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# ROI and LOI: 2 important tools to tackle budget season

By Dr. Dana Godek and Michael Moore November 6, 2024



It's often said, "The only things certain in life are death and taxes." For education leaders, we might add "budget cuts" to that list.

With budget season approaching, school districts face the annual challenge of squeezing more value out of every dollar. This year, two practical tools—return on investment (ROI) and learn on investment (LOI)—can help leaders make informed and balanced decisions and protect initiatives that are essential for student success.

## What are ROI and LOI?

Return on Investment is a concept borrowed from the business world to measure the financial impact of an investment. For instance, if a district invests \$100,000 in a literacy program that yields \$150,000 in measurable benefits, the ROI is 1.5—meaning a return of \$1.50 for every dollar spent.

Learn on investment, meanwhile, takes a fresh approach by measuring learning gains per dollar invested. LOI highlights educational benefits like improved test scores, higher attendance and increased engagement.

So, if that same literacy program results in a 10% increase in reading proficiency, LOI captures this learning outcome that ROI alone might miss. By using both ROI and LOI, school districts



can weigh program value from multiple angles, ensuring their limited resources are dedicated to high-impact initiatives.

## Why ROI and LOI matter for lean budgeting

When budgets are tight, ROI and LOI provide a balanced approach to evaluating programs. Here's how districts can apply these tools to make the most of every dollar.

1. **Optimizing resources amid budget constraints:** In public schools, every dollar counts. Evaluating programs with ROI and LOI helps maximize their impact. For example, Chicago Public Schools discovered that multiple social-emotional learning programs were overlapping, often serving the same students with similar supports. After analyzing the outcomes, the district identified two SEL frameworks with consistently positive effects and streamlined district-wide SEL support by consolidating others. This approach saved funds and freed up staff time to focus on training for the chosen frameworks.
2. **Supporting data-driven decisions:** ROI and LOI add objectivity to budgeting decisions, shifting the focus from tradition to proven impact. Miami-Dade County Public Schools found that middle school literacy programs were creating redundancy. An audit revealed that four programs targetted similar skills but with uneven results. By choosing the initiative with the highest student growth, Miami-Dade improved quality and consistency, focusing resources on one strong literacy program rather than multiple, redundant ones.
3. **Increasing accountability and transparency:** Using ROI and LOI builds trust with boards and taxpayers by showing that decisions are thoughtful and data-backed. For example, in Dallas, the school board had to choose between sustaining an after-school arts program and expanding a new STEM curriculum. By considering both programs' "learning gains per dollar," the board prioritized the arts program based on its strong student engagement and critical thinking gains, while also securing funding for the STEM initiative. This transparency reassured the community that resources were directed to impactful programs.
4. **Promoting equity and access:** LOI, in particular, helps identify where funds can best support underserved students. Baltimore City Public Schools found that multiple providers were delivering duplicative reading and math tutoring programs across the district. Some lacked measurable outcomes while others showed inconsistent results. By consolidating to two tutoring models with strong results, Baltimore improved impact and simplified access for students most in need. The refined approach allowed the district to focus on equity while maximizing effectiveness.

## Calculating ROI and LOI: No advanced math needed

Calculating ROI and LOI is simpler than it sounds and doesn't require complex math. Here's a step-by-step guide:

- **Define measured outcomes:** For ROI, identify financial outcomes like cost savings or increased graduation rates. For LOI, focus on academic and social benefits, such as proficiency gains or attendance improvements.
- **Gather holistic budget data:** Collect all costs, including direct and indirect expenses, to ensure the calculations for both ROI and LOI are realistic.
- **Calculate ROI and LOI:** ROI is calculated as the ratio of net benefit to total cost. LOI is calculated by dividing learning gains by the investment, revealing the learning return per dollar spent. For example, a district invests \$75,000 in a reading program that leads to a 1,000-point increase in student scores: ROI might reflect \$1.33 per dollar invested if the



program's financial benefit is valued at \$100,000. LOI could show 0.0133 proficiency points per dollar, highlighting the program's educational impact.

## Real-world examples of ROI and LOI

### Tutoring program in Los Angeles

The Los Angeles Unified School District invested \$120,000 in high-dosage tutoring for middle school math. While the ROI showed a moderate return of \$1.20 per dollar invested, LOI revealed high educational returns, with a 20% increase in math proficiency among participating students. The district justified its tutoring budget as a strong academic investment, even if the financial return was modest.

### STEM enrichment in Austin ISD

Austin ISD discovered multiple STEM programs across its Title I schools with similar goals. By analyzing student engagement and achievement, the district identified two programs with the highest impact. By cutting three less effective programs, Austin improved the quality and reach of STEM education, aligning with district goals while simplifying program offerings.

## Reading intervention in rural Georgia

In Georgia, a district invested \$90,000 in early literacy. The ROI showed a strong financial return of \$1.60 per dollar due to savings on later remedial needs. More importantly, LOI highlighted a 15% improvement in early reading proficiency, validating continued investment based on learning gains per dollar.

### Community-led decision in Nashville

In Nashville, a school committee evaluated multiple reading programs. After reviewing the "learning gains per dollar" for each, they found a locally-led reading mentorship program with comparable gains to a pricier alternative. The committee expanded the mentorship program, demonstrating cost-effective impact by balancing program cost with educational benefit.

## Making the most of ROI and LOI

ROI and LOI can help leaders make tough calls, spotlighting initiatives with the most meaningful impact. Transparent decisions show communities that leaders are scrutinizing costs thoughtfully and focusing resources on what matters most for student success.

As families experience economic pressures, it's reassuring for them to see schools balancing budgets in ways that reflect community values and goals. By adopting ROI and LOI as part of budgeting, school leaders can maintain educational priorities and ensure every dollar truly has a meaningful impact.

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