

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1966-01
Bill No.: HB 816
Subject: Public Assistance; Department of Social Services
Type: Original
Date: April 12, 2011

Bill Summary: This legislation requires all purchases made by public assistance recipients with temporary assistance for needy families benefits to be in-state purchases only.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(\$669,645)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$669,645)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 208.057:

Officials from the **Department of Revenue, Office of Administration-Budget and Planning, Department of Economic Development, Office of the Attorney General** and the **Department of Mental Health** each assume the proposal would have no fiscal impact on their respective agencies.

In response to a similar proposal from this year (HB 817), officials from the **Department of Social Services-Information Technology Services Division** assumes there will be no changes required to DSS's EBT system.

In response to a similar proposal from this year (HB 817), officials from the **Department of Social Services-Family Support Division (FSD)** assume the proposed legislation means Missouri TANF cash assistance recipients can only access their 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 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. Missouri must remove any QUEST® logos from Missouri EBT cards.

To limit EBT TANF transactions to in-state only, replacement Electronic Benefit Transfer (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 issued on EBT cards in Missouri.

Prior to issuing replacement EBT cards, each household will require written documentation notifying them of this change. In January 2011, there were 42,979 families receiving TANF. The majority of these TANF households also receive Food Stamps on their EBT card. Each of

ASSUMPTION (continued)

these households will require prior notification of the change. Mailing costs provided by the Office of Administration puts each notice at 36 cents each. (42,979 x 36 cents = \$15,472.44) In January 2011, there were an additional 395,302 households receiving Food Stamps only. Each of these households will require prior notification of the change. Mailing costs provided by the Office of Administration puts each notice at 36 cents each. (395,302 x 36 cents = \$142,308.72)

Mailing costs for initial notification of implementation of this legislation will be \$157,781 (\$15,472.44 + \$142,308.72 = \$157,781.16 rounded down).

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. The current contractor, Fidelity Information Services (FIS) provided an active card count of approximately 465,000 in the FIS' ebtEDGE System that would need to be replaced. FIS provided a fiscal break down as follows:

Start Up Cost:

Development & Implementation	\$ 2,835.00
Notification to Third Party Processors (TPPs), Networks and EBT Processors	\$ 1,875.00

Costs Associated with switch to Non-Quest State:

Development/Implementation for Card Reissue	\$ 65,060.00
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Includes/Assumptions:

- Write program to generate new cards for existing cardholders

Card Issuance (465,000) (CardPro)	\$150,674.00
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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	\$122,580.00
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Costs associated with implementation of new cards and reissuance of new cards would be \$343,024 (\$2,835 + \$1,875 + \$65,060 + \$150,674 + \$122,580 = \$343,024).

ASSUMPTION (continued)

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 Office of Administration puts each envelope at 36 cents each. The total approximate cost to mail new EBT cards to each active eligibility unit would be \$167,400 (465,000 x .36 cents = \$167,400).

All current merchant contracts are QUEST® contracts. There are approximately 4,000 merchants in Missouri. FIS, or the current EBT vendor, 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 \$1,440 (4,000 x .36 = \$1,440).

Therefore, the approximate total cost to Missouri to implement this legislation would be \$669,645 (\$157,781 + \$343,024 + \$167,400 + \$1,440 = \$669,645)

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 \$669,645.

Oversight assumes the FIS fiscal breakdown is an accurate estimate. Therefore, for fiscal note purposes only, Oversight has removed the “unknown but greater than” to the fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Costs - Department Social Services</u>			
Program Costs	<u>(\$669,645)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$669,645)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

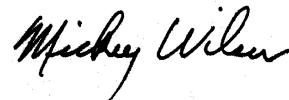
Section 208.057:

The proposed legislation requires all purchases made with Temporary Assistance for Needy Families (TANF) benefits by a TANF recipient in this state to be limited to in-state purchases only.

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 the Attorney General
Office of Administration-Budget and Planning
Department of Economic Development
Department of Revenue
Department of Social Services
Department of Mental Health



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Director
April 12, 2011