

Date: 02/08/2008

Committee: Senate Education

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent of Education

Title of Bill: SB 2357 RELATING TO EDUCATION.

Purpose of Bill: The purpose of this bill is to allow principals with the ability to establish and use a debit card system at the individual school level, for the purpose of purchasing school supplies and other related curriculum support supplies as deemed appropriate by the school's academic and financial plan. The intent is to streamline the purchasing process by allowing flexibility to teachers to make purchases, in order to take advantage of discounts and sales. This bill also aims to help in defraying out of pocket expenses by teachers. This bill requires the Board of Education to adopt rules, and also provides for an appropriation of an undetermined amount to implement this debit card system by the department.

Department's Position: The department does not support this bill 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 bill 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.

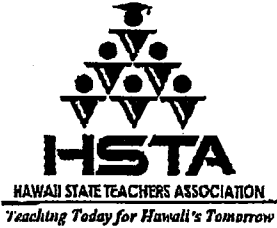
An additional impact would be on Vendor Payment in the Operations Section. The additional workload created to post-audit and follow up 13,000 debit card holders for documents will create an extremely difficult task for our present staff. With the present 500 p-cards issued, the staff struggles in obtaining 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 are already requesting additional Vendor Payment staff in our BOE approved budget request due to increased workload that did not even contemplate this additional workload.

The department does recognize that teachers often use their own funds for special instructional supplies not typically provided in school. For example, food is often used in language arts, mathematics, science, social studies, or health lessons. Teachers often purchase their own additional reference books to enrich lessons. They often also provide specialty supplies such as colored pens, small rewards like stickers, and other art supplies for promoting and encouraging student achievement. In addition

to food or other specialty supplies, schools and/or teachers may take it upon themselves to help needy students with basic living needs such as rubber slippers to be worn in the classroom, or other daily hygiene needs like deodorant, soap, shampoo, toothbrushes, and toothpaste in order for children to not be negatively singled out.

There are already procedures and mechanisms in place to reimburse teachers for expenses, once there is adequate funding to do so. The question is not how or whether we should reimburse, but do we have sufficient funds to reimburse?

In summary, the department appreciates the Legislature's support of principals and teachers; however, the department opposes this measure, since we already have a procurement card process that has controls that allow principals to review the transactions prior to bank payment, and we already have procedures in place to reimburse teachers for expenses. The real issue is lack of sufficient funding for schools to educate our students. In addition, funding priority must be given to the Board of Education's supplemental operating budget requests before this measure is considered.



1200 Ala Kapuna Street • Honolulu, Hawaii 96819
Tel: (808) 833-2711 • Fax: (808) 839-7106 • Web: www.hsta.org

Roger K. Takabayashi
President

Wii Okabe
Vice President

Karolyn Mossman
Secretary-Treasurer

Mike McCartney
Executive Director

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
EDUCATION**

RE: SB 2357 – RELATING TO EDUCATION.

February 8, 2007

**ROGER TAKABAYASHI, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION**

Chair Sakamoto and Members of the Committee:

The Hawaii State Teachers Association supports SB 2357, which would allow school principals to set up debit card programs for teachers.

The Association believes this is a positive step toward helping teachers provide a high-quality public education to our children of Hawaii. Input from teachers indicates that they spend approximately \$800 from their own income to buy supplies for their classroom to enhance their teaching environment.

We ask the committee to pass this bill.

Thank you for the opportunity to testify.