

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>15s0158/1</b>	<b>Introduction Number</b> <b>ASA2-AB200</b>
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**Description**  
 Limiting the number of replacement cards under FoodShare

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate  
 Increase Existing Appropriations     
  Increase Existing Revenues     
  Increase Costs - May be possible to absorb within agency's budget  
 Decrease Existing Appropriations     
  Decrease Existing Revenues     
   
  Yes    
  No  
 Create New Appropriations     
   
  Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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<b>Fund Sources Affected</b> <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	<b>Affected Ch. 20 Appropriations</b> 20.435(4)(a); (4)(bm); (4)(bn); (4)(n); (4)(pa); (4)(nn)
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<b>Agency/Prepared By</b> DHS/ Angela Waltz (608) 266-5362	<b>Authorized Signature</b> Andy Forsaith (608) 266-7684	<b>Date</b> 2/8/2016
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## Fiscal Estimate Narratives

DHS 2/8/2016

LRB Number	15s0158/1	Introduction Number	ASA2-AB200	Estimate Type	Supplemental
<b>Description</b> Limiting the number of replacement cards under FoodShare					

### Assumptions Used in Arriving at Fiscal Estimate

Federal FoodShare (FS) regulations do not limit the number of replacement electronic benefits transfer (EBT) cards that may be issued to a FoodShare (FS) household upon reporting their card lost, stolen, or damaged. Federal regulations at 7 CFR 276.4(6)(b)(6) do, however, require State agencies to monitor FS member requests for replacement cards, identify excessive requests, and refer cases for investigation if trafficking is suspected. Specifically, when a FS member requests a fourth EBT replacement card during any rolling 12-month period, States are required to send an Excessive Replacement Card Notice to the household, indicating that their account is being monitored for potential suspicious activity. This notice must also inform members that if they request another replacement card and trafficking is suspected, the case will be referred to the State's fraud investigation unit. Federal regulation at 7 CFR 274.6(b)(5) also allows the State an option to withhold issuance of excessive replacement EBT cards until the household meets a requirement to contact the State agency and provide an explanation of the reason for the card request. Under this option, the State's threshold for the number of cards considered excessive must be set at no fewer than four cards in a 12-month period.

Under current law, as of December 1, 2015, FS households requesting a fourth replacement EBT card in a 12-month period receive a warning notice. This notice states their request is considered excessive and that their account may be reviewed by the Department's Office of Inspector General (OIG) fraud investigation unit for possible misuse, should they request a fifth card in the future. This notice also provides information about proper use of their FS EBT card. If five or more replacement cards are requested within a 12-month period, a second notice is sent to the household identifying the number of cards requested in the past 12 months and stating that the household's account is being reviewed by the State's fraud investigation unit for possible misuse of FS benefits. A March 2013 Departmental pilot of a similar policy was very successful in reducing the number of excessive replacement cards requested. A five month follow-up to the pilot found that 73% of households that received a warning letter requested no additional replacement cards. Changes to CARES, the public assistance eligibility system, to automate the two existing notices, cost the state \$327,600 AF (\$163,800 GPR \$163,800 FED). Annual mailing and system maintenance costs associated with these changes is \$33,000 AF (\$16,500 GPR). The State's FS card vendor, which is responsible for issuing and replacing FS cards, provides the State with a daily card 4+ file at an annual cost of \$15,000 AF (\$7,500 GPR).

The substitute amendment would limit the number of replacement cards considered excessive to four within a 12-month period and contains provisions to issue notices for the fourth and fifth card request that have already been implemented by the Department on December 1, 2015, as described above. Under the substitute amendment, when a household requests more than five replacement cards in a 12-month period, the Department must withhold issuance of the card and send a notice to the household indicating that the household must contact the Department and provide an explanation of the need for another replacement card. The current FS benefit system automatically issues replacement cards to members upon their request. The provision to withhold card issuance until the time of contact would require changes to the CARES eligibility system at an estimated cost of \$330,000 AF (\$165,000 GPR) and complex changes to the EBT vendor's system at an estimated cost of \$500,000 AF (\$250,000 GPR). This provision would also require the development of an additional member notice at an estimated cost of \$106,000 AF (\$53,000 GPR). Ongoing annual costs associated with CARES maintenance and mailing of the additional notice are estimated at \$33,000 AF (16,500 GPR).

Under the substitute amendment, the Office of Inspector General's (OIG) fraud unit would have a number of new responsibilities. All incoming contacts required of FS members requesting more than five cards would be handled by the OIG fraud unit. In addition, under the Substitute Amendment, if the household does not contact the Department, or contacts the Department but refuses to provide an explanation of the need for the replacement card, the Department is required to conduct an investigation. These required

investigations would also be the responsibility of the OIG fraud unit. The Department estimates that it would need authority for an additional 2.0 FTE Regulatory Specialist positions in order to manage the fraud unit's increased workload. The total estimated annual costs for these two positions, including wages, fringe, and supplies and services, is \$186,000 AF (\$93,000 GPR). It is further assumed that there would be an additional annual cost of \$21,900 AF (\$10,950 GPR) for IM Consortia and tribes to answer questions and concerns from FS clients related to this policy.

In sum, implementation costs under the Substitute Amendment are estimated at \$936,000 AF (\$468,000 GPR) and 2.0 FTEs, with annual ongoing costs of \$240,900 AF (\$120,450 GPR).

### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 15s0158/1	<b>Introduction Number</b> ASA2-AB200	
<b>Description</b> Limiting the number of replacement cards under FoodShare		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  One time system development costs of \$936,000 AF (\$468,000 GPR/\$468,000 FED)		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$207,900	\$
(FTE Position Changes)	(2.0 FTE)	
State Operations - Other Costs	33,000	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$240,900</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	120,450	
FED	120,450	
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$240,900	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b> <b>Authorized Signature</b> <b>Date</b>		
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