

How to Determine If the Iowa District ASBO p-Card Services Will Benefit Your School District

How can a school district's administration determine if a p-Card is right for their school? Keep in mind that the "p" stands for "payment". There are several questions one can ask and answer that will help make this a rational decision making process. But before you get to that point, consider the following basic facts or rules of thumb about school districts.

First, approximately 75% of a school districts annual operating budget pays for salaries and benefits of all employees. This leaves approximately 25% of the budget that gets spent over the year on smaller instructional and non-instructional items. While many districts pay for these by check (some electronically) a high percentage of these expenditures could be paid for using a credit/p-Card.

Second, 80% of the discretionary budget (of the 25% mentioned above) is spent by 20% of the districts' employees. This knowledge should guide to whom p-Cards should be issued – thereby empowering that 20% to charge expenditures that would be consolidated into one payment per month rather than individual checks written to cover each transaction or individual vendor.

Third, research shows that in general, 58-60% of the non-payroll checks written each month are for less than \$500. This holds true regardless of district size, large or small. This translates into the district providing many small checks each month, costing the district between \$75 - \$200 dollars per check in processing costs. If vendors were paid using the p-Card most of these small transactions would be paid with one monthly check or ACH.

In the procurement process it is not always what you order or pick up, who you purchase from, where, when or sometimes even quantity that needs to be examined for possible efficiencies and improving effectiveness in the account payable department. It is how you pay for what you are buying that creates the greatest potential to save significant dollars. (In addition, schools earn rebates on every dollar charged – a topic to be covered in another article).

Now consider these few questions:

- 1) How many purchase orders for less than \$500 do you process each year?
- 2) How many of these purchase orders could be paid for using a credit/p-Card?
- 3) How many small transactions currently done with petty cash, cash advances, open accounts, reimbursing employees could be made using a p-Card?
- 4) Who, by name, are making these small purchases?
- 5) When a bill is presented for payment with a traditional check, would the vendor prefer you use a p-Card? (This gets them their money within 48 hours – deposited in their bank account)
- 6) Will your district (large or small) receive a rebate on every dollar spent?

The basic principle underlying the p-Card is consolidating as many small transactions rolled into one monthly payment (check or ACH). All this can be accomplished with no fees, no hidden charges or other costs usually associated with credit cards.

For more information go to: www.illinois-pcard.com

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