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FISCAL IMPACT REPORT

ORIGINAL DATE 03/12/09
LAST UPDATED 3/12/09 **HM** 93

SPONSOR Giannini

SHORT TITLE Reduce Public Assistance Money Card Fees **SB** _____

ANALYST Peery-Galon

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Workforce Solutions Department (WSD)
 Department of Finance Administration (DFA)

No Response Received From

Human Resource Department

SUMMARY

Synopsis of Bill

House Memorial 93 requests the Workforce Solutions Department and the Income Support Division and the Child Support Division of the Human Services Department collaborate to leverage state assets and negotiate the best terms possible for electronic debit and benefit card contracts in order that recipients of unemployment compensation, child support payments and cash assistance through Temporary Assistance for Need Families (TANF) or general assistance pay no fees or reduced fees.

SIGNIFICANT ISSUES

WSD reported the department delivers benefits via electronic debit cards on a weekly basis to those New Mexicans qualified to receive unemployment insurance. The department will also soon be offering all those receiving unemployment insurance benefits the option of receiving those benefits via direct deposit. WSD's debit card program is through Bank of America, the State's fiscal agent. The department negotiated a fee schedule that allows benefit recipients free access to their entire balance once a week at any Bank of American ATM, and at any bank lobby with the Visa logo. All point of service transactions with the UI debit card are free. The current contract and fee schedule for the UI debit card program WSD has with Bank of America expires in April of 2010.

Pursuant to Section 6-10-35 NMSA 1978, the State Board of Finance designates a bank to be the state's fiscal agent. The Board of Finance procures this contract through a request for proposals process and the contractor is paid either through credits earned on state balances or through a special appropriation to Department of Finance and Administration the event the cost of services provided exceeds credits earned on state balances.

DFA noted the intent of the memorial is to ensure the recipients of child support payments, unemployment insurance, TANF and other general assistance programs receive access to benefits at the lowest cost that can be negotiated based on the state's large deposits with Bank of America and JP Morgan.

DFA reported the EBT program and the prepaid debit card programs used by Child Support Enforcement Division and WSD are fundamentally different. The EBT program is administered through a state contract with JP Morgan. In that program, federal benefits never enter the state's account, so they are not part of the fiscal agent services provided by Bank of America. The state could not issue a warrant for food stamp or general assistance if it desired to do so. In contrast, payments to recipients of child support and unemployment insurance receive payments that do come from the state accounts, and thus do come through the state's fiscal agent. For that reason, the state does have a choice whether to pay unemployment insurance or child support via a warrant, direct deposit, or prepaid debit card.

DFA stated since HSD's EBT program is through JP Morgan and the prepaid debit card programs of Child Support Enforcement Division and WSD are through Bank of America, it is not practical to try to collaborate between those separate programs to negotiate lower fees. Bank of America does not benefit from the state's use of JP Morgan for the EBT program, and JP Morgan does not benefit from the state's use of Bank of America for prepaid debit card services.

DFA noted regarding the state's prepaid debit card program through Bank of America, the state has acted proactively to negotiate lower fees for Child Support Enforcement Division and WSD when each of those debit card programs began. For that reason, it is unclear what other activities will be required of the departments as a result of this memorial. New debit card programs increase the volume of debit card transactions, allowing lower fees per transaction. At the time Child Support Enforcement Division's lower schedule of fees was negotiated, state officials discussed with Bank of America the possibility of negotiating one fee schedule to apply to both Child Support Enforcement Division and WSD programs (to combine volumes). However, due to the different natures of the two programs (unemployment insurance payments are made weekly while Child Support Enforcement Division payments are made biweekly), it was not practical to negotiate one single schedule of fees for the two programs.

DFA reported Child Support Enforcement Division's recently negotiated schedule of fees for prepaid debit cards was made possible because the volume of transactions on the debit cards is expected to increase when Child Support Enforcement Division implements its plan to mandate use of either prepaid debit card or direct deposit for child support recipients. Under the mandate, recipients will be allowed to seek an exception by receiving approval in writing to do so from the Child Support Enforcement Division's director. Those who receive approval will still be allowed to receive child support payments via warrant. Child Support Enforcement Division's target date for implementing this mandate is July 1, 2009.

DFA reported WSD delivers benefits via electronic debit cards on a weekly basis to New Mexicans that qualify for unemployment insurance. WSD will soon be offering all those receiving unemployment insurance benefits the option of direct deposit. The State's fiscal agent, Bank of America handles the debit card program that provides services to recipients of various benefits provided by the WSD and Child Support Enforcement Division. WSD negotiated a fee schedule with Bank of America that allows benefit recipients free access to their entire balance once a week at any Bank of America automatic teller machine, and at any bank lobby with the Visa logo on display. All point of service transactions with the unemployment insurance debit card are free. The debit card option is voluntary, recipients can opt to receive a warrant or direct deposit when it becomes available. Recipients of unemployment insurance benefits utilizing the credit card option also receive many additional benefits including no fees for balance inquiries online or other, use in stores, online, and for mail, phone purchases and ATM withdrawals limited to one free per week. Many stores offer cash back without a fee when you make a purchase. Bank of America charges the standard fees for non-Bank of America withdrawals domestic and international. Debit cards are valid two years from the date of issue.

DFA reported the Income Support Division stated that for the food stamp program no fees are charged for point of sale transactions including point of sale cash withdrawals. ATM transactions, including withdrawals and balance inquires, are assessed a fee of \$0.42 per transaction.

ADMINISTRATIVE IMPLICATIONS

WSD stated any negotiation that seeks to modify the State's contract with its fiscal agent should have as a party to the negotiation the state entity that entered into the contract, the Department of Finance Administration.

DFA stated the state has acted proactively to negotiate lower fees for Child Support Enforcement Division and WSD when each of those debit card programs began. For that reason, it is unclear what other activities will be required of the departments as a result of this memorial.

RELATIONSHIP

House memorial 93 has a relationship with House Bill 637 which seeks to prohibit the charging of any fees for the use of unemployment insurance debit cards.

TECHNICAL ISSUES

DFA noted the memorial states that Child Support Enforcement Division offers recipients the option to receive payments by direct deposit, warrant, or prepaid debit card. The statement is currently correct, but will be inaccurate once Child Support Enforcement Division mandates use of direct deposit or prepaid debit cards.

DFA noted the memorial states the Child Support Enforcement Division has negotiated a fee schedule with Bank of America. This fee schedule is not currently effective and will not become effective until Child Support Enforcement Division's mandate for use of direct deposit or prepaid debit card services goes into effect.

DFA reported the memorial's third and fourth "whereas" clauses are factually inaccurate and are in conflict with the correct statements made in the second "whereas" clause. The new Child

Support Enforcement Division schedule of fees will allow recipients to make four ATM withdrawals and four automatic customer service inquires per month free of charge. The third clause incorrectly states that recipients will be able to make cash withdrawals free of charge, when in fact only four per month are free of charge. The fourth clause incorrectly states that recipients will receive five automatic customer service inquires per month free of charge, when in fact only four per month are free of charge.

DFA noted the memorial incorrectly states that Income Support Division has negotiated a fee schedule with Bank of America. The EBT program is not part of the state's fiscal agent contract with Bank of America, but rather is administered by JP Morgan.

OTHER SUBSTANTIVE ISSUES

WSD reported since a contract for providing the electronic debit card services is already in place with the State's fiscal agent, thus any negotiations to modify or amend the terms of that contract before it expires have a limited chance at success.

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