

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6321
BILL NUMBER: SB 426

NOTE PREPARED: Jan 23, 2004
BILL AMENDED: Jan 22, 2004

SUBJECT: Electronic Benefits Transfer Law.

FIRST AUTHOR: Sen. Kenley
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		417,600	417,600
Net Increase (Decrease)		(417,600)	(417,600)

Summary of Legislation: (Amended) This bill allows the Electronic Benefits Transfer Commission to review proposed contracts of the Division of Family and Children. The bill requires the Division to implement Commission recommendations, except under specified circumstances. The bill further requires the Commission to review and make recommendations concerning a state program administered by the Office of the Secretary of Family and Social Services (FSSA) through which the state uses electronic transfers to transfer benefits or money.

The bill also requires the Division to pay a fee of \$0.06 per approved electronic benefits transfer (EBT) transaction to retailers participating in the EBT program who use their own equipment. It requires the Division to review the amount of the fee every two years.

The bill also requires the Division to implement a staggered distribution schedule for EBT program benefits.

Effective Date: July 1, 2004.

Explanation of State Expenditures: (Revised) *Electronic Benefits Transfer (EBT) Commission:* The bill would require that the EBT Commission review and make recommendations on an expanded number of programs that may convert to electronic payment for distribution of benefits. Currently, the EBT Commission is charged with the review of the Food Stamp program and the Temporary Assistance to Needy Families

program (TANF) benefits administered by the Division of Family and Children (DFC). DFC reports that the Child Support Program and Child Care Program benefits are in the process of conversion to electronic transfer as well. This bill would extend the EBT Commission's review authority to any program administered by FSSA that would distribute program benefits via electronic banking. This provision would provide a single consistent review to a wide range of programs within FSSA only. It would not extend the review to similar assistance programs, such as the Women, Infants, and Children (WIC) Program in the Department of Health.

The bill provides that DFC must approve and implement a recommendation made by the Commission unless the recommendation violates state or federal law, National Automated Clearing House Association guidelines, results in the EBT program being incompatible with other state EBT programs, or is fiscally infeasible. The bill is not clear with regard to the DFC's authority to implement programs within other divisions of FSSA.

The EBT Commission is an 8-member commission appointed by the Secretary of FSSA. The members serve at the will of the Secretary and receive no salary per diem or travel expenses for meeting attendance. Any provisions of this bill requiring expansion of the number of programs subject to review, recommendation, or approval that would require additional meetings of the Commission members would have no direct cost to the state.

The bill provides that DFC may not execute a contract for EBT services unless the Commission has reviewed the contract. The bill is unclear with regard to whether the Commission would have the same contract review authority over contracts executed by other divisions within FSSA.

EBT Transaction Fees: The bill requires the Division of Family and Children to pay a transaction fee of \$0.06 per approved transaction to participating retailers using their own equipment. FSSA reports that 1,238 retailers participating in the EBT program use their own equipment. DFC does not currently pay transaction fees. In December 2003, these retailers processed almost 1.2 M transactions: 1,147,317 Food Stamp transactions, 9,897 TANF transactions, and 2,778 balance inquiries. If December is assumed to be a typical month, the cost of a \$0.06 transaction fee would be about \$69,600 each month, or approximately \$835,200 annually. Transaction fees would be eligible for federal administrative matching funds, so the final cost to the state would be \$417,600.

Information supplied by FSSA indicates that of 36 states operating EBT programs as of November 2002, 27 reported no transaction fees paid for Food Stamp program transactions. At the time of the survey, Illinois reported a transaction fee of \$0.025 per transaction, Minnesota reported Food Stamp transaction fees of \$0.04 per transaction, and Wisconsin reported an \$0.08 fee per transaction. Wisconsin is reported to have eliminated the transaction fee in the last year. Other states such as New York and Missouri report that no transaction fees are paid for Food Stamp purchases, but transactions involving cash withdrawals at retailers or ATM machines are paid fees of \$0.33 and \$0.30 respectively.

Staggered Distribution of Benefits: The bill requires that by January 1, 2005, DFC is to implement a staggered distribution schedule for the receipt of benefits in the TANF Program based on the first letter of the recipient's last name. FSSA reports that currently Food Stamp benefits are received once each month; the distribution is spread across 10 days from the 1st to the 10th of the month according to the recipient's last name. TANF benefits currently are distributed to all clients on the 1st day of the month. FSSA reports that transitioning the TANF benefit payments to a staggered distribution would require some additional administrative expense since some provision would need to be made on a one-time basis to adjust funds for families receiving benefits later than usual. This provision would also apply to other benefit programs that would fall under the review authority of the Commission. The cost of this provision is indeterminate for the TANF Program at this time.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration; Division of Mental Health and Addiction; Division of Family and Children; Division of Disability, Aging, and Rehabilitative Services; Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Angela Hoover, Legislative Liaison for the Family and Social Services Administration.

Fiscal Analyst: Kathy Norris, 317-234-1360.