

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0618-01
Bill No.: SB 128
Subject: Public Assistance; Social Services Department
Type: Original
Date: February 8, 2013

Bill Summary: This proposal modifies the permissible uses of electronic transfer benefits (EBT) cards for food stamp and cash assistance.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown, greater than \$686,274)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(Unknown, greater than \$686,274)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** provide the following information:

§ 208.185.2 - Prevention of Accessing Cash Benefits Outside Missouri:

This proposed legislation means Missouri Temporary Assistance for Needy Families (TANF) cash assistance recipients can only access their Electronic Benefits Transfer (EBT) cash assistance benefits via any Point of Service (POS) Terminal (Cash Purchase, Cash Purchase w/ Cash Back, Cash Withdrawal) and any ATM (Cash Withdrawal) as long as they are located within the State of Missouri.

This will not affect a small portion of TANF participants who receive their benefit via direct deposit into a personal checking or savings account. The FSD has no way of limiting the use of this assistance once it has been placed into an account within a financial institution.

Currently, Missouri follows the QUEST® operating rules for the distribution of government benefits. However, if Missouri limits TANF transactions to in-state only, it will be in violation of QUEST® operating rules and Missouri will have to remove any QUEST® logos from Missouri EBT cards.

To limit EBT TANF transactions to in-state only, replacement EBT cards will have to be issued for every active TANF eligibility unit in the state. In addition, replacement EBT cards will have to be issued for every active Food Stamp eligibility unit, as Food Stamp benefits are also issued on EBT cards in Missouri.

Prior to issuing replacement EBT cards, each household will require written documentation notifying them of this change. In November 2012, there were 39,341 families receiving TANF. The majority of these TANF households also receive Food Stamps on their EBT card. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration (OA) estimates each notice will cost 38 cents to notify recipients receiving both TANF and Food Stamp benefits of the change for a total of \$14,950 (39,341 x 38 cents = \$14,950). In November 2012, there were an additional 330,449 households receiving Food Stamps only. Each of these households will require prior notification of the change. Mailing costs provided by the OA puts each notice at 38 cents for a cost of \$125,571 to notify Food Stamp-only recipients (330,449 x 38 cents = \$125,571). Therefore, mailing costs for the initial notification of implementation of this legislation will be \$140,521 (\$14,950 + \$125,571 = \$140,521).

ASSUMPTION (continued)

QUEST® requires the State to become a non-member if cash assistance benefits cannot be used outside of Missouri. Missouri will be a non-QUEST® State and will be required to reissue EBT cards to remove the QUEST® logo from Missouri cards. Based on an estimate provided for similar legislation filed in 2012, the current contractor, Fidelity Information Services (FIS) provided an active card count of approximately 490,000 in the FIS' ebtEDGE System that would need to be replaced. The FSD has requested an updated cost estimate, but one is not available at this time. In 2012, FIS provided a fiscal break down as follows:

Start Up Cost:

Development & Implementation	\$ 2,835
Notification to Third Party Processors (TPPs), Networks and EBT Processors	\$ 1,875

Costs Associated with switch to Non-Quest® State:

Development/Implementation for Card Reissue	\$ 65,060
---------------------------------------------	-----------

Includes/Assumptions:

- Write program to generate new cards for existing cardholders.

Card Issuance (490,000) (CardPro)	\$161,901
-----------------------------------	-----------

Includes:

- Design new Card Carriers
- Batch Job Handling
- Per Card Charge
- Card Carrier
- Card processing (embossing)
- Card Envelopes

EBT-only Merchants, Third Party Processor (TPP) and Network Re-contracting:

Re-contracting Services	<u>\$122,580</u>
Total Costs associated with implementation of new cards and reissuance of new cards (excluding mailing costs)	<u>\$354,251</u>

While the FSD will be responsible for postage costs to issue replacement cards, it is difficult to predict the total cost. Assuming that each card will be affixed to a postcard and accompanied by an additional notice regarding the new card, each envelope should weigh less than one ounce. Mailing costs provided by the OA estimates postage will be 38 cents each. The total approximate cost to mail new EBT cards to each active eligibility unit would be \$186,200 (490,000 x .38 cents = \$186,200).

ASSUMPTION (continued)

All current merchant contracts are QUEST® contracts. There are approximately 4,000 merchants in Missouri. FIS must re-contract with every EBT-Only merchant, Third Party Processor (TPP) and Network. FSD will also incur these postage costs. The total cost to re-contract with current Missouri merchants would be \$1,520 (4,000 x .38 = \$1,520).

All fiscal breakdowns provided by FIS are at a 50% confidence rate. Thus, the FSD cannot provide an exact dollar figure to implement this change. Therefore, the cost to Missouri is unknown but greater than \$682,492 (\$140,521 + \$354,251 + \$186,200 + \$1,520 = \$682,492).

Oversight notes, per discussion with DSS personnel, costs related to this proposal will be 100% General Revenue as all of the TANF block grant funds have been allocated.

§ 208.185.3 - Request of Waivers:

The FSD would request a waiver from the US Department of Agriculture (USDA) as required by this section. There is no cost associated with requesting a waiver. The Food and Nutrition Act of 2008 (the Act) defines eligible food as any food or food product for home consumption, which includes soft drinks, candy, cookies, ice cream, etc. States cannot restrict the purchase of food items if federal regulations and the Act have those items listed as eligible food. Therefore, FSD anticipates that such a waiver would not be approved by the USDA.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - DSS** provide the following assumptions regarding this proposal:

§ 208.185 - EBT Cards for Food Stamps and Cash Assistance Benefits:

The Family Assistance Management Information System (FAMIS) would need to change one letter for Supplemental Nutrition Assistance Program (SNAP) and TANF recipients explaining the benefits to them. The letter would need to be modified to tell them that purchases are restricted to the State of Missouri and include the list of "Healthy" food and beverages allowed.

- 1) Family Support Division (FSD) staff will enter the letter changes into the FAMIS Test region.
- 2) ITSD schedules and runs the Test jobs to produce the sample letters.
- 3) ITSD implements the letter changes to all regions once approved.
- 4) Testing and implementation are estimated to take 60 hours.

The current rate for ITSD staff averages \$63.04 per hour. Therefore, the estimated cost is \$3,782 (\$63.04/hour X 60 hours).

ASSUMPTION (continued)

Officials from the **DSS - Division of Legal Services (DLS)** state the proposal has no fiscal impact to the DLS. The DLS defers to the Family Support Division for response regarding the potential fiscal impact of designing a system to prevent the use of EBT cards to access benefits outside the State of Missouri.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Cost - DSS-FSD</u>			
EBT card reissuance expenses	(Unknown, greater than \$682,492)	\$0	\$0
<u>Cost - OA-ITSD-DSS</u>			
Programming costs	(\$3,782)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown, greater than \$686,274)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may positively impact small business retail food providers if recipients are no longer able to access and spend benefits outside Missouri.

FISCAL DESCRIPTION

This proposal modifies provisions relating to permissible uses of electronic benefits transfer (EBT) cards. EBT cards are the debit cards used to access food stamps or cash benefits issued by the Department of Social Services. This proposal provides that except to the extent prohibited by federal law, the electronic benefit transfer system designed and implemented by the department shall prevent a recipient from using the EBT card to access cash benefits outside this state.

The Department shall request necessary waivers to restrict the usage of food stamp benefits for the purchase of healthy food and beverages only. The list of items of healthy food and beverages eligible for purchase shall be promulgated by the Department under the regulations of the United States Department of Agriculture, taking into account the most recent and advanced scientific principles regarding good human health and fitness, in order to advance good health, well-being and fitness of the recipients.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
Information Technology Services Division/Department of Social Services
Department of Social Services -
Family Support Division
Legal Services Division
Joint Committee on Administrative Rules
Office of Secretary of State



L.R. No. 0618-01
Bill No. SB 128
Page 8 of 8
February 8, 2013

Ross Strobe
Acting Director
February 8, 2013