

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-1158/4	Introduction Number AB-0177
Description Limiting the foods that may be purchased under FoodShare; requiring a report on the cost to implement and comply with the food limitations; requiring review, updating, and publication of the list of authorized foods; providing an exemption from rule-making procedures; and making an appropriation	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <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	
Fund Sources Affected <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	Affected Ch. 20 Appropriations 435(4)(bm), 435(4)(pa), 435(8)(c), 435(8)(o)
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Date 4/29/2015	

Fiscal Estimate Narratives

DHS 4/29/2015

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Description Limiting the foods that may be purchased under FoodShare; requiring a report on the cost to implement and comply with the food limitations; requiring review, updating, and publication of the list of authorized foods; providing an exemption from rule-making procedures; and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The proposed legislation would require that not less than 67 percent of FoodShare (FS) benefits used by a recipient in a month be used to purchase foods that are on the list of foods authorized for the federal supplemental nutrition program for women, infants, and children (WIC) and/or beef, pork, chicken, fish, and fresh, frozen, or canned white potatoes. In addition, participants would be prohibited from using FoodShare benefits to purchase crab, lobster, shrimp, or any other shellfish. DHS must submit a waiver to the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS). Before implementing the requirements DHS must also determine what the implementation and compliance costs would be for retailers and warehouse suppliers and submit a report on these costs to the Joint Committee on Finance. The bill also directs DHS to reimburse retailers and warehouse suppliers for their initial implementation costs for the new requirements, and authorize grocers and other retailers to swipe a recipient's benefit card before scanning any items that the recipient is purchasing. Finally, DHS would be required to annually review and update its list of WIC foods and to publish a current list of WIC foods on its web site as well as a list of foods for which 67 percent of a participant's benefits must be used.

The FoodShare program is Wisconsin's name for the federal Supplemental Nutrition Assistance Program (SNAP). The terms will be used interchangeably in this estimate. The Food and Nutrition Act of 2008 defines SNAP eligible food as any food or food product for home consumption and also includes seeds and plants which produce food for consumption by SNAP households. The act precludes the following items from being purchased with SNAP benefits: alcoholic beverages, tobacco products, hot food and any food sold for on-premises consumption. Nonfood items such as pet foods, soaps, paper products, medicines and vitamins, household supplies, grooming items, and cosmetics, also are ineligible for purchase with SNAP benefits. For purposes of this estimate, it is assumed DHS would need to apply for a waiver; federal funding would be available only under an approved waiver.

To implement this bill, the Department would incur staff costs, project management costs, and costs for modifying the information system operated by its FoodShare electronic benefit transfer (EBT) vendor. In addition, retailers would incur costs to modify their systems to process FoodShare ENT cards with the new food criteria. At this time, it is not possible to develop a precise estimate before developing the federal waiver proposal and a specific technology solution for implementation. However, one can look to other projects for indications of potential cost ranges.

The Food, Conservation, and Energy Act of 2008 authorized funds for pilot projects to determine if financial incentives provided to SNAP recipients at the point-of-sale increase the consumption of targeted fruits and vegetables or other healthy foods. A pilot study was implemented by the Massachusetts Department of Transitional Assistance in Hampden County, Massachusetts, in which participants earned an incentive of 30 cents for every SNAP dollar they spent on targeted fruits and vegetables. The incentive was credited to the household SNAP account, was able to be spent on any SNAP-eligible foods and beverages, and was capped at \$60 per household per month. This pilot required EBT system modifications, software changes for point-of-sale (POS) terminals, modifications of retailer integrated electronic cash register (IECR) systems, outreach to participants and vendors, additional state and contract staff, and a contract vendor to coordinate the various systems changes. Hampden County had approximately 55,000 SNAP households and 71 participating retailers. The cost of implementing this pilot, not including the incentive payments, was \$4.1 million. The largest share of costs (55 percent) were incurred for system design, development, and testing for EBT and retailer system changes.

The final evaluation of this Massachusetts' pilot program by Abt Associates included an estimate of costs, based on the pilot experience and input from industry experts, to implement a similar program nationally. The costs were assumed to be \$89.9 million and include costs incurred by state

agency activities; EBT processor, retailer, and TPP system modifications; technical assistance contractors; participant and retailer training materials; and other supplies and direct costs. This cost assumes some economies of scale in nationwide expansion because the large one-time costs would be shared across states and retailers. Wisconsin should not assume that implementation costs for this policy would be proportional to its population of this national estimate because the national estimate reflects these economies of scale.

The evaluation estimates that retailer infrastructure costs would total \$55.6 million. Retail costs would be incurred for changes to IECR or POS terminals and changes to third-party processor (TPP) systems. Many of these costs are dependent on individual retailer software and hardware system capabilities and the extent that retailers are able to share system modifications. The costs for Wisconsin would depend on the number of different IECR, POS, and TPP systems in use by Wisconsin vendors. Wisconsin currently has 4,032 FS retail locations and approximately 2,084 unique retailers. It is unknown the number of different systems Wisconsin retailers use and therefore the implementation costs for retailers is indeterminate.

Another source of comparison is the Women, Infants and Children (WIC) program. WIC provides supplemental nutrition assistance for women, infants, and children in the form of vouchers for specific food items. Federal regulations specify the minimum nutritional requirements for WIC foods and provide state agencies latitude in determining which foods to include on the State authorized foods list. Wisconsin's authorized foods list is created by DHS staff based on participant acceptance, product distribution, cost, and administrative feasibility. Because the WIC program provides vouchers to participants for specific items it is very prescriptive in regards to package sizing and does not allow the purchase of organic products, in order to contain costs. The WIC program focuses on the nutritional needs of infants and children, and therefore generally prohibits the purchase of diet, reduced fat, low-carbohydrate, or low-sodium products. The Wisconsin WIC program serves about 124,000 households monthly. As of July, 2014 there are 1,242 WIC authorized vendors in Wisconsin. In contrast, the FoodShare program serves about 416,500 households or 823,500 individuals monthly.

Wisconsin's WIC program is transitioning from paper vouchers to an EBT card, in response to a federal mandate that all benefits be issued electronically by 2020. This system will be fully implemented in the fall of 2015. This nearly three-year project cost \$3,582,600 FED. Project costs included \$558,300 FED for state staff time; \$22,500 FED for contract staff time; \$628,000 FED for other contract costs related to quality assurance, evaluation, universal product code (UPC) database creation and maintenance, and card inventory; \$888,000 FED for POS terminals and personal identification number (PIN) selection devices; \$1,447,800 FED for EBT processor contract; and \$38,000 FED in travel costs for staff to attend training, informational sessions, retailer certification, and UPC collection. Retailer costs for the system change were not calculated and generally were incurred by the retailers.

The Department estimates that EBT vendor and retailer implementation costs to implement this bill would be higher than WIC because FoodShare has more enrollees and more participating retailers. In addition, the requirement to spend at least 67 percent of benefits on healthy foods will add significant complexity to the design of the new systems. It is likely that these costs for Wisconsin would total several million dollars, based on the national estimates included in the Massachusetts pilot program evaluation. If Wisconsin received a federal waiver, 50 percent of EBT vendor costs would be FED funded. Retailer implementation costs are assumed to be 100% GPR.

In addition to EBT vendor and retailer costs, the Department would have the following implementation and ongoing costs:

The Department would require 2.0 FTE program and policy analyst to manage project implementation, retailer education, and manage the database of UPC for approved foods in the new system. The annual cost of these positions would be \$177,500 AF (\$87,750 GPR \$87,750 FED).

It is assumed that a federal waiver, if approved, would require the state to complete an evaluation, which is estimated to cost \$150,000 AF (\$75,000 GPR \$75,000 FED).

Long-Range Fiscal Implications