

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 12, 2015

TO: Honorable Richard Peña Raymond, Chair, House Committee on Human Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB620 by Bonnen, Greg (Relating to electronic benefits transfer cards used for recipients of benefits under certain assistance programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB620, As Introduced: a negative impact of (\$7,038,197) through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$588,548)
2017	(\$6,449,649)
2018	(\$2,295,128)
2019	(\$2,295,128)
2020	(\$2,295,128)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>Federal Funds</i> 555
2016	(\$588,548)	(\$565,242)
2017	(\$6,449,649)	(\$6,194,241)
2018	(\$2,295,128)	(\$2,204,242)
2019	(\$2,295,128)	(\$2,204,242)
2020	(\$2,295,128)	(\$2,204,242)

Fiscal Analysis

The bill would amend the Government Code to require the Health and Human Services Commission (HHSC) to ensure that each electronic benefits transfer (EBT) card issued to recipients of the Supplemental Nutrition Assistance Program (SNAP) Temporary Assistance for Needy Families (TANF) cash assistance programs display the name and photograph of the

recipient or other authorized person. HHSC must ensure that EBT cards for TANF and SNAP used on or after January 1, 2016 conform with the requirements of this bill. HHSC is authorized to seek federal approval to implement the provisions of the bill and delay implementation if necessary.

The bill would go into effect on September 1, 2015.

Methodology

HHSC estimates a cost of \$7,038,197 in General Revenue and \$13,797,680 in All Funds over the biennium and \$13,923,581 in General Revenue and \$27,295,790 in All Funds over five years.

Increase of eligibility determination staff salaries due to overtime is estimated as \$1,391,321 in General Revenue and \$2,727,544 in All Funds in fiscal year 2017 and \$673,219 in General Revenue and \$1,319,779 in All Funds per fiscal year through fiscal years 2018-20. This estimate assumes that clerical workload would be increased by 5 minutes per client to take photos for an estimated total workload of 96,351.25 hours in fiscal year 2017 for new and replacement EBT cards and 47,542.42 hours per fiscal year through fiscal years 2018-20 for new EBT cards.

There is a one-time EBT vendor implementation of \$3,436,419 in General Revenue and \$6,736,755 in All Funds in fiscal year 2017 to replace all existing EBT cards (2,449,729 cards at \$2.75 per card). The estimated cost per card is based on the cost in Massachusetts for similar legislation.

HHSC has indicated that, due to the requirements of the bill, there will be ongoing costs associated with additional EBT cards issued projected at \$1,621,909 in General Revenue and \$3,179,591 in All Funds per fiscal year through fiscal years 2017-20. HHSC estimates that 1,156,215 cards will be issued per year at a cost of \$2.75 per card, based on the cost per card in Massachusetts due to similar legislation.

HHSC assumes there may be a reduction in unauthorized transactions resulting from photo verifications. This may result in potential costs savings in client benefits. However, a specific estimate can not be determined this time because the number of transactions currently made by unauthorized individuals and the amount of these transactions is unknown. Additionally, the bill contains no legal mechanism which would require merchants to verify the photo on EBT cards and refuse service if the photo does not match the individual presenting the EBT card. As a result, the percent of merchants who will verify the photo on EBT cards cannot be estimated.

HHSC has assumed that, due to the timeframe associated with the Texas Integrated Eligibility Redesign System (TIERS) and vendor system changes, a mass replacement of EBT cards beginning January 1, 2016 is not feasible. Therefore this cost estimate assumes that EBT cards issued on or after September 1, 2016 will comply with the requirements of the bill.

Technology

Application/System modifications to TIERS are estimated to be \$178,535 in General Revenue and \$350,000 in All Funds for fiscal year 2016. This includes 3,500 programming hours billed at a rate of \$100 per hour.

Application/System modifications to the EBT vendor software are estimated at a one-time cost of \$410,013 in General Revenue and \$803,790 in All Funds for fiscal year 2016. This includes \$300,000 for requirements gathering, design, and implementation; \$426,250 for software development; \$17,540 for data center storage costs; and \$60,000 for USB cameras.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission

LBB Staff: UP, NB, MH, CG