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S&P: No More Pencils, No More Books - Technology Has Mixed Financial Implications for U.S. Public Schools.

The growing integration of technology into U.S. classrooms, along with related innovations in instruction and assessment, is changing the way students learn and bringing both financial opportunities and challenges to U.S. public schools. To prepare students to become part of the new knowledge-based global workforce, schools, along with state and federal officials, are increasingly emphasizing the use of information technology — and are doing so earlier and earlier in the K-12 curriculum. While schools aim to harness technology to facilitate learning and operate more efficiently, incorporating technology can also make the already-complicated school funding arena even more complex.

Standard & Poor's Ratings Services believes alternative teaching methods and technology integration can have both positive and negative implications for U.S. public school credit quality. Using state-of-the-art technology or offering a virtual learning program can give a district a competitive advantage for students, resulting in increased enrollment-based aid. On the other hand, financing the cost of using physical technology — through operational funds, grants, or debt issuance — can be a challenge, whether the funds are for one-to-one computing devices or improvements to school facility infrastructure. The rapid pace of development, depreciation, and obsolescence of high-tech devices and supporting infrastructure may make it more difficult to project the expected life of assets and to structure debt financing accordingly. And by committing to new technology in the classroom, schools assume the risk that the ongoing cost of operating and maintaining new devices, and training staff to use them, will outstrip any gains associated with increased enrollment. Available funding sources and competition can vary widely across the states, but in most cases, state-level funding for technology adoption has been minimal relative to total education funding, and primarily geared toward one-time equipment acquisition and staff development costs.

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