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GOVERNOR



DR. CHRISTINA M. KISHIMOTO  
SUPERINTENDENT

**DEPT. COMM. NO. 205**

STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

December 18, 2017

The Honorable Ronald D. Kouchi, President  
and Members of the Senate  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki, Speaker  
and Members of the House of Representatives  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Department of Education's Teacher Declining Balance Debit Card Pilot Project report for fiscal year 2016-2017, pursuant to Section 25.1 of Act 124, SLH 2016.

In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at:  
<http://www.hawaiipublicschools.org/VisionForSuccess/SchoolDataAndReports/StateReports/Pages/Legislative-reports.aspx>.

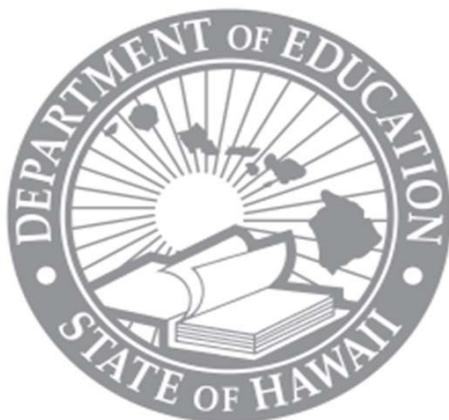
Sincerely,

A handwritten signature in black ink, appearing to read "Christina M. Kishimoto".

Dr. Christina M. Kishimoto  
Superintendent

CMK:kyc  
Enclosure

c: Legislative Reference Bureau  
Budget Branch



State of Hawaii  
Department of Education

# Hawaii Department of Education's Teacher Declining Balance Debit Card Pilot Project

(Act 124, HB 1700 HD1 SD1 CD1 (2016) – Relating to the State Budget, Section 25.1(3), Report to the 2018 Legislative Session.

The Department of Education (DOE) is providing a program evaluation, as required in Act 124 Section 25.1(3), for \$500,000 to be expended to operate a Teacher Declining Balance Debit Card (DBDC) pilot program for a group of teachers to purchase school supplies utilized for instruction of their students for School Year (SY) 2016-2017.

The Teacher Declining Balance Debit Card (DBDC) Pilot was implemented in Spring 2017, with a total of 687 teachers participating from three remote/rural Complex Areas. Although the teacher responses were positive regarding the ease of obtaining and using the card, they felt restricted on what they could or could not purchase for their classrooms. The Pilot proved to be very burdensome for Complex Area and school SASAs/staff, as well as state-level staff, to implement.

# Hawaii Department of Education's Teacher Declining Balance Debit Card Pilot Project

Act 124, HB 1700 HD1 SD1 CD1 (2016) – Relating to the State Budget, Section 25.1(3)

Report to the 2018 Legislative Session

## I. Overview & Recommendation

The Department of Education (DOE) is providing a program evaluation, as required in Act 124 Section 25.1(3), for \$500,000 to be expended to operate a Teacher Declining Balance Debit Card (DBDC) pilot program for a group of teachers to purchase school supplies utilized for instruction of their students for School Year (SY) 2016-2017.

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At the request of Senator Kidani, the Pilot was extended as “Phase 2” for SY 2017-2018 to expend \$212,830 in remaining funds and explore changes and improvements, based on feedback from Phase I participants. In Phase 2, fiscal controls were modified to provide additional flexibility for teachers as long as they could justify their purchases were to be utilized for instruction of their students. Since school accountability and ensuring appropriate use of state funds ultimately rests with its principal, his/her pre-approval will still be required prior to purchases, but State has requested that principals be flexible in approving teacher expenditures.

This report includes an evaluation of Phase 1, status report on Phase 2 (Dec 2017-March 2018), and recommendation on continuing the program beyond Phase 2. A follow-up report to the Legislature will be provided only if the course of Phase 2 results in changes to DOE's recommendation below.

### Recommendation

While participating teachers wholeheartedly appreciated the additional funds, the procurement, monitoring and tracking of all cards is not sustainable on a system-wide basis. Using DBD Cards to implement the program is not feasible or recommended, due to the amount of State-, Complex Area-, and school-level staff time involved. An alternative recommendation is that other means be considered, such as providing schools with additional funds on top of WSF funds specifically for teachers to purchase classroom supplies, provided that principals allow flexibility as authorized by the State Legislature. Additionally, the Legislature could examine tax breaks for teachers to help offset teachers' out-of-pocket expenses.

## II. Teacher Declining Balance DBDC Pilot, Phase 1

### A. Phase I Timeline

Implementation of Phase I of the Teacher DBDC Pilot occurred in Spring 2017:

Fall 2016-Feb 2017	Planning and set up of Pilot Program
Feb-March 2017	Communication, teacher sign up & DBD Card acquisition processing
<b>3/15/2017 to 5/8/2017</b>	<b>Teachers able to use DBD Cards</b>
5/9/2017 to Aug 2017	Reconciliation & close-out

### B. Phase I Participation:

**1. Complex Areas/School Participation:** Twenty-four (24) schools from three of the most remote/rural Complex Areas schools participated in the pilot:

- Kau-Keaau-Pahoa (Hawaii Island) (9 schools).
- Hana-Lahainaluna-Lanai-Molokai (Maui-Molokai) (11 schools)
- Kapaa-Kauai-Waimea (Kauai) (4 schools)

**2. Teacher Participation:**

- A total of 907 teachers from the 24 schools were qualified to receive a DBD Card with a \$500 spending limit. **Of this total, 687 teachers (76%) opted to participate and sign a cardholder agreement; 220 teachers (24%) chose not to participate.**

- Of the 687 who signed agreements, 53 (7%) did not activate their card. Of the 634 who did activate their card, 14 (2%) did not use their card at all. **Ultimately, 620 of 907 teachers (67%) took advantage of this program.**

### C. Phase 1 Process

- Communication to teachers about the program was conducted centrally by the DOE Vendor Payment Unit & Operations Systems Section and informational material was posted both the DOE's intranet site and a Google docs site: <https://sites.google.com/a/ln.k12.hi.us/teacher-db-p-card-pilot/>
- SASAs were required to check lists provided by OHR and verify teachers were at the school and were classroom teachers.
- Teachers were then emailed directly about the Teacher DBDC Pilot about the requirements:
  - Had to review a short training document, sign a DBDC agreement, have their photos taken at a First Hawaiian Bank branch (certain schools were allowed to submit a self-photo to DOE Vendor Payment & Operations Systems Unit if a First Hawaiian Bank branch was not conveniently accessible) (required for business credit/DBD Cards), submit a transaction log for principal's approval, and keep and turn in receipts to their SASAs by the end of the school year (May 2017).

### D. Phase 1 Administrative Support

On the administrative side, the pilot program took about three months to setup and implement, which was almost twice the time and effort anticipated.

- The DOE did not want to burden the teachers and schools by implementing a full scale Purchasing Card program that follows guidance from the State Procurement Office. **This meant decreasing fiscal controls** by: 1) creating a simpler version of the training material, 2) forgo passing a user's quiz to receive a card, and 3) reducing the required documentation to support planned purchases.
- **Burden on State-level staff:** Five (5) Operations Section staff devoted at least 50% of their time, for three months, to support this program, which equates to approximately \$40,300 (5 staff X 2080 annual working hour x \$31 average gross hour rate x 50% of time spent x [3 months divided by 12 annual months available]), or 15% of additional cost to distribute \$266,000 actually spent by 620 teachers.
- **Burden on School-level staff:** Each school's office staff also had to dedicate time to assist the teachers in activating and using their cards, as well as help with reconciling receipts to statements (the monthly reconciliation is mandatory). We have not yet quantified this additional administrative expense.

### E. Phase 1 Expenditures:

The Legislature appropriated \$500,000 for this pilot program.

- With the imposed 5% Governor budget restriction, \$475,000 was actually available to allocate.
- \$266,211 was the total amount spent during Phase 1 of the pilot.
- The average amount spent per card was \$423. Of the 620 cards used:
  - 473 cardholders spent more than \$400 (\$229k total spent or \$484 average per card); and
  - 147 cardholders spent less than \$400 (\$37k total spent or \$255 average per card).

### F. Phase 1 Program Feedback:

1. **Teacher Surveys:** 478 or 77% of the 620 teachers who used their card responded to the survey.

- **Positive Feedback from teachers who responded:**
  - 254 teachers who responded wanted to see the program become permanent (54%) or the pilot continued (32%).
  - 388 (86%) of respondents felt the DBDC route was easy to use.
  - 375 (82%) of respondents felt the process to obtain the DBD Card was easy.
- **Challenges from teachers who responded:**
  - **Timeline too short**
  - **Principal approval:** Teachers did not think it was necessary for their Principal to pre-approve purchases and felt they should be able to purchase whatever they wanted, whenever they wanted, from wherever they wanted (for control purposes, purchase codes are activated for all DBD Cards to restrict inappropriate purchases). However, 81% did respond positively that it was easy to fill out and get the transaction log approved by their principals.
  - **Payment declines due to shipping delays beyond purchase deadlines.**
  - **Communication needs improvement** (many teachers thought the initial email informing them about the program and process was spam).

- **Bank Photos for DCD Cards:** Taking time to go to the bank to get their photo taken for the DBDCs.
2. **SASA/CABM/Principal Surveys:** 26 or 48% of 54 school-level support staff/administrators responded.
- **Existing processes vs DBDC Pilot:** 81% of respondents said their school already has a program where WSF monies are allotted to teachers by the principal to purchase classroom/instructional supplies.
    - Amounts ranged from \$100-\$1,000/year or semester, with an average of \$390/teacher.
  - **Pre-Approval from Principals:** 54% of respondents agreed with teacher feedback that it would be ok to make purchases without the pre-approval from their principals. Some comments from the 46% who disagreed included:
    - Teachers will purchase whatever they want, possibly for personal use and non-curriculum-based items. Principals should approve purchases prior to purchase since they are ultimately responsible. Teachers might purchase items that are for personal use, equipment might be purchased that would fall under the inventory category, supplies purchased might not be aligned with classroom instruction.
    - There will be no accountability and we will not be able to pass any audits. I would think DOE would not want to be in the media for misuse of tax payer funds.

### III. Phase 2 Plans & Status Report

#### A. Background and Goals for Teacher Declining Balance Debit Card (DBDC) Pilot, Phase 2

The DOE Acting Office of Fiscal Services Assistant Superintendent and Accounting Director met with Senator Kidani in late August 2017 to provide an informal update on Teacher DBDC Pilot implementation.

Approval was provided for DOE to expend the remaining \$212,830 in remaining funds, with the understanding that DOE would incorporate feedback from Phase 1 to see how the process could be improved, with a focus on:

1. Reducing the necessity of teachers taking funds out of pocket to purchase instructional classroom supplies;
2. Supporting a culture of empowerment at the school level that reinforces efficiency and coordination (by using existing centralized purchasing at schools, but with teacher driven decision making on the items purchased that support school's academic plan); and
3. Ease of use for all involved (teachers, school & complex area staff, and state-level staff).

#### B. Balance between flexibility and fiscal controls/accountability

A number of alternative, non DBD Card routes were considered, including:

Non-DBD Card Route Considered	Limitations or concerns
Gift card	High purchase fees; transferrable to others; no controls on unacceptable purchases (alcohol, restaurants, personal items); similar to cash (limited controls on lost or stolen cards); unable to track purchases for audits; no approval/ accountability, must follow Procurement statutes
Cash advance to teachers	Vulnerable to theft; reliance on busy teachers to track purchases and save receipts; no approval/ accountability; no fiscal controls/tracking of expenditures; potential income tax issues, must follow Procurement statutes
Expedited reimbursements to teachers	Out-of-pocket burden for teachers; more work for SASAs/vendor payment to process checks; goes against recommended current fiscal best practices, must follow Procurement statutes
Cash to principals to establish petty cash supply fund for teachers	Vulnerable to theft; reliance on busy SASAs to track purchases and cash funds; no approval/ accountability; no fiscal controls/tracking of expenditures, must follow Procurement statutes
Use Principal's P-Card	Not all principals have P-Cards; burdensome on SASAs to be doing all the purchasing on one P-Card.
Allocate pilot funds directly to schools for principals to determine how to implement.	Not teacher-driven; requires principal/SASA/staff to implement. Short timeline to implement.

## C. Phase 2 Plan and Implementation (December 2017 to March 2018)

### 1. Schools and Participants

Phase 2 participants are being limited to schools and teachers who participated in Phase 1 in order to avoid the cumbersome setup process and allow for comparative feedback on attempted improvements.

Principals were asked if they were willing for their schools to participate and provided the choice to opt out. Seventeen of the 24 schools are continuing with Phase 2. Eligible Teachers at participating schools were asked if they would like to participate in Phase 2. A total of 419 teachers will be included in Phase 2.

Phase 2 funds will only be provided to teachers who meet the following conditions: 1) participated in Phase I DBDC Pilot; 2) remain at the same school as last year; and 3) are still a classroom teacher.

### 2. Declining Balance Debit Cards (DBDC) for Phase 2

Funds will be distributed equally among all participants. Declining Balance Debit Cards will be loaded with a minimum of \$300, but may be higher depending on participation or lack of participation in Phase 2.

#### Timeline

- 12/04/2017: Communication to field
- 12/06/2017: Deadline for SASAs to submit final teacher listing
- 12/07/2017: SASAs will be notified of actual credit limit of Declining Balance Debit Cards
- 12/14/2017: DBD Cards reloaded for use
- 01/05/2018: SASAs to distribute reordered DBD Cards to teachers. Cards must be activated before use.
- 03/31/2018: End of Pilot (last day to make purchases)
- 05/31/2018: DBD Cards will be de-activated (to allow for shipping/delays in charges)

### 3. DBDC Phase 2 Improvements

- **Communication via Complex Areas and Schools:** DOE Vendor Payment Unit & Operations Systems Section has set up an informational site and draft messaging for Complex Area Business Managers (CABM) to send to their respective participating schools. Schools will be responsible for verifying and communicating with teachers about meeting deadlines.  
<https://sites.google.com/operations.k12.hi.us/dbpcardii>
- **Longer Timeline to Spend funds:** 17 weeks for Phase 2 including Winter and Spring breaks vs 8 weeks for Phase 1.
- **Increase “cushion” to deactivate cards to allow for delays in shipping.**
- **New, simpler Requisition Approval Form** replaces Phase 1 Transaction Log (although Principal pre-approval for purchases is still required). In Phase 2, additional fiscal controls were dropped or modified to provide additional flexibility for teachers as long as they could justify their purchases were to be utilized for instruction of their students.
- **Valid purchases** can be made from local vendors and on-line vendors.
- **Valid purchases declined due to Merchant Category Code (MCC) restrictions** will be authorized if the Principal emails [DBP-Card@notes.k12.hi.us](mailto:DBP-Card@notes.k12.hi.us) justifying the purchase. Vendor Payment will contact First Hawaiian Bank (FHB) to temporarily lift the MCC restriction and allow the charges to go through.

## IV. Next Steps and Conclusion

Phase 2 has been implemented and will run from December 2017 through March 2018. While expected to be easier and smoother since the same pool of schools and teachers are participating, it has still proved to be burdensome to school office and State-level staff. Seven of the 24 schools (29%) in Phase 1 have either declined to participate in Phase 2 due to front office capacity concerns, or did not make the deadline to submit their list of participants. A total of 419 teachers will be continuing the Phase 2 Pilot. DOE will solicit feedback on Phase 2 from teachers and support staff; however, the input and suggestions are expected to be similar to Phase 1. As a result, we have provided DOE's recommendation in Section I.



Find current and past DOE Reports online at:

<http://HawaiiPublicSchools.org>