

Department of Planning and Budget 2014 Fiscal Impact Statement

1. Bill Number: HB 780

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Wilt, Tony O.

3. Committee: Health, Welfare and Institutions

4. Title: Temporary Assistance for Needy Families (TANF) Program; distribution of benefits, restrictions

5. Summary: The proposed legislation requires Department of Social Services to distribute TANF benefits only through electronic benefit cards or direct deposits, and that all TANF electronic benefit cards shall be limited to the TANF Program and conspicuously indicate that they are issued for the purpose of redeeming TANF benefits. The bill expands restrictions on the use of TANF cash benefits and prohibits persons from accepting TANF benefits in exchange for any restricted item or service.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates: Preliminary

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014	-	-
2015	\$956,516	Nongeneral Funds
2016	\$611,894	Nongeneral Funds
2017	\$611,894	See Item 8
2018	\$611,894	See Item 8
2019	\$611,894	See Item 8
2020	\$611,894	See Item 8

8. Fiscal Implications: Temporary Assistance for Needy Families (TANF) payments are currently issued, along with child support and Virginia Employment Commission payments, on a debit style card at no cost to the Department of Social Services. The proposed legislation requires that TANF benefits be moved to a separate card that is clearly labeled as TANF benefits. Along with local retailers accepting this card, the card would also have to be accepted at Automatic Teller Machines (ATMs), because federal law requires that TANF recipients have adequate access to their cash assistance. It is assumed that converting and issuing TANF benefits through an electronic benefit transfer (EBT) card would be similar to the current procedures used for issuing Supplemental Nutrition Assistance Program (SNAP) benefits through EBT cards. Therefore, the cost estimates included in this statement are based on data provided by the current SNAP EBT vendor, except for the cost per transaction

which comes from the Commonwealth of Massachusetts, as Massachusetts uses EBT cards for TANF benefits.

The department would require first year start-up costs associated with software development, testing and implementation approximated at \$560,000. In addition, the each EBT card issued (one per TANF case) is expected to cost \$3. In October 2013, there were 30,190 TANF cases, so the EBT card start-up cost is estimated at \$90,570 ($3 \times 30,190$). The total for one-time start-up expenses is estimated at \$650,570 ($\$560,000 + \$90,570$).

On-going expenses include card costs for new recipients entering the program and monthly transactions costs. Since the maximum amount of time benefit recipients are allowed to remain on TANF assistance is two years, it is assumed that there would be a 50 percent turnover rate annually, with 1,258 ($30,190 \times 50\% \div 12$) cases turning over monthly. In the first year of using the EBT card, there would be six months of case turnover for a new card cost of \$22,644 ($6 \times 1,258 \times \3). In the second year and each year thereafter, case turnover would span the full 12 months for an estimated cost of \$45,288. There would also be a monthly charge of \$1.564 per case to load the benefits onto the EBT cards. With approximately 30,190 cases, monthly transaction charges are estimated at \$47,217 ($\$1.564 \times 30,190$) for an annual cost of \$566,606. It is assumed that only six months, or \$283,302 would be expended the first year.

The bill also prohibits any person from accepting TANF benefits in exchange for any restricted item or service. As the Department of Social Services is not tasked with implementing or enforcing this provision, no fiscal impact is assumed.

Cost Summary

	FY 2015	FY 2016
Implementation	\$650,570	-
Cards for New Recipients	\$22,644	\$45,288
Annual Transactions	\$283,302	\$566,606
Totals	\$956,516	\$611,894

Availability of nongeneral funds: Based on the introduced budget, the TANF block grant is expected to have a one-time balance in 2014-2016 biennium that is sufficient to cover the first year cost of this legislation. While a TANF surplus may be available in future years, this balance cannot be assumed. Moreover, it should be noted that this statement estimates the fiscal impact of this bill versus the introduced budget; it does not account for other legislative proposals that impact TANF funds. To the extent that the obligations created by this bill (and others) exceed the pool of available TANF funds, general fund appropriation would be necessary to fulfill these requirements.

9. Specific Agency or Political Subdivisions Affected: Department of Social Services

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/27/14