

eCommerce Clicks with Public Schools

School business officials process payments for a wide variety of things, such as field trips, PTA membership fees, activity fees, class fees, yearbooks, school events, lunches, donations, spirit wear, school supplies . . . the list goes on. Some of these payments are made to the school district but others, such as book orders and photography, are made to third-party vendors.

The K12 Payment Survey, a recent survey sponsored by the Association of School Business Officials, International (ASBO), the National Business Officers Association (NBOA), and My Payment Network, and sent to ASBO

and NBOA members (see box on page 38), revealed that districts process an average of 32 payments per child per year. Twenty-eight of these payments are made to the district or individual schools while four are made to third-party vendors. To put this into perspective, a district with 5,000 students will process approximately 160,000 payments annually.

Some schools handle many more payments than that. Forty-one percent of survey respondents process more than 30 district payments per child per year; 13% process more than 40 district payments per child per year.



By Ann Dunaway

The K12 Payment Study

Public schools in the United States are keeping pace and in some areas setting pace with overall eCommerce adoption forecasts, according to a recent study sponsored by ASBO, the National Business Officers Association (NBOA), and My Payment Network.

The 20-question online survey, conducted from June through August 2007, was sent to ASBO and NBOA members. Surveys were completed by 290 respondents, yielding a 6% margin of error. The average enrollment represented by respondents from ASBO members was 9,182 students/district while the average enrollment represented by respondents from NBOA's members was 442 students/independent school. This article presents the public school results only.

The Hard Costs of Payment Processing

Ask parents how they make payments to school and they likely will tell you they write checks or pay in cash. School business officers process a lot of cash and check payments.

What impact does this have on a district? Cash and check payments can require significant manpower to process; checks, in particular, cost some districts significant sums of money in fees for returned checks or non-sufficient funds (NSF). According to the survey, the average number of hours spent managing payments each month was 356 hours—the equivalent of 2.25 full-time employees. Based on a \$35,000 salary, 2.25 full-time employees could cost a school district \$87,000 per year.

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There is a hard-cost to processing check payments, specifically from NSF check fees. The K12 Payment Study revealed that the average NSF fee ranged from \$10 to \$20 per check. The largest percentage (36%) paid \$10 or more per check. Twenty-nine percent paid \$15 or more per check and 15% percent paid \$20 or more per check. Districts also reportedly managed an average of 727 returned checks annually.

Based on the above numbers, this means the 36% of schools paying \$10 or more for each returned check incur \$7,270 in fees annually. Likewise, the 29% of schools that pay \$15 or more incur \$10,905 in fees, and the 15% of schools that pay more than \$20 for each NSF spend \$14,540 annually.

K12 Payments by Payment Method

	% of Payments Available by Payment Method	Average Total Transactions	Average Transactions Per Student
Total Payments (per 9182)		257,096	28
Online Payments	3%	6,031	.66
Credit Card Payments	12%	6,634	.74
Check Payments	100%	56,068	6.1
Deduction of Cash Payments	100%	187,760	21.5

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Checks, it should be noted, also create a lag in payment settlement times, which also produces a cost to schools. The number of and cost of NSF checks to schools was the one and only data point where independent school numbers are significantly different than public school numbers. While independent schools process fewer NSFs, a much greater percentage of them are assessed with a much higher fee for returned checks than is the case in public schools.

Cash and Check Are Still King

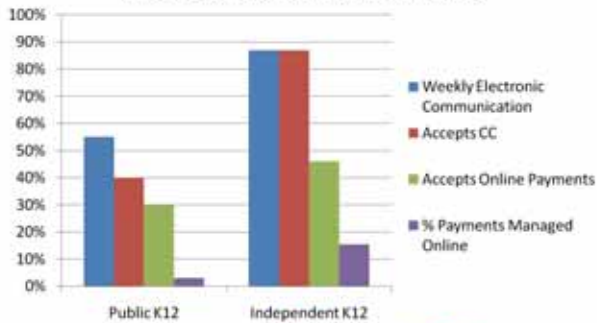
Many schools already utilize electronic means of collecting payments; 40% of school business officials responding to the survey accept credit cards and 30% accept online payments. This is actually ahead of the eCommerce curve for small to medium enterprises (SMEs), where only 11% have eCommerce Websites. Schools, however, only offer these alternate forms of payment for a select number of parent-to-school payments.

Credit cards, despite being accepted by 40% of schools, were only used for 12% of school payments. Districts processed an average of only 6,634 credit card transactions annually, or fewer than 1 transaction per student. And while 30% of schools offer online payments, they only offer online payment for 3% of the school's payments.

Districts reported processing an average of 6,031 online payments annually, again fewer than 1 transaction per student. By contrast, cash and check were reportedly offered to parents as an option for 100% of payments collected by schools. Schools reported processing 56,068 checks annually, or 6.1 checks per enrollee.

Therefore, if an average district of 9,182 students processes an average of 28 "inhouse" payments, we have a total of 257,096 annual payments. Backing out our check, credit card, and online payment figures, we are left with 188,363 payments (73%) remaining and assumed to be cash payments. While cash truly is king in K-12, it also offers a great challenge to schools that are under

Like Other Industries, First Communication Goes Online, Then Transactions Follow Suit



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increasing pressure for more transparent accounting and increased auditing.

The Evolution of an eBusiness

Clearly the world is moving online. According to Jupiter Research, 50% of the U.S. population will shop online by 2008 (www.jupiterresearch.com). A September 2005 study by Forrester forecasts online B2C (business to consumer) sales will grow from \$172 billion in 2005 to an expected \$230 billion in 2008 and \$329 billion in 2010. Online commerce is moving far beyond the large retailers that were the first to utilize eCommerce. But has it hit K-12?

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While K-12 education is not always cutting-edge when it comes to adopting new technology, it certainly appears to be hitting its stride in the migration toward eBusiness. Businesses tend to evolve from bricks and mortar to eBusinesses by first creating a simple Web presence, then evolving into electronic marketing/communication via their Websites and customer electronic newsletters, before finally taking the plunge into eCommerce.

K-12 education has already stepped firmly from the first phase of the evolution and into the second via school and district Websites. Many have evolved into “parent portals.” In 2001, the National Center for Educational Statistics reported that 73% of public schools had Websites. Their later study,

“Internet Access in U.S. Public Schools and Classrooms,” reported the number had reached 88% in 2003.

While two-thirds of SMEs have Websites, it’s safe to deduce that K-12 education is outpacing that statistic as well. In addition, with the need for regular school-to-parent communication, it’s no surprise to find that 55% of K12 Payment Study respondents reported leveraging the cost-saving option of conducting weekly parent communication online via electronic newsletters.

So while the portals are built and the electronic newsletters are going out, these vehicles could certainly be carrying more payments along with them. That being said, as noted, K-12 education—with 30% already taking payments online—is outpacing SMEs’ current 11% with eCommerce Websites. The forecasted numbers for both groups are aligned.

A November 30, 2006 study by Aite Group determined that more than two-thirds of small businesses (revenues below \$10 million) are interested in implementing online bill payment and invoice solutions. Sixty-five percent of K12 Payment Study respondents indicated they plan to adopt or expand their electronic payments by the end of the 2009-2010 school year.

First Industry Research on K12 Payments

School business officials still struggle with quantifying the cost and time associated with payments—a ubiquitous process that touches nearly every department within a school and every parent in the district. However, the K12 Payment Study certainly demonstrated that K-12 education is not so different from other businesses and is firmly moving along the logical path to eBusiness. In fact, some would argue K-12 is ahead of the curve. ■

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