (48 agreed)
- Insurance required by lessee (including loss of equipment) (32 agreed)
- Early termination (49 agreed)
- Locked in interest rate (51 agreed)



Other (4 responses)

- Option to extend lease terms for additional years.
- Not really interested after comparing costs.
- Early termination clause dependent upon State funding.



- Not interested.

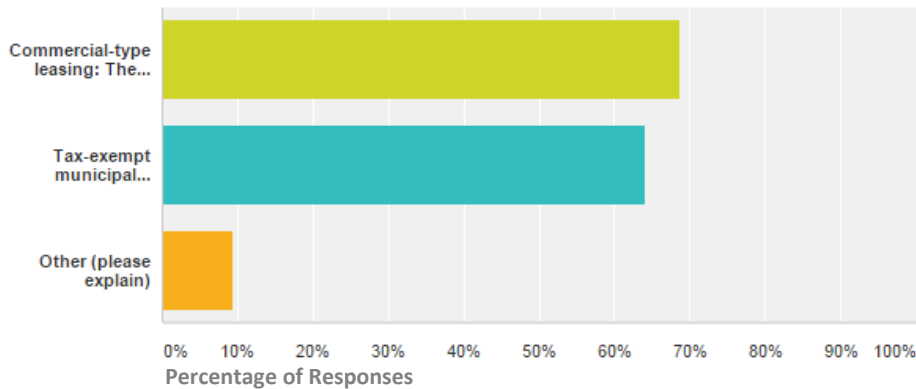
Survey Item #7:

Which type of lease would interest you? (check all that apply)

- Commercial-type leasing: The company owns the equipment; lessor makes monthly payments and returns or purchases the equipment at the end of the lease period. (44 agreed)
- Tax-exempt municipal lease-to-own financing: Ownership passes to the school division upon delivery. The interest rates are based on the municipal rates for which a school division may be eligible. Municipal lease contracts may contain “nonappropriation of funds” language. The tax-exempt financing may mean that if funds aren’t available for any legal reason, the lease can be terminated after that budget year and the equipment returned. (41 agreed)

Which type of lease would interest you?
(check all that apply)

Answered: 64 Skipped: 0



Other (6 responses)

- This would be great for a SAN or network equipment that generally has a longer life cycle of 5 - 15 years.
- Ability to look at all lease types.
- Not interested.
- Both.



- The first choice references "monthly payments" quarterly, semiannually, or annually should also be options.
- I would like to learn about leasing of all types.

General Comments:

- Lease options could be good and save money in the long term - anything that we have that would typically be updated every three years. Leasing with an option to buy would be nice if funding was eliminated.
- Core network and server software annual maintenance and support contracts that are covered by VPSA funds would be VERY beneficial.
- Leasing creates ongoing costs. Most districts try to keep a balance between one-time costs and ongoing costs. With one-time costs for purchases districts have some avenue to which they can turn should funds not be available and cuts have to be made. If more costs become ongoing or recurring it becomes difficult to find places where cuts can be made. It is almost like being tied up with a loan shark with no way out.
- Financial reporting - given that the constitution of Virginia does not allow school divisions to carry debt.
- HP figured a sample lease for us and the cost would be roughly double for the same number of devices over the same number of years. Just not cost effective for us.
- Leasing is a great option to have, although in my opinion I would let school divisions have the option to purchase or lease.
- So far I have not seen real cost savings with leasing, would like to see vendors offer incentives for leases via overall cost reduction for large scale programs.
- As long as our current level of funding is maintained, I would support this. But if VPSA funding for Technology is going to be decreased by going to leases, then I am not interested.
- Would consider leasing as a business option only. Not one or the other.
- We typically keep equipment so long, leasing is not cost effective.
- Thanks for the opportunity.



- We are hoping to explore something similar for staff systems.
- Leasing equipment is only a short-term bridge while budgets are built to provide total cost of ownership without the additional finance charges. Since interest is already being paid on VSPA funds, it seems inadvisable to lease equipment under this program. The prospect of taking out a “second mortgage” on equipment that has a life expectancy of three to five years does not make good sense for Virginia tax payers.
- I think this flexibility with VPSA funds will greatly help divisions planning 1:1 device deployments.
- We would be interested in a lease not a financing option so that we can refresh the technology with new technology at the end of the three to five year period. Otherwise we are just financing the equipment and stuck with the old equipment at the end.
- It is essential that VPSA Funds be eligible for use.