

Date: 03/28/2008

Committee: House Education

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent of Education

Title of Resolution: HCR 290(HR 242) REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A PILOT PROGRAM TO ALLOW PUBLIC SCHOOL PRINCIPALS TO USE A DEBIT CARD SYSTEM FOR PURCHASING SCHOOL SUPPLIES AND OTHER RELATED CURRICULUM SUPPORT SUPPLIES.

Purpose of Resolution: REQUESTING THE DEPARTMENT OF EDUCATION TO ESTABLISH A PILOT PROGRAM TO ALLOW PUBLIC SCHOOL PRINCIPALS TO USE A DEBIT CARD SYSTEM FOR PURCHASING SCHOOL SUPPLIES AND OTHER RELATED CURRICULUM SUPPORT SUPPLIES.

Department's Position: The department does not support this resolution since we already have a procurement card program in place for the purchase of classroom supplies, although we appreciate the Legislature's support of principals and teachers. The procurement card can be utilized by teachers to place internet and phone orders. Debit cards would not provide proper fiscal accountability of funds by the principal. Our current procurement card allows charges to be reviewed by the principal prior to payment to the bank. This allows schools to meet goals of purchasing flexibility as well as financial accountability. Debit cards do not allow for this review by the principal. Additionally, schools currently have the option to utilize open purchase orders, which allow teachers to purchase items at their discretion within certain dollar amounts. Finally, if purchases by teachers are not subject to either pre-approval or post review by the principal, the

debit card could be construed as an expense account and may be subject to personal tax liability for the teacher.

It should also be noted that the Department already has a weighted student formula in its general fund appropriation, that results in allocation of funding to schools, reviewed annually by a Committee on Weights as required by State law. It is under the purview of each school's financial plan to determine how much in school supplies is apportioned to each teacher. This resolution would be contrary to the spirit and intent of the weighted student formula allocation methodology.

Furthermore, the department has concerns about the implementation and on-going management and staffing of such a debit card program for approximately 13,000+ teachers who may be eligible for a debit card, and the workload it would add to our limited staff, when there are teacher transfers to different schools, retirements, resignations, reassignments to positions no longer in the classroom, lost cards, etc., as school procurement cards are school-specific and cannot be transferred with the teacher (or principal). The DOE hires a range of 1,600 - 1,700 teachers each year, which means there is the same impact for retirements, as well as having 600 - 700 teachers transfer to different schools each year.

In addition, managing the debit or p-card database, training of school staff, investigating allegations of fraudulent abuse, and conducting spot audits of schools to ensure compliance to the program requirements would also need to be implemented. In order to manage the workload increase caused by this initiative, we would need a minimum of two (2.00 FTE) unit 13 specialists in addition to one (1.00) FTE clerical staff to assist in the implementation/management of this program. The total estimated amount for salaries and fringe benefits would be \$183,300. We would also need start up funds for furniture, computers, supplies, mileage, and postage.

The total estimated amount for the one time startup costs would be \$15,000, while the recurring costs for on-going operating expenses is estimated at \$12,500. The total estimated costs to implement and manage this program is \$210,800.

An additional impact would be on Vendor Payment in the Operations Section. The additional workload created to post-audit and follow up 13,000 debit card holders for documents will create an extremely difficult task for our present staff. With the present 500 p-cards issued, the staff struggles in obtaining purchase documents for review and then store for record retention. In order to assure timely follow-up with the debit card purchases, we estimate an additional three (3) FTE Pre-Audit Clerk positions will be required to manage this additional post audit function.

The total estimated amount for salaries and fringe benefits would be \$135,360. The total estimated amount for the one time startup costs would be \$15,000, while the recurring costs for on-going operating expenses is estimated at \$12,500. The total estimated costs to implement and manage the impacts of this program is \$162,860. Storage of the additional debit card documents will also pose a major space problem in our office. While scanning the documents may be a possible solution, the training, equipment, and manpower to successfully store documents will require more equipment and personnel to implement. We were already requesting additional Vendor Payment staff in our BOE approved budget request due to increased workload, which we have been informed is not in the House Finance budget proposal, that did not even contemplate this additional workload.

In conclusion, we do not support this resolution.

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DATE: March 26, 2008

TO: Representative Roy Takumi, Chair
House Committee on Education

HEARING DATE: Friday, March 28, 2008, 2 p.m.

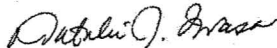
SUBJECT: HCR 290/HR 242 DOE Pilot Debit Card System

Aloha Chair and Members of the Committee,

While the intent of this resolution provides schools with an important option for purchasing supplies, I would caution you regarding the use of debit cards as the vehicle for providing this option. If a debit card is stolen or the password discovered, there is a risk that all funds in the account could be taken. (For more information, refer to www.pirg.org/consumer/banks/debit/debitcards1.htm.)

A "safer" alternative would be purchase cards. Purchase cards are similar to credit cards, except that restrictions can be placed on them such as monthly limits, individual charge limits and SIC (Standard Industrial Classifications) restrictions. Please consider changing the vehicle for this pilot project from debit card to purchase card.

Sincerely,



Natalie Iwasa, CPA