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(p. 603) 3/10/98

3/10/98 Deferred
3/11/98 Referred to approp.
3/12/98 Do Pass

FEB 26 1998
Place On Calendar

HOUSE FILE 2468
BY COMMITTEE ON COMMERCE
AND REGULATION

(SUCCESSOR TO HSB 546)

Passed House, Date (P. 546) 3/5/98 Passed Senate, Date (P. 229) 3/26/98
Vote: Ayes 98 Nays 0 Vote: Ayes 48 Nays 0
Approved April 9, 1998

A BILL FOR

1 An Act establishing an electronic benefits transfer program in
2 the department of human services.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2468

1 Section 1. NEW SECTION. 234.12A ELECTRONIC BENEFITS
2 TRANSFER PROGRAM.

3 1. The department of human services may establish an
4 electronic benefits transfer program utilizing electronic
5 funds transfer systems. The program, if established, shall at
6 a minimum provide for all of the following:

7 a. A retailer shall not be required to make cash
8 disbursements or to provide, purchase, or upgrade electronic
9 funds transfer system equipment as a condition of
10 participation in the program.

11 b. A retailer providing electronic funds transfer system
12 equipment for transactions pursuant to the program shall be
13 reimbursed fifteen cents for each approved transaction
14 pursuant to the program utilizing the retailer's equipment.

15 c. A retailer that provides electronic funds transfer
16 system equipment for transactions pursuant to the program and
17 who makes cash disbursements pursuant to the program utilizing
18 the retailer's equipment shall be paid a fee of fifteen cents
19 by the department for each cash disbursement transaction by
20 the retailer.

21 2. A point-of-sale terminal which is used only for
22 purchases from a retailer by electronic benefits transfer
23 utilizing electronic funds transfer systems is not a satellite
24 terminal as defined in section 527.2.

25 EXPLANATION

26 This bill authorizes the department of human services to
27 establish an electronic benefits transfer program. The
28 program would be used to electronically provide benefits, such
29 as food stamp benefits, to eligible individuals through the
30 use of electronic funds transfer system equipment. The
31 program, if established, must satisfy several criteria,
32 including that a retailer must not be required to make cash
33 disbursements, or to provide, purchase, or upgrade electronic
34 funds transfer system equipment as a condition of
35 participation in the program; a participating retailer

1 providing electronic funds transfer system equipment for
2 transactions pursuant to the program is to be reimbursed 15
3 cents for each approved transaction utilizing the retailer's
4 equipment; and a retailer that provides electronic funds
5 transfer system equipment for transactions pursuant to the
6 program and who makes cash disbursements pursuant to the
7 program utilizing the retailer's equipment is to be paid a fee
8 of 15 cents by the department for each cash disbursement
9 transaction by the retailer.

10 The bill provides that a point-of-sale terminal used only
11 for purchases from a retailer under the electronic benefits
12 transfer program is not a satellite terminal for purposes of
13 Code chapter 527, which generally applies to electronic funds
14 transfers.

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**HOUSE FILE 2468
FISCAL NOTE**

A fiscal note for House File 2468 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

House File 2468 authorizes the Department of Human Services (DHS) to establish an Electronic Benefits Transfer Program (EBT), providing benefits to eligible individuals through the use of electronic funds transfer system equipment, requires criteria involving retailer participation and State reimbursement of retailers for transactions, and defines a point-of-sale terminal used exclusively for program transactions.

ASSUMPTIONS

1. Utilization rates and associated costs are based on the experience of the EBT pilot project in Linn County.
2. Major retailers would purchase or already have point-of-sale terminals.
3. Electronic Benefits Transfer expenses will not exceed the federal cap of \$3.82 per month. If the average cost per case per month increases above the \$3.82 EBT federal cap, then all costs above the cap must be 100.0% State funded.
4. The average monthly food stamp caseload will be equal to the December 1997 level for both FY 1998 and FY 1999. Based on the pilot project in Linn County, approximately 85.0% of transactions will occur on retailer-owned equipment. Recipients average seven transactions per month. Estimated transactions total 419,000 per month. With the cost per transaction of \$0.15, the total annual cost of transactions is estimated to be \$641,000. Federal funds for food stamps will cover 40.0% of the total costs.
5. It is unknown how many retailers would not purchase equipment. If a retailer chooses not to purchase the point-of-sale equipment, the DHS is required by federal law to provide equipment for government transactions only. This estimate does not include any DHS costs for such retailers. However, the proposed FY 1999 DHS budget includes an appropriation of \$193,000 for a Request for Proposals (RFP) for a contractor to provide and install retail equipment, provide training of retailers and food stamp recipients, accounting and reconciliation of retailer transactions, and retailer access to benefits information if the computer system is inoperable. The RFP is currently on hold pending the outcome of this legislation. The RFP could be modified to include payment of the 15 cent transaction fee.
6. The appropriation assumes a January 1999 start-up of EBT. There may not be adequate time for the RFP process to include the fee payment if required by July 1, 1998. Accelerating the requirement of providing equipment to retailers before January 1 may also require a doubling of the appropriation for the RFP (an additional \$193,000.)
7. Although there may be administrative savings in postage and printing of food stamps, most of this savings is to the federal government and thus not included in the General Fund expenditure calculation. There is also a

-2-

potential for reduced food stamp fraud, including a decrease in black market food stamp sales for cash, which is a savings to the federal government and does not effect the General Fund expenditure calculation.

8. The EBT program is assumed to be phased in, effective January 1999, with only six months of expenditures realized in FY 1999.

FISCAL IMPACT

The fiscal impact of HF 2468 is estimated to be \$321,000 in FY 1999 (six months), of which \$192,000 is State General Fund expenditures in addition to the \$193,000 included in the Human Services budget for FY 1999.

The fiscal impact of HF 2468 is estimated to be an additional \$641,000 in FY 2000, of which \$385,000 is General Fund expenditures in addition to the \$499,600 included in the Governor's Recommendation for FY 2000.

SOURCE:

Department of Human Services

(LSB 3670hv, MMB)

FILED MARCH 2, 1998

BY DENNIS PROUTY, FISCAL DIRECTOR

Bradley, Ch
Dix

HSB 546

COMMERCE AND REGULATION
Succeeded By
SF/HF 2468

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY CHAIR-
PERSON METCALF)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

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5 funds transfer systems. The program, if established, shall at
6 a minimum provide for all of the following:

7 a. A retailer shall not be required to make cash
8 disbursements or to provide, purchase, or upgrade electronic
9 funds transfer system equipment as a condition of
10 participation in the program.

11 b. A retailer shall be paid for an approved transaction
12 pursuant to the program no later than the end of the second
13 business day after the day of the transaction.

14 c. A retailer providing electronic funds transfer system
15 equipment for transactions pursuant to the program shall be
16 reimbursed fifteen cents for each approved transaction
17 pursuant to the program utilizing the retailer's equipment.

18 d. A retailer that provides electronic funds transfer
19 system equipment for transactions pursuant to the program and
20 who makes cash disbursements pursuant to the program utilizing
21 the retailer's equipment shall be paid a fee for each cash
22 disbursement transaction by the retailer which shall not be
23 less than the fee paid to a financial institution for a cash
24 disbursement by a satellite terminal, as defined in section
25 527.2, established by the financial institution.

26 2. A point-of-sale terminal which is used only for
27 purchases from a retailer by electronic benefits transfer
28 utilizing electronic funds transfer systems is not a satellite
29 terminal as defined in section 527.2.

30 EXPLANATION

31 This bill authorizes the department of human services to
32 establish an electronic benefits transfer program. The
33 program would be used to electronically provide benefits, such
34 as food stamp benefits, to eligible individuals through the
35 use of electronic funds transfer system equipment. The

1 program, if established, must satisfy several criteria,
 2 including that a retailer must not be required to make cash
 3 disbursements, or to provide, purchase, or upgrade electronic
 4 funds transfer system equipment as a condition of
 5 participation in the program; a participating retailer is to
 6 be paid for an approved transaction no later than the end of
 7 the second business day after the day of the transaction; a
 8 participating retailer providing electronic funds transfer
 9 system equipment for transactions pursuant to the program is
 10 to be reimbursed 15 cents for each approved transaction
 11 utilizing the retailer's equipment; and a retailer that
 12 provides electronic funds transfer system equipment for
 13 transactions pursuant to the program and who makes cash
 14 disbursements pursuant to the program utilizing the retailer's
 15 equipment is to be paid a fee for each cash disbursement
 16 transaction by the retailer which is no less than the fee paid
 17 to a financial institution for a cash disbursement by a
 18 satellite terminal, as defined in Code section 527.2, which is
 19 established by the financial institution.

20 The bill provides that a point-of-sale terminal used only
 21 for purchases from a retailer under the electronic benefits
 22 transfer program is not a satellite terminal for purposes of
 23 Code chapter 527, which generally applies to electronic funds
 24 transfers.

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utilizing electronic funds transfer systems is not a satellite terminal as defined in section 527.2.

HOUSE FILE 2468

AN ACT
ESTABLISHING AN ELECTRONIC BENEFITS TRANSFER PROGRAM IN THE
DEPARTMENT OF HUMAN SERVICES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. NEW SECTION. 234.12A ELECTRONIC BENEFITS
TRANSFER PROGRAM.

1. The department of human services may establish an electronic benefits transfer program utilizing electronic funds transfer systems. The program, if established, shall at a minimum provide for all of the following:

a. A retailer shall not be required to make cash disbursements or to provide, purchase, or upgrade electronic funds transfer system equipment as a condition of participation in the program.

b. A retailer providing electronic funds transfer system equipment for transactions pursuant to the program shall be reimbursed fifteen cents for each approved transaction pursuant to the program utilizing the retailer's equipment.

c. A retailer that provides electronic funds transfer system equipment for transactions pursuant to the program and who makes cash disbursements pursuant to the program utilizing the retailer's equipment shall be paid a fee of fifteen cents by the department for each cash disbursement transaction by the retailer.

2. A point-of-sale terminal which is used only for purchases from a retailer by electronic benefits transfer

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2468, Seventy-seventh General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved April 9, 1998

TERRY E. BRANSTAD
Governor