



# Creating a Cashless School

A buyer's guide for selecting an online and mobile payments solution provider and partner for K12 schools and districts

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# Introduction

Online and mobile payments are becoming the preferred method for consumers. The rise of online retailers and the new payments habits they've driven are extending to all enterprises. K12 schools and districts are not immune from this change. As a result, maintaining the status quo is not acceptable.

Forward-looking district leaders understand the value of enabling parents and other community members who have established these new payment preferences. They see the ability to accept and process online and mobile payments as a way to meet their community needs while growing revenue opportunities and increasing payment security and efficiency.

Of course, challenges and risk are a natural part of every evolution. That's the primary reason we created this Buyer's Guide. Our goal is to help you minimize the risk while maximizing your opportunities. Therefore, we focused on the following topics:

## Trends in online and mobile payments

Understanding key trends can help determine how you invest in online and mobile payment enablement.

## The risks and rewards of creating a cashless school

Evaluating the challenges and opportunities inherent in adopting and executing an online and mobile payments strategy are explicitly outlined here so you can make informed decisions about the capabilities you're looking to enable.

## Things to look for in an online & mobile payments solution provider/partner

Choosing the right partner will minimize your risk of executing your cashless school strategy and avoid the common pitfalls encountered by less prepared school and district leaders.

We've even included a handy checklist to use as you evaluate your options. We hope you'll find this publication to be a useful and valuable tool. We look forward to working with you on your path toward a cashless school.

*"Our district accepts meal account payments, as well as, preschool tuition, annual activity passes, textbook fees, AP testing fees, and fines. Our online payments have increased from 15% from the previous year. This reduces the cash being handled in the various school buildings." – Janet Grafft, Board Secretary, Iowa Valley Community School District*

# The True Value of a Cashless School

By 2017, only 23% of consumer transactions will be made with cash. Businesses have taken notice of this trend and are increasingly welcoming credit, debit, online and mobile payments.

Schools, too, should embrace this trend for several reasons:

**Demand** - 69% of millennials will not shop at a store that only accepts cash. <sup>(1)</sup> Two-thirds of consumers prefer to use credit cards. <sup>(2)</sup>

**Convenience** - Allowing customers to pay for anything, any time, and from any device provides a significant convenience to today's busy parents – who typically don't get to focus on these types of transactions until after normal school hours

**Less Risk for Consumers** - Consumers aren't liable if a fraudulent or erroneous charge hits their credit card account

**Safer Money-Handling** - Reduce the risk of sorting, counting and transporting cash

**Increased Purchasing** - consumers spend 12 – 18% more when paying with credit cards compared to cash. <sup>(3)</sup>

**Technology reduces risk** - driven by new security technology and government regulation, paying with credit cards is becoming safer.

This Buyers Guide can help school finance leaders apply these consumer trends to create a cashless school and produce many of the same benefits.

*"In addition to accepting lunch payments, we use the system to accept payments for our child care programs, summer art camps, concurrent enrolment fees and various student activity fund fees such as AP testing. The PayForIt system has proven to be a reliable and user friendly product of our customers. We appreciate the features which allow automatic replenishment of accounts and a record of lunch program purchase."*

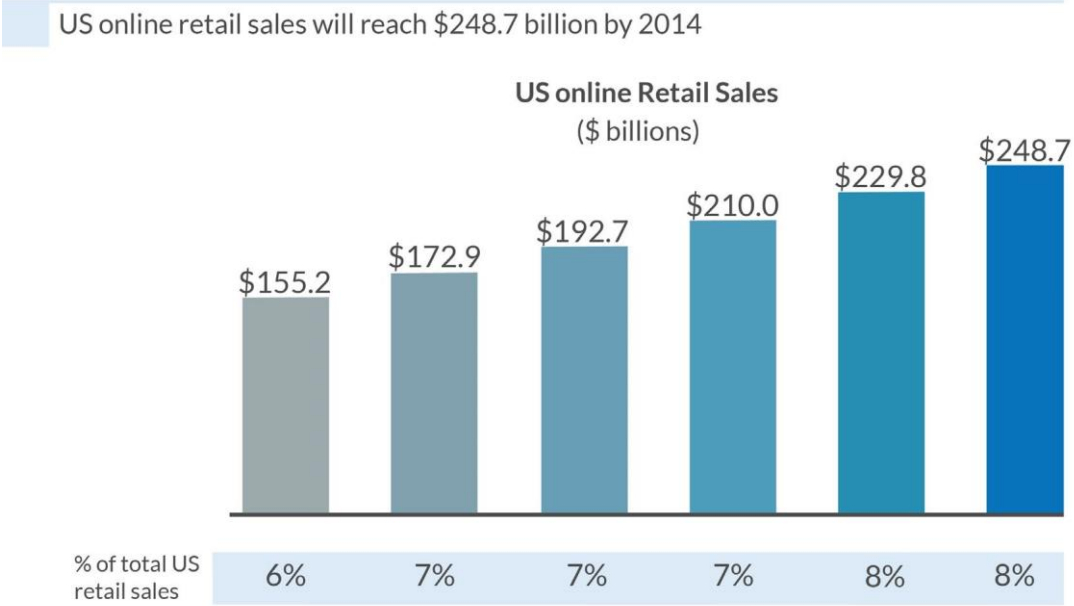
*- Roxy W. Roland, Director of Treasury Services, Tulsa Public Schools*

## Online Payment Trends

Online payments are growing both in terms of dollars spent online and as percentage of total sales. From 2009 to 2014, online sales went from \$155.2 billion to \$248.7 billion while growing from six percent to eight percent of total sales. <sup>(4)</sup>

Clearly consumer preference has evolved and expectations for how and where consumers may pay online is expanding. School districts aiming to cater to today's consumer will note this trend and take advantage of it while creating a cashless school.

### Chart 1 US Online Retail Sales, 2009 To 2014



40% of school payments are currently coming from online sources above the national survey results (Source: Payschools Internal Findings)

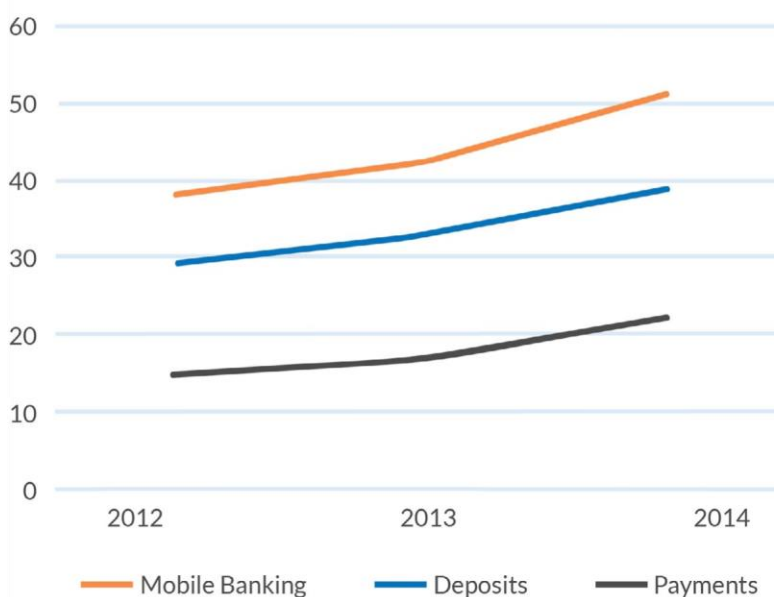
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# The Impact of Mobile

Mobile phones have increasingly become tools that consumers use for banking, payments, budgeting, and shopping. Given the rapid pace of developments in the area of mobile finance, the Federal Reserve Board began conducting annual surveys of consumers' use of mobile financial services in 2011. The survey examines trends in the adoption and use of mobile banking, payments, and shopping behavior and how the emergence of mobile financial services affects consumers' interaction with financial institutions.

**Chart 2** Online and Mobile Banking % Growth in the Last Three Years



Thirty-nine percent of all mobile phone owners with a bank account have used mobile banking in the 12 months prior, up from 33 percent in 2013 and 29 percent in 2012. <sup>(Chart 1)</sup>

**Chart 3** Use of mobile payments in the past 12 months by age

Percent, except as noted

Age Group	2011	2012	2013	2014
18-29	20	26	28	34
30-44	16	18	21	31
45-59	8	9	13	16
60+	5	8	7	7
Total	12	15	17	22
<b>Number of Respondants</b>	<b>2,002</b>	<b>2,291</b>	<b>2,341</b>	<b>2,603</b>

Note: Percentages are of those in each group who have a mobile phone.

Fifty-one percent of mobile banking users have deposited a check using their mobile phone in the 12 months prior to the survey, up from 38 percent in 2013. <sup>(Chart 1)</sup>

Twenty-two percent of all mobile phone owners reported having made a mobile payment in the 12 months prior to the survey, up from 17 percent in 2013 and 15 percent in 2012. <sup>(Chart 1)</sup>

## The Unique Needs of K12 Schools and Districts (They are Different Than Those of Businesses)

School districts' online and mobile payment needs are different from those of traditional businesses. Your stakeholders are parents, students, teachers and other community members. You are obligated to comply with different standards. You are responsible for the public's trust.

Therefore, it is critical that your online and mobile payments partner understand these unique needs.

### Compliance: FERPA

One of these key compliance challenges is the Family Educational Rights and Privacy Act of 1974 (FERPA) This federal legislation protects the privacy of U.S. students' personally identifiable information (PII). The act applies to all educational institutions that receive federal funds.

While not every school requires us to act under FERPA, PaySchools® does operate under the FERPA guidelines and procedures. FERPA only covers the students, but PaySchools® goes a step further and protects the parent information as well. Also, although PaySchools® is not required to protect adult's information, but we do in order to make our services even more secure for our customers.

We will NEVER EVER sell any parent information to 3rd parties. Any questions that are addressed to us that require us to divulge student information, we will direct them back to the district level.

## Managing Online & Mobile Payment Risk

Risk management should be a key initiative for any institution planning on increasing its online or mobile payments footprint. With consistently changing risk and compliance procedures, best practices and technological challenges, having a payments partner that understands these challenges can help significantly ease this transition.

Key elements of online and mobile risk and compliance include:

- FERPA
- Payment Card Industry (PCI) Compliance
- Financial and personal security
- Visa/MasterCard Rules
- Email anti-spamming

### What to Look for in a Potential Solution Provider

- **Deep and broad experience providing K12 schools and districts with online and mobile payments solutions**
- **Documented proof their solution meets FERPA requirements**
- **Documented and publicly available privacy policy**

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- Records Retention

- USDA free and reduced rules and regulations as they pertain to fees, opt-in and opt-out categories
- Real Costs per Transactions

Failing to manage these risk elements can lead to regulatory challenges, burdensome recovery efforts and increased and unexpected costs. PaySchools® provides solutions for each of these challenges to ensure your school's online and mobile payments enablement efforts are void of these costs and distractions.

Let's take a look at some of these risk elements in more detail.

## PCI Compliance

Payment Card Industry Data Security Standard (PCI DSS) is a proprietary information security standard for organizations that handle cardholder information. Defined by the Payment Card Industry Security Standards Council, the standard was created to increase controls around cardholder data to reduce credit card fraud via its exposure. Validation of compliance is done annually — by an external Qualified Security Assessor (QSA) that creates a Report on Compliance for organizations handling large volumes of transactions, or by Self-Assessment Questionnaire (SAQ) for companies handling smaller volumes. PaySchools® absorbs the fee that MC/Visa accesses to our customers for PCI Compliance.

## Financial and Personal Security

Online and mobile payments solution providers are responsible for maintaining a secure environment that protects the personal information of students, parents and school administrators. NOTE: Although solution providers are not required to protect adult information with the same rigor as student information, legitimate partners will go the extra mile to do so. PaySchools, for example, does and we will NEVER sell or distribute personal information to third parties.

## Visa/MasterCard Rules

Credit card processing rules set by the two most popular card associations can be complicated. Here are some of the regulations that are important to school districts.

*Discrimination* - A Merchant must not engage in any acceptance practice that discriminates against or discourages the use of a Card in favor of any other acceptance brand.

*Charges to Cardholders* - A Merchant must not directly or indirectly require any Cardholder to pay a surcharge or any part of any Merchant discount or any contemporaneous finance charge in connection with a Transaction. A Merchant may provide a discount to its customers for cash payments. A Merchant is permitted to charge a fee (such as a bona fide commission, postage, expedited service or convenience fees, and the like) if the fee is imposed on all like transactions regardless of the form of payment used, or as the Corporation has expressly permitted in writing.



*Minimum/Maximum Transaction Amount Prohibition* - A Merchant must not require, or indicate that is requires, a minimum or maximum Transaction amount to accept a valid and properly presented Card. MC/Visa require that we notify our customers within 48 hours if there is a breach of information.

## **Anti-Spam Email**

Federal rules require the following for commercial email sent to your mobile phone.

*Identification* - The email must be clearly identified as a solicitation or advertisement for products or services

*Opt-Out* - The email must provide easily-accessible, legitimate, and free ways for you to reject future messages from that sender

*Return Address* - The email must contain legitimate return email addresses, as well as the sender's postal address.

## **What to Look for in a Potential Solution Provider**

- **Documented Privacy Policy that protects the personal information of students, parents and account holders**
- **Verifiable experience helping school districts manage online and mobile payments risk**
- **Reference accounts and referrals**
- **Certifications from relevant associations verifying compliance practices**

# Integration

Another online and mobile payments challenge facing k12 schools and districts lies in the myriad of solutions with which an efficient solution must integrate.

Online and mobile payments solution providers should be proficient at two types of integration:

Integration among products offered by an individual solution provider. Leading online and mobile payments solution providers offer a variety of products that help K12 schools and districts implement online and mobile payments. These products should seamlessly integrate with one another to help users and system administrators:

- a. Avoid data redundancies
- b. Enable efficient data and profile transfers between products
- c. Enable single sign-on to avoid multiple password management challenges

Integration between products offered by third party solution providers. Given the myriad of solutions utilized within the K12 ecosystem, school and district technology leaders need to work with providers who are able to make connection with existing systems. This helps to bring efficiency and additional security to users. Systems with which online and mobile payments systems may integrate include:

- a. Student Information Systems
- b. Financial Systems
- c. Cafeteria Point of Sale
- d. Library Systems
- e. Content Management Systems

The benefits of integration include:

- Eliminates parents from selecting the wrong student
- Gives the district the ability to assign specific fees to students
- Parents cannot see fees that they should not pay
- Keeps predators from gathering information about students or districts
- Allows the district to only have to enter student data once (saves time and energy)

## What to Look for in a Potential Solution Provider

- **The ability to demonstrate integration among the products owned by the solution provider**
- **The ability to demonstrate integration between the provider's products and third-party solutions**
- **The technical details of the integration including security and data transfer protocols enabled**

# A Comprehensive Solution

Managing payments is becoming an increasingly critical part of K12 school and district financial management. School and district leaders appreciate the efficiencies in acquiring payment solutions from a single partner who offers a comprehensive suite of products that address a wide range of needs. They are expecting the solutions they choose to support all aspects of their payments strategy including online, mobile and in person payments.

A comprehensive K12 school and district payments solution provider should offer:

*Online payments capabilities* – solutions that enable secure online payments through a web interface with the appropriate user management and reporting capabilities. [Payforit.net](#) from PaySchools® is an example of a leading online payments solution that meets these demands).

*Mobile payment capabilities* – A mobile based payments solution that allows parents to log into their accounts, check balances and make payments (e.g., lunch payments) from any mobile device. [PayForIt Mobile](#) is an example of a robust mobile payments solution.

*Shopping cart solutions* – An online store front through which K12 schools and districts can sell merchandise and services. [DBSCart](#) is an example of a shopping card solution that enables schools to offer products for sale while enabling integrated inventory management.

*In-person point of sale capabilities* – An offline point of sales system for those times when transactions need to be conducted in person rather than online. [PASS](#) is an example of an in-person point of sale system that allows face-to-face payment transactions for lunches, merchandise, services and other saleable items.

## What to Look for in a Potential Solution Provider

- **A suite of solutions that enable on-line, mobile and in-person payments processing**
- **Shopping cart functionality to enable inventory management**
- **Integration among these solutions including single sign-on and user management**

*“DBS has worked to integrate their technology seamlessly with their products, but also with other existing technology to provide what their customers require for successful operation of their program. PayForIt is an excellent example of that technology. Last year, more than half of the ‘cash’ payment taken in by our department was through PayForIt. That money is securely deposited to our bank account greatly decreasing the amount of cash and checks that is taken in at the school level. Because of this, our kitchens are more productive, and there is less of a chance for errors when dealing with cash and deposits.” – Tony Jorstad, R.D., S.N.S., Nutrition Services Director, School District 27J (Brighton, CO)*

# Desired Features in an Online and Mobile Payments Solution

The rewards of moving to a cashless school include greater payments management, the potential for increased revenue, increased efficiency and convenience and increased security. However, there are also challenges associated with reaping these rewards that must be managed. Choosing a partner whose solutions are engineered toward reducing these risks is often a key drive of success. At a minimum, an online and mobile payments solution provider must be able to deliver the following capabilities to ensure success:

**Account Validation** – the ability to validate the payment information against the student information.

**Rollover Account Management** – the ability to manage accounts from year to year as students move grades

**Parent Account Management** – the ability for parents to manage their own account and passwords

**Integration** – the ability to integrate the chosen solution with other software used by the district

**Messaging** – the ability to post messages to parents on the site and receipts

**Auto-Replenishment** – the ability to automatically replenish lunch funds

**Transaction Management** – the ability to automate and record all transactions

**Installment Payments** – the ability to enable periodic payments in equal installments over a given time period.

**Partial Payments** – the ability to enable and track partial payments and apply them to balances, while tracking updated balances

**Multiple Student Payments** – the ability for parents to pay for multiple student purchases and fees in single transaction

**Fee Assignment** – the ability to assign and track fees to individual students

**Assign G/L Codes to Fees** – the ability to assign fees to specified general ledger codes

**Parent Portal Syncing** – the ability to sync payments to student information system views

**Out of District Patron** – the ability to enable out of district patrons to make and manage payments

## What to Look for in a Potential Solution Provider

- **A robust feature set that meets the increasing demands of your school and district**
- **An evolving feature set with a documented roadmap for future enhancements and capabilities**
- **A support and servicing infrastructure geared to scale with your district needs**

**Multiple Bank Accounts** – schools can have funds deposited into as many bank accounts as they want.

**Guaranteed ACH (eCheck)** – you will not have to worry about checks being bad online.

## A Checklist for Evaluating Online & Mobile Payments Solution Providers

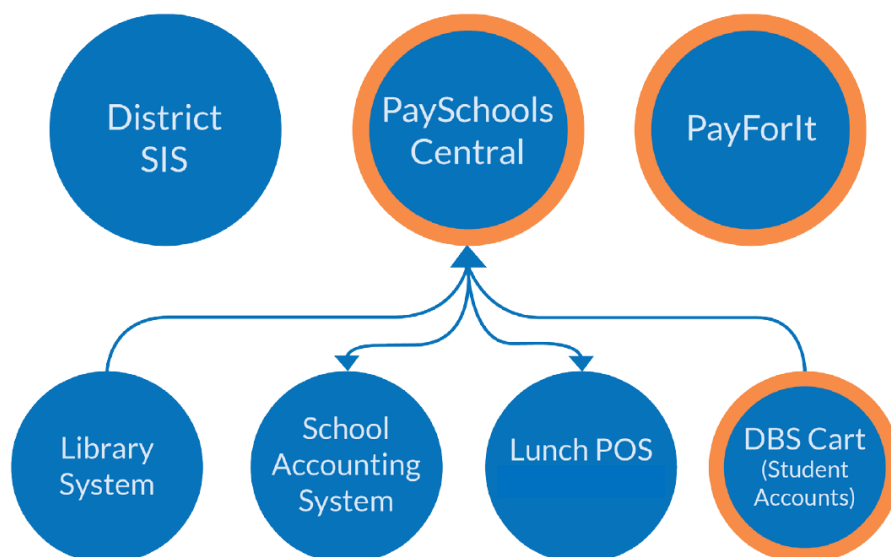
Use the following checklist to help evaluate online & mobile payments solution providers.

Feature	PaySchools	Compare
Multiple Integration options	✓	
Deposits into multiple bank accounts	✓	
ACH (eCheck) payment acceptance	✓	
Guaranteed ACH payment	✓	
Assign G/L Codes to Fees	✓	
Payment Card Industry (PCI) compliance	✓	
Assign Optional fees by school, grade or roster	✓	
Manage multiple payment types	✓	
Parent/Guardian account management	✓	
Customizable transaction messaging	✓	
View transaction history	✓	
Email transaction verification	✓	
Opt-in email notifications	✓	
Non-district user management	✓	
Multiple payments in a single transaction	✓	
Default payment set up	✓	
Schedule based fee payment management	✓	
Group/individual fee management	✓	
Fee schedules by group type	✓	
Student and family max payment set up	✓	
Financial reporting – G/L Codes	✓	
Financial reporting – Fee types	✓	
Financial reporting – ICF and transaction fees	✓	
Adding funds to student lunch accounts	✓	
Automatic funds replenishment	✓	
Partial payments	✓	
Set fee participation maximums for groups	✓	
Installment payment enablement and tracking	✓	
Afterschool program payment management	✓	
Purchase tracking per student	✓	
Outstanding balance reporting	✓	
Balance and pending payments reporting	✓	
State reporting capabilities	✓	
User support via FAQs, tutorials, videos, etc.	✓	

## Summary

Your decision to evolve into a cashless school represents your desire to bring convenience, security and value to your school's and district's parents and community members. In other words, you've already decided that maintaining the status quo is not acceptable for your school and district to grow with the needs of your constituents. The solution provider you select to partner with for your online and mobile payments initiatives will make a big difference in your success.

We hope you'll select PaySchools® as one of the leading options for partnering with you. We're confident our comprehensive suite of online and mobile payments solutions, in-person payments solutions and shopping cart capabilities will meet your needs and continue to grow as you progress along the way.



## Next Steps

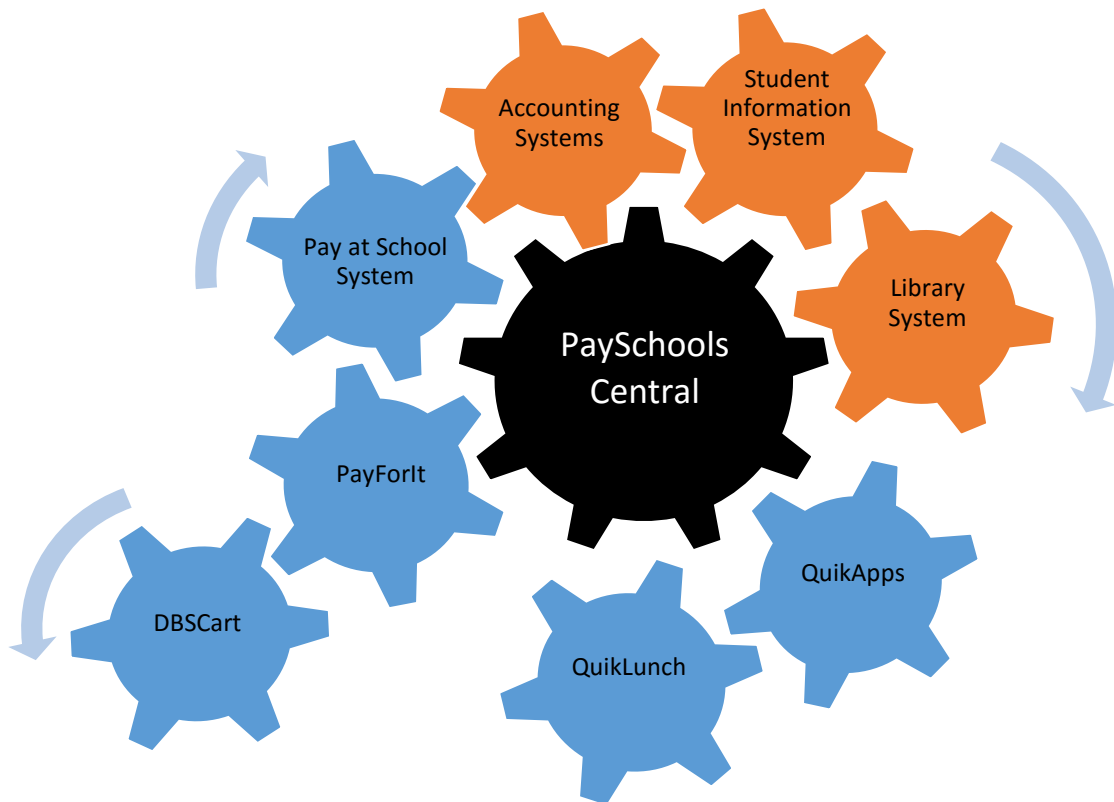
Want to learn more about the products that combine to create PaySchools'® suite of online and mobile payment solutions? Visit our product website today:

- QuikLunch <https://www.payschools.com/quiklunch>
- PayForIt <https://www.payschools.com/payforit>
- PASS <https://www.payschools.com/pass-pay-at-school-system>

Let us know how we can help you streamline the process, and use the electronic tools available to you from PaySchools. Give us a call (855) 210-8232 opt. 4 or email us at [sales@payschools.com](mailto:sales@payschools.com)

# About PaySchools®

PaySchools is a software development company specializing in integrated payment technology solutions for public and private schools across the US. Our product solutions are used by over 8,000 schools, in 43 states, and we service over 6 million students. Schools use our software to help streamline many manual processes to save time and money for their district and staff, while providing convenience tools to their parents and community.



## Sources

- (1) WePay Small Business Survey
- (2) Community Merchants USA
- (3) Dun and Bradstreet
- (4) Forrester Research

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