

How School Districts Can Save (Billions) On Edtech

Key Takeaways:

- *Potential savings for school districts: at least \$3 billion (out of an estimated \$13.2 billion spent on edtech each year)*
- *Price variation for all products/services comes from the negotiation power of the school district, not the product or size of school district*
- *In addition to lack of price transparency, the plethora of options both in terms of software content and various bundles available for the same hardware product, add to the complexities of price equity.*
- *Random discounts are often applied by the vendor to the total cost of licenses which keeps actual price paid per user or device unclear.*

The Problem

For years, school districts have been unable to benefit from the buying experiences of their peers; this includes discounts negotiated, implementation issues encountered, and services deficiencies identified. As a result, some districts get great deals while others don't do as well - even when they are buying the same product and similar quantities.

School districts are investing increasing amount of their limited resources on edtech. In 2015, total K-12 edtech spend in the U.S. was [\\$13.2 billion](#): \$4.9 billion spend on hardware (tablet, laptop & desktop computers), and \$8.38 billion spend on instructional and non-instructional software content.

\$13.2 billion on education technology is a big sum; it's just a little short of the \$14.9 billion spend on [Title I grants for disadvantaged children](#), the second largest education program after Pell Grants, and ten times more than the \$1.65 billion approved for the [Title IVa block grant](#), which is the funding dedicated to edtech in Every Student Succeeds Act (ESSA). With a significant amount of money spend on edtech, districts need to be smarter than ever about the deals that they are getting and their choice of tech product and services. However, lack of price transparency around pricing makes it harder for districts to find the "best deals" and ultimately results in a lot of money misspend.

The Technology for Education Consortium has conducted a comprehensive pricing study, analyzing pricing data from TEC members (currently 130 school districts around the country, representing 3.8 million K-12 students and a \$412 million cumulative expenditure on edtech.

Snapshot of TEC District Member Edtech Expenditure

District Profile	Annual Per Student Edtech Spend	Annual Total Edtech Budget
Charter school in the Northeast (Less than 500 students)	\$40	\$20K
School district on the West Coast (1,000-3,000 students)	\$350	\$1.4 million
Midwest (8,000-1,500 students)	\$192	\$200K
Large school district in the Northeast (300,000+ students)	\$72	\$75 million
Large school district in the Southeast t (50,000-100,000 students)	\$174	\$15 million

Findings

Our data reveals a striking degree of price differentiation that permeates the edtech purchasing process. The difference between highest and the lowest price districts pay for the same product, is between 20-40%. That said, districts could save at least 20% on their current purchases if they had access to price information from other districts. That is close to \$3 billion out of \$13.2 billion that could have been spent on alternative programs or resources to support efficient integration of technology into the classrooms.

Where are districts losing money?

Hardware

The estimate on potential edtech savings originate from TEC’s initial survey of iPad and Chromebook prices. These two devices dominate the K-12 hardware market. In 2015, the two devices account for most of the [\\$4.9 billion national total spend on hardware in 2015](#).

Based on our savings estimate, if all districts had negotiated for or received the lowest price we saw from vendors in 2015, they could have saved \$1 billion on their hardware purchases.

Districts can save up to \$500 million on iPads.

The uniform hardware and software features in iPads allows for an ‘Apples to Apples’ type of comparison in terms of pricing. When compared in terms of pricing, districts pay up to \$115 more for the same iPad bought by the next school district. Just between April and June 2015, schools purchased [1.1 million iPads](#). Based on our findings, the per unit price difference varied between \$112-\$115 for popular iPad models in 2015 (e.g. iPad Air 2 16GB and 64GB). If districts saved \$112 per unit price difference, that would equal to around \$500 million saved in iPad purchases.

iPad Air 2 16GB Wi-Fi Low-High Price Across Districts:

iPad Model and Package	Low-High Price Paid by School Districts	Apple Education List Price (“sticker price”)
16 GB	\$367 - \$596	\$379
64 GB	\$464 - \$579	\$479
16GB 10-pack (without AppleCare +)	\$3,621 - \$3,740	\$3,740
16GB 10-pack (w/ 2 year AppleCare+)	\$4,386 - \$4,530	\$4,530
16GB 10-pack (w/3 year AppleCare+)	\$4,730 - \$5,730	\$4,730

School District Prices for iPads



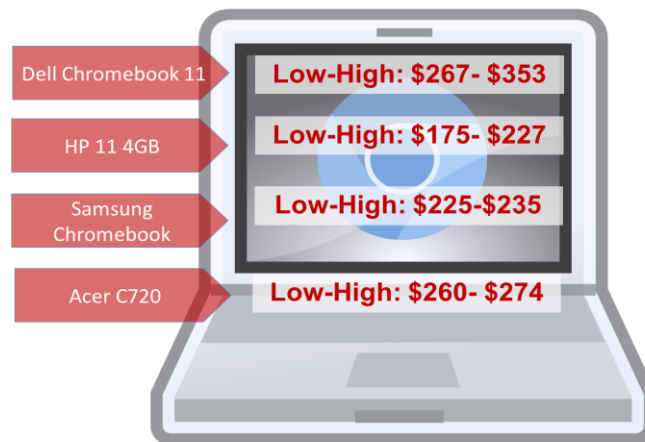
(Prices for iPad Air 2 16 GB Wi-Fi)

Potential for savings up to \$500 million on Chromebooks

Chromebooks have price variation like that of iPads, in which district negotiation power is the main variable in the final price. For Chromebooks, price differentiation is driven by warranty terms and management software bundled with the device. Our data shows an abundance of Chromebook models offered to districts, many with nearly identical device components. As new models are introduced at high prices, the prices for existing models continue to fall rapidly. The price for HP 11GB was \$188 in March and had decreased to \$175 by November 2016.

Nevertheless, across the top five most popular Chromebook models within our data, we found districts paying up to \$90 more for identical bundles of device and service. This is a significant price difference given the popularity of Chromebooks. In 2015, [10.5 million units of Chromebooks](#) were purchased by school districts. If all districts had paid the lowest cost we saw vendors charge districts, they would have collectively saved an estimated \$500 million on Chromebook purchases in 2015.

Chromebook Price Comparison



All prices include at least 1 Year Warranty & Chromebook Device Management Console

Software

Potential \$1.7 billion in savings on software purchases (including apps)

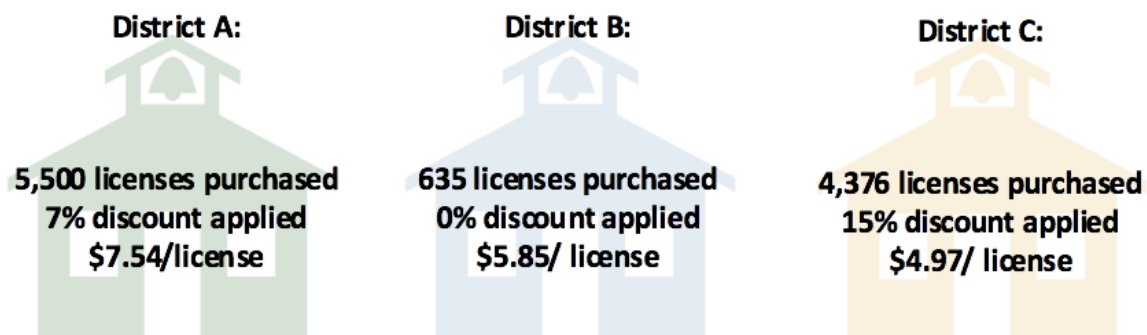
TEC surveyed 95 districts about their paid-for app choices and found 360 unique apps being used. The plethora of software options makes it difficult for districts to compare prices and negotiate with vendors, which is worrisome because school districts spend more on software content than on hardware. In 2015, total expenditure on instructional and non-instructional software content was [\\$8.3 billion](#). **We looked at the pricing for the most frequently-purchased products by districts and saw a 20% variation on prices charged to school districts. That 20% variation amounts to almost \$1.7 billion of the estimated \$8.3 billion software expenditure in 2015 that could have been utilized for alternative technology resources.**

As we see from our data, price differences in software are mostly driven by random discounts added to district contracts. “Random” because license terms are often undisclosed and there is no apparent relation between quantity of licenses purchased and the actual price paid by districts, further underscoring the importance of district negotiation power.

We see the same discounting method in several of the most popular software products, including Renaissance Learning, Imagine Learning and Read 180.

Accelerated Reader 360 by Renaissance Learning provides reading practice to more than 30,000 schools nationwide, and is one of the most heavily researched education programs available. For instance, three districts that bought 1-year Accelerated Reader license within the same month paid up to \$2.57 more on per student license. The base price for Accelerated Reader is

\$6.20, however, after random discounts applied to the total invoice, the per student license varies from \$4.97 to \$7.54. That is a 34% difference in per user license price.



The same thing happens with Imagine Learning licenses. Imagine Learning is used in all 10 largest U.S. school districts and delivers language and literacy solutions to English language learners, struggling readers, students with disabilities and early childhood education. Three districts that bought 3-year-long Imagine Learning licenses within the same month paid up to \$15 more per license. Again, this equals to 10% price difference per license purchased- a significant amount when hundreds of licenses are bought by districts.

At least \$3 billion in total edtech expenditure can be saved by simple price-sharing practices across school districts.

This is a lot of money particularly for the financially strapped ones that serve high number of low-income students to negotiate better deals by comparison-shopping or direct their resources on alternative programs that support their technology practices.

To put \$3 billion in context, it would be equivalent to the cost of:

- Hiring more than 54,000 new [full-time teacher](#) or [educational technology specialists](#)
- Purchasing close to 18 million new Chromebooks, which is almost four times the amount of [Chromebooks purchased in 2015](#).
- Help with closing a significant portion of the connectivity gap in K-12 schools, including the \$1 billion needed to connect 12% of schools to fiber internet and the \$2.5 billion increase in investment needed in broadband

The Solution

We find that many edtech buyers are unable to address some of the most important questions asked during edtech selection and purchasing, such as:

- *What is the price of an iPad Air 2 for school districts?*
- *Does a large urban east coast district pay the same price as a medium sized rural west coast district for the same iPad model?*
- *What is the most popular Chromebook model and do districts pay the same price for a bundle that includes warranty and management software?*
- *Are school districts with different sizes paying the same for the same software license terms and duration?*

To address this information deficit,

The Technology for Education Consortium (TEC) has been working on this comprehensive edtech pricing study and in January 2017 announced the launch of TEC Data Platform, the first-ever online library of edtech pricing for school districts. TEC's pricing research that has provided the base data for TEC Data Platform allows districts to see the actual price paid by districts for both hardware and software products and to eventually connect with each other for group purchasing. TEC's pricing data is supported by its district members, which currently includes 130 districts, representing 3.8 million K-12 students and approximately \$412 million in edtech spending.



TEC Data Platform will help districts address frequently asked questions and provide the intelligence and decision support that the districts need most. The platform allows districts to:

- Add and compare edtech product pricing and contract data for K-12 school districts;
- Access easy-to-read graphs that provide insight into how other districts are buying and utilizing edtech;
- Learn about how other similarly sized districts are buying edtech;
- Connect with other districts interested in group buying.

About the Technology for Education Consortium (TEC):

The Technology for Education Consortium (TEC) is a non-profit organization whose mission is to bring transparency, efficiency, and collaboration to K-12 schools engaged in evaluating and purchasing edtech products and services. We believe that greater transparency and better information will allow school districts to improve results, reduce costs and support new product development. For more information, visit techedconsortium.org.