UNIT 7:

Generating Income

7

Solving the problem of securing sufficient money to sustain your school's computer system is one of the most important functions of the SPT. This unit will help the SPT develop a plan to raise the funds and generate the income needed to sustain the school's computer system.

How might we use our valuable computer resources to generate revenue to help us maintain and grow our computer system?

Establishing and sustaining your school's computer system can be an expensive commitment. While some or all of the funds needed to buy the computer equipment for your school's system may have come from the Ministry of Education, donor organizations, private companies, or parents, these same sources probably will not provide the funds needed to maintain your system. Since your school may not receive sufficient funds from the government or school fees to operate the school and to sustain your computer system, your school's computers may break down and become too expensive to repair. To prevent this from happening, your school must find additional resources to pay the recurring costs of using your system, of maintaining the school's computers so that they continues to deliver educational benefit, and to grow the system to meet increasing demand from students and teachers.

Where can we get the extra money needed to sustain and grow our computer system?

Solving the problem of securing sufficient money to sustain your school's computer system is one of the most important functions of the SPT. This unit of the Toolkit will help the SPT develop a plan to raise funds and generate the income needed to sustain the school's computer system. As a first step in this process, we suggest that the SPT hold a brainstorming session to list multiple ideas for each of the following fundraising categories.

How should we run our brainstorming session?

Brainstorming as a group can be a very good way to generate solutions for a problem. Successful brainstorming sessions often have the following characteristics:

- They provide clear guidelines for the purpose of the brainstorming session so the ideas generated will help you achieve your objective.

- During the brainstorming activity, all ideas should be written on the board or flip chart without comment or judgment. If people feel their ideas will be judged, they will be reluctant to share them. The goal is to first collect as many ideas as possible. Later, the group can discuss and judge each idea and select those that are best.

- It is okay to ask clarifying questions so everyone understands the idea clearly.

- It is critical to seek out many different ideas since there is no single solution

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to any complex problem. The ultimate goal should be to come up with a set of different activities that together will enable your school to generate sufficient funds to maintain and grow your computer system.

- It is often easier for people to brainstorm in smaller groups. Therefore, you may want to divide the SPT into two or three small groups that go off into different rooms for a specified time to brainstorm. Then, the whole team meets so each small group can present the results of their brainstorming and explain its ideas. Some ideas probably will be common to all teams. This will help the SPT identify ideas with the greatest potential to raise the money needed.

Are there other ways the SPT can generate ideas to raise the money needed to sustain our computer system?

In addition to having the SPT engage in brainstorming about this topic, the SPT may want to consider holding a school-wide contest for fundraising and income-generating ideas. The individuals who submit the best ideas, as judged by the SPT, would receive prizes. Such a contest should be organized by grade level so students of similar ages compete among themselves. The students should be encouraged to talk about the contest with their parents and local business people as part of the process of generating quality ideas. It could also be useful to have students form teams of two to four members to come up with well-developed ideas. Since you want to receive only the best ideas, allow each team or person to submit only one or two.

The SPT should prepare an **Idea Submission Form** outlining the rules of the contest and including a template for each idea so students are required to think through different aspects of their idea carefully. An **Idea Submission Form** template is included in the Annex and on the accompanying CD that you can use to create your own version. Using a specific form also will make it easier for the SPT to judge the different entries.

How are other schools raising money and generating income to sustain their computer systems?

Below are three categories of ways that other schools have used to raise money for their computer systems:

Supplemental and recurrent school fees.

Some schools have established a special computer use fee that all students must pay. While this fee is usually quite small, since all students pay it each semester or year, it can provide a predictable core fund to cover basic operating costs for the computer facility. In one example, a school used this computer use fee to buy fuel for the generator to run the computers. In another case, the fees were used to pay half of the salary of the school's IT technician.

To establish such a fee, it is important for the SPT to meet with the parents to discuss its purpose and how it will be managed and to gather suggestions on how much to charge. It would be important as well to develop a set of rules for this fee to ensure that it is used only for the computer system. Since some families may have great difficulty paying this additional fee, the SPT will want to establish some kind of waiver policy so those who cannot pay are excused from the fee. In one example, the school included in-kind donations as a replacement for cash payments for families that had difficulty paying cash.

Special fundraising events and activities.

Some schools have organized successful

Sample:
Fundraising Idea Submission Form

TEAM INFORMATION

Names of team members:

Karina   John

Neha   Alex

Grade Level or age: 9th grade

TITLE OF YOUR FUNDRAISING IDEA

FUNDRAISING DINNER FOR THE SCHOOL COMMUNITY

SUMMARY DESCRIPTION OF YOUR TEAM'S FUNDRAISING IDEA

We will invite teachers, parents, and other community members to have a dinner (cooked by students) and talent show with music and dancing performed by students. We will ask for community members to donate food and time to help prepare the dinner meal. We will sell tickets to school staff, other students, parents and community members. All ticket proceeds will be 100% revenue to support the school's computer system.

What funds, equipment, people and other resources would be needed to implement your idea?

We will use the school's kitchen to prepare the food. Volunteer adults (parents) will help students to prepare the meal. A team of students will seek donations of rice, meat and vegetables to prepare the meal. Students will volunteer to dance and sing for the talent show. We will also need to set up tables and chairs at the school. We will try to use tables, chairs and dishes that the school has. If this is not enough, we will borrow items we need from community members. We will need to print and sell tickets to the dinner and talent show. We will need to develop advertising posters and post these at the school and around the community to promote the dinner and talent show.

How much money would be needed to plan and implement your idea?

If people donate food and their time, we think it will cost only $500 to produce advertisements, tickets and cover the costs of things that won't be donated.

What equipment and/or materials would be needed to plan and implement your idea?

We will need food, tables, dishes, paper and ink to print posters and tickets, microphones and stereo for student show.

How many people and what skills would be needed to plan and implement your idea?

We will need at least 6 adults to help with preparing the food. We will need 10 students to cook and serve the dinner and clean after the event. We will need 5 students who will be primarily responsible for planning and managing this event. We would need to recruit at least 10 talent acts for the show and a team of 3 judges to judge the talent show.

What other resources and school/community facilities would be needed to implement your idea?

We will use the school's kitchen to prepare the food, and also the school's sports field to set up the tables and host the talent show event.

How much time would be needed to implement your idea?

We will need one week to prepare a detailed plan for the event. We would need a week to prepare advertisements to promote the event and to recruit students to perform at the talent show. During this week, we will also need to get people and businesses to donate the food for the dinner. We would need a week to sell tickets to the event. During this week students will prepare their dances and songs routines for the talent show. It will take one day to set up and hold the dinner.

Who in the community (staff, students, parents, other community members) would participate in your idea?

Students would help with the talent show, cleaning, cooking and serving food. Teachers will help with advertising and printing tickets. Teachers, parents and other community members will help with donating food and preparing food. Teachers and students will sell tickets for the event. All members of the community are welcome to buy tickets to the dinner and talent show.

How long will this activity last for? <u>The dinner and talent show would last one day.</u>

If successful, could your idea be repeated? Yes

How often? Twice a year

How much total money do you think your idea would generate? $1,000
(show your calculations)

$10/ticket × 100 people = $1,000

How much net revenue do you think your idea would generate? $500
(show your calculations)

$1,000 − $500(cost) = $500   (enough for one new computer)

What level of market demand is there for your idea?

<u>There are many people in the community who support the idea of improving our computer labs. We think that there will be many people interested in buying tickets to this dinner and talent show since it is not very expensive, they will support student's talents, and help buy a new computer for the school.</u>

How did you determine market demand for your idea?

<u>We asked about 50 people in the community if they would be interested in buying tickets to such an event. Of these 50 people, 42 said that they would pay $10 for a ticket to the event. Since there are more than 400 adults in our community, we think that at least 100 would attend this event.</u>

special events for which people buy tickets to attend, with proceeds from ticket sales used to pay for specific needs of the computer system. For example, some schools have organized events to raise funds to buy new computers or to repair several of the school's computers.

To increase the funds that can be raised and reduce the labor and material costs of raising funds, some schools organize annual events to support their computer system. In one case, the school's PTA organized an annual dinner for members of the community, and students (SSTC members) sold tickets to parents and other members of the community. Members of the PTA and local businesses donated food for the dinner so all proceeds from ticket sales went to support the computer system. In another case, a school organized a community dance each quarter. Again, students sold tickets to parents and others to attend. In this case, the school used proceeds from the ticket sales to help cover the cost of Internet access. In a final example, the SSTC in one school organized an annual auction. Families, businesses, and individuals donated items that the SSTC auctioned to people attending the event. Since everyone understood the purpose of the auction, the prices bid on the items were higher than what would normally be the case. Also, some of the items put up for auction were humorous. Other items were useful, such as math tutoring, washing someone's car, a one-time computer service provided by SSTC members, etc. At this school, the annual auction provided funds that were used to buy spare parts and to upgrade the antivirus software.

Selling computer use and training services to members of the community: In many communities, the school has the only computer lab. This scarcity makes this asset valuable and provides schools with the opportunity to use their computer system during non-school hours to generate revenue through access fees. Some schools convert their computer labs into fee-based public access facilities in the evenings and on weekends. The fees charged to community users cover the costs incurred in running the after-school public access facility (electricity, connectivity, maintenance, staffing, etc.) and generate a surplus that is paid into a computer system support fund. Other schools have organized fee-based training programs for community members, local businesses, and neighboring schools. Again, the fees collected from these training programs cover all of the costs to run the program (electricity, connectivity, maintenance, training materials, trainers, etc.) and generate a surplus that is paid into the school's computer support fund. Some schools operate both public access and training programs to optimize the generation of income from their computer facility during non-school hours.

Most schools have little or no experience setting up and running income-generating activities like those described above. Some schools have addressed this issue by working with private companies and entrepreneurs to organize and run such activities. The company or entrepreneur then pays a fixed fee or percentage of gross revenue to use the school's facilities. This approach reduces the management burden to organize and operate the activities and guarantees a specific amount of revenue.

Experience shows that when schools use their computer facilities to generate revenue during non-school hours, they become much more serious about maintaining their computer system since customers will not pay to use computers that do not work. As a

result, using school computers to generate revenue can create a powerful incentive to keep the computer system operating well, maintain an Internet connection, and grow the system to meet the needs of the school and attract more customers.

Are there any really important things we should keep in mind as we explore using our computer system to generate income?
YES! There are several very important factors your SPT should keep in mind when you explore using your school's computer facilities to raise money. The following are a few things schools in different countries have found important:

Transparency and Accountability: Raising money from the use of public school resources to support schools and school assets is a very delicate matter. It is therefore critical that the SPT and the school's leadership make sure all discussions about fundraising ideas; all plans for specific activities; all policies guiding these activities; and all records of costs, income, and surpluses be publicly available to the entire school community. Once members of the community start to suspect that something might not be right with how money is being raised, managed, or spent, even if there is nothing wrong, the school will quickly lose public support and the ability generate needed funds.

The best SPTs do not just have an open door policy; they actively share information with teachers, students, parents, and others. This goes beyond simply encouraging people to attend meetings and includes publicly posting the accounts from a fundraising activity, showing everyone what it costs to run the school's computer facility, and reporting quarterly to the community how funds that were raised have been spent. An

example of this proactive sharing of financial information is provided in the testimonial at the start of the Toolkit by Mr. Arman, the Principal of SMAN 1 Buay Bahuga Public School in Southern Sumatra, Indonesia. In addition to preventing people from suspecting wrongdoing, a high level of transparency can encourage greater community participation in fundraising efforts.

Diversify: The most successful fundraising efforts include multiple types of activities. It is not wise to "put all your eggs in one basket." If you decide to implement only one idea, if that idea does not work, you will have nothing to fall back on. Also, it is better to generate small but dependable levels of income from multiple sources that add up to meet your needs, than to risk not securing sufficient income from only one or two sources. Experience shows that multiple activities and events involve a broader spectrum of people in the school and the community, creates a larger group of stakeholders who have an interest in sustaining the school's computer facility. This will increase your chances of success and contribute to a stronger school.

Enable Broad Participation: Successful fundraising efforts are time-consuming and depend on a variety of skills. If only a few participants in the school are responsible for organizing and running fundraising events, these events probably will be less successful. Actively involving a broad array of people from the school and the surrounding community, and giving these people substantive responsibility for planning, organizing, and running the events, will lessen the burden placed on just a few key people and result in greater success in the short and long term.

THINGS TO KEEP IN MIND
WHEN FUND RAISING:

*Transparency
+
Accountability*

Diversify

Innovate

*Broad
Participation*

Innovate: Just because the idea has never been tried before in your school or the community does not mean that it will not work. For example, the school mentioned earlier that held a dance for parents and other adults in the community had never done it before. The people involved were very nervous about spending time and scarce resources on organizing and promoting the event. One staff member believed in the potential of holding a dance and took the lead. The dance proved to be a great success, and the school raised enough money to pay for its Internet access for the year. Parents and others had a wonderful time and were very pleased to pay the higher-than-usual ticket price to attend the dance so the school could raise the money it needed. As a result, the dance became a regular event and now raises more money than it first did. The SPT should consider all ideas, carefully, test the most promising, and think beyond the conventional.

How can we decide which revenue-generating strategies to implement at our school?

Brainstorming to come up with a wide variety of ideas to generate the needed income to sustain and grow your computer system is only part of the process of creating financial sustainability. The SPT will have to sort through different ideas to determine which have the greatest potential for success; which might generate the greatest net revenue; and which the staff, students, and community members would be able to implement within the school's context. It is important to keep in mind that all fund-raising activities require significant amounts of time and effort from multiple people, and that all the people who need to be involved are already quite busy. Essentially, not all ideas are created equal. So how do you decide which ideas to invest in and which

Not all ideas are created equal. Select one that best fits your specific needs.

to ignore for the time being? One approach that has proven useful for other schools is to rank the available options.

How can we rank the different options?

One approach to ranking the different options is to create a matrix similar to the one shown on the next page with each option you come up with from your brainstorming session along the left and different ranking criteria along the top. Each member of the SPT would take a copy of the blank ranking sheet and enter scores (such as 1-5) in each of the cells, with "0" when an option is not applicable. Number 1 would be the worst score for the option, and 5 would be the best. After each item is ranked for each criterion, each member adds up the total scores for each fundraising idea and enters this in the total column. When each member is finished with his or her ranking, the team creates an average score from each possible activity and sorts these from highest to lowest. To make this easier, one member of the team could enter the average scores into a spreadsheet such as Microsoft Excel and, if the school has a projector, the results can be projected for all to see.

The Toolkit's CD includes a blank **Fundraising Ideas Ranking Matrix** that can be completed with the SPT's ideas. The suggested criteria for ranking each idea also can be edited to meet the needs of the school. Once the blank matrix is complete, it can be printed and distributed to the members of the team.

Once the sorted rankings are presented, the team can discuss the results and make any adjustments its members feel are appropriate to the relative ranking of each idea. When the team feels the resulting rankings accurately reflect its members' judgment, it can decide which top-ranked ideas the

Sample:
Fundraising Ideas Ranking Matrix

Fundraising Ideas	Community involvement (5=most involved)	Uses ICTs (5=most use)	Net Revenue Potential (5=greatest net revenue)	Recurrent Revenue (5=continuous revenue)	Labor Required (5=lowest labor)	Money Required 5=least investment)	Calendar Dependent (5=no dependence)	Total Scores
Special ICT school fee	4	1	3	1	3	3	5	20
ICT public access facility	3	5	4	4	1	2	3	22
Special event (e.g., auction)	5	3	4	4	1	2	2	21
Fee-based training offered	3	3	1	5	3	2	3	20
Sponsorship program	2	4	4	3	1	2	4	20

school will implement first. It is important to remember that this ranking tool can only help you distinguish among different ideas; the tool cannot make the final decisions for you. In the end, the judgment by the SPT of which ideas are the best is more important than the relative ranking of the ideas.

It is also important to remember that you should seek optimum solutions that have the maximum level of **net revenue** (total income minus costs) and need the lowest level of labor and complexity to implement.

How can we estimate how much net revenue we may earn for each income-earning strategy?

One of the most common mistakes schools make when running income-generating activities is assuming that the cash earned is profit the school can use for the purpose of the event. Unless there are no costs involved in running an activity, you must subtract the value of these costs from the income to determine whether the activity generated a profit or surplus. In some cases, the cost to run the activity can exceed the amount of money that was generated, leaving the school with a deficit.

To prevent this from happening, it is important to estimate the net revenue for each idea. Your school's accountant or finance officer probably can help the SPT estimate the potential net revenue for each of your income-generating ideas. The process of estimating net revenue for fee-based services using the school's computer system is divided into two parts. First, you must determine the different costs involved in planning and running each fee-based activity. Second, you must determine the level of income the activity is expected to generate through charging

fees. Then, by subtracting the total costs from total income you will know whether you are breaking even, generating a surplus, or operating at a loss (that is, negative net revenue).

The formula for this is:

$$\frac{\text{Total Income} - \text{Total Costs}}{\boxed{\text{Net Revenue}}}$$

For activities that use the computer system to generate income through fees, it is essential to generate a surplus. A sample calculation from a school in Indonesia for a single fee-based training activity using a school's computer systems is presented below:

$$\frac{\$11,851.00 \quad \text{TOTAL INCOME}}{-\$8,357.60 \quad \text{TOTAL COSTS}}$$

$$\$3,493.40 \quad \text{NET REVENUE}$$

In this case, the school is generating a surplus of $3,493.40. While this may not seem like a lot of money, this surplus can help cover the costs of using the school's computer system for educational purposes, and this surplus can be added to the surpluses from other activities to help sustain the school's computer system.

When estimating net revenue, it is important to keep in mind that there is also the non-financial value from running a training course for community members. The people taking the course will come to feel that having a well-run computer system in their school is important and they probably will support other efforts to sustain the system. For other fundraising activities that operate with volunteers and donations (where the school does not spend cash to generate money), this calculation is different. For these activities, you should compare the total estimated time of the volunteers plus the total estimated value of contributed materials to the income being generated. The goal is to carry out activities that generate much more money than the total value of the time and materials used to generate this money. At the same time, it is important to consider the value of the activity to strengthening school-community relationships. In the long run, a fund-raising activity that helps to strengthen relationships between the school and the community can be more valuable to the school and the computer system than one that generates more money but does not build better relationships.

What kinds of things should be included in estimating the total cost of running an income-generating activity?

This is very important question. Many costs are easy to estimate. For example, for a training course, the school will have to pay an instructor to prepare and run a 10-day training course over several weekends or over a school holiday. The instructors' salary is a direct cost and easy to estimate. The school also may need to print copies of the curriculum or training guide for each participant. This can be estimated by calculating the printing costs. If a firm is hired to print the guide then the fee charged is the cost. However, if the school prints the guide itself, this is a bit more complex. You will

need to calculate the cost of the materials, such as the cost of paper plus the cost of ink or toner plus the cost of labor for the person who does the work.

Other types of costs involved in running a training course are not as obvious. The list below includes some of these other costs that are important to estimate:

- The cost of the electricity consumed by the computers, room lights, fans, and/or the air conditioner during the training course.
- The cost of Internet access, if used, for the training course.
- The cost of using the computers for the training course (This can be estimated by using the cost to use a computer at a cyber café for an hour).
- The costs, in terms of staff time (volunteer and paid labor), to plan and promote the training course.
- The cost for materials and services to promote and advertise the training course.
- The cost of staff time (the school accountant's) to make payments, collect fees, maintain accounts, and produce a financial report for the activity.
- The cost for security and other staff (paid or volunteer labor) who have to be at the school on the weekends, evenings, or during vacation to run the course.
- The value of the venue used to carry out the training course relative to its other possible uses.

The last cost element, the value of the room used for the training room, is difficult to estimate since a classroom is used and no rent is paid. Some people feel this cost element should not be included because it is a public space and paid for by public taxes. Whether this cost element is included in estimating total costs is up to the school. If the school decides to include it, an easy way to estimate the value of this space is to determine what the school would need to pay to rent a similar space in the community.

Once these estimated costs are added together, you can divide them by the number of people who are expected to pay fees for the training program or other service. This will give you the fee that would have to be charged simply to break even and not lose money. You will then have to increase this "break-even" fee by some amount to allow the training course to generate a surplus. Once you calculate this fee, you can compare it to fees charged by commercial training firms to run similar training courses. The goal is not to charge fees that are greater than your "competition's" since you probably will not attract many customers. At the same time, you do not want to charge fees that are significantly lower than those of commercial programs since this could be seen as unfair competition. In the example above, no private training programs for computers were offered in the village where the school was located, and the closest town that had courses available was a four-hour drive away. As a result, the school was offering a valuable service that was not easily available to members of the community.

The SPT will want to identify all possible cost categories and estimate the value of each fee-based revenue generating idea it is considering. This will allow the SPT to compare the net revenue earning potential for each idea accurately and to make good decisions about which ideas are best.