

Fiscal Estimate Narratives

DHS 10/16/2017

LRB Number	17-4127/1	Introduction Number	AB-0530	Estimate Type	Original
Description nutritional food pilot program under FoodShare and providing an exemption from rule-making procedures					

Assumptions Used in Arriving at Fiscal Estimate

The proposed legislation would require the Department of Health Services (DHS) to develop and conduct, after consulting with stakeholders, a pilot program to restrict FoodShare benefits to foods, food products, and beverages that have sufficient nutritional value. Specifically, DHS would be required to identify categories of or specific foods, food products, and beverages that do not have sufficient nutritional value and restrict the use of FoodShare benefits for those foods, food products, and beverages. In addition, DHS would be required to seek a waiver of federal law from the Federal Nutrition Service (FNS).

Prior to formally requesting a waiver, DHS would need to hold stakeholder workgroup meetings in order to establish the details of the waiver request including the potential length and scope of the pilot which is not defined in the bill. Stakeholders would likely include farmers, agricultural interests, food and beverage manufacturers, grocers, other Supplemental Nutrition Assistance Program (SNAP) retailers, and advocates of FoodShare participants. These meetings would likely require two years to complete.

After the stakeholder meetings have concluded, DHS would require six months to prepare a formal waiver request. If FNS grants the request, DHS would require additional time to work with income maintenance (IM) consortia and grocers in the pilot region. In addition, FNS would likely require a detailed and independent evaluation of the pilot. This estimate assumes that the total time from enactment of this proposal to implementation would be at least three years, that the pilot would last five years, and that the evaluation would require one year to be completed. This estimate also assumes that FNS would agree to pay 50% of the administrative costs associated with this pilot.

In order to facilitate this pilot, DHS would need to contract with a staffing vendor to provide project management, nutritional evaluations, and program support. The Department would contract for the following positions: a project manager, two program and policy analysts, an administrative dietitian, and two clinical dietitians.

The project manager would prepare a project timeline, oversee the stakeholder workgroup meetings, be responsible for the preparation of the waiver request, and manage the implementation of the pilot program. The position would no longer be needed after the pilot program becomes operational.

The dietitians would be needed to develop the list of disallowed foods and evaluate the nutritional value of new food products as they become available. In 2016, 21,435 new food products were introduced to American consumers. The administrative dietitian would have the added responsibility of communicating the rationale behind nutritional evaluations to producers and manufacturers of foods and beverages. These positions would no longer be needed after the pilot program ends.

The program and policy analysts would provide additional support to the pilot program, collect program data, and assist with the independent program evaluation after the end of the pilot.

The total cost of these contract staff over the nine years from enactment to the completion of the evaluation is estimated at \$6,244,400 all funds (\$3,122,200 GPR and \$3,122,200 FED). [The costs by year would be: \$883,600 AF (\$441,800 GPR and \$441,800 FED) in year one; \$838,600 AF (\$419,300 GPR and \$419,300 FED) annually in years two and three; \$679,000 AF (\$339,500 GPR and \$339,500 FED) annually in years four through eight; and \$288,600 AF (\$144,300 GPR and \$144,300 FED) in year nine.

This bill would require additional work by the Department's electronic benefits transfer (EBT) vendor outside the scope of the current contract. DHS estimates that the cost for modifying the list of prohibited foods would be \$500,000 AF (\$250,000 GPR and \$250,000 FED). In addition, the EBT vendor would be required to maintain parallel systems for the pilot and the current system. DHS estimates that the cost of maintaining a parallel system for the pilot program would cost \$1,000,000 AF (\$500,000 GPR and

\$500,000 FED) each year during the five-year pilot.

DHS and IM agencies would have to inform pilot participants about the foods that are not allowable under the pilot program. This would require the publication and distribution of informational materials in several languages as well as requiring IM staff in the pilot region and the EBT vendor call center to be able to answer questions from households in the pilot program. Assuming that the staff costs above would cover preparing the informational materials and that existing contracts for translation services could be utilized to translate those materials into needed languages, the printing and distribution costs over the five year pilot are estimated at \$62,000 AF (\$31,000 GPR and \$31,000 FED).

DHS would need to contract with an independent research entity for a study of the pilot program focused on food purchase data and health outcomes. The estimated cost of such a study is estimated at \$200,000 AF (\$100,000 GPR and \$100,000 FED) in year nine.

Since the bill does not provide additional funding for IM agency contracts, the non-federal share of those additional expenses would be borne by local property tax levies. Because the scope of the pilot has not been established, it is not possible to provide a fiscal estimate of those expenses at this time; however, the Department anticipates that the additional workload would be relatively small.

Wisconsin retailers would be required to modify and regularly update software for point-of-sale (POS) terminals, integrated electronic cash register (IECR) systems, and third-party processor (TPP) systems for the pilot program while maintaining current systems for non-pilot FoodShare participants. Since FoodShare participants can use their benefits with any federally authorized SNAP retailer, DHS would likely require all SNAP retailers in Wisconsin to make these changes, even if they are not located near the pilot region, so that some retailers do not experience adverse selection by pilot program participants who could otherwise evade the limits of the pilot by travelling to retailers outside the pilot region. Wisconsin currently has 4,246 retail locations for FoodShare benefits. The cost of these software modifications and updates is not yet known; however, DHS would work to keep the costs to private sector retail stakeholders as low as possible. Even so, it is possible that some retailers would opt to no longer participate as SNAP retailers. It should be noted that EBT cards for Wisconsin FoodShare can be used at SNAP retailers in other states and that those retailers will not be part of the Wisconsin pilot. This could potentially undermine the integrity of the pilot program.

The costs associated with this proposal would total: \$883,600 AF (\$441,800 GPR and \$441,800 FED) in year one; \$838,600 AF (\$419,300 GPR and \$419,300 FED) in year two; \$1,338,600 AF (\$669,300 GPR and \$669,300 FED) in year three; \$1,671,400 AF (\$845,700 GPR and \$845,700 FED) annually in years four through eight; and \$488,600 AF (\$244,300 GPR and \$244,300 FED) in year nine.

Long-Range Fiscal Implications

In conclusion, the total, one-time, state costs associated with this proposal implemented as a five-year study pilot are \$12,006,400 AF (\$6,003,200 GPR and \$6,003,200 FED). If this pilot were to be expanded beyond the assumptions made in this estimate, these costs would be higher.

Costs by Year and Expense Category*

Expense Category	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	Year Nine	Total
Staff	883,600	838,600	838,600	679,000	679,000	679,000	679,000	679,000	288,600	6,244,400
EBT	-	-	500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	5,500,000
Informational Materials	-	-	-	12,400	12,400	12,400	12,400	12,400	-	62,000
Evaluation	-	-	-	-	-	-	-	-	200,000	200,000
Local Income Maintenance Agency	-	-	?	?	?	?	?	?	-	?
Retailers	-	-	?	?	?	?	?	?	-	?
Total	883,600	838,600	1,338,600	1,691,400	1,691,400	1,691,400	1,691,400	1,691,400	488,600	12,006,400

* Funds are shown in all funds amounts. Local IM Agency expenses in the pilot region would be supported by local property tax levy and be eligible for a 50% federal match. Retailer expenses would not be eligible for a federal match unless the Legislature appropriated state funds for this purpose. All other expense categories would be split evenly between GPR and FED.