

According to AWI, approximately 2,000 checks must be replaced annually because of checks being lost, mutilated, or stolen in the mail delivery process. Replacement of benefit checks may result in delayed delivery of benefits and increased administrative costs.

Beginning in October 2007, the cost of mailing UC material is no longer funded directly by the U.S. Department of Labor (DOL). Rather, U.S. DOL annually allocates to each state the amount that the state may use to cover the cost of their UC mailings.

The Department of Children and Family Services (DCF) has an EBT card program that AWI may use and that is currently required of workforce programs under ch. 409, F.S. According to AWI, DCF's card is not a universal card, costs more than a universal program, and limits the ability of the UC program to best serve its customers. Also, DCF's clients may only use the benefits provided by DCF for limited purposes as a result of the needs-based eligibility for programs provided by DCF; therefore, the card is limited in the number of business establishments that can accept the card. Since unemployment compensation is not a needs-based program but instead a benefit from employment, customers of the program are free to use their benefits in any manner.

The cost of the EBT card used by DCF is \$1.24 per month. If AWI were to use this card, AWI would potentially be charged for 4 months for an average claim or \$4.96 ($\1.24×4). Benefits are claimed and paid in biweekly cycles. The average claim is paid for 14 weeks requiring seven payments. Assuming a UC claims customer uses the card at an ATM only once to withdraw the funds available there is an additional cost to AWI of \$2.31 ($\0.33×7).

The estimated cost per claim to AWI for utilizing the DCF card is $\$4.96 + \2.31 or $\$7.27$ and the estimated cost for those receiving this type of payment is as follows: $143,000 \text{ claims} \times \7.27 cost of card per claim = $\$1,039,610$ estimated total cost to AWI for paying benefits through the DCF EBT card.

III. Effect of Proposed Changes:

Section 1 amends s. 443.111(1), F.S., to authorize AWI to develop a system for the payment of unemployment benefits by electronic funds transfer. Commodities or services related to the development of such a system must be procured by competitive solicitation, or from state term contracts procured by competitive solicitation. This section also provides rulemaking authority to AWI for the administration of the system.

Section 2 provides an effective state of July 1, 2008.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Employment Security Administration Trust Fund

The administrative costs for the UC program are paid from federal UC grant funds received from the Department of Labor. The grant funds are deposited into the Employment Security Administration Trust Fund within AWI for the purpose of administering the UC program.

According to AWI, during FY 2006-07 approximately one million benefit checks were mailed. The cost for mailing one benefit check is currently \$0.37. Therefore, the annual cost of mailing one million checks is \$370,000. Rather than mailing an average of seven benefit checks per claim, AWI would need to mail only one EBT card per claim (143,000 claims x \$.37 = \$52,910 annually). This would reduce postage costs by \$317,090 annually (\$370,000 less \$52,910 = \$317,090). An additional savings may be realized by the Department of Financial Services in the reduction of printing costs for printing benefit checks.

There would be a nonrecurring implementation cost for programming changes to the existing mainframe applications. Although AWI has not conducted an extensive analysis of the implementation cost, they estimate it will be approximately \$300,000. The system changes will be dependent of the contractual agreement that is negotiated between AWI and the vendor selected to provide the card service. AWI has based their cost estimate of \$300,000 on their previous costs for implementation of electronic funds transfer [to bank accounts].

According to AWI, their research to date has concluded that the contract terms would not include a fee assessment to the state. The vendor providing the card would be paid based on transaction fees associated with use of the card and applicable merchants would pay the transaction fees.

Calculation of Cost / Benefit (Using current first-class postage rate):

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Postage 1,000,000 checks @ \$.37	-0-	\$370,000	\$370,000	\$370,000

Postage 143,000 EBT cards @ \$.37	-0-	(\$52,910)	(\$52,910)	(\$52,910)
System Programming	(\$300,000)	-0-	-0-	-0-
Estimated Annual Savings / (Cost)				
From [Federal] Trust Funds	(\$300,000)	\$317,090	\$317,090	\$317,090

No additional funding is appropriated in the bill. As of now, the agency indicates that necessary costs would have to be covered within the existing funding for administrative costs of the UC program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

It is unclear as to whether it would be more cost effective to delay this technology initiative until a future modernization of the unemployment compensation system. It is anticipated that a modernization of the system would be bound by the mandates of s. 216.023(4)(a)10., F.S., which requires statutory authority for implementation of projects that exceed \$10 million in total cost. On January 31, 2008, AWI completed a feasibility study for modernization of the system.

VIII. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Governmental Operations on March 13, 2008:

Provides that the competitive procurement requirements of ch. 287, F.S., apply to contracts for the development of any system that pays unemployment compensation benefits by electronic funds transfer.

- B. **Amendments:**

None.