

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 25, 2017**

**TO:** Honorable Charles Schwertner, Chair, Senate Committee on Health & Human Services

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB1443** by Creighton (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 SB1443, As Introduced: a negative impact of (\$1,388,765) through the biennium ending August 31, 2019.

An estimate for any potential savings associated with a reduction to fraud, waste or abuse cannot be determined because the number and amount of transactions currently made by unauthorized individuals is unknown.

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
2018	(\$912,987)
2019	(\$475,778)
2020	(\$592,387)
2021	(\$601,740)
2022	(\$611,283)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Federal Funds</i> 555
2018	(\$912,987)	(\$883,878)
2019	(\$475,778)	(\$460,609)
2020	(\$592,387)	(\$573,500)
2021	(\$601,740)	(\$582,555)
2022	(\$611,283)	(\$591,793)

## **Fiscal Analysis**

The bill would amend Chapter 531 of the Government Code to require the Health and Human Services Commission (HHSC) to ensure that the front side of electronic benefits transfer (EBT) cards issued to recipients of Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefit programs display the name and photograph of the recipient or person authorized to use the card along with certain other information. Certain recipients of the programs would be exempt from the photograph requirement.

The bill requires HHSC to ensure that the EBT cards for TANF and SNAP used on or after August 31, 2020 conform to the requirements of the bill. The bill would take effect September 1, 2017.

## **Methodology**

This analysis estimates that implementing the provisions of the bill related to the information displayed on EBT cards would cost \$912,987 in General Revenue and \$1.8 million in All Funds in fiscal year 2018 and \$475,778 in General Revenue and \$936,387 in All Funds in fiscal year 2019.

HHSC anticipates there would be several one-time implementation costs. Application/system modifications to the EBT vendor software and to the Texas Integrated Enrollment Redesign System (TIERS) would be \$1.1 million in All Funds in fiscal year 2018. In addition, there would be a one-time cost of \$745,365 in All Funds in fiscal year 2018 for photo identification (ID) systems, which includes the purchase of cameras and printers for 255 local offices. HHSC assumes there would also be ongoing costs related to the photo ID systems including maintenance costs in fiscal years 2019-22 and software license costs in fiscal years 2020-22. This analysis assumes that the maintenance costs could be absorbed.

According to HHSC, there would be ongoing costs associated with EBT card issuance. HHSC assumes that it would begin issuing cards for new applicants and renewal cards in fiscal year 2019 that comply with the provisions of the bill. HHSC estimates that approximately 11.3 percent of program recipients would be exempt from the photograph requirement. This analysis estimates that EBT vendor issuance costs would be \$781,936 in All Funds in fiscal year 2019. This assumes that 781,936 cards will be issued by the EBT vendor at \$1 per card. Cards issuance costs for local offices and food banks are estimated to be \$154,011 in All Funds. This assumes that 366,694 cards will be issued by local offices and food banks at \$0.42 per card. These ongoing costs are projected to increase annually in 2021-2022 based on caseload growth in the programs. In addition, this analysis estimates an annual cost of \$440 related to an increase in client and retailer inquiry calls.

The HHSC Office of the Inspector General anticipates that the fraud hotline and website information on EBT cards would result in an increased volume of reports of fraud, waste, and abuse. This analysis assumes that costs associated with an increase in caseload at the HHSC Office of the Inspector General could be absorbed.

HHSC indicates there may be a reduction in fraud, waste, and abuse resulting from the additional identifying information on EBT cards. However, a specific estimate cannot be determined because the number and amount of transactions currently made by unauthorized individuals is unknown.

## **Technology**

Technology would be \$1.8 million in All Funds in fiscal year 2018 for the application/system modifications to the EBT vendor software and TIERS as well as the purchase of hardware for photo ID systems at local offices.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 529 Health and Human Services Commission

**LBB Staff:** UP, KCA, ER, ADe, TBo, RC