

Electronic Fund Disbursements

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Abstract

In 2002, Kennesaw State University was approached by HigherOne™, an internet financial services provider that focuses on higher education. HigherOne enables universities to provide students' electronic fund disbursement options and access to optional pre-approved banking services. The HigherOne opportunity coincided with a process review at KSU. The paper-check based disbursement process at KSU was unsatisfactory for all parties: it was costly, labor-intensive and had a built-in lag time of between five and seven days (of mail delivery time) before students received their funds.

KSU envisioned instead a program that would combine electronic banking with web self-service technologies to both meet our business needs and improve our customer service.

Our Electronic Fund Distribution process, based on a partnership with HigherOne, has surpassed our expectations and given us a secure, proven platform for delivery of other university funds.

Introduction of the Organization

Kennesaw State University is a public university in the University System of Georgia, located in the densely populated and rapidly developing northwest region of Greater Metropolitan Atlanta. KSU serves as a highly valued resource for educational, economic, social and cultural advancement.

Kennesaw State serves a diverse student body. It includes young adults who enroll as freshmen or undergraduate transfers and an equally large number of older adults who return or transfer to the university at different stages in their lives for undergraduate or graduate study. A majority pursue their academic goals on a part-time basis because of job, family and civic responsibilities. Significant numbers of international and minority students enroll. Many students pursue professionally oriented degrees, especially at the graduate level. Evening and weekend programs accommodate experienced professionals seeking academic advancement. A broad range of programs, services and activities are offered outside the classroom to enrich campus life and enhance student success and personal development.

Kennesaw opened its doors in September of 1966 as a community college with a student body of 1,014. Today, KSU is fully accredited as a four-year institution by the Southern Association of Colleges and Schools (SACS); offers 43 Bachelor programs; has an annual operating budget of \$128 million and a student body of 17,877. Kennesaw State University is now the third largest university in the University System of Georgia.

Convenient to metro Atlanta and two interstates, affordable KSU is a diverse mixture of traditional and non-traditional, residential and commuter students. The campus is a beautiful, thriving place with facilities that are growing with the student body. Effective teaching and learning are central institutional priorities. Service and research that strengthen teaching and address the public's interests are important supportive priorities.

Our 2005-2006 academic years' theme is "Growing into Greatness."

Statement of the Initiative

Kennesaw State University desired to implement an improved student fund distribution process that would 1) improve the efficiency and effectiveness of our operations; 2) improve customer satisfaction; 3) reduce costs and 4) re-align staff to pro-active activities. These goals would be met through a partnership with a 'bank' partner who would a) pre-qualify all students, faculty and staff for a debit/checking account; b) disburse funds on behalf of the university in the media individually chosen by the recipient, c) offer free/low cost services to customers and the University and d) utilized state of the art programs like online banking and bill pay, world-wide acceptance, rebate/reward programs and campus ATMs.

Design

In July 2003, KSU assembled a Refund Project Team. Its purpose was to “Implement electronic distributions of student refunds utilizing Higher One features and services to effectively and efficiently service KSU students and streamline KSU business processes.” The methodology KSU used to successfully accomplish our goals is documented herein. It is a blend of management techniques and philosophies that is generally referred to as Business Process Reengineering that has been modified to fit the Kennesaw State University organization. It is not intended as a turn-key solution for other schools, but rather an option that may work at similar institutions.

BPR relies on a different school of thought than continuous process improvement. *In the extreme*, reengineering assumes the current process is irrelevant - it doesn't work, it's broke, forget it. Start over. Such a clean slate perspective enables the designers of business processes to disassociate themselves from today's process, and focus on a new process. You must ask yourself: what should the process look like? What do my customers want it to look like? What do other employees want it to look like? How do best-in-class companies do it? What might we be able to do with new technology? At KSU, we looked back at our current process occasionally just to ensure no vital step was omitted and to remind ourselves of what we did well.

KSU began the BPR by defining the scope and objectives of our reengineering project. We then went through a discovery/learning process (with our customers, employees, sister institutions, banks and with new technology). With our new knowledge base, we created a vision for the future and designed new business processes. We documented our

proposed solution in a Request for Approval to Proceed which was presented to the Vice Chancellor for Fiscal Affairs at the University System of Georgia Board of Regents. Our approval request had just five sections: Issues, Vision and Requirements; Current and Proposed Flow Charts; Bank Responses to Requirements; Recommendations; and Risk Assessment. Each topic consumed no more than one page of information and whenever possible, the topics were presented with graphics as shown in our Proposed Flow Chart below.

At the Vice Chancellor's request, we established our HigherOne relationship with the Sole Source acquisition process.

Our cost to implement was minimal: Higher One had an incentive package for early adopters: all implementation costs (approximately \$126,500) were waived. We expended time and manpower to transition to the new system but that has now leveled off.

KSU/WGA Proposed Best Practice Flow Chart

DISBURSEMENTS
April 2003

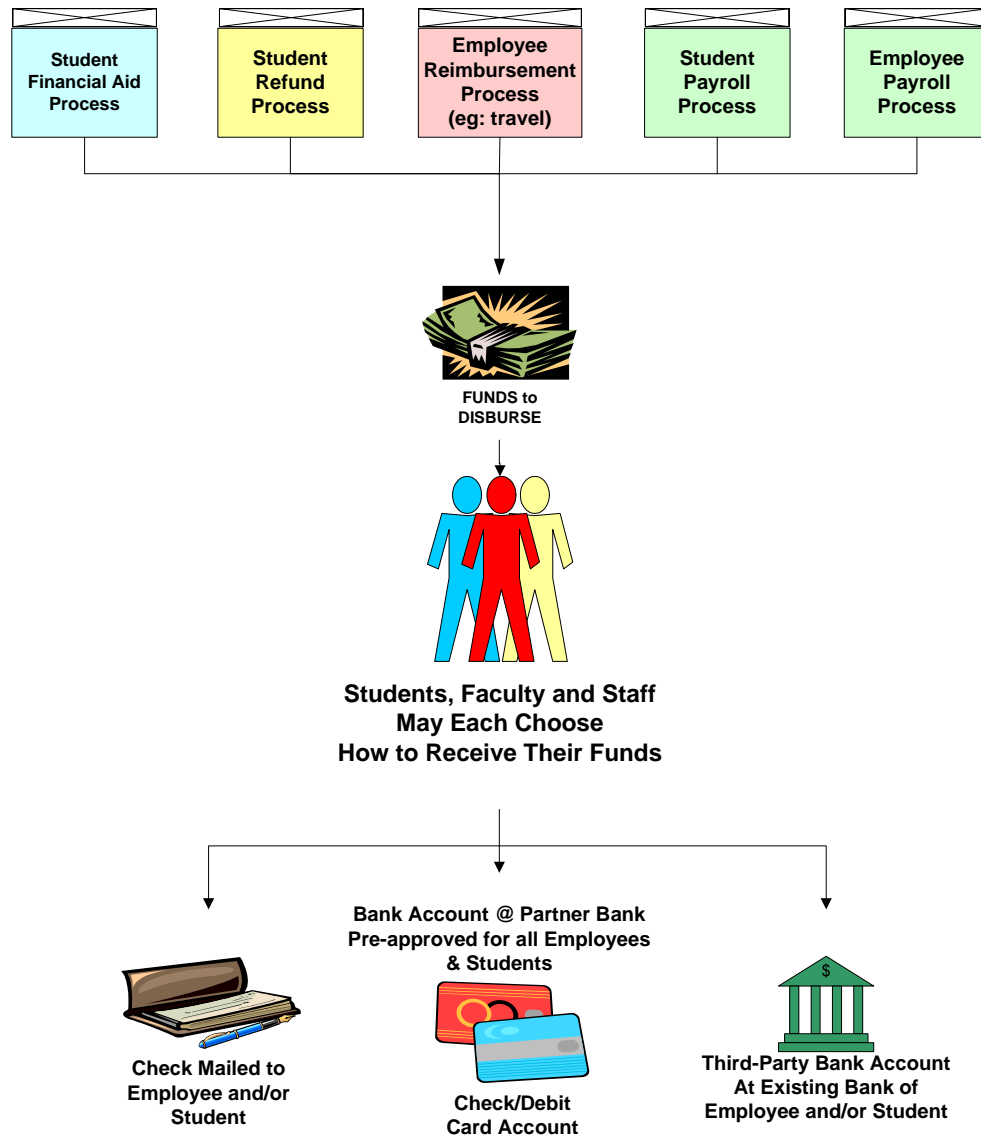


Exhibit B - Proposed

Implementation

Implementation of Electronic Fund Disbursements at Kennesaw State University was both successful and relatively easy. We believe there were at least Six *Critical Success Factors* that would be relevant to all universities who wish to implement Electronic Fund Disbursements:

1. Executive Sponsorship

Establishment of project governance is your first priority. At KSU, the VPs of Business and Finance and Information Technology were our sponsors. They empowered the Team to change procedures as necessary and served as our contact when Team members were unable to agree on procedural change or the Team wanted a policy change approved.

2. Effective Tool for Communicating with Students

KSU furnishes every student an email account. Our university policy states that all official KSU communications will be via the university-furnished email. Without an effective tool to communicate with your customer, no project can succeed.

3. Accurate Student Mailing Addresses

The post office will not forward Debit Cards, so it is important to verify student addresses prior to the initial mailing of cards. The number of returns by the post office caused quite a bit of confusion. We have since added a Pop-up to our student information system requiring students to verify their mailing address every 90 days.

4. Campus-wide Participation on Project Team

The Core Team membership was comprised of the main stakeholders: Administrative Computing Services, Bursar, Business Services, Card Office, Financial Aid and Student Government. However, we included many other areas as consultants and kept them apprised of our progress: Faculty Council, Human Resources, Library Services, PeopleSoft Director, Staff Council Representative, Student Life and University Relations.

5. Separate KSU ID and Debit Cards

Our original concept at KSU was to combine all card operations on one card. However, security issues soon surfaced: we had no response to those who questioned the security of transactions on our parking gate network or the wisdom of handing their bank card to a librarian for book check-out nor our liability under the Graham-Leach-Bliley legislation. Our solution was simple but elegant: separate cards for the campus ID vs. the new debit card. It's been almost two years since our decision to keep the cards separate and we've had no regrets!

6. Higher One, Our partner vendor

KSU is extremely pleased by our relationship with HigherOne. We have found them honest, knowledgeable, professional and accommodating.

Benefits

1. Cost Avoidance

HigherOne has distributed \$48M for KSU in 50,000 transactions since February 2004 and charged us \$83,500 for their services. We have received 'float' income from HigherOne of about \$6500. Our in-house cost per check is \$14.57. Thus we have avoided over \$600,000 in costs by utilizing HigherOne.

2. Student Service Improvements

Approximately 62% of our students receive a refund each semester. The lag/wait times until students have access to their funds as been reduced by 5-7 days. The suite of services now available to students has been expanded: a) disbursement media choice; b) web self-service functions that are available 24x7; c) pre-approval of an optional debit account; d) access to financial services like bill pay, MC co-branded debit card, and reward programs; all *without promoting student debt!*

3. More Efficient Use of Staff & Resources

Clerical staff has been re-assigned to customer service vs. stuffing, sorting, mailing or manually distributing paper checks. Postage costs for checks have been reduced by 90%. Online tools make it easy to track funds. Approximately 62% of our students receive a refund each semester. Our electronic process does not require more staff to process more transactions!

Retrospect

The Kennesaw State University Electronic Funds Distribution project has been successful by any measurements. However, any project that affects students will require an intensive communication campaign. We tackled our communication task from every angle we could think of: student government presentations (four), student newspaper articles and ads, campus email, notices in the student information system and signage on and in buildings. Inherent in the make-up of our student body (heavily non-traditional and commuter), we did not reach everyone. The larger your student body, the more this may be an issue. KSU gave free replacement KSU Debit cards to everyone for nine months. Our most effective tool is time: all freshmen must attend Orientation and during Orientation, the Card Services Center is given the opportunity to explain the KSU Debit Card program. Now, electronic fund distribution is the norm for our freshmen and sophomores! Each year brings us closer to total campus acceptance!

We have no reservations in urging other schools to adapt ELECTRONIC FUND DISTRIBUTIONS!